

# emh Care and Support Limited

## REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2022



**EMH CARE AND SUPPORT LIMITED  
REPORT AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

| <b>Contents</b>  | <b>Page</b>    |
|--|----------------|
| <b>Legal and Administrative Information</b>  | <b>2</b>       |
| <b>Trustees' Annual Report</b>   | <b>3 – 12</b>  |
| <b>Statement of Trustee's Responsibilities in respect of the Trustee's Report and the Financial Statements</b> | <b>13</b>      |
| <b>Independent Auditors Report to the Trustees of EMH Care and Support Limited</b>                             | <b>14 – 17</b> |
| <b>Statement of Financial Activities</b>   | <b>18</b>      |
| <b>Balance Sheet</b>   | <b>19</b>      |
| <b>Cash Flow Statement</b>   | <b>20</b>      |
| <b>Notes to the Financial Statements</b>   | <b>21 – 41</b> |

**EMH CARE AND SUPPORT LIMITED  
LEGAL AND ADMINISTRATIVE INFORMATION**

FOR THE YEAR ENDED 31 MARCH 2022

**TRUSTEES**

**Jim Holden – Chair**

Prof Amanda Ashton  
Vandna Gohil  
Patricia McCabe  
Margaret Coward

**PRINCIPAL BANKER**

**National Westminster Bank Plc**

5 Market Place  
Chesterfield  
S40 1TJ

**AUDITOR**

**KPMG LLP**

One Snow Hill  
Snowhill Queensway  
Birmingham  
B4 6GH

**SECRETARY AND REGISTERED HEAD OFFICE**

**Joanne Tilley**

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

*emh Care and Support Limited is a company limited by guarantee (Registered Number 2488821) and also a registered charity (Registered Number 1001704).*

**EMH CARE AND SUPPORT LIMITED  
TRUSTEES' ANNUAL REPORT**

FOR THE YEAR ENDED 31 MARCH 2022

The Trustees, who were also the directors, submit their annual report and audited financial statements for the year ended 31 March 2022.

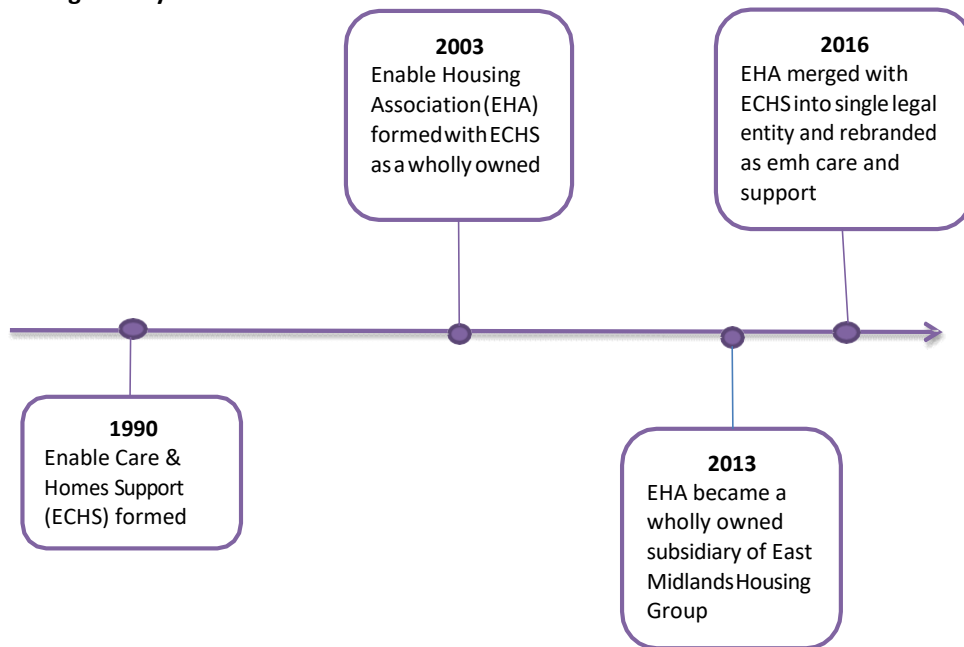
**Structure, Governance & Management**

**Background**

emh Care and Support is a company limited by guarantee and a registered charity. The Trustees have paid due regard to the Charity Commission guidance on public benefit reporting in deciding what activities the charity has undertaken this year. The company was incorporated on 4th April 1990. Its principal activities, aims and objectives as stated in the memorandum and articles of association are: -

- ✓ the relief of persons with learning difficulties, or sensory or other disabilities (including but not limited to persons who are physically, mentally or learning disabled or mentally ill or chronically sick or vulnerable or in necessitous circumstances for some other reason) by the provision of accommodation, and other amenities, facilities and services (including but not limited to the provision of care, welfare and nursing services) calculated to alleviate the disabilities and suffering of such persons ;
  
- ✓ to educate the public concerning the provision of housing and care facilities for the benefit of persons suffering from learning difficulties, mobility problems or other disabilities (including but not limited to persons who are physically, mentally or learning disabled or mentally ill or chronically sick or vulnerable or in necessitous circumstances for some other reason) or who are otherwise experiencing poor housing conditions;
  
- ✓ to undertake or facilitate research in connection with the preceding objects upon terms that such research shall be published.

**Trading History**



The consolidated accounts for emh group are available on its website [www.emhgroup.org.uk](http://www.emhgroup.org.uk).

# EMH CARE AND SUPPORT LIMITED TRUSTEES' ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2022

## Structure, Governance & Management (continued)

### Committees and Control

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

The following people served as trustees on our Board during the year: -

| Trustee              | Board Meeting Attendance |
|----------------------|--------------------------|
| Jim Holden           | 4/4                      |
| Tim Brown*           | 1/4                      |
| Vandna Gohil         | 4/4                      |
| Patricia McCabe      | 4/4                      |
| Margaret Coward      | 4/4                      |
| Prof Amanda Ashton** | 3/4                      |

\*resigned as a trustee in September 2021 \*\* joined as a trustee in September 2021

### Appointment and Training of Trustees

Strong leadership is pivotal to delivering high quality services. Our trustees are carefully selected to bring a diverse range of skills and expertise in the areas that the organisation operates including the broad range of services that we deliver and the people and communities that we serve. Our trustees are subject to an individual annual appraisal. Trustees meet at least four times a year and are committed to continued development. On an annual basis we carry out a review of the effectiveness of our Board and this is independently reviewed every three years.

We have a robust recruitment and induction process for new trustees including spending time with our staff, at our schemes and with our customers in order to gain a full and complete view of the organisations culture, activities and challenges. Trustees are also encouraged to attend external training events to facilitate the undertaking of their role.

The trustees of the company at the year-end are detailed on page 2 of these financial statements. The trustees are also the directors of the company for the purposes of company law. In accordance with the Charities SORP & FRS 102 we disclose all payments made to trustees (no trustees are paid) and expenses reimbursed (no expenses were paid).

### Stakeholder Engagement

Customer engagement also plays a vital role in shaping the future of the organisation. We have previously offered a number of ways for our customers and their representatives to be involved in helping us achieve our mission including our Service User Forum.

Following the pandemic, the Service User Forum has been unable to engage with others and feedback has been limited. This remains a high priority for us and this group is being reviewed to ensure we can continue their valuable work in a more appropriate way.

### Volunteers

Opportunities have resumed and people using day services are again being supported in community volunteering. We also partner with organisations to include people with learning disability in their activities or events. We are currently supporting volunteers with the following providers: Peak Rail, Matlock Farm Park, DDDC, DCC, Peak Park, The National Trust, Dukes Barn, the Hurst Farm Project, Tibshelf Parish Council, Ashfield District Council, Chesterfield District Council, Derby University. One exciting project we are working on is developing with, Peak Rail, the development of a new volunteer centre/ resource at Peak Rail in Matlock

# EMH CARE AND SUPPORT LIMITED TRUSTEES' ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2022

## Structure, Governance & Management (continued)

### Volunteers (continued)

Staff continue to do as much as possible for our service users and communities especially in the current environment. The digital inclusion project that was launched during lockdown is still active. We have continued to advocate digital options and inclusion for disabled people resulting in the project being nominated for a National Learning Disability award.

### Related Parties

Any connection between a trustee or senior manager with a customer or a customer's representative must be disclosed to the full board of trustees in the same way as any other contractual relationship with a related party. There were no such relationships at the year-end (2021: none).

### Corporate Mission and Aims

The organisation strives to **"be the best social housing and care business"**. This is underpinned by our strong corporate values: -

|                       |   |
|-----------------------|---|
| <b>Integrity</b>      | We work to the highest ethical standards              |
| <b>Diversity</b>      | We respect others for who they are                    |
| <b>Openness</b>       | We are honest and straightforward                     |
| <b>Accountability</b> | We are accountable to and influenced by our customers |
| <b>Clarity</b>        | We are clear about what we are here to do and why     |
| <b>Excellence</b>     | We strive to be the best in everything we do          |

### Charitable Activities

Our work predominantly centres on the provision of accommodation, care, support and activities for adults due to illness, disability or old age. We do this in a number of ways: -

#### Supported Housing

We manage circa 250 units specifically for adults with learning and/or physical disabilities or mental health issues who require support to live independently. We offer a range of accommodation to suit the diverse needs of our customers that can be anything from single occupancy dwellings to 3 or 4 people co-habiting.

We provide support to our customers to maintain their tenancy over and above the basic landlord service. This can include helping customers to pay their rent and other household bills, helping them to manage their finances including access to welfare benefits and helping them to look after their home and request repairs to the property or equipment from their landlord.

## EMH CARE AND SUPPORT LIMITED TRUSTEES' ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2022

### Charitable Activities (continued)

#### Supported Living

We provide care and support to adults with learning and/or physical disabilities or mental health issues to live a happy and fulfilled life. Each person has an individual, tailored package of care and can be anything from a few hours each week to 24-hour care 7 days a week. We currently support over 180 service users, providing around 11,870 hours of care every week.

The care and support we provide is varied and can include help with personal care, domestic tasks, taking part in hobbies and other social activities, meeting friends and family and going out into the community. Our services are regulated by the Care Quality Commission who ensures that we deliver a high quality, safe and compliant service to all of our customers.

#### Nursing and Care Homes

We own and manage 3 nursing homes providing residential accommodation and 24/7 care to our customers. Care is provided by qualified and skilled nursing and care staff who help our residents with their personal care, nursing and medical needs, social activities both within the home and out in the community. Each home is registered and regulated by the Care Quality Commission and currently has a 'good' rating.

#### Day Services and Social Enterprise



We manage 4 day centres supporting around 83 customers each week including our own residents and private customers. Over 220 support sessions are run every week providing valuable support to all our customers. We support a diverse range of people with a variety of impairments that include people with profound and multiple learning disabilities, communication difficulties and challenging reputations. Working with partners including Adult Care, Adult community Education, Local Authorities and Employment services we provide a range of support and opportunities including, one to one support, support to get out and about in the community, access to learning and

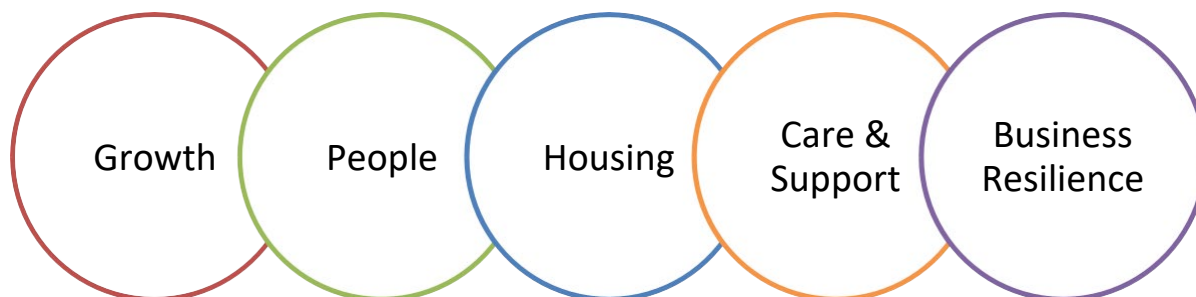
education and supported volunteering. We aim to improve life skills, knowledge, social interaction, independence and fulfilment.

We also aim to improve our customer's sense of purpose and offer opportunities for people to work in the community and to learn woodwork, baking and food preparation skills, with any funds generated from their sale being reinvested back into the day centres.

#### Extra Care

Our extra care schemes provide residential accommodation and support to people aged 55 year and over. Residents live independently in self-contained apartments or bungalows with domestic support, help with personal care and access to communal facilities such as a dining room and activity rooms. We currently provide a combination of Housing and Care support to over 300 units, some owned within the Group and some won on a tender basis. In September 2021 the Springfields scheme in Ashby-de-la-Zouch opened comprising of 50 rental units and 15 shared ownership properties. By self-funding this development it has allowed us to ensure that all services are provided in house and to the highest standard. Emh are committed to continuing to expand our extra care offer with a further 2 schemes in the pipeline.

Future Plans



The Group's latest Strategic Business Plan has been reviewed and updated. The Board, in conjunction with our key stakeholders including our customers and staff have identified 5 key themes which are the golden thread that run through all our objectives and projects and link back to our corporate mission and vision.

Our Care and Support aim is to ***deliver a clear vision and strategy for our Care and Support arm that delivers "outstanding" services to the people that we support.*** Our objectives to deliver this are: -

- ✓ We will provide consistently safe, compliant, high quality viable services as judged by our regulator and customers;
- ✓ We will investigate the expansion of the range and geography of the services we provide;
- ✓ We will work with emh homes to integrate our housing and care services to provide a holistic support solution for customers;
- ✓ We will actively seek opportunities to diversify our income streams, generating sustainable surpluses and demonstrating strong budgetary controls;
- ✓ Actively promote career opportunities in social care to realise a fully recruited team of dedicated staff;

During the year we have continued to make significant progress against our objectives and are proud of our many achievements.

**Developing our Services**

As per the Care and Support Strategy our key focus is to deliver a high quality safe service and we have continued to focus on this priority. Our ambitions to grow the business and explore innovative solutions to continually improve the care that we provide to our service users remain key and is investigated at every opportunity.

Working with Leicester City Council we continue to manage the contract for 14 units of temporary accommodation in Leicester providing housing and support for single and childless couples.

In addition to the frameworks that we are longstanding members of we have also secured In August 2021, we successfully secured inclusion on to the NHS Derby & Derbyshire Nursing Homes Preferred Providers List.

## EMH CARE AND SUPPORT LIMITED TRUSTEES' ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2022

### Developing our Services (continued)



The delivery of care to older people continues to be a strategically important part of our service offering and with the growing crisis in older person's services due to longer lifespans, growing population and chronic under-investment from central and local government, we are pleased to continue to be part of the solution. Emh has five extra care schemes that are operational at present, St Mary's Lutterworth, Oak Court Blay, Waterside Court Loughborough, Wrights Court Northampton and Springfields Ashby de la Zouch. Our Development Strategy (2021-2025) supports the provision of two further extra care schemes as part of our commitment to delivering 10% supported housing within our programme.

Through our partnership work we have identified two opportunities to deliver extra care schemes and are currently working on these to prepare for planning. The first scheme is in Leicester City and will provide 75 extra care homes with associated facilities. It is based on an intergenerational model with a mix of working age adults and older people with care and support needs. The second scheme is in Blaby, scheme of 120 homes with associated facilities. Our approach is based on partnership and collaboration with key stakeholders to ensure we design quality schemes integrated within the local community.

### Regulation

All our services are now rated as good by our regulator, the Care Quality Commission (CQC). The CQC uses the following rating system: -



#### Outstanding

The service is performing exceptionally well.



#### Good

The service is performing well and meeting our expectations.



#### Requires improvement

The service isn't performing as well as it should be and we have told the service how it must improve.



#### Inadequate

The service is performing badly and we've taken action against the person or organisation that runs it.

During their inspections the CQC seek to answer 5 key questions about the service: -

1. Are they safe? – you are protected from abuse and avoidable harm
2. Are they effective? - your care, treatment and support achieves good outcomes, helps you to maintain quality of life and is based on the best available evidence
3. Are they caring? – staff involve and treat you with compassion, kindness, dignity and respect
4. Are they responsive to people's needs? – services are organised so that they meet your needs

**EMH CARE AND SUPPORT LIMITED**  
**TRUSTEES' ANNUAL REPORT**

FOR THE YEAR ENDED 31 MARCH 2022

**Regulation (continued)**

5. Are they well-led? – the leadership, management and governance of the organisation make sure its providing high-quality care that’s based around your individual needs, that it encourages learning and innovation, and that it promotes an open and fair culture.

Our registered services are rated good by the CQC with the exception of two services that require improvement in one area.

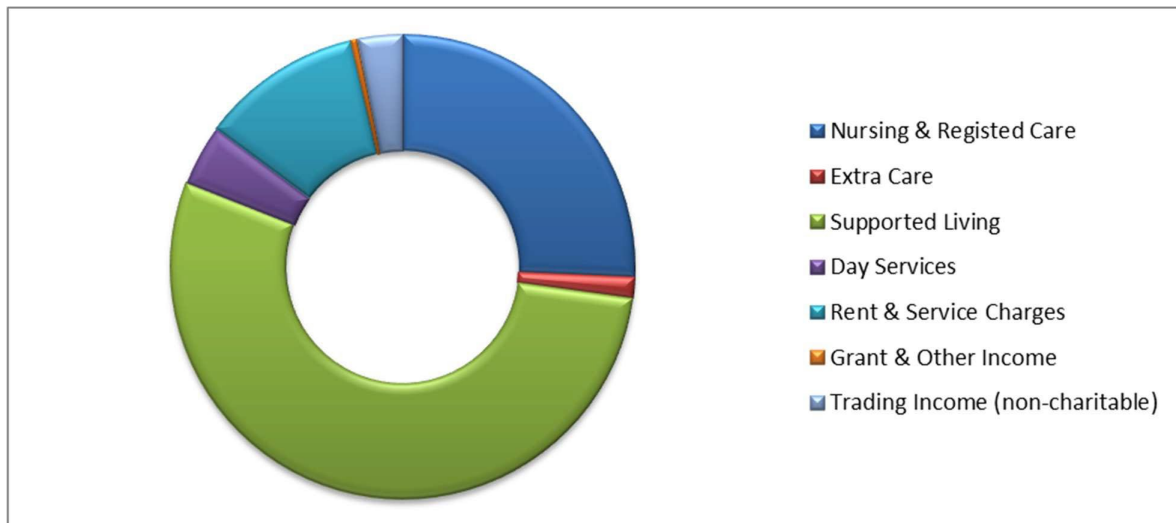
Our new Extra Care scheme in Ashby de la Zouch, Leicestershire opened in September 2022. The CQC assessment took place in May 2022 with the outcome report now awaited.

**Financial Review & Reserves Policy**

The company generated £18.5m of income during the year, a slight decrease of £0.2m from the prior year. 2020-21 was an exceptional year with access to a significant amount of funding in relation to the Covid-19 pandemic and a sale of a property. Whilst there has been some income to support costs incurred due to the pandemic this has reduced significantly in the current year.

97% of our income is generated through our charitable activities. This has increased from 96% in the previous year as less funding has been received in relation to Covid-19 which is a non charitable activity. As with previous years a small amount of income was generated from non-charitable activities including income from our social enterprise.

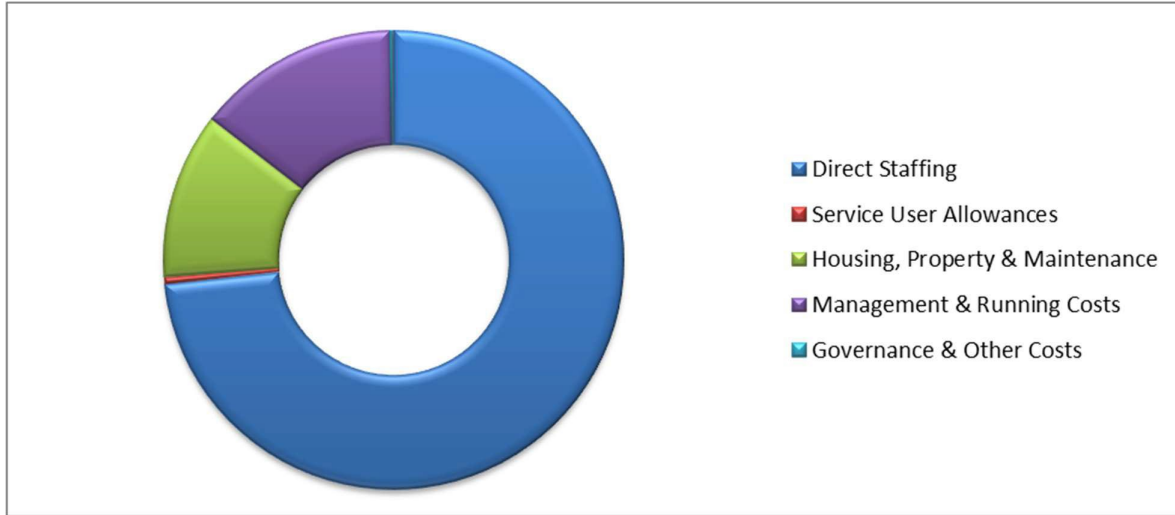
All of our income is unrestricted and is used by emh care and support for its general purpose to fulfil its charitable objectives. The chart below shows the main sources of income during the year: -



The majority of our income is spent on delivering the services and maintaining our properties. Our largest area of expenditure remains on the nurses, support workers and other staff directly involved in the delivery of front-line services who are the back-bone of our organisation.

**Financial Review & Reserves Policy (continued)**

Running costs and overheads of £19.1m were incurred in the year, £2m higher than in 2021. This includes significant additional costs in relation to the high level of care provided. A resource shortage in the care sector has led to increased staffing costs. The chart below shows the main expenditure areas:



We aim to make a small surplus each year to reinvest back into capital maintenance and service improvement initiatives. Our Statement of Financial Activities shows a deficit for the year of (£539k) (2021: £1,064k surplus). This has been an unprecedented year where we have seen increased costs largely due to the after affects of the pandemic with funding to support this greatly reduced. Strategic plans are in place to mitigate these losses in the future. This includes a decrease in pension liabilities of £5k following the reassessment by the actuary.

2022 has been a challenging year and balancing quality services with financial viability will continue to be a key focus of the organisation with our ultimate aim being for each service area to at least cover its costs. We continue to develop our financial management culture, closely monitor financial performance against budget and explore opportunities to expand the service where it is financially beneficial to do so.

The organisation aims to balance having sufficient reserves to continue to deliver our services in challenging times whilst maximising the resources available for charitable purposes. The trustees consider it prudent to hold in reserve a minimum of 3 months operating expenditure to cover payments to staff, service users and major contracts.

The trustees also accept that there is always an inherent risk that the company could lose a significant contract(s) and consider it prudent to hold in reserve sufficient amounts to cover any redundancy costs that may occur as a result. Consideration has also been taken to cover the possibility that a service becomes unviable due to increased costs and reduced income however may be crucial to those we support. Finally the early replacement of components in our properties requires a prudent approach.

At the end of the financial year the organisation had fixed assets of £9.5m (2021: £9.7m), net current assets of £7.5m (2021: £8m) and total funds of £15.5m (2020: £16m) indicating a healthy financial position has been maintained. Cash balances have increased by £0.2m over the year.

## EMH CARE AND SUPPORT LIMITED TRUSTEES' ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2022

### Risk

The main risks and uncertainties faced by the Group are considered by a Risk Panel which includes the Executive Management Team. The Risk Panel reports to the Group Audit Committee. The Board receives a summary of key strategic risks associated with the delivery of the Business Plan based on risk appetite. The Board review and update our risk appetite on an annual basis, ensuring it is aligned with our Risk Strategy.

A comprehensive risk map is used to record risks, assess their likelihood and impact and highlight key controls in place to manage and mitigate risks. It acts as an early warning system and is refreshed at each Risk Panel and Audit Committee meeting. Emerging risks are also captured, closely monitored and escalated onto the risk map as appropriate.

The Care and Support environment remains challenging and uncertain with the ongoing impacts of COVID19, resource scarcity, reduced funding, stronger regulation, the personalisation agenda and safeguarding risks. We believe that we have the control systems in place to identify and mitigate against these risks and have a targeted programme of internal audits. A selection of the key risks faced by the organisation can be found in the consolidated accounts of our parent company; emh group which can be found at [www.emhgroup.org.uk](http://www.emhgroup.org.uk).

As with many providers in our sector the current environment has had a significant impact on the services we deliver and how we deliver them. The ever changing landscape has posed a significant risk not only financially and operationally but to staff and service user welfare. We maintained our new working practices with high service standards and continued to access funding where possible to support with increased running costs. As we emerge from the pandemic the landscape is continually monitored and risks identified and mitigated where possible. Challenges in the coming year have been acknowledged and plans are in place to move the services forward and improve the financial position where possible.

The Charity has sufficient financial resources based on forecasts and current expectations of future sector conditions. As a consequence, the Trustees believe that the Charity is well placed to manage their business risks successfully. The Trustees has a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. The Trustees therefore continue to adopt the going concern basis in preparing these financial statements.

### Employment of People with Disabilities

The company's policy is to give full and fair consideration to applications for employment made by people with disabilities, having regard to their particular aptitudes and abilities. People with disabilities receive appropriate training to promote their career development within the company. Employees who become disabled are retained in the existing posts where possible or retrained for suitable alternative posts.

**EMH CARE AND SUPPORT LIMITED**  
**TRUSTEES' ANNUAL REPORT**  
FOR THE YEAR ENDED 31 MARCH 2022

**Grants and Donations**

During the year the company made no charitable donations (2021: £nil).

The company has no specific grant making policies; however, all grants are considered independently by the Board of Trustees.

**Approval**

The trustees confirm that they are approving the strategic report in their capacity as the charity's trustees and it is signed on their behalf by: -

*J. Tilley*

[J. Tilley \(Aug 3, 2022 12:47 GMT+1\)](#)

**JOANNE TILLEY**

Secretary

28<sup>th</sup> July 2022

**EMH CARE AND SUPPORT LIMITED**  
**STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT**  
**AND THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law they have are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the excess of income over expenditure for that period. In preparing these financial statements, the trustees 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 charitable company'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 charitable company or to cease operations, or have no realistic alternative but to do so.

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

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

**Disclosure of information to auditor**

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

On behalf of the Board of Directors

*jim holden*

[jim holden \(Aug 5, 2022 12:30 GMT+1\)](#)

**Jim Holden**

Chair

28<sup>th</sup> July 2022

**EMH CARE AND SUPPORT LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF EMH CARE AND SUPPORT LIMITED**  
FOR THE YEAR ENDED 31 MARCH 2022

**Opinion**

We have audited the financial statements of emh Care and Support Limited (“the charitable company”) for the year ended 31 March 2022 which comprise the Statement of Financial Activities, Balance Sheet, Cash Flow Statement and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Charitable company’s affairs as at 31 March 2022 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

Our conclusions based on this work:

- we consider that the Trustee’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee’s assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Charitable company’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 Charitable company will continue in operation.

**EMH CARE AND SUPPORT LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF EMH CARE AND SUPPORT LIMITED**

FOR THE YEAR ENDED 31 MARCH 2022

**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 Trustees, the audit committee and inspection of policy documentation as to the Charitable company’s high-level policies and procedures to prevent and detect fraud, and the Charitable company’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that management may be in a position to make inappropriate accounting entries; and
- the risk that Care and Support income is overstated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

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

We also 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 journals posted to unusual and seldom used accounts.
- Sample testing of care and support income relating to the period prior to 31 March 2022 to determine whether income is recognised in the correct accounting period.

*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 Trustees and other management (as required by auditing standards), and discussed with the Trustees 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 Charitable Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits 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.

**EMH CARE AND SUPPORT LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF EMH CARE AND SUPPORT LIMITED**

FOR THE YEAR ENDED 31 MARCH 2022

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

Secondly, the Charitable Company is subject to 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 and data protection laws, recognising the regulated nature of the Charitable company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees 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 Trustees are responsible for the Trustees' Annual Report. Our opinion on the financial statements does not cover the that report and we do not express an audit opinion thereon.

Our responsibility is to read the Trustees' Annual Report 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 Trustees' Annual Report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

**Trustees' responsibilities**

As explained more fully in their statement set out on page 13, the Trustees are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Charitable company or to cease operations, or have no realistic alternative but to do so.

**EMH CARE AND SUPPORT LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF EMH CARE AND SUPPORT LIMITED**

FOR THE YEAR ENDED 31 MARCH 2022

**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).

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

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



**Sarah Brown (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
One Snowhill,  
Snow Hill Queensway  
Birmingham  
B4 6GH

09 August 2022

**EMH CARE AND SUPPORT LIMITED**  
**STATEMENT OF FINANCIAL ACTIVITIES**

FOR THE YEAR ENDED 31 MARCH 2022

|  | Note | 2022<br>Unrestricted<br>Funds<br>£000 | 2022<br>Restricted<br>Funds<br>£000 | 2022<br>Total<br>Funds<br>£000 | 2021<br>Total<br>Funds<br>£000 |
|--|------|---------------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| <b>Income from :</b>                           |      |                                       |                                     |                                |                                |
| Income from Charitable Activities              | 3    | 17,957                                | -                                   | 17,957                         | 17,923                         |
| Other income                                   | 4    | 578                                   | -                                   | 578                            | 791                            |
| <b>Total Incoming Resources</b>                |      | <b>18,535</b>                         | <b>-</b>                            | <b>18,535</b>                  | <b>18,714</b>                  |
| <b>Resources Expended</b>                      |      |                                       |                                     |                                |                                |
| <b>Expenditure on :</b>                        |      |                                       |                                     |                                |                                |
| Charitable activities:                         | 3    | 19,022                                | 11                                  | 19,033                         | 17,054                         |
| Other Expenditure                              | 5    | 46                                    | -                                   | 46                             | 37                             |
| <b>Total Resources Expended</b>                |      | <b>19,068</b>                         | <b>11</b>                           | <b>19,079</b>                  | <b>17,091</b>                  |
| Remeasurement of Social Housing Pension Scheme | 8    | 5                                     | -                                   | 5                              | (559)                          |
| <b>Net movement in funds</b>                   |      | <b>(528)</b>                          | <b>(11)</b>                         | <b>(539)</b>                   | <b>1,064</b>                   |
| Funds brought forward at 1 April 2021          |      | 15,296                                | 753                                 | 16,049                         | 14,985                         |
| <b>Funds carried forward at 31 March 2022</b>  |      | <b>14,768</b>                         | <b>742</b>                          | <b>15,510</b>                  | <b>16,049</b>                  |

The results shown above are all derived from continuing activities.

**EMH CARE AND SUPPORT LIMITED**  
**BALANCE SHEET**

AS AT 31 MARCH 2022

|  | Note | 2022<br>£000 | 2021<br>£000 |
|--|------|--------------|--------------|
| <b>Fixed assets</b>  |      |              |              |
| Housing properties   | 11   | 7,893        | 7,931        |
| Other fixed assets   | 11   | 1,563        | 1,808        |
|  |      | 9,456        | 9,739        |
| <b>Current assets</b>  |      |              |              |
| Trade and other debtors  | 13   | 2,133        | 2,481        |
| Cash and cash equivalents                                      |      | 7,131        | 6,926        |
|  |      | 9,264        | 9,407        |
| <b>Creditors: amounts falling due within one year</b>          | 14   | (1,718)      | (1,415)      |
| Net current assets   |      | 7,546        | 7,992        |
| Total assets less current liabilities                          |      | 17,002       | 17,731       |
| <b>Creditors: amounts falling due after more than one year</b> | 15   | (712)        | (723)        |
| <b>Provision for liabilities</b>                               |      |              |              |
| Other provisions   | 17   | (113)        | (174)        |
| Pension liability  | 8    | (667)        | (785)        |
| <b>Net assets</b>  |      | 15,510       | 16,049       |
| <b>Funds</b>   |      |              |              |
| Unrestricted   | 18   | 14,768       | 15,296       |
| Restricted   | 19   | 742          | 753          |
|  |      | 15,510       | 16,049       |

These financial statements were approved by the Board on 28 July 2022 and were signed on its behalf by:

*jim holden*

[jimholden \(Aug 5, 2022 12:30 GMT+1\)](#)

**Jim  
Holden**  
Chair

*J. Tilley*

[J. Tilley \(Aug 3, 2022 12:47 GMT+1\)](#)

**Joanne  
Tilley**  
Secretary

**EMH CARE AND SUPPORT LIMITED**

**STATEMENT OF CASHFLOWS**

FOR THE YEAR ENDED 31 MARCH 2022

|   | Note                                    | 2022<br>£000                   | 2021<br>£000                             |
|---|---|--------------------------------|--|
| Net cash inflow/(outflow) from operating activities             | 24                                      | 357                            | 918                                      |
| <b>Cash Flows from Investing Activities</b>                     |   |                                |  |
| Interest received   |   | -                              | 3  |
| Purchase of tangible assets                                     |   | (157)                          | (235)                                    |
| Receipts from sale of assets                                    |   | -                              | 433                                      |
| <b>Cash provided by (used by) Investing Activities</b>          |   | <b>(157)</b>                   | <b>201</b>                               |
| <b>Cash Flows from Financing Activities</b>                     |   |                                |  |
| Interest received/(paid)  |   | 5                              | 5  |
| <b>Cash provided (used by)/by Financing Activities</b>          |   | <b>5</b>                       | <b>5</b>                                 |
| <b>Reconciliation of net cash flow to movement in net funds</b> |   |                                |  |
| Increase/(decrease) in cash in the period                       |   | 205                            | 1,124                                    |
| Cash and Cash equivalents at 1 April                            |   | 6,926                          | 5,802                                    |
| Cash and Cash equivalents at 31 March                           |   | 7,131                          | 6,926                                    |
|   | <b>At 1<br/>April<br/>2021<br/>£000</b> | <b>Cash<br/>Flows<br/>£000</b> | <b>At 31<br/>March<br/>2022<br/>£000</b> |
| <b>Analysis of Cash and Cash equivalents</b>                    |   |                                |  |
| Cash at bank and in hand  | 6,926                                   | 205                            | 7,131                                    |
| <b>Total Cash and Cash equivalents</b>                          | <b>6,926</b>                            | <b>205</b>                     | <b>7,131</b>                             |

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2022

**1 Constitution**

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emh Care and Support Limited is a company limited by guarantee (registered number 2488821). At 31 March 2022, there was 1 member whom on the event of winding up has undertaken to contribute to an amount not exceeding £1. The company is also a registered charity (registered number 1001704).

**2 Principal Accounting Policies**

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The financial statements of the charity 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 and Reporting by Charities Update 2019. The principal accounting policies adopted in the preparation of the financial statements are as follows:

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

The Charities ultimate parent undertaking, East Midlands Housing Group Limited includes the charity 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 charity is a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

Key Management Personnel compensation; and  
Related Parties note.

**Going Concern**

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

The Charity prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in June 2022 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 board, after reviewing the charity budgets for 2022/23 and the charity's medium term financial position as detailed in the 30-year business plan, is of the opinion that, taking account of severe but plausible downsides, the charity has adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board have considered:

## **2 Principal Accounting Policies (continued)**

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### **Going Concern (continued)**

- Staffing costs – budget and business plan scenarios have been modelled to take account of cost increases as a result of staff unable to work and additional agency staff being required;
- Specialist equipment costs - budget and business plan scenarios have also been modelled to take account of cost increases relating to specialist equipment needed such as additional PPE;
- Liquidity – current available cash gives significant headroom for committed spend and other forecast cash flows that arise;

Consequently, the Trustees are confident that the Charity 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.

### **Incoming resources**

All incoming resources are included in the SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, entitlement is the earlier of the charity being notified of an impending distribution or the legacy being received.

Gifts in kind donated for distribution are included at valuation and recognised as income when they are distributed to the projects. Gifts donated for resale are included as income when they are sold. Donated facilities are included at the value to the charity where this can be quantified and a third party is bearing the cost. No amounts are included in the financial statements for services donated by volunteers.

### **Resources expended**

Expenditure is recognised on an accrual basis as a liability when incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates.

- Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity.
- All costs are allocated between the expenditure categories of the SOFA on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly, others are apportioned on an appropriate basis.

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**2 Principal Accounting Policies (continued)**

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**Housing properties**

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

*Depreciation*

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

|                   | <b>years</b> |
|-------------------|--------------|
| Structure         | 50-100       |
| Boilers           | 15 years     |
| Kitchens          | 20 years     |
| Windows and doors | 30 years     |
| Roofs             | 50 years     |
| Bathrooms         | 30 years     |
| Other components  | 30 years     |

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

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

*Non component works to existing properties*

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

**Other tangible fixed assets**

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

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

|   |         |
|---|---------|
| Office furniture and equipment                | 10%-33% |
| Motor vehicles                                | 25%     |
| Housing accommodation furniture and equipment | 10%     |
| Freehold office premises                      | 2%      |

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**2 Principal Accounting Policies (continued)**

**Social housing grant**

Social housing grant is not specifically addressed under the Charity SORP and instead the Housing SORP is followed. This provides consistency across the Group and is more applicable to the activities carried out by the charity.

Social housing grant is initially recognised at fair value as a long-term liability, specifically as deferred grant income and released through the profit and loss as income over the life of the structure of housing properties in accordance with the accrual method applicable to social landlords accounting for housing properties at cost.

On disposal of properties, all associated social housing grant is transferred to the Recycled Capital Grant Fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

**Impairment excluding stocks and deferred tax assets**

*Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit and loss 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 an 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 profit. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit.

*Fixed Assets*

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

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**2 Principal Accounting Policies (continued)**

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**Employee benefits**

Defined benefit plans

A defined benefit plan is a post-employment plan other than a defined contribution plan. The Charity'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 Charity 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 Charity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Charity 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 surplus.

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

The Charity participates in The Pensions Trust Social Housing Pension Scheme and the NHS Pension Scheme.

The Pensions Trust Social Housing Pension Scheme

The Social Housing Pension Scheme (SHPS) provides benefits based on final pensionable pay. The assets of the scheme are held separately from the Charity. For financial years ending on or before 31 March 2018, it has not been possible for the company to obtain sufficient information to enable it to account for the Pensions Trust Social Housing Scheme as a defined benefit scheme, therefore the company 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 company to account for the Scheme as a defined benefit scheme.

The NHS Pension Scheme

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

**Termination benefits**

Termination benefits are recognised when the Charity 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.

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**2 Principal Accounting Policies (continued)**

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**Reserves**

The charity maintains the level of reserves required to fulfil its objectives. The board of trustees monitors reserves at regular board meetings.

**Funds**

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the trustees for purposes. The aim and use of each designated fund is set out above in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with the specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds represent those assets which must be held permanently by the charity, principally investments. Income arising on the endowment funds can be used in accordance with the objects of the charity and is included as unrestricted income. Any capital gains or losses arising on the investments form part of the fund.

**Debtors**

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

**Creditors and Provisions**

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

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.

**Financial Instruments**

The trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**2 Principal Accounting Policies (continued)**

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**Key Judgements, Estimates and Assumptions**

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

The recoverability of rent arrears and trade debtors

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

Impairment of property values

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

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

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

No triggers for impairment have been identified.

Defined benefit pensions liabilities

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plan, such estimates are subject to significant uncertainty. Further details are given in Note 8.

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

|   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
|   | <b>£000</b>   | <b>£000</b>   |
| <b>3 Charitable Activities</b>                    |               |               |
| <u>Income from Charitable Activities</u>          |               |               |
| Registered care funding                           | 5,034         | 5,047         |
| Supported living & day care contracts             | 10,750        | 10,596        |
| Rental income & service charges                   | 2,087         | 2,186         |
| Amortised government grant                        | 9             | 13            |
| Other Charitable Income                           | 77            | 81            |
| <b>Total Income from Charitable Activities</b>    | <b>17,957</b> | <b>17,923</b> |
| <u>Expenditure on Charitable Activities</u>       |               |               |
| Care staff costs, including training              | 13,983        | 12,970        |
| Service user allowances                           | 89            | 78            |
| Housing costs                                     | 1,121         | 934           |
| Maintenance costs                                 | 676           | 369           |
| Salaries & management costs                       | 2,577         | 2,148         |
| Registration fees                                 | 10            | 12            |
| Professional fees                                 | 51            | 56            |
| Depreciation and impairment                       | 428           | 226           |
| Bad Debts   | 44            | 40            |
| Other costs                                       | 43            | 201           |
| <b>Total Expenditure on Charitable Activities</b> | <b>19,022</b> | <b>17,034</b> |
| <u>Restricted Funds</u>                           |               |               |
| Depreciation and impairment                       | 11            | 12            |
| Write Offs  | -             | 8             |
|   | <b>11</b>     | <b>20</b>     |
| <b>4 Other Income</b>                             |               |               |
| Fixed asset disposal proceeds                     | -             | 252           |
| Fixed asset grant abated                          | -             | 181           |
| Fixed asset cost of disposals                     | -             | (242)         |
| Gain on disposal of fixed assets                  | -             | 191           |
| Interest Received                                 | -             | 3             |
| Other Income                                      | 578           | 597           |
| <b>Total Other Income</b>                         | <b>578</b>    | <b>791</b>    |

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

|                                  | <b>2022</b> | <b>2021</b> |
|----------------------------------|-------------|-------------|
|                                  | <b>£000</b> | <b>£000</b> |
| <b>5 Other Expenditure</b>       |             |             |
| Interest Payable                 | 15          | 7           |
| Governance;<br>Professional Fees | 31          | 30          |
| <b>Total Other Expenditure</b>   | <b>46</b>   | <b>37</b>   |

**6 Net Incoming Resources**

Surplus of income over expenditure is arrived at after charging:

|                             |     |     |
|-----------------------------|-----|-----|
| Depreciation & amortisation | 440 | 245 |
| Auditors remuneration       | 31  | 30  |

**7 Staff numbers and costs**

The average number of persons employed by the company (including trustees who are not paid employees) during the year, analysed by category, was as follows:

|                        | <b>2022</b>   | <b>2021</b>   |
|------------------------|---------------|---------------|
|                        | <b>Number</b> | <b>Number</b> |
| Care and support staff | 406           | 375           |
| Office Staff           | 58            | 56            |
| Trustees               | 5             | 5             |
|                        | <b>469</b>    | <b>436</b>    |

|                                    | <b>2022</b>   | <b>2021</b>   |
|------------------------------------|---------------|---------------|
|                                    | <b>£000</b>   | <b>£000</b>   |
| Staff costs for the above persons: |               |               |
| Wages and salaries                 | 11,488        | 11,413        |
| Social security costs              | 956           | 941           |
| Pension costs                      | 583           | 584           |
| Termination Benefits               | 19            | 24            |
|                                    | <b>13,046</b> | <b>12,962</b> |

The Executive Director is employed by the parent company; East Midlands Housing Group Limited.

Details of Group Board Members 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).

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**8 Employee Benefits**

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The company operates two defined benefit pension schemes.

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

|  | <b>The<br/>Pensions<br/>Trust -<br/>SHPS</b> | <b>The<br/>Pensions<br/>Trust -<br/>Growth<br/>Plan</b> |
|--|--|---|
|  | <b>£000</b>                                  |   |
| Net liability at 1 April 2021                                    | 785  | 3   |
| Loss/(profit) in the period charged to the profit & loss account | 20   | (1)   |
| Loss in the period charged to other comprehensive income         | (5)  | -   |
| Deficit contribution paid  | (133)  | -   |
| <b>Net liability at 31 March 2022</b>                            | <b>667</b>                                   | <b>2</b>  |

**The Pensions Trust - Social Housing Pension Scheme**

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

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

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

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

For financial years ending on or before 31 March 2018, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**8 Employee Benefits (continued)**

**The Pensions Trust - Social Housing Pension Scheme (continued)**

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 the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2021. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2022 to 28 February 2023 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.

|   | <b>2022</b>  | <b>2021</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| <b>Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)</b>                               |              |              |
| Fair value of plan assets   | 4,058        | 4,148        |
| Present value of defined benefit obligation   | (4,725)      | (4,933)      |
| Defined benefit (liability)/asset to be recognised  | (667)        | (785)        |
| <b>Reconciliation of opening and closing balances of the defined benefit obligation</b>   |              |              |
| Defined benefit obligation at start of period   | 4,933        | 4,064        |
| Expenses  | 5            | 5            |
| Interest expense  | 104          | 96           |
| Actuarial losses/(gains) due to scheme experience   | 175          | (21)         |
| Actuarial losses/(gains) due to changes in demographic assumptions  | (79)         | 18           |
| Actuarial losses/(gains) due to changes in financial assumptions  | (299)        | 885          |
| Benefits paid and expenses  | (114)        | (114)        |
| Defined benefit obligation at end of period   | 4,725        | 4,933        |
| <b>Reconciliation of opening and closing balances of the fair value of plan assets</b>  |              |              |
| Fair value of plan assets at start of period  | 4,148        | 3,720        |
| Interest income   | 89           | 89           |
| Experience on plan assets (excluding amounts included in interest income) - gain (loss)   | (198)        | 323          |
| Contributions by the employer   | 133          | 130          |
| Benefits paid and expenses  | (114)        | (114)        |
| Fair value of plan assets at end of period  | 4,058        | 4,148        |
| The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2021 to 31 March 2022 was £109,000. |              |              |
| <b>Defined benefit costs recognised in statement of comprehensive income (SOCl)</b>   |              |              |
| Expenses  | 5            | 5            |
| Net interest expense  | 15           | 7            |
| Defined benefit costs recognised in statement of comprehensive income (SoCl)  | 20           | 12           |

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**8 Employee Benefits (continued)**

**The Pensions Trust - Social Housing Pension Scheme (continued)**

|  | <b>2022</b>  | <b>2021</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| <b>Defined benefit costs recognised in other comprehensive income</b>  |              |              |
| Experience on plan assets (excluding amounts included in net interest cost) - gain/(loss)                                      | (198)        | 323          |
| Experience gains and losses arising on the plan liabilities - (loss)/gain  | (175)        | 21           |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - (loss)/gain | 79           | (18)         |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss)/gain   | 299          | (885)        |
| <b>Total amount recognised in other comprehensive income - (loss)/gain</b>   | <b>5</b>     | <b>(559)</b> |

**Assets**

|                               |              |              |
|-------------------------------|--------------|--------------|
| Global Equity                 | 779          | 661          |
| Absolute Return               | 163          | 229          |
| Distressed Opportunities      | 145          | 120          |
| Credit Relative Value         | 135          | 131          |
| Alternative Risk Premia       | 134          | 156          |
| Emerging Markets Debt         | 118          | 167          |
| Risk Sharing                  | 134          | 151          |
| Insurance-Linked Securities   | 95           | 100          |
| Property                      | 110          | 86           |
| Infrastructure                | 289          | 277          |
| Private Debt                  | 104          | 99           |
| Opportunistic Illiquid Credit | 136          | 105          |
| High Yield                    | 35           | 124          |
| Opportunistic Credit          | 14           | 114          |
| Cash                          | 14           | -            |
| Corporate Bond Fund           | 271          | 245          |
| Liquid Credit                 | -            | 50           |
| Long Lease Property           | 104          | 81           |
| Secured Income                | 151          | 173          |
| Liability Driven Investment   | 1,132        | 1,054        |
| Currency Hedging              | (16)         | -            |
| Net Current Assets            | 11           | 25           |
| <b>Total assets</b>           | <b>4,058</b> | <b>4,148</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.

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**8 Employee Benefits (continued)**

**The Pensions Trust - Social Housing Pension Scheme (continued)**

**Key Assumptions**

|   | <b>2022</b>              | <b>2021</b>              |
|---|--------------------------|--------------------------|
|   | <b>% per</b>             | <b>% per</b>             |
|   | <b>annum</b>             | <b>annum</b>             |
| Discount Rate   | 2.79                     | 2.14                     |
| Inflation (RPI)   | 3.66                     | 3.30                     |
| Inflation (CPI)   | 3.23                     | 2.85                     |
| Salary Growth   | 4.23                     | 3.85                     |
| Allowance for commutation of pension for cash at retirement | 75% of maximum allowance | 75% of maximum allowance |

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

|                         | <b>Life expectancy at age 65 (Years)</b> |
|-------------------------|--|
| Male retiring in 2022   | 21.1                                     |
| Female retiring in 2022 | 23.7                                     |
| Male retiring in 2042   | 22.4                                     |
| Female retiring in 2042 | 25.2                                     |

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but given the current level of uncertainties, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

**The Pensions Trust - The Growth Plan**

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

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

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

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**8 Employee Benefits (continued)**

**The Pensions Trust - The Growth Plan (continued)**

*Deficit contributions*

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

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

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

*Deficit contributions*

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

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

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

|   | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
|   | <b>£000</b> | <b>£000</b> |
| <u>Present Value of provision</u>                       |             |             |
| Present value of provision at period end                | 2           | 3           |
| <u>Reconciliation of opening and closing provisions</u> |             |             |
| Provision at start of period                            | 3           | 4           |
| Unwinding of discount factor (interest expense)         | -           | -           |
| Deficit contribution paid                               | (1)         | (1)         |
| Provision at the end of period                          | 2           | 3           |

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2022

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
|  | <b>£000</b> | <b>£000</b> |
| <b>8 Employee Benefits (continued)</b> |             |             |
| <hr/>                                  |             |             |
| <u>Assumptions</u>                     |             |             |
| Rate of discount per annum             | 2.35%       | 0.66%       |

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.

**9 Auditors Remuneration**

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|  |    |    |
|--|----|----|
| Fees payable to the company's auditor for the audit of the annual accounts | 31 | 30 |
|--|----|----|

**10 Taxation**

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The company is a registered charity and has no trading activities liable to taxation

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**11 Fixed Assets**

| <u>Housing Assets</u>           | Assets in the<br>Course of<br>Construction<br>£000 | Housing<br>properties<br>for letting<br>£000 | Care and<br>support<br>properties<br>£000         | Total<br>£000                 |               |
|---------------------------------|--|--|---|-------------------------------|---------------|
| <b>Cost</b>                     |  |  |   |                               |               |
| 1 April 2021                    | 47   | 6,303  | 4,704   | 11,054                        |               |
| Replacement of Components       | (22)   | 143  | 13  | 134                           |               |
| Disposals                       | -  | (50)   | (8)   | (58)                          |               |
| 31 March 2022                   | 25   | 6,396  | 4,709   | 11,130                        |               |
| <b>Accumulated depreciation</b> |  |  |   |                               |               |
| 1 April 2021                    | -  | 1,485  | 1,321   | 2,806                         |               |
| Charge for year                 | -  | 111  | 61  | 172                           |               |
| Disposals                       | -  | (56)   | (2)   | (58)                          |               |
| 31 March 2022                   | -  | 1,540  | 1,380   | 2,920                         |               |
| <b>Impairment</b>               |  |  |   |                               |               |
| 1 April 2021                    | -  | -  | 317   | 317                           |               |
| 31 March 2022                   | -  | -  | 317   | 317                           |               |
| <b>Net book value</b>           |  |  |   |                               |               |
| 31 March 2022                   | 25   | 4,856  | 3,012   | 7,893                         |               |
| 31 March 2021                   | 47   | 4,818  | 3,066   | 7,931                         |               |
| <u>Other Fixed Assets</u>       | Freehold<br>Offices<br>£000                        | Leasehold<br>Offices<br>£000                 | Fixtures,<br>Fittings<br>and<br>Equipment<br>£000 | Plant and<br>Vehicles<br>£000 | Total<br>£000 |
| <b>Cost</b>                     |  |  |   |                               |               |
| 1 April 2021                    | 930  | 849  | 530   | 173                           | 2,482         |
| Additions                       | -  | 14   | 9   | -                             | 23            |
| Disposals                       | -  | -  | (103)   | -                             | (103)         |
| 31 March 2022                   | 930  | 863  | 436   | 173                           | 2,402         |
| <b>Accumulated depreciation</b> |  |  |   |                               |               |
| 1 April 2021                    | 304  | 17   | 226   | 127                           | 674           |
| Charge for year                 | 3  | 124  | 124   | 17                            | 268           |
| Disposals                       | -  | -  | (103)   | -                             | (103)         |
| 31 March 2022                   | 307  | 141  | 247   | 144                           | 839           |
| <b>Net book value</b>           |  |  |   |                               |               |
| 31 March 2022                   | 623  | 722  | 189   | 29                            | 1,563         |
| 31 March 2021                   | 626  | 832  | 304   | 46                            | 1,808         |

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 MARCH 2022

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
|  | <b>£000</b> | <b>£000</b> |

**12 Impairment of Housing Assets**

During the year emh Care and Support carried out a desktop review of its property portfolio and identified no triggers for impairment.

**13 Debtors**

|   |              |              |
|---|--------------|--------------|
| Current tenant arrears                    | 65           | 86           |
| Less provision for bad and doubtful debts | (42)         | (56)         |
| Former tenant arrears                     | 8            | 2            |
| Less provision for bad and doubtful debts | (8)          | (2)          |
| Trade debtors                             | 845          | 1,790        |
| Less provision for trade debtors          | (38)         | (28)         |
| Prepayments and accrued income            | 747          | 624          |
| Other debtors                             | 12           | 5            |
| Amounts due from Group Companies          | 544          | 60           |
|   | <b>2,133</b> | <b>2,481</b> |

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

|                                |              |              |
|--------------------------------|--------------|--------------|
| Trade creditors                | 591          | 265          |
| Rent received in advance       | 70           | 36           |
| Accruals and deferred income   | 987          | 1,041        |
| Other creditors                | 26           | 26           |
| Pension deficit contributions  | 2            | 1            |
| Amounts due to Group Companies | 42           | 46           |
|                                | <b>1,718</b> | <b>1,415</b> |

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
|  | <b>£000</b> | <b>£000</b> |

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

|  |            |            |
|--|------------|------------|
| Deferred government grants (see note 16) | 712        | 721        |
| Pension deficit contributions            | -          | 2          |
|  | <b>712</b> | <b>723</b> |

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**16 Deferred Government Grants**

|                                | Social<br>housing<br>grant<br>£'000 | Total<br>£'000 |
|--------------------------------|-------------------------------------|----------------|
| At 1 April 2021                | 721                                 | 721            |
| Released to income in the year | (9)                                 | (9)            |
| At 31 March 2022               | 712                                 | 712            |

**17 Provision for Liabilities**

|           | Opening<br>balance as<br>at 1 April<br>2021 | Additional<br>Commitments<br>made during<br>the year | Provisions<br>reversed<br>during the<br>year | Closing<br>balance as<br>at 31 March<br>2022 |
|-----------|---|--|--|--|
| Leave Pay | 174   | -  | (61)   | 113  |
|           | 174   | -  | (61)   | 113  |

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.

**18 Unrestricted Funds**

|                    | Balance at<br>1 April<br>2021<br>£000 | Incoming<br>Resources<br>£000 | Transfers<br>£000 | Balance at<br>31 March<br>2022<br>£000 |
|--------------------|---------------------------------------|-------------------------------|-------------------|--|
| Retained Surpluses | 15,296                                | (528)                         | -                 | 14,768                                 |
|                    | 15,296                                | (528)                         | -                 | 14,768                                 |

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

|                            | Balance at<br>1 April<br>2021<br>£000 | Incoming<br>Resources<br>£000 | Outgoing<br>Resources<br>£000 | Balance at<br>31 March<br>2022<br>£000 |
|----------------------------|---------------------------------------|-------------------------------|-------------------------------|--|
| <b>19 Restricted Funds</b> |                                       |                               |                               |  |
| Property fund - NHS        | 653                                   | -                             | (9)                           | 644                                    |
| SEIF Capital Grant         | 100                                   | -                             | (2)                           | 98                                     |
|                            | 753                                   | -                             | (11)                          | 742                                    |

**20 Analysis of Net Assets between Funds**

|                    | Tangible<br>Fixed<br>Assets<br>£000 | Net<br>Current<br>Assets<br>£000 | Total<br>£000 |
|--------------------|-------------------------------------|----------------------------------|---------------|
| Restricted Funds   | 742                                 | -                                | 742           |
| Unrestricted Funds | 8,714                               | 6,054                            | 14,768        |
|                    | 9,456                               | 6,054                            | 15,510        |

**21 Contingent Liabilities**

At 31 March 1999, freehold properties worth a total of £1,432,250 were transferred by the Secretary of State for Health to the company. This value has been reflected as a donation in these financial statements. If following transfer, the use of any of these properties ceases to be the provision of residential and nursing care support and accommodation to the local public or the company decides to sell the property, then the company would be liable to pay back to the Secretary of State for Health an amount equal to the value at which the transfer at 31 March 1999 was made. The Secretary of State for Health has first option to purchase these properties.

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**2022**      **2021**  
**£000**      **£000**

**22 Related party transactions**

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During the year emh Care and Support had the following intercompany recharge transactions with non-regulated entities within the emh group.

Sales to:

|                                |     |     |
|--------------------------------|-----|-----|
| EMH Housing & Regeneration Ltd | 577 | 408 |
|--------------------------------|-----|-----|

Sales to EMH Housing & Regeneration are management charges for care and support services. These charges are made at cost.

Purchases from:

|                                     |       |     |
|-------------------------------------|-------|-----|
| East Midlands Housing Group Limited | 1,220 | 863 |
| EMH Housing & Regeneration Ltd      | 38    | 38  |

Purchases from East Midlands Housing Group are management charges for centrally supplied services (including Finance, ICT, HR). These charges are made at cost plus an appropriate margin. Purchases from EMH Housing & Regeneration are management charges for housing services and day-care services. These charges are made at an arm's length commercial rate.

At the end of the year emh Care and Support had the following intercompany balances with non-regulated entities within the emh group.

Debtors

|                                |     |    |
|--------------------------------|-----|----|
| EMH Housing & Regeneration Ltd | 544 | 60 |
|--------------------------------|-----|----|

Creditors

|                                     |    |    |
|-------------------------------------|----|----|
| East Midlands Housing Group Limited | 22 | 13 |
| EMH Housing & Regeneration Ltd      | 20 | 33 |

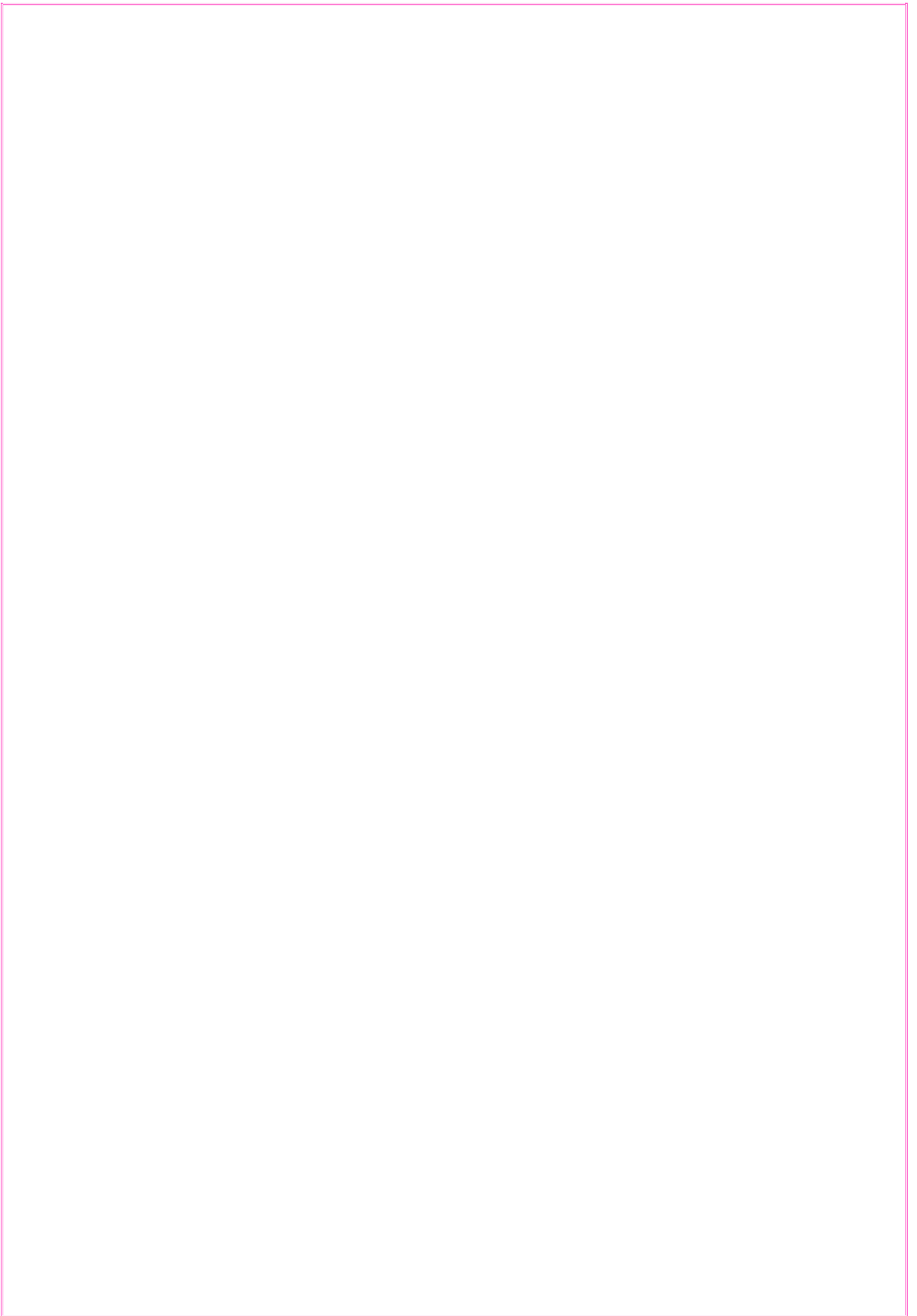
**23 Ultimate Control**

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Ultimate control of the charity lies with the trustees and with East Midlands Housing Group who are responsible for the charity's affairs. The consolidated financial statements of East Midlands Housing Group are available at [www.emhgroup.org.uk](http://www.emhgroup.org.uk)

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 MARCH 2022

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
|  | <b>£000</b> | <b>£000</b> |
| <b>24 Notes to the Cash Flow Statement</b>   |             |             |
| <b>Reconciliation of net income / (expenditure) to net cash flow from operating activities</b> |             |             |
| <b>Net income for reporting period (as per the statement of financial activities)</b>          | (539)       | 1,064       |
| <b>Adjustments for :</b>   |             |             |
| Depreciation charges   | 440         | 245         |
| (Gain) on disposal of assets   | -           | (191)       |
| Interest Receivable  | -           | (3)         |
| Interest Payable   | 15          | 7           |
| Deferred government grants   | (9)         | (14)        |
| Pensions costs less contributions payable  | (139)       | 428         |
| Grant abated   | -           | (181)       |
| Decrease/(increase) in debtors   | 348         | 82          |
| Increase/decrease) in creditors  | 302         | (586)       |
| (Decrease)/increase in provisions  | (61)        | 67          |
| <b>Net cash inflow/(outflow) from operating activities</b>                                     | <b>357</b>  | <b>918</b>  |



# emh Care and Support Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2022



**EMH CARE AND SUPPORT LIMITED  
REPORT AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

| <b>Contents</b>  | <b>Page</b>    |
|--|----------------|
| <b>Legal and Administrative Information</b>  | <b>2</b>       |
| <b>Trustees' Annual Report</b>   | <b>3 – 12</b>  |
| <b>Statement of Trustee's Responsibilities in respect of the Trustee's Report and the Financial Statements</b> | <b>13</b>      |
| <b>Independent Auditors Report to the Trustees of EMH Care and Support Limited</b>                             | <b>14 – 17</b> |
| <b>Statement of Financial Activities</b>   | <b>18</b>      |
| <b>Balance Sheet</b>   | <b>19</b>      |
| <b>Cash Flow Statement</b>   | <b>20</b>      |
| <b>Notes to the Financial Statements</b>   | <b>21 – 41</b> |

**EMH CARE AND SUPPORT LIMITED  
LEGAL AND ADMINISTRATIVE INFORMATION**

FOR THE YEAR ENDED 31 MARCH 2022

TRUSTEES

**Jim Holden – Chair**

Prof Amanda Ashton  
Vandna Gohil  
Patricia McCabe  
Margaret Coward

PRINCIPAL BANKER

**National Westminster Bank Plc**

5 Market Place  
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AUDITOR

**KPMG LLP**

One Snow Hill  
Snowhill Queensway  
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SECRETARY AND REGISTERED HEAD OFFICE

**Joanne Tilley**

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Whitwick Business Park  
Stenson Road  
Coalville  
Leicestershire  
LE67 4JP

*emh Care and Support Limited is a company limited by guarantee (Registered Number 2488821) and also a registered charity (Registered Number 1001704).*

# EMH CARE AND SUPPORT LIMITED TRUSTEES' ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The Trustees, who were also the directors, submit their annual report and audited financial statements for the year ended 31 March 2022.

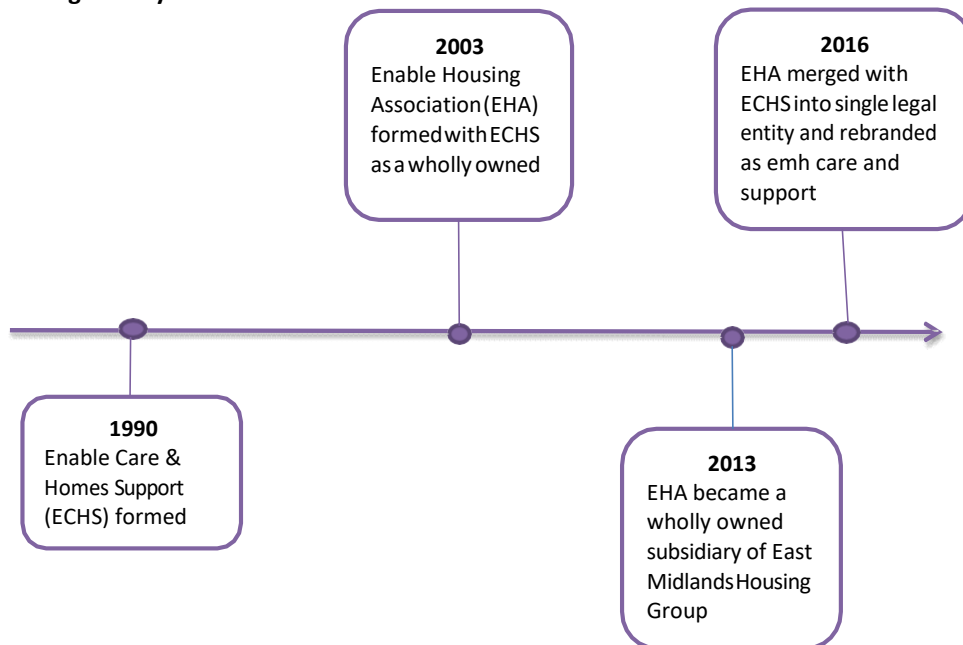
## Structure, Governance & Management

### Background

emh Care and Support is a company limited by guarantee and a registered charity. The Trustees have paid due regard to the Charity Commission guidance on public benefit reporting in deciding what activities the charity has undertaken this year. The company was incorporated on 4th April 1990. Its principal activities, aims and objectives as stated in the memorandum and articles of association are: -

- ✓ the relief of persons with learning difficulties, or sensory or other disabilities (including but not limited to persons who are physically, mentally or learning disabled or mentally ill or chronically sick or vulnerable or in necessitous circumstances for some other reason) by the provision of accommodation, and other amenities, facilities and services (including but not limited to the provision of care, welfare and nursing services) calculated to alleviate the disabilities and suffering of such persons ;
  
- ✓ to educate the public concerning the provision of housing and care facilities for the benefit of persons suffering from learning difficulties, mobility problems or other disabilities (including but not limited to persons who are physically, mentally or learning disabled or mentally ill or chronically sick or vulnerable or in necessitous circumstances for some other reason) or who are otherwise experiencing poor housing conditions;
  
- ✓ to undertake or facilitate research in connection with the preceding objects upon terms that such research shall be published.

### Trading History



The consolidated accounts for emh group are available on its website [www.emhgroup.org.uk](http://www.emhgroup.org.uk).

# EMH CARE AND SUPPORT LIMITED TRUSTEES' ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2022

## Structure, Governance & Management (continued)

### Committees and Control

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

The following people served as trustees on our Board during the year: -

| Trustee              | Board Meeting Attendance |
|----------------------|--------------------------|
| Jim Holden           | 4/4                      |
| Tim Brown*           | 1/4                      |
| Vandna Gohil         | 4/4                      |
| Patricia McCabe      | 4/4                      |
| Margaret Coward      | 4/4                      |
| Prof Amanda Ashton** | 3/4                      |

\*resigned as a trustee in September 2021 \*\* joined as a trustee in September 2021

### Appointment and Training of Trustees

Strong leadership is pivotal to delivering high quality services. Our trustees are carefully selected to bring a diverse range of skills and expertise in the areas that the organisation operates including the broad range of services that we deliver and the people and communities that we serve. Our trustees are subject to an individual annual appraisal. Trustees meet at least four times a year and are committed to continued development. On an annual basis we carry out a review of the effectiveness of our Board and this is independently reviewed every three years.

We have a robust recruitment and induction process for new trustees including spending time with our staff, at our schemes and with our customers in order to gain a full and complete view of the organisations culture, activities and challenges. Trustees are also encouraged to attend external training events to facilitate the undertaking of their role.

The trustees of the company at the year-end are detailed on page 2 of these financial statements. The trustees are also the directors of the company for the purposes of company law. In accordance with the Charities SORP & FRS 102 we disclose all payments made to trustees (no trustees are paid) and expenses reimbursed (no expenses were paid).

### Stakeholder Engagement

Customer engagement also plays a vital role in shaping the future of the organisation. We have previously offered a number of ways for our customers and their representatives to be involved in helping us achieve our mission including our Service User Forum.

Following the pandemic, the Service User Forum has been unable to engage with others and feedback has been limited. This remains a high priority for us and this group is being reviewed to ensure we can continue their valuable work in a more appropriate way.

### Volunteers

Opportunities have resumed and people using day services are again being supported in community volunteering. We also partner with organisations to include people with learning disability in their activities or events. We are currently supporting volunteers with the following providers: Peak Rail, Matlock Farm Park, DDDC, DCC, Peak Park, The National Trust, Dukes Barn, the Hurst Farm Project, Tibshelf Parish Council, Ashfield District Council, Chesterfield District Council, Derby University. One exciting project we are working on is developing with, Peak Rail, the development of a new volunteer centre/ resource at Peak Rail in Matlock

# EMH CARE AND SUPPORT LIMITED TRUSTEES' ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2022

## Structure, Governance & Management (continued)

### Volunteers (continued)

Staff continue to do as much as possible for our service users and communities especially in the current environment. The digital inclusion project that was launched during lockdown is still active. We have continued to advocate digital options and inclusion for disabled people resulting in the project being nominated for a National Learning Disability award.

### Related Parties

Any connection between a trustee or senior manager with a customer or a customer's representative must be disclosed to the full board of trustees in the same way as any other contractual relationship with a related party. There were no such relationships at the year-end (2021: none).

### Corporate Mission and Aims

The organisation strives to **"be the best social housing and care business"**. This is underpinned by our strong corporate values: -

|                       |   |
|-----------------------|---|
| <b>Integrity</b>      | We work to the highest ethical standards              |
| <b>Diversity</b>      | We respect others for who they are                    |
| <b>Openness</b>       | We are honest and straightforward                     |
| <b>Accountability</b> | We are accountable to and influenced by our customers |
| <b>Clarity</b>        | We are clear about what we are here to do and why     |
| <b>Excellence</b>     | We strive to be the best in everything we do          |

### Charitable Activities

Our work predominantly centres on the provision of accommodation, care, support and activities for adults due to illness, disability or old age. We do this in a number of ways: -

#### Supported Housing

We manage circa 250 units specifically for adults with learning and/or physical disabilities or mental health issues who require support to live independently. We offer a range of accommodation to suit the diverse needs of our customers that can be anything from single occupancy dwellings to 3 or 4 people co-habiting.

We provide support to our customers to maintain their tenancy over and above the basic landlord service. This can include helping customers to pay their rent and other household bills, helping them to manage their finances including access to welfare benefits and helping them to look after their home and request repairs to the property or equipment from their landlord.

## EMH CARE AND SUPPORT LIMITED TRUSTEES' ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2022

### Charitable Activities (continued)

#### Supported Living

We provide care and support to adults with learning and/or physical disabilities or mental health issues to live a happy and fulfilled life. Each person has an individual, tailored package of care and can be anything from a few hours each week to 24-hour care 7 days a week. We currently support over 180 service users, providing around 11,870 hours of care every week.

The care and support we provide is varied and can include help with personal care, domestic tasks, taking part in hobbies and other social activities, meeting friends and family and going out into the community. Our services are regulated by the Care Quality Commission who ensures that we deliver a high quality, safe and compliant service to all of our customers.

#### Nursing and Care Homes

We own and manage 3 nursing homes providing residential accommodation and 24/7 care to our customers. Care is provided by qualified and skilled nursing and care staff who help our residents with their personal care, nursing and medical needs, social activities both within the home and out in the community. Each home is registered and regulated by the Care Quality Commission and currently has a 'good' rating.

#### Day Services and Social Enterprise



We manage 4 day centres supporting around 83 customers each week including our own residents and private customers. Over 220 support sessions are run every week providing valuable support to all our customers. We support a diverse range of people with a variety of impairments that include people with profound and multiple learning disabilities, communication difficulties and challenging reputations. Working with partners including Adult Care, Adult community Education, Local Authorities and Employment services we provide a range of support and opportunities including, one to one support, support to get out and about in the community, access to learning and

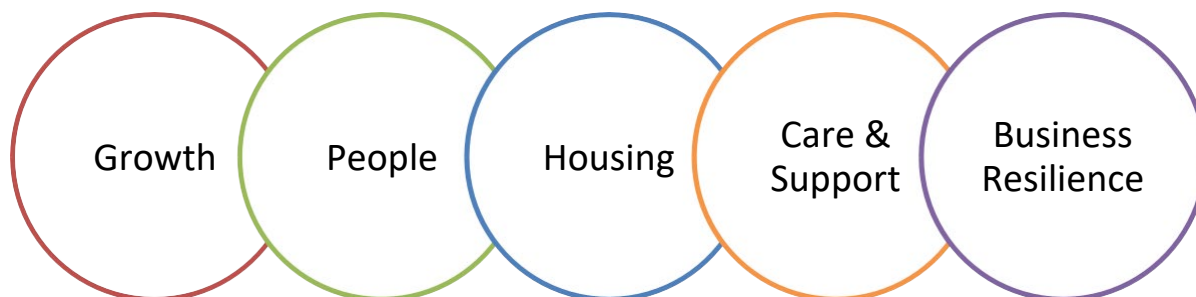
education and supported volunteering. We aim to improve life skills, knowledge, social interaction, independence and fulfilment.

We also aim to improve our customer's sense of purpose and offer opportunities for people to work in the community and to learn woodwork, baking and food preparation skills, with any funds generated from their sale being reinvested back into the day centres.

#### Extra Care

Our extra care schemes provide residential accommodation and support to people aged 55 year and over. Residents live independently in self-contained apartments or bungalows with domestic support, help with personal care and access to communal facilities such as a dining room and activity rooms. We currently provide a combination of Housing and Care support to over 300 units, some owned within the Group and some won on a tender basis. In September 2021 the Springfields scheme in Ashby-de-la-Zouch opened comprising of 50 rental units and 15 shared ownership properties. By self-funding this development it has allowed us to ensure that all services are provided in house and to the highest standard. Emh are committed to continuing to expand our extra care offer with a further 2 schemes in the pipeline.

Future Plans



The Group's latest Strategic Business Plan has been reviewed and updated. The Board, in conjunction with our key stakeholders including our customers and staff have identified 5 key themes which are the golden thread that run through all our objectives and projects and link back to our corporate mission and vision.

Our Care and Support aim is to ***deliver a clear vision and strategy for our Care and Support arm that delivers "outstanding" services to the people that we support.*** Our objectives to deliver this are: -

- ✓ We will provide consistently safe, compliant, high quality viable services as judged by our regulator and customers;
- ✓ We will investigate the expansion of the range and geography of the services we provide;
- ✓ We will work with emh homes to integrate our housing and care services to provide a holistic support solution for customers;
- ✓ We will actively seek opportunities to diversify our income streams, generating sustainable surpluses and demonstrating strong budgetary controls;
- ✓ Actively promote career opportunities in social care to realise a fully recruited team of dedicated staff;

During the year we have continued to make significant progress against our objectives and are proud of our many achievements.

**Developing our Services**

As per the Care and Support Strategy our key focus is to deliver a high quality safe service and we have continued to focus on this priority. Our ambitions to grow the business and explore innovative solutions to continually improve the care that we provide to our service users remain key and is investigated at every opportunity.

Working with Leicester City Council we continue to manage the contract for 14 units of temporary accommodation in Leicester providing housing and support for single and childless couples.

In addition to the frameworks that we are longstanding members of we have also secured In August 2021, we successfully secured inclusion on to the NHS Derby & Derbyshire Nursing Homes Preferred Providers List.

## EMH CARE AND SUPPORT LIMITED TRUSTEES' ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2022

### Developing our Services (continued)



The delivery of care to older people continues to be a strategically important part of our service offering and with the growing crisis in older person's services due to longer lifespans, growing population and chronic under-investment from central and local government, we are pleased to continue to be part of the solution. Emh has five extra care schemes that are operational at present, St Mary's Lutterworth, Oak Court Blay, Waterside Court Loughborough, Wrights Court Northampton and Springfields Ashby de la Zouch. Our Development Strategy (2021-2025) supports the provision of two further extra care schemes as part of our commitment to delivering 10% supported housing within our programme.

Through our partnership work we have identified two opportunities to deliver extra care schemes and are currently working on these to prepare for planning. The first scheme is in Leicester City and will provide 75 extra care homes with associated facilities. It is based on an intergenerational model with a mix of working age adults and older people with care and support needs. The second scheme is in Blaby, scheme of 120 homes with associated facilities. Our approach is based on partnership and collaboration with key stakeholders to ensure we design quality schemes integrated within the local community.

### Regulation

All our services are now rated as good by our regulator, the Care Quality Commission (CQC). The CQC uses the following rating system: -



#### Outstanding

The service is performing exceptionally well.



#### Good

The service is performing well and meeting our expectations.



#### Requires improvement

The service isn't performing as well as it should be and we have told the service how it must improve.



#### Inadequate

The service is performing badly and we've taken action against the person or organisation that runs it.

During their inspections the CQC seek to answer 5 key questions about the service: -

1. Are they safe? – you are protected from abuse and avoidable harm
2. Are they effective? - your care, treatment and support achieves good outcomes, helps you to maintain quality of life and is based on the best available evidence
3. Are they caring? – staff involve and treat you with compassion, kindness, dignity and respect
4. Are they responsive to people's needs? – services are organised so that they meet your needs

**EMH CARE AND SUPPORT LIMITED  
TRUSTEES' ANNUAL REPORT**

FOR THE YEAR ENDED 31 MARCH 2022

**Regulation (continued)**

- 5. Are they well-led? – the leadership, management and governance of the organisation make sure its providing high-quality care that’s based around your individual needs, that it encourages learning and innovation, and that it promotes an open and fair culture.

Our registered services are rated good by the CQC with the exception of two services that require improvement in one area.

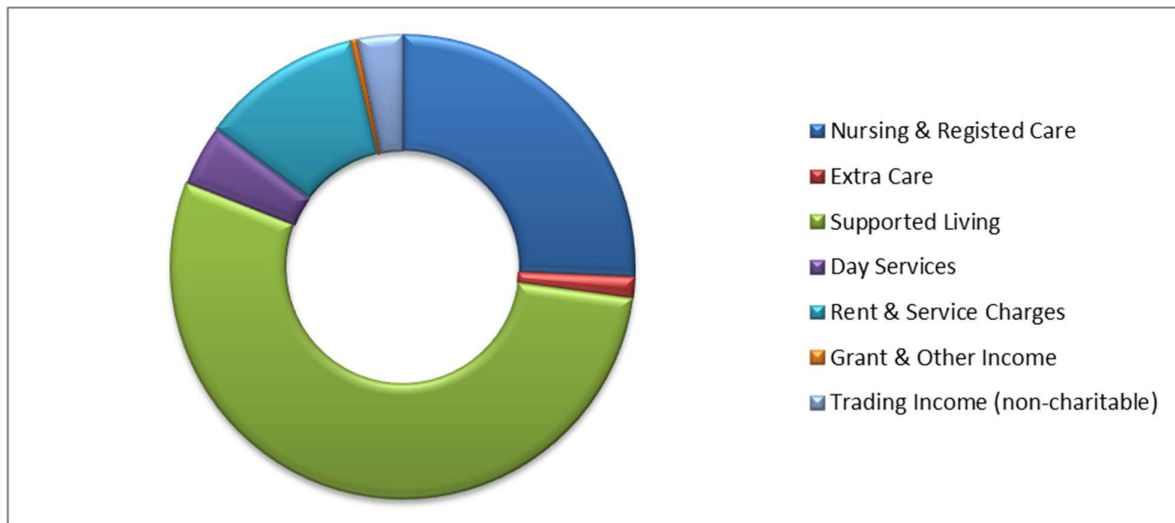
Our new Extra Care scheme in Ashby de la Zouch, Leicestershire opened in September 2022. The CQC assessment took place in May 2022 with the outcome report now awaited.

**Financial Review & Reserves Policy**

The company generated £18.5m of income during the year, a slight decrease of £0.2m from the prior year. 2020-21 was an exceptional year with access to a significant amount of funding in relation to the Covid-19 pandemic and a sale of a property. Whilst there has been some income to support costs incurred due to the pandemic this has reduced significantly in the current year.

97% of our income is generated through our charitable activities. This has increased from 96% in the previous year as less funding has been received in relation to Covid-19 which is a non charitable activity. As with previous years a small amount of income was generated from non-charitable activities including income from our social enterprise.

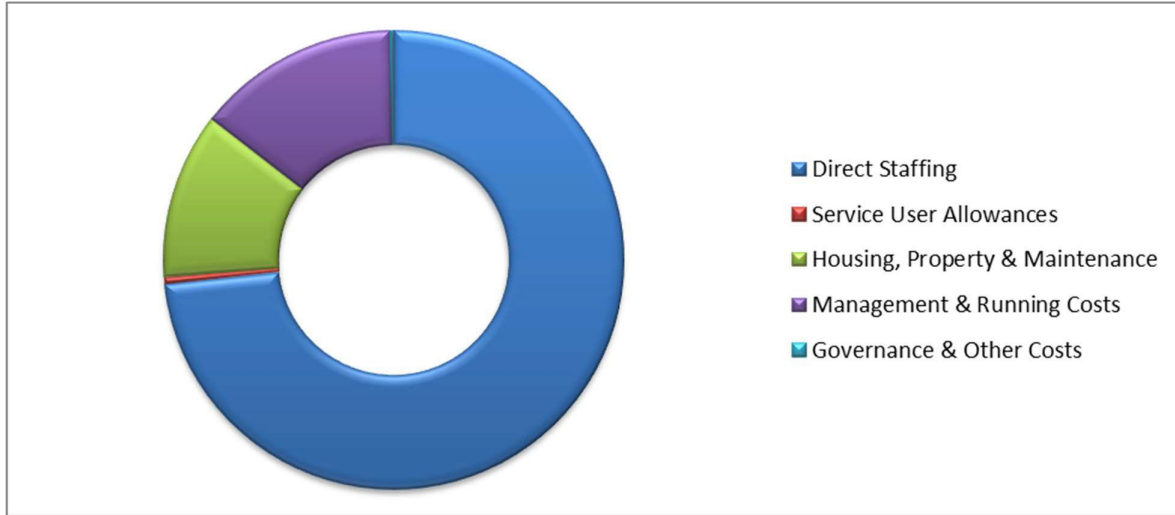
All of our income is unrestricted and is used by emh care and support for its general purpose to fulfil its charitable objectives. The chart below shows the main sources of income during the year: -



The majority of our income is spent on delivering the services and maintaining our properties. Our largest area of expenditure remains on the nurses, support workers and other staff directly involved in the delivery of front-line services who are the back-bone of our organisation.

**Financial Review & Reserves Policy (continued)**

Running costs and overheads of £19.1m were incurred in the year, £2m higher than in 2021. This includes significant additional costs in relation to the high level of care provided. A resource shortage in the care sector has led to increased staffing costs. The chart below shows the main expenditure areas:



We aim to make a small surplus each year to reinvest back into capital maintenance and service improvement initiatives. Our Statement of Financial Activities shows a deficit for the year of (£539k) (2021: £1,064k surplus). This has been an unprecedented year where we have seen increased costs largely due to the after affects of the pandemic with funding to support this greatly reduced. Strategic plans are in place to mitigate these losses in the future. This includes a decrease in pension liabilities of £5k following the reassessment by the actuary.

2022 has been a challenging year and balancing quality services with financial viability will continue to be a key focus of the organisation with our ultimate aim being for each service area to at least cover its costs. We continue to develop our financial management culture, closely monitor financial performance against budget and explore opportunities to expand the service where it is financially beneficial to do so.

The organisation aims to balance having sufficient reserves to continue to deliver our services in challenging times whilst maximising the resources available for charitable purposes. The trustees consider it prudent to hold in reserve a minimum of 3 months operating expenditure to cover payments to staff, service users and major contracts.

The trustees also accept that there is always an inherent risk that the company could lose a significant contract(s) and consider it prudent to hold in reserve sufficient amounts to cover any redundancy costs that may occur as a result. Consideration has also been taken to cover the possibility that a service becomes unviable due to increased costs and reduced income however may be crucial to those we support. Finally the early replacement of components in our properties requires a prudent approach.

At the end of the financial year the organisation had fixed assets of £9.5m (2021: £9.7m), net current assets of £7.5m (2021: £8m) and total funds of £15.5m (2020: £16m) indicating a healthy financial position has been maintained. Cash balances have increased by £0.2m over the year.

## EMH CARE AND SUPPORT LIMITED TRUSTEES' ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2022

### Risk

The main risks and uncertainties faced by the Group are considered by a Risk Panel which includes the Executive Management Team. The Risk Panel reports to the Group Audit Committee. The Board receives a summary of key strategic risks associated with the delivery of the Business Plan based on risk appetite. The Board review and update our risk appetite on an annual basis, ensuring it is aligned with our Risk Strategy.

A comprehensive risk map is used to record risks, assess their likelihood and impact and highlight key controls in place to manage and mitigate risks. It acts as an early warning system and is refreshed at each Risk Panel and Audit Committee meeting. Emerging risks are also captured, closely monitored and escalated onto the risk map as appropriate.

The Care and Support environment remains challenging and uncertain with the ongoing impacts of COVID19, resource scarcity, reduced funding, stronger regulation, the personalisation agenda and safeguarding risks. We believe that we have the control systems in place to identify and mitigate against these risks and have a targeted programme of internal audits. A selection of the key risks faced by the organisation can be found in the consolidated accounts of our parent company; emh group which can be found at [www.emhgroup.org.uk](http://www.emhgroup.org.uk).

As with many providers in our sector the current environment has had a significant impact on the services we deliver and how we deliver them. The ever changing landscape has posed a significant risk not only financially and operationally but to staff and service user welfare. We maintained our new working practices with high service standards and continued to access funding where possible to support with increased running costs. As we emerge from the pandemic the landscape is continually monitored and risks identified and mitigated where possible. Challenges in the coming year have been acknowledged and plans are in place to move the services forward and improve the financial position where possible.

The Charity has sufficient financial resources based on forecasts and current expectations of future sector conditions. As a consequence, the Trustees believe that the Charity is well placed to manage their business risks successfully. The Trustees has a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. The Trustees therefore continue to adopt the going concern basis in preparing these financial statements.

### Employment of People with Disabilities

The company's policy is to give full and fair consideration to applications for employment made by people with disabilities, having regard to their particular aptitudes and abilities. People with disabilities receive appropriate training to promote their career development within the company. Employees who become disabled are retained in the existing posts where possible or retrained for suitable alternative posts.

**EMH CARE AND SUPPORT LIMITED**  
**TRUSTEES' ANNUAL REPORT**  
FOR THE YEAR ENDED 31 MARCH 2022

**Grants and Donations**

During the year the company made no charitable donations (2021: £nil).

The company has no specific grant making policies; however, all grants are considered independently by the Board of Trustees.

**Approval**

The trustees confirm that they are approving the strategic report in their capacity as the charity's trustees and it is signed on their behalf by: -

*J. Tilley*

[J. Tilley \(Aug 3, 2022 12:47 GMT+1\)](#)

**JOANNE TILLEY**

Secretary

28<sup>th</sup> July 2022

**EMH CARE AND SUPPORT LIMITED**  
**STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT**  
**AND THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law they have are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the excess of income over expenditure for that period. In preparing these financial statements, the trustees 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 charitable company'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 charitable company or to cease operations, or have no realistic alternative but to do so.

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

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

**Disclosure of information to auditor**

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

On behalf of the Board of Directors

*jim holden*

[jim holden \(Aug 5, 2022 12:30 GMT+1\)](#)

**Jim Holden**

Chair

28<sup>th</sup> July 2022

**EMH CARE AND SUPPORT LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF EMH CARE AND SUPPORT LIMITED**  
FOR THE YEAR ENDED 31 MARCH 2022

**Opinion**

We have audited the financial statements of emh Care and Support Limited (“the charitable company”) for the year ended 31 March 2022 which comprise the Statement of Financial Activities, Balance Sheet, Cash Flow Statement and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Charitable company’s affairs as at 31 March 2022 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

Our conclusions based on this work:

- we consider that the Trustee’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee’s assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Charitable company’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 Charitable company will continue in operation.

**EMH CARE AND SUPPORT LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF EMH CARE AND SUPPORT LIMITED**

FOR THE YEAR ENDED 31 MARCH 2022

**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 Trustees, the audit committee and inspection of policy documentation as to the Charitable company’s high-level policies and procedures to prevent and detect fraud, and the Charitable company’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that management may be in a position to make inappropriate accounting entries; and
- the risk that Care and Support income is overstated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

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

We also 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 journals posted to unusual and seldom used accounts.
- Sample testing of care and support income relating to the period prior to 31 March 2022 to determine whether income is recognised in the correct accounting period.

*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 Trustees and other management (as required by auditing standards), and discussed with the Trustees 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 Charitable Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits 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.

**EMH CARE AND SUPPORT LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF EMH CARE AND SUPPORT LIMITED**

FOR THE YEAR ENDED 31 MARCH 2022

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

Secondly, the Charitable Company is subject to 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 and data protection laws, recognising the regulated nature of the Charitable company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees 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 Trustees are responsible for the Trustees' Annual Report. Our opinion on the financial statements does not cover the that report and we do not express an audit opinion thereon.

Our responsibility is to read the Trustees' Annual Report 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 Trustees' Annual Report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

**Trustees' responsibilities**

As explained more fully in their statement set out on page 13, the Trustees are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Charitable company or to cease operations, or have no realistic alternative but to do so.

**EMH CARE AND SUPPORT LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF EMH CARE AND SUPPORT LIMITED**

FOR THE YEAR ENDED 31 MARCH 2022

**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).

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

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



**Sarah Brown (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
One Snowhill,  
Snow Hill Queensway  
Birmingham  
B4 6GH

09 August 2022

**EMH CARE AND SUPPORT LIMITED**  
**STATEMENT OF FINANCIAL ACTIVITIES**

FOR THE YEAR ENDED 31 MARCH 2022

|  | Note | 2022<br>Unrestricted<br>Funds<br>£000 | 2022<br>Restricted<br>Funds<br>£000 | 2022<br>Total<br>Funds<br>£000 | 2021<br>Total<br>Funds<br>£000 |
|--|------|---------------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| <b>Income from :</b>                           |      |                                       |                                     |                                |                                |
| Income from Charitable Activities              | 3    | 17,957                                | -                                   | 17,957                         | 17,923                         |
| Other income                                   | 4    | 578                                   | -                                   | 578                            | 791                            |
| <b>Total Incoming Resources</b>                |      | <b>18,535</b>                         | <b>-</b>                            | <b>18,535</b>                  | <b>18,714</b>                  |
| <b>Resources Expended</b>                      |      |                                       |                                     |                                |                                |
| <b>Expenditure on :</b>                        |      |                                       |                                     |                                |                                |
| Charitable activities:                         | 3    | 19,022                                | 11                                  | 19,033                         | 17,054                         |
| Other Expenditure                              | 5    | 46                                    | -                                   | 46                             | 37                             |
| <b>Total Resources Expended</b>                |      | <b>19,068</b>                         | <b>11</b>                           | <b>19,079</b>                  | <b>17,091</b>                  |
| Remeasurement of Social Housing Pension Scheme | 8    | 5                                     | -                                   | 5                              | (559)                          |
| <b>Net movement in funds</b>                   |      | <b>(528)</b>                          | <b>(11)</b>                         | <b>(539)</b>                   | <b>1,064</b>                   |
| Funds brought forward at 1 April 2021          |      | 15,296                                | 753                                 | 16,049                         | 14,985                         |
| <b>Funds carried forward at 31 March 2022</b>  |      | <b>14,768</b>                         | <b>742</b>                          | <b>15,510</b>                  | <b>16,049</b>                  |

The results shown above are all derived from continuing activities.

**EMH CARE AND SUPPORT LIMITED**  
**BALANCE SHEET**

AS AT 31 MARCH 2022

|  | Note | 2022<br>£000 | 2021<br>£000 |
|--|------|--------------|--------------|
| <b>Fixed assets</b>  |      |              |              |
| Housing properties   | 11   | 7,893        | 7,931        |
| Other fixed assets   | 11   | 1,563        | 1,808        |
|  |      | 9,456        | 9,739        |
| <b>Current assets</b>  |      |              |              |
| Trade and other debtors  | 13   | 2,133        | 2,481        |
| Cash and cash equivalents                                      |      | 7,131        | 6,926        |
|  |      | 9,264        | 9,407        |
| <b>Creditors: amounts falling due within one year</b>          | 14   | (1,718)      | (1,415)      |
| Net current assets   |      | 7,546        | 7,992        |
| Total assets less current liabilities                          |      | 17,002       | 17,731       |
| <b>Creditors: amounts falling due after more than one year</b> | 15   | (712)        | (723)        |
| <b>Provision for liabilities</b>                               |      |              |              |
| Other provisions   | 17   | (113)        | (174)        |
| Pension liability  | 8    | (667)        | (785)        |
| <b>Net assets</b>  |      | 15,510       | 16,049       |
| <b>Funds</b>   |      |              |              |
| Unrestricted   | 18   | 14,768       | 15,296       |
| Restricted   | 19   | 742          | 753          |
|  |      | 15,510       | 16,049       |

These financial statements were approved by the Board on 28 July 2022 and were signed on its behalf by:

*jim holden*

[jimholden \(Aug 5, 2022 12:30 GMT+1\)](#)

**Jim  
Holden**  
Chair

*J. Tilley*

[J. Tilley \(Aug 3, 2022 12:47 GMT+1\)](#)

**Joanne  
Tilley**  
Secretary

**EMH CARE AND SUPPORT LIMITED****STATEMENT OF CASHFLOWS**

FOR THE YEAR ENDED 31 MARCH 2022

|   | Note                                    | 2022<br>£000                   | 2021<br>£000                             |
|---|---|--------------------------------|--|
| Net cash inflow/(outflow) from operating activities             | 24                                      | 357                            | 918                                      |
| <b>Cash Flows from Investing Activities</b>                     |   |                                |  |
| Interest received   |   | -                              | 3  |
| Purchase of tangible assets                                     |   | (157)                          | (235)                                    |
| Receipts from sale of assets                                    |   | -                              | 433                                      |
| <b>Cash provided by (used by) Investing Activities</b>          |   | <b>(157)</b>                   | <b>201</b>                               |
| <b>Cash Flows from Financing Activities</b>                     |   |                                |  |
| Interest received/(paid)  |   | 5                              | 5  |
| <b>Cash provided (used by)/by Financing Activities</b>          |   | <b>5</b>                       | <b>5</b>                                 |
| <b>Reconciliation of net cash flow to movement in net funds</b> |   |                                |  |
| Increase/(decrease) in cash in the period                       |   | 205                            | 1,124                                    |
| Cash and Cash equivalents at 1 April                            |   | 6,926                          | 5,802                                    |
| Cash and Cash equivalents at 31 March                           |   | 7,131                          | 6,926                                    |
|   | <b>At 1<br/>April<br/>2021<br/>£000</b> | <b>Cash<br/>Flows<br/>£000</b> | <b>At 31<br/>March<br/>2022<br/>£000</b> |
| <b>Analysis of Cash and Cash equivalents</b>                    |   |                                |  |
| Cash at bank and in hand  | 6,926                                   | 205                            | 7,131                                    |
| <b>Total Cash and Cash equivalents</b>                          | <b>6,926</b>                            | <b>205</b>                     | <b>7,131</b>                             |

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2022

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**1 Constitution**

emh Care and Support Limited is a company limited by guarantee (registered number 2488821). At 31 March 2022, there was 1 member whom on the event of winding up has undertaken to contribute to an amount not exceeding £1. The company is also a registered charity (registered number 1001704).

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**2 Principal Accounting Policies**

The financial statements of the charity 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 and Reporting by Charities Update 2019. The principal accounting policies adopted in the preparation of the financial statements are as follows:

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

The Charities ultimate parent undertaking, East Midlands Housing Group Limited includes the charity 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 charity is a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

Key Management Personnel compensation; and  
Related Parties note.

**Going Concern**

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

The Charity prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in June 2022 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 board, after reviewing the charity budgets for 2022/23 and the charity's medium term financial position as detailed in the 30-year business plan, is of the opinion that, taking account of severe but plausible downsides, the charity has adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board have considered:

## **2 Principal Accounting Policies (continued)**

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### **Going Concern (continued)**

- Staffing costs – budget and business plan scenarios have been modelled to take account of cost increases as a result of staff unable to work and additional agency staff being required;
- Specialist equipment costs - budget and business plan scenarios have also been modelled to take account of cost increases relating to specialist equipment needed such as additional PPE;
- Liquidity – current available cash gives significant headroom for committed spend and other forecast cash flows that arise;

Consequently, the Trustees are confident that the Charity 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.

### **Incoming resources**

All incoming resources are included in the SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, entitlement is the earlier of the charity being notified of an impending distribution or the legacy being received.

Gifts in kind donated for distribution are included at valuation and recognised as income when they are distributed to the projects. Gifts donated for resale are included as income when they are sold. Donated facilities are included at the value to the charity where this can be quantified and a third party is bearing the cost. No amounts are included in the financial statements for services donated by volunteers.

### **Resources expended**

Expenditure is recognised on an accrual basis as a liability when incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates.

- Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity.
- All costs are allocated between the expenditure categories of the SOFA on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly, others are apportioned on an appropriate basis.

**2 Principal Accounting Policies (continued)**

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**Housing properties**

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

*Depreciation*

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

|                   | <b>years</b> |
|-------------------|--------------|
| Structure         | 50-100       |
| Boilers           | 15 years     |
| Kitchens          | 20 years     |
| Windows and doors | 30 years     |
| Roofs             | 50 years     |
| Bathrooms         | 30 years     |
| Other components  | 30 years     |

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

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

*Non component works to existing properties*

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

**Other tangible fixed assets**

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

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

|   |         |
|---|---------|
| Office furniture and equipment                | 10%-33% |
| Motor vehicles                                | 25%     |
| Housing accommodation furniture and equipment | 10%     |
| Freehold office premises                      | 2%      |

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**2 Principal Accounting Policies (continued)**

**Social housing grant**

Social housing grant is not specifically addressed under the Charity SORP and instead the Housing SORP is followed. This provides consistency across the Group and is more applicable to the activities carried out by the charity.

Social housing grant is initially recognised at fair value as a long-term liability, specifically as deferred grant income and released through the profit and loss as income over the life of the structure of housing properties in accordance with the accrual method applicable to social landlords accounting for housing properties at cost.

On disposal of properties, all associated social housing grant is transferred to the Recycled Capital Grant Fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

**Impairment excluding stocks and deferred tax assets**

*Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit and loss 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 an 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 profit. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit.

*Fixed Assets*

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

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**2 Principal Accounting Policies (continued)**

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**Employee benefits**

Defined benefit plans

A defined benefit plan is a post-employment plan other than a defined contribution plan. The Charity'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 Charity 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 Charity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Charity 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 surplus.

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

The Charity participates in The Pensions Trust Social Housing Pension Scheme and the NHS Pension Scheme.

The Pensions Trust Social Housing Pension Scheme

The Social Housing Pension Scheme (SHPS) provides benefits based on final pensionable pay. The assets of the scheme are held separately from the Charity. For financial years ending on or before 31 March 2018, it has not been possible for the company to obtain sufficient information to enable it to account for the Pensions Trust Social Housing Scheme as a defined benefit scheme, therefore the company 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 company to account for the Scheme as a defined benefit scheme.

The NHS Pension Scheme

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

**Termination benefits**

Termination benefits are recognised when the Charity 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.

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**2 Principal Accounting Policies (continued)**

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**Reserves**

The charity maintains the level of reserves required to fulfil its objectives. The board of trustees monitors reserves at regular board meetings.

**Funds**

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the trustees for purposes. The aim and use of each designated fund is set out above in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with the specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds represent those assets which must be held permanently by the charity, principally investments. Income arising on the endowment funds can be used in accordance with the objects of the charity and is included as unrestricted income. Any capital gains or losses arising on the investments form part of the fund.

**Debtors**

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

**Creditors and Provisions**

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

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.

**Financial Instruments**

The trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**2 Principal Accounting Policies (continued)**

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**Key Judgements, Estimates and Assumptions**

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

The recoverability of rent arrears and trade debtors

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

Impairment of property values

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

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

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

No triggers for impairment have been identified.

Defined benefit pensions liabilities

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plan, such estimates are subject to significant uncertainty. Further details are given in Note 8.

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

|   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
|   | <b>£000</b>   | <b>£000</b>   |
| <b>3 Charitable Activities</b>                    |               |               |
| <u>Income from Charitable Activities</u>          |               |               |
| Registered care funding                           | 5,034         | 5,047         |
| Supported living & day care contracts             | 10,750        | 10,596        |
| Rental income & service charges                   | 2,087         | 2,186         |
| Amortised government grant                        | 9             | 13            |
| Other Charitable Income                           | 77            | 81            |
| <b>Total Income from Charitable Activities</b>    | <b>17,957</b> | <b>17,923</b> |
| <u>Expenditure on Charitable Activities</u>       |               |               |
| Care staff costs, including training              | 13,983        | 12,970        |
| Service user allowances                           | 89            | 78            |
| Housing costs                                     | 1,121         | 934           |
| Maintenance costs                                 | 676           | 369           |
| Salaries & management costs                       | 2,577         | 2,148         |
| Registration fees                                 | 10            | 12            |
| Professional fees                                 | 51            | 56            |
| Depreciation and impairment                       | 428           | 226           |
| Bad Debts   | 44            | 40            |
| Other costs                                       | 43            | 201           |
| <b>Total Expenditure on Charitable Activities</b> | <b>19,022</b> | <b>17,034</b> |
| <u>Restricted Funds</u>                           |               |               |
| Depreciation and impairment                       | 11            | 12            |
| Write Offs  | -             | 8             |
|   | <b>11</b>     | <b>20</b>     |
| <b>4 Other Income</b>                             |               |               |
| Fixed asset disposal proceeds                     | -             | 252           |
| Fixed asset grant abated                          | -             | 181           |
| Fixed asset cost of disposals                     | -             | (242)         |
| Gain on disposal of fixed assets                  | -             | 191           |
| Interest Received                                 | -             | 3             |
| Other Income                                      | 578           | 597           |
| <b>Total Other Income</b>                         | <b>578</b>    | <b>791</b>    |

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 MARCH 2022

|                                  | <b>2022</b> | <b>2021</b> |
|----------------------------------|-------------|-------------|
|                                  | <b>£000</b> | <b>£000</b> |
| <b>5 Other Expenditure</b>       |             |             |
| Interest Payable                 | 15          | 7           |
| Governance;<br>Professional Fees | 31          | 30          |
| <b>Total Other Expenditure</b>   | <b>46</b>   | <b>37</b>   |

**6 Net Incoming Resources**

Surplus of income over expenditure is arrived at after charging:

|                             |     |     |
|-----------------------------|-----|-----|
| Depreciation & amortisation | 440 | 245 |
| Auditors remuneration       | 31  | 30  |

**7 Staff numbers and costs**

The average number of persons employed by the company (including trustees who are not paid employees) during the year, analysed by category, was as follows:

|                        | <b>2022</b>   | <b>2021</b>   |
|------------------------|---------------|---------------|
|                        | <b>Number</b> | <b>Number</b> |
| Care and support staff | 406           | 375           |
| Office Staff           | 58            | 56            |
| Trustees               | 5             | 5             |
|                        | <b>469</b>    | <b>436</b>    |

|                                    | <b>2022</b>   | <b>2021</b>   |
|------------------------------------|---------------|---------------|
|                                    | <b>£000</b>   | <b>£000</b>   |
| Staff costs for the above persons: |               |               |
| Wages and salaries                 | 11,488        | 11,413        |
| Social security costs              | 956           | 941           |
| Pension costs                      | 583           | 584           |
| Termination Benefits               | 19            | 24            |
|                                    | <b>13,046</b> | <b>12,962</b> |

The Executive Director is employed by the parent company; East Midlands Housing Group Limited.

Details of Group Board Members 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).

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**8 Employee Benefits**

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The company operates two defined benefit pension schemes.

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

|  | <b>The<br/>Pensions<br/>Trust -<br/>SHPS</b> | <b>The<br/>Pensions<br/>Trust -<br/>Growth<br/>Plan</b> |
|--|--|---|
|  | <b>£000</b>                                  |   |
| Net liability at 1 April 2021                                    | 785  | 3   |
| Loss/(profit) in the period charged to the profit & loss account | 20   | (1)   |
| Loss in the period charged to other comprehensive income         | (5)  | -   |
| Deficit contribution paid  | (133)  | -   |
| <b>Net liability at 31 March 2022</b>                            | <b>667</b>                                   | <b>2</b>  |

**The Pensions Trust - Social Housing Pension Scheme**

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

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

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

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

For financial years ending on or before 31 March 2018, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**8 Employee Benefits (continued)**

**The Pensions Trust - Social Housing Pension Scheme (continued)**

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 the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2021. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2022 to 28 February 2023 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.

|   | <b>2022</b>  | <b>2021</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| <b>Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)</b>                               |              |              |
| Fair value of plan assets   | 4,058        | 4,148        |
| Present value of defined benefit obligation   | (4,725)      | (4,933)      |
| <b>Defined benefit (liability)/asset to be recognised</b>   | <b>(667)</b> | <b>(785)</b> |
| <b>Reconciliation of opening and closing balances of the defined benefit obligation</b>   |              |              |
| Defined benefit obligation at start of period   | 4,933        | 4,064        |
| Expenses  | 5            | 5            |
| Interest expense  | 104          | 96           |
| Actuarial losses/(gains) due to scheme experience   | 175          | (21)         |
| Actuarial losses/(gains) due to changes in demographic assumptions  | (79)         | 18           |
| Actuarial losses/(gains) due to changes in financial assumptions  | (299)        | 885          |
| Benefits paid and expenses  | (114)        | (114)        |
| <b>Defined benefit obligation at end of period</b>  | <b>4,725</b> | <b>4,933</b> |
| <b>Reconciliation of opening and closing balances of the fair value of plan assets</b>  |              |              |
| Fair value of plan assets at start of period  | 4,148        | 3,720        |
| Interest income   | 89           | 89           |
| Experience on plan assets (excluding amounts included in interest income) - gain (loss)   | (198)        | 323          |
| Contributions by the employer   | 133          | 130          |
| Benefits paid and expenses  | (114)        | (114)        |
| <b>Fair value of plan assets at end of period</b>   | <b>4,058</b> | <b>4,148</b> |
| The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2021 to 31 March 2022 was £109,000. |              |              |
| <b>Defined benefit costs recognised in statement of comprehensive income (SOCl)</b>   |              |              |
| Expenses  | 5            | 5            |
| Net interest expense  | 15           | 7            |
| <b>Defined benefit costs recognised in statement of comprehensive income (SoCl)</b>   | <b>20</b>    | <b>12</b>    |

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**8 Employee Benefits (continued)**

**The Pensions Trust - Social Housing Pension Scheme (continued)**

|  | <b>2022</b>  | <b>2021</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| <b>Defined benefit costs recognised in other comprehensive income</b>  |              |              |
| Experience on plan assets (excluding amounts included in net interest cost) - gain/(loss)                                      | (198)        | 323          |
| Experience gains and losses arising on the plan liabilities - (loss)/gain  | (175)        | 21           |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - (loss)/gain | 79           | (18)         |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss)/gain   | 299          | (885)        |
| <b>Total amount recognised in other comprehensive income - (loss)/gain</b>   | <b>5</b>     | <b>(559)</b> |

**Assets**

|                               |              |              |
|-------------------------------|--------------|--------------|
| Global Equity                 | 779          | 661          |
| Absolute Return               | 163          | 229          |
| Distressed Opportunities      | 145          | 120          |
| Credit Relative Value         | 135          | 131          |
| Alternative Risk Premia       | 134          | 156          |
| Emerging Markets Debt         | 118          | 167          |
| Risk Sharing                  | 134          | 151          |
| Insurance-Linked Securities   | 95           | 100          |
| Property                      | 110          | 86           |
| Infrastructure                | 289          | 277          |
| Private Debt                  | 104          | 99           |
| Opportunistic Illiquid Credit | 136          | 105          |
| High Yield                    | 35           | 124          |
| Opportunistic Credit          | 14           | 114          |
| Cash                          | 14           | -            |
| Corporate Bond Fund           | 271          | 245          |
| Liquid Credit                 | -            | 50           |
| Long Lease Property           | 104          | 81           |
| Secured Income                | 151          | 173          |
| Liability Driven Investment   | 1,132        | 1,054        |
| Currency Hedging              | (16)         | -            |
| Net Current Assets            | 11           | 25           |
| <b>Total assets</b>           | <b>4,058</b> | <b>4,148</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.

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**8 Employee Benefits (continued)**

**The Pensions Trust - Social Housing Pension Scheme (continued)**

**Key Assumptions**

|   | <b>2022</b>              | <b>2021</b>              |
|---|--------------------------|--------------------------|
|   | <b>% per</b>             | <b>% per</b>             |
|   | <b>annum</b>             | <b>annum</b>             |
| Discount Rate   | 2.79                     | 2.14                     |
| Inflation (RPI)   | 3.66                     | 3.30                     |
| Inflation (CPI)   | 3.23                     | 2.85                     |
| Salary Growth   | 4.23                     | 3.85                     |
| Allowance for commutation of pension for cash at retirement | 75% of maximum allowance | 75% of maximum allowance |

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

|                         | <b>Life expectancy at age 65 (Years)</b> |
|-------------------------|--|
| Male retiring in 2022   | 21.1                                     |
| Female retiring in 2022 | 23.7                                     |
| Male retiring in 2042   | 22.4                                     |
| Female retiring in 2042 | 25.2                                     |

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but given the current level of uncertainties, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

**The Pensions Trust - The Growth Plan**

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

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

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

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**8 Employee Benefits (continued)**

**The Pensions Trust - The Growth Plan (continued)**

*Deficit contributions*

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

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

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

*Deficit contributions*

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

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

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

|   | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
|   | <b>£000</b> | <b>£000</b> |
| <u>Present Value of provision</u>                       |             |             |
| Present value of provision at period end                | 2           | 3           |
| <u>Reconciliation of opening and closing provisions</u> |             |             |
| Provision at start of period                            | 3           | 4           |
| Unwinding of discount factor (interest expense)         | -           | -           |
| Deficit contribution paid                               | (1)         | (1)         |
| Provision at the end of period                          | 2           | 3           |

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2022

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
|  | <b>£000</b> | <b>£000</b> |
| <b>8 Employee Benefits (continued)</b> |             |             |
| <hr/>                                  |             |             |
| <u>Assumptions</u>                     |             |             |
| Rate of discount per annum             | 2.35%       | 0.66%       |

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.

**9 Auditors Remuneration**

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|  |    |    |
|--|----|----|
| Fees payable to the company's auditor for the audit of the annual accounts | 31 | 30 |
|--|----|----|

**10 Taxation**

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The company is a registered charity and has no trading activities liable to taxation

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**11 Fixed Assets**

| <u>Housing Assets</u>           | Assets in the<br>Course of<br>Construction<br>£000 | Housing<br>properties<br>for letting<br>£000 | Care and<br>support<br>properties<br>£000         | Total<br>£000                 |               |
|---------------------------------|--|--|---|-------------------------------|---------------|
| <b>Cost</b>                     |  |  |   |                               |               |
| 1 April 2021                    | 47   | 6,303  | 4,704   | 11,054                        |               |
| Replacement of Components       | (22)   | 143  | 13  | 134                           |               |
| Disposals                       | -  | (50)   | (8)   | (58)                          |               |
| 31 March 2022                   | 25   | 6,396  | 4,709   | 11,130                        |               |
| <b>Accumulated depreciation</b> |  |  |   |                               |               |
| 1 April 2021                    | -  | 1,485  | 1,321   | 2,806                         |               |
| Charge for year                 | -  | 111  | 61  | 172                           |               |
| Disposals                       | -  | (56)   | (2)   | (58)                          |               |
| 31 March 2022                   | -  | 1,540  | 1,380   | 2,920                         |               |
| <b>Impairment</b>               |  |  |   |                               |               |
| 1 April 2021                    | -  | -  | 317   | 317                           |               |
| 31 March 2022                   | -  | -  | 317   | 317                           |               |
| <b>Net book value</b>           |  |  |   |                               |               |
| 31 March 2022                   | 25   | 4,856  | 3,012   | 7,893                         |               |
| 31 March 2021                   | 47   | 4,818  | 3,066   | 7,931                         |               |
| <u>Other Fixed Assets</u>       | Freehold<br>Offices<br>£000                        | Leasehold<br>Offices<br>£000                 | Fixtures,<br>Fittings<br>and<br>Equipment<br>£000 | Plant and<br>Vehicles<br>£000 | Total<br>£000 |
| <b>Cost</b>                     |  |  |   |                               |               |
| 1 April 2021                    | 930  | 849  | 530   | 173                           | 2,482         |
| Additions                       | -  | 14   | 9   | -                             | 23            |
| Disposals                       | -  | -  | (103)   | -                             | (103)         |
| 31 March 2022                   | 930  | 863  | 436   | 173                           | 2,402         |
| <b>Accumulated depreciation</b> |  |  |   |                               |               |
| 1 April 2021                    | 304  | 17   | 226   | 127                           | 674           |
| Charge for year                 | 3  | 124  | 124   | 17                            | 268           |
| Disposals                       | -  | -  | (103)   | -                             | (103)         |
| 31 March 2022                   | 307  | 141  | 247   | 144                           | 839           |
| <b>Net book value</b>           |  |  |   |                               |               |
| 31 March 2022                   | 623  | 722  | 189   | 29                            | 1,563         |
| 31 March 2021                   | 626  | 832  | 304   | 46                            | 1,808         |

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 MARCH 2022

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
|  | <b>£000</b> | <b>£000</b> |

**12 Impairment of Housing Assets**

During the year emh Care and Support carried out a desktop review of its property portfolio and identified no triggers for impairment.

**13 Debtors**

|   |              |              |
|---|--------------|--------------|
| Current tenant arrears                    | 65           | 86           |
| Less provision for bad and doubtful debts | (42)         | (56)         |
| Former tenant arrears                     | 8            | 2            |
| Less provision for bad and doubtful debts | (8)          | (2)          |
| Trade debtors                             | 845          | 1,790        |
| Less provision for trade debtors          | (38)         | (28)         |
| Prepayments and accrued income            | 747          | 624          |
| Other debtors                             | 12           | 5            |
| Amounts due from Group Companies          | 544          | 60           |
|   | <b>2,133</b> | <b>2,481</b> |

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

|                                |              |              |
|--------------------------------|--------------|--------------|
| Trade creditors                | 591          | 265          |
| Rent received in advance       | 70           | 36           |
| Accruals and deferred income   | 987          | 1,041        |
| Other creditors                | 26           | 26           |
| Pension deficit contributions  | 2            | 1            |
| Amounts due to Group Companies | 42           | 46           |
|                                | <b>1,718</b> | <b>1,415</b> |

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
|  | <b>£000</b> | <b>£000</b> |

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

|  |            |            |
|--|------------|------------|
| Deferred government grants (see note 16) | 712        | 721        |
| Pension deficit contributions            | -          | 2          |
|  | <b>712</b> | <b>723</b> |

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**16 Deferred Government Grants**

|                                | Social<br>housing<br>grant<br>£'000 | Total<br>£'000 |
|--------------------------------|-------------------------------------|----------------|
| At 1 April 2021                | 721                                 | 721            |
| Released to income in the year | (9)                                 | (9)            |
| At 31 March 2022               | 712                                 | 712            |

|  | Opening<br>balance as<br>at 1 April<br>2021 | Additional<br>Commitments<br>made during<br>the year | Provisions<br>reversed<br>during the<br>year | Closing<br>balance as<br>at 31 March<br>2022 |
|--|---|--|--|--|
|--|---|--|--|--|

**17 Provision for Liabilities**

|           |     |   |      |     |
|-----------|-----|---|------|-----|
| Leave Pay | 174 | - | (61) | 113 |
|           | 174 | - | (61) | 113 |

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.

|  | Balance at<br>1 April<br>2021<br>£000 | Incoming<br>Resources<br>£000 | Transfers<br>£000 | Balance at<br>31 March<br>2022<br>£000 |
|--|---------------------------------------|-------------------------------|-------------------|--|
|--|---------------------------------------|-------------------------------|-------------------|--|

**18 Unrestricted Funds**

|                    |        |       |   |        |
|--------------------|--------|-------|---|--------|
| Retained Surpluses | 15,296 | (528) | - | 14,768 |
|                    | 15,296 | (528) | - | 14,768 |

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

|                            | Balance at<br>1 April<br>2021<br>£000 | Incoming<br>Resources<br>£000 | Outgoing<br>Resources<br>£000 | Balance at<br>31 March<br>2022<br>£000 |
|----------------------------|---------------------------------------|-------------------------------|-------------------------------|--|
| <b>19 Restricted Funds</b> |                                       |                               |                               |  |
| Property fund - NHS        | 653                                   | -                             | (9)                           | 644                                    |
| SEIF Capital Grant         | 100                                   | -                             | (2)                           | 98                                     |
|                            | 753                                   | -                             | (11)                          | 742                                    |

**20 Analysis of Net Assets between Funds**

|                    | Tangible<br>Fixed<br>Assets<br>£000 | Net<br>Current<br>Assets<br>£000 | Total<br>£000 |
|--------------------|-------------------------------------|----------------------------------|---------------|
| Restricted Funds   | 742                                 | -                                | 742           |
| Unrestricted Funds | 8,714                               | 6,054                            | 14,768        |
|                    | 9,456                               | 6,054                            | 15,510        |

**21 Contingent Liabilities**

At 31 March 1999, freehold properties worth a total of £1,432,250 were transferred by the Secretary of State for Health to the company. This value has been reflected as a donation in these financial statements. If following transfer, the use of any of these properties ceases to be the provision of residential and nursing care support and accommodation to the local public or the company decides to sell the property, then the company would be liable to pay back to the Secretary of State for Health an amount equal to the value at which the transfer at 31 March 1999 was made. The Secretary of State for Health has first option to purchase these properties.

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**2022**      **2021**  
**£000**      **£000**

**22 Related party transactions**

---

During the year emh Care and Support had the following intercompany recharge transactions with non-regulated entities within the emh group.

Sales to:

|                                |     |     |
|--------------------------------|-----|-----|
| EMH Housing & Regeneration Ltd | 577 | 408 |
|--------------------------------|-----|-----|

Sales to EMH Housing & Regeneration are management charges for care and support services. These charges are made at cost.

Purchases from:

|                                     |       |     |
|-------------------------------------|-------|-----|
| East Midlands Housing Group Limited | 1,220 | 863 |
| EMH Housing & Regeneration Ltd      | 38    | 38  |

Purchases from East Midlands Housing Group are management charges for centrally supplied services (including Finance, ICT, HR). These charges are made at cost plus an appropriate margin. Purchases from EMH Housing & Regeneration are management charges for housing services and day-care services. These charges are made at an arm's length commercial rate.

At the end of the year emh Care and Support had the following intercompany balances with non-regulated entities within the emh group.

Debtors

|                                |     |    |
|--------------------------------|-----|----|
| EMH Housing & Regeneration Ltd | 544 | 60 |
|--------------------------------|-----|----|

Creditors

|                                     |    |    |
|-------------------------------------|----|----|
| East Midlands Housing Group Limited | 22 | 13 |
| EMH Housing & Regeneration Ltd      | 20 | 33 |

**23 Ultimate Control**

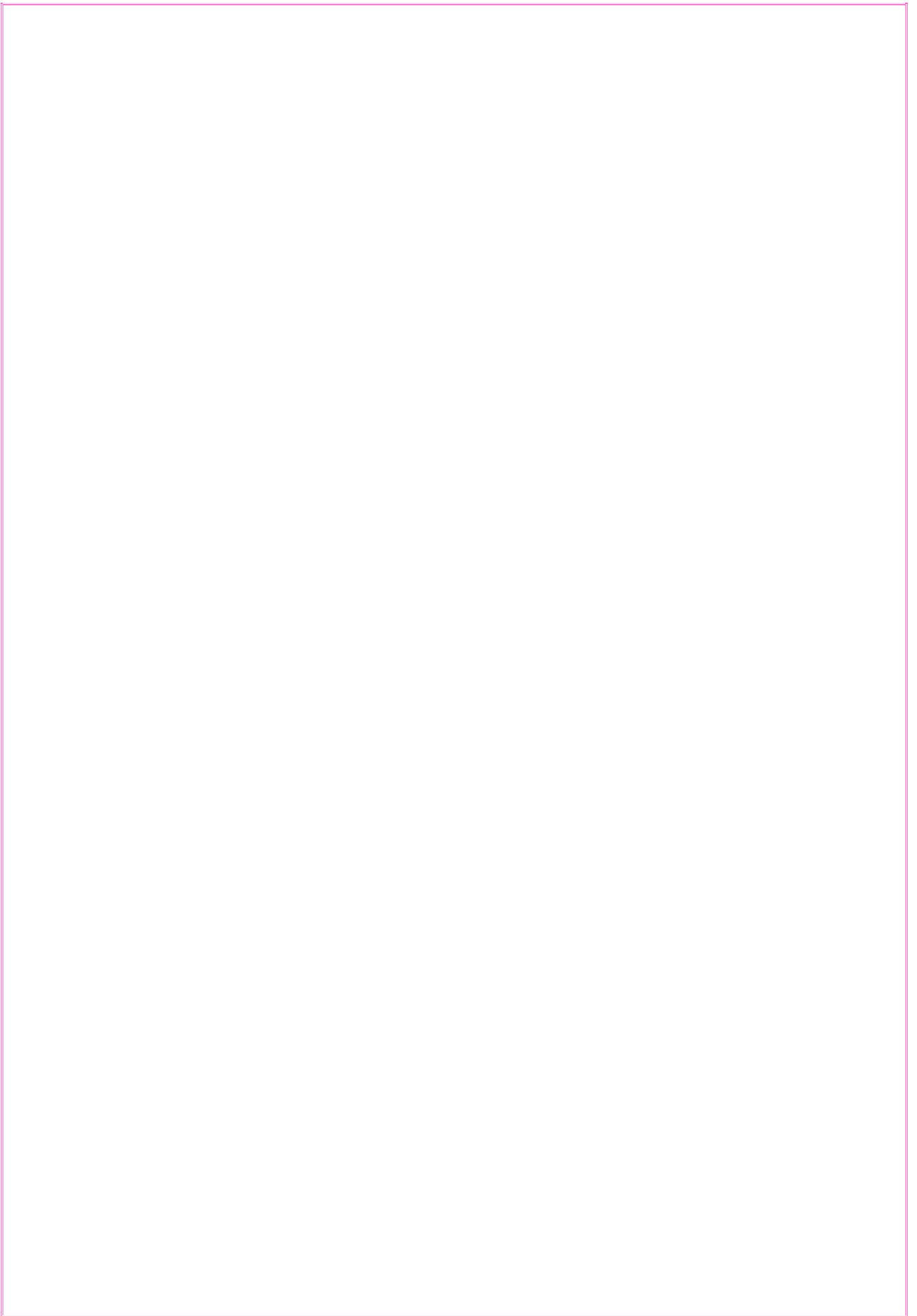
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Ultimate control of the charity lies with the trustees and with East Midlands Housing Group who are responsible for the charity's affairs. The consolidated financial statements of East Midlands Housing Group are available at [www.emhgroup.org.uk](http://www.emhgroup.org.uk)

**EMH CARE AND SUPPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
|  | <b>£000</b> | <b>£000</b> |
| <b>24 Notes to the Cash Flow Statement</b>   |             |             |
| <b>Reconciliation of net income / (expenditure) to net cash flow from operating activities</b> |             |             |
| <b>Net income for reporting period (as per the statement of financial activities)</b>          | (539)       | 1,064       |
| <b>Adjustments for :</b>   |             |             |
| Depreciation charges   | 440         | 245         |
| (Gain) on disposal of assets   | -           | (191)       |
| Interest Receivable  | -           | (3)         |
| Interest Payable   | 15          | 7           |
| Deferred government grants   | (9)         | (14)        |
| Pensions costs less contributions payable  | (139)       | 428         |
| Grant abated   | -           | (181)       |
| Decrease/(increase) in debtors   | 348         | 82          |
| Increase/decrease) in creditors  | 302         | (586)       |
| (Decrease)/increase in provisions  | (61)        | 67          |
| <b>Net cash inflow/(outflow) from operating activities</b>                                     | <b>357</b>  | <b>918</b>  |





# Year end report 2021/22

EMH Group

July 2022

## Key contacts

Your key contacts in connection with this report are:

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| Contents   | Page |
|--|------|
| Introduction   | 3    |
| Our audit findings                                   | 6    |
| Key changes to our audit plan                        | 5    |
| Significant risks and other areas of focus           | 7    |
| Key accounting estimates                             | 15   |
| Group audits – involvement in significant components | 16   |
| EMH Treasury Plc                                     | 17   |
| <b>Appendices</b>                                    | 20   |

## EMH Group

## Introduction

## To the Audit Committee of EMH Group

**We are pleased to have the opportunity to meet with you on 12 July 2022 to discuss the results of our audit of the consolidated financial statements of East Midlands Housing Group (the 'Association') (and its subsidiaries (the 'Group')), as at and for the year ended 31 March 2022.**

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on 08 February 2022. We will be pleased to elaborate on the matters covered in this report when we meet.

Our audit is substantially complete. There have been no significant changes to our audit plan and strategy other than a reduction in our assessment of the risk of fraudulent revenue recognition associated with property sales.

Subject to the Board's approval, we expect to be in a position to sign our audit opinion on the Group's financial statements within the week after the board meetings at the end of July 2022, provided that the outstanding matters noted on page 5 of this report are satisfactorily resolved.

We expect to issue an unmodified Auditor's Report.

We draw your attention to the important notice on page 4 of this report, which explains:

- The purpose of this report; and
- Limitations on work performed;
- Restrictions on distribution of this report.

Yours sincerely,



Sarah Brown

Engagement  
partner  
12 July 2022



## How we have delivered audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

EMH Group

# Important notice

This report is presented under the terms of our audit engagement letter.

Circulation of this report is restricted.

The content of this report is based solely on the procedures necessary for our audit.

This report has been prepared for the Audit Committee, in order to communicate matters of interest as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this report, or for the opinions we have formed in respect of this report.

## Purpose of this report

This Report has been prepared in connection with our audit of the consolidated financial statements of EMH Group (the 'Association') and its subsidiaries (the 'Group'), prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the UK and the Republic of Ireland, as at and for the year ended 31 March 2022.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you.

## Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Group's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors reporting to the Association's members in accordance with the Co-operative and Community Benefit Societies Act and Charities SORP.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

## Status of our audit

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status at the Audit Committee meeting but would like to highlight the following work is still outstanding:

- Management representation letter;
- Review of the front end of the accounts, disclosure checklist and casting;
- Going concern review;
- Consolidation;
- Finalisation of stock and WIP recoverability assessment;
- Finalisation of testing on the non-significant account areas; and
- Finalisation of the pensions work, including the KPMG actuaries review of assumptions; and
- Completion of the high risk journals testing.

## Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit Committee of the Group; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

## EMH Group

## Our audit findings

## Significant audit risks

Page 7 – 9

|  | Risk change | Our findings  |
|--|-------------|---|
| Valuation of post retirement benefit obligations | ● No change | Control deficiency noted over management's review of the assumptions used.  |
| Revenue recognition                              | ● No change | Our testing is now completed and subject to final review.   |
| <b>Other areas of focus</b>                      |             |   |
| Recoverably of stock and work in progress        | ▼ Decrease  | Our testing is now completed and subject to final review.   |
| Management override of controls                  | ● No change | We have identified the journals sample deemed to be high risk against our criteria for further testing, but this work is still ongoing.<br><br>Our work in this area is still underway, nothing has been brought to our attention to date to suggest that the Group is not a going concern. |
| Going concern                                    | ● No change |   |
| Regulatory compliance, litigations and claims    | ● No change | No issues have been identified.   |

## Key accounting estimates

Page 15

|                                   |         |   |
|-----------------------------------|---------|---|
| Defined Benefit pension Liability | TBC     | Our KPMG actuaries are assessing the actuaries assumptions. We will be able to give a verbal update at the committee meeting. |
| Stock and WIP recoverability      | Neutral | No concerns raised to date as to the recoverability of stock and WIP.   |

## Number of Control deficiencies Page 9, 25 - 26

|                                  |   |
|----------------------------------|---|
| Significant control deficiencies | 0 |
| Other control deficiencies       | 4 |

## Adjusted audit misstatements

Page 27

## Understatement/(overstatement)

|                               | £'000 |
|-------------------------------|-------|
| Remeasurement of LGPS         | (661) |
| Net asset LCC LGPS March 2022 | (661) |

## Outstanding matters

Our audit is substantially complete except for the following deliverables

- Management representation letter;
- Review of the Front end of the accounts, disclosure checklist and casting;
- Going concern review;
- Consolidation;
- Finalisation of Care and Support income sample testing;
- Finalisation of stock and WIP recoverability assessment;
- Finalisation of testing on the non-significant account areas and sample testing;
- Finalisation of the pensions work, including the KPMG actuaries review of assumptions; and
- Completion of the high risk journals testing.

## EMH Group

## Key changes to our audit plan

We have not made any changes to our audit plan as communicated to you on 08 February 2022, other than as follows:

| Risk/change                         | Effect on audit plan   |
|-------------------------------------|--|
| <b>Revenue recognition</b>          | <ul style="list-style-type: none"> <li>– Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Whilst we rebutted the fraud risk in respect of social housing income, specifically social housing rent receivable, service charge income and amortisation of government grant, we recognised a fraud risk over first tranche shared ownership sales. As a significant part of the Group's strategy is linked to its sales programme we considered there to be potential incentive to overstate sales at the end of the period. However, following our updated risk assessment we acknowledge that EMH recognises income upon receipt of a legal completion statement and cash and therefore the opportunity to manipulate revenue from sales is remote. Based on the restricted opportunity for management to fraudulently recognise revenue we have now rebutted the risk for property sales.</li> <li>– Overall we do not consider there to be any factors that would give rise significant opportunities that would increase the risk of fraudulent revenue recognition and therefore the risk is rebutted for all revenue streams.</li> </ul>   |
| <b>Stock and WIP recoverability</b> | <ul style="list-style-type: none"> <li>– We included in our Audit Plan a significant audit risk in relation to the recoverability of stock and work in progress. We however noted that the risk would be dependent upon the size and nature of the stock held on the balance sheet at the year end and therefore noted that we may revise our assessment of this risk.</li> <li>– As at the year ended 31 March 2022, we noted the total stock balance was £15.3m. Of the £15.3m balance, £5.1m related to properties that were completed and held for sale. As these properties are complete (with no forecast future costs) and being actively marketed, including a number of units that have been reserved or sold post year end, we do not consider this balance to have significant estimation uncertainty. The remaining stock balance of £10.2m is made up of first tranche shared ownership properties under the course of construction. With group materiality of £3.1m we would need approximately 30% of the balance to be misstated to result in a material misstatement – this would require a large number of schemes to have a forecast loss, which would be very unlikely given the Group has historically achieved healthy margins on its first tranche sales. Therefore we have concluded that there is no significant risk that the carrying value of stock and work in progress is less than the net realisable value.</li> </ul> |

EMH Group

# Significant risks and other areas of focus

## Significant audit risks

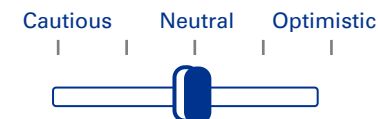
---

- 1 Valuation of post retirement benefit obligations
  - 2 Revenue recognition – fraud risk related to revenue recognition
- 

## Other areas of audit focus

---

- 3 Recoverability of stock and work in progress
  - 4 Management override of controls
  - 5 Going Concern
  - 6 Regulatory compliance, litigation and claims
-



1

**Valuation of post retirement benefit obligations**

Risk of error in relation to the valuation of post retirement benefit obligations

**Significant audit risk****The risk**

An inappropriate amount is estimated and recorded for the defined benefit obligation.

The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Group's pension liability could have a significant effect on the financial position of the Group.

The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Group in completing the year end valuation of the pension deficit and the year on year movements.

The significant risk relates only to SHPS and the Derbyshire County Council (DCC) pension scheme which has gross liabilities of £39m.

Gross liabilities for the Leicestershire County Council (LCC) pension scheme are £8m .

**Our response**

We performed the following procedures:

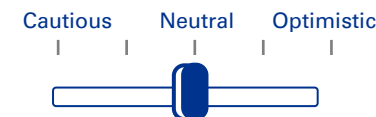
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data.
- Confirm that the accounting treatment and entries applied by the Group are in line with FRS102 and the SORP;
- Consider the adequacy of the Group's disclosures in respect of the sensitivity of the deficit to these assumptions.
- Confirmed that the pension note included all required information as set out in FRS102.

**Our findings**

We acknowledge that there is a review of key assumptions and evidence of challenge by management but we do not place reliance on this control due to the lack of precision and documentation. Whilst this Management Review Control may be achieving the control objective set by management (we have not confirmed this), it does not meet the control requirements as defined by the FRC in its auditing standards. We do not consider this to be a significant deficiency in the internal control environment.

Our KPMG actuaries have noted that the SHPS assumptions are balances relative to our central rates. Work over the LGPS assumptions is still on going.

While valuation of the LCC defined benefit obligation is not linked to a significant risk we have performed proportionate procedures and reported an adjusted audit misstatement on the LCC LGPS net asset position. It is generally expected that the employer would not have the right to a refund and therefore it is hard to demonstrate that the asset is recoverability. Management have agreed to cap to net asset to 0 and adjust for this in the accounts.



2

## Revenue recognition Care and support income

Fraud risk related to misstatement of revenues

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. We do not consider there to be financial incentives that give rise to incentives or pressures that increase the risk of fraudulent revenue recognition. We have rebutted the fraud risk in respect of the below revenue streams based on the fixed income value of the streams with limited manual intervention or scope for manual intervention. Due to the predictability of this revenue stream there is deemed to be limited opportunity for the fraudulent revenue recognition. This applies to the following revenue streams: Social housing rent receivable; Service charge income; Amortisation of government grant and first tranche shared ownership sales.

### Significant audit risk

#### The risk

When revenue is recognised from the sale of goods or delivery of service, revenue is not recognised in the correct accounting period.

EMH CS provides a social care service for which it receives revenue from local authorities and self-paying residents. There may be pressure on management from the Board, third party lenders and other stakeholders to show a surplus in the Charity.

For income from social care services, revenue could be fraudulently recognised by recognising revenue for care services which have not been provided.

We believe this risk would manifest through manipulation of the revenue accrual, as revenue is recognised for care services provided but not billed in accordance with timesheets submitted; and so revenue may be recognised for time which was not worked.

### Our response

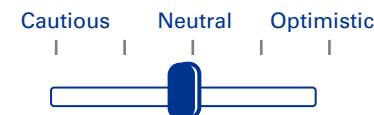
We evaluated the design and implementation of a control to ensure that revenue is reconciled to the submitted timesheets, and that timesheets are reviewed and approved to ensure they represent the substance of the care provided.

We agreed a sample of revenue accruals to post year-end invoices agreed with and paid by the Group/Subsidiary's customers.

We recalculated a sample of un-paid revenue accruals based on the schedule of rates set out in the contract, and the approved timesheets.

### Our findings

We have performed in year substantive testing and also completed cut-off testing over the Care and Support income. Our testing is now complete, subject to final review.



3

**Recoverability of stock and work in progress**

Risk of error in relation to the valuation of properties held in stock and work in progress

**Other area of audit focus****The risk**

An inappropriate amount is estimated for the net realisable value (NRV) of stock and work in progress, or an incorrect amount is recorded for the lower of cost and NRV.

Property held in stock and work in progress comprises properties which are speculatively developed for shared ownership sale. FRS102 requires these properties to be recognised at the lower of cost or net realisable value.

In order to assess the net realisable value of property held in stock and work in progress, site appraisals are prepared which include forecast revenue and costs and provide an indication of the recoverability of property held in stock and work in progress. Site appraisals include a number of judgements that could have a significant effect on the net realisable value of the property.

The risk will be dependent upon the size and nature of the stock held on the balance sheet at the year end.

**Risk Update**

Since the audit plan, this risk has been down graded from a significant risk to an other area of audit focus – see page 6.

**Our response**

We performed the following procedures:

- Understand the processes the Group has in place to assess recoverability of stock and work in progress. We will review this process and identify and test the design and implementation of controls in place for assessing recoverability of stock and work in progress;
- Verify if completed stock has been sold following the year end date;
- Verify if reservations have been made for the stock during or after the financial year;
- Obtain management’s forecast revenue and costs and challenge the judgements made as part of the forecasts. This will include the rationale for forecasted sales prices, comparison to equivalent unit sales and consideration of sales conditions within the geographical area. We will perform sensitivity analysis over the forecasted costs and the impact on the recoverability of the site to price increases from the original forecast.

**Our findings**

For the completed properties held in stock as at 31 March, we have tested post year end sales and concluded that these were sold for more than or equal to the balance held in stock.

For schemes in development in WIP as at 31 March, we have assessed the potential impact of increasing build costs could have on the recoverability of these schemes. This was concluded as having a low risk of material impact due to fixed price contracts already being in place.

4

**Management override of controls**

Fraud risk related to unpredictable way management override of controls may occur

**Other area of audit focus****The risk**

Professional standards require us to communicate the fraud risk from management override of controls as significant.

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We have not identified any specific additional risks of management override relating to this audit.

**Our response**

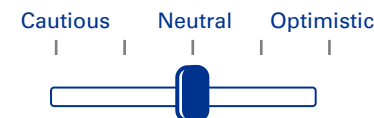
We performed the following procedures:

- In line with our methodology, we tested the operating effectiveness of controls over journal entries and post closing adjustments.
- Substantively tested identified high risk journals to supporting evidence. In addition we substantively tested all material post closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assessed the appropriateness of the accounting for significant transactions that are outside the component's normal course of business, or are otherwise unusual.

**Our findings**

We have identified the journals sample deemed to be high risk against our criteria for further testing, but this work is still ongoing.

We have not found any findings to bring to your attention in relation to these matters to date.



5

**Going Concern**

Risk relating to disclosures related to going concern including the judgement of whether there is material uncertainty

**Other area of audit focus****The risk**

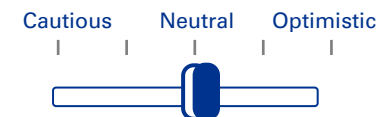
Management's assessment of the entity's ability to continue as a going concern involves significant judgment with respect to future scenarios and their impact on cashflows.

COVID-19, coupled with the potential ongoing impacts of may cast significant doubt on the entity's ability to continue as a going concern and may indicate the existence of a material uncertainty.

**Our response**

We performed the following procedures:

- Evaluated how management's risk assessment process identifies business risks relating to events and conditions that may cast significant doubt on the ability to continue as a going concern.
- Evaluated the models management uses in its assessment, including use of the work of experts, and evaluate how the information system captures events and conditions that may cast significant doubt on ability to continue as a going concern.
- Evaluated whether management's assessment has failed to identify events or conditions that may cast significant doubt on going concern and whether the method used by management is appropriate.
- Assessed the reasonableness of management's budgets/forecasts and evaluate whether key assumptions are within a reasonable range, and assess the plausible but severe downside scenarios particularly whether those downside scenarios reflect plausible impacts of COVID-19 on the business.
- Evaluated whether sufficient and appropriate audit evidence has been obtained to conclude whether a material uncertainty exists and the appropriateness of management's use (or otherwise) of the going concern basis of accounting.
- Evaluated whether there is adequate support for the assumptions underlying management's assessment, whether they are realistic and achievable and consistent with the external and/or internal environment and other matters identified in the audit.
- Challenged management's plans for future actions, and verify the reliability and relevance of data used. Determine whether the outcome of these plans is likely to improve the situation and whether management's plans are feasible.



5

**Going Concern**

Risk relating to disclosures related to going concern including the judgement of whether there is material uncertainty

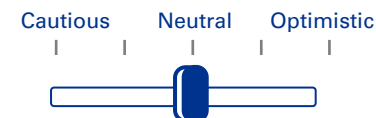
**Other area of audit focus****The risk**

Management's assessment of the entity's ability to continue as a going concern involves significant judgment with respect to future scenarios and their impact on cashflows.

COVID-19, coupled with the potential ongoing impacts of may cast significant doubt on the entity's ability to continue as a going concern and may indicate the existence of a material uncertainty.

**Our findings**

Our work in this area is still underway and therefore we are unable to conclude on going concern at this stage. However, nothing has been brought to our attention to date to suggest that the Group is not a going concern.



6

**Regulatory compliance, litigation and claims**

Compliance with reporting requirements in respect of regulatory compliance, litigation and claims.

**Other area of audit focus****The risk**

The Group will again be required to confirm in their 2021/22 annual report that they comply with all aspects of the Regulator of Social Housing's Governance and Financial Viability Standard.

The Group will also need to be aware of any litigation or claims, which may then require disclosure or provision in the 2021/22 accounts

**Our response**

Our consideration of the Group's regulatory compliance included the following procedures:

- We reviewed evidence as to how the Group gains assurance that it complies with all aspects of the Regulator of Social Housing's Governance and Financial Viability standard; and
- We made enquiries with key members of management, those charged with governance, and internal audit as appropriate

**Our findings**

No issues have been identified so far however our work is still in progress, specifically over our work on the Value for Money metrics and disclosures in the financial statements. We will provide a summary of our findings in the final report.

With regards to the recent in-depth assessment (IDA) from the regulator, we noted the judgements reached by the Regulator with the Group being graded G1 and V1 in respect to both governance and viability. We do not consider these findings to impact our reporting in this area.

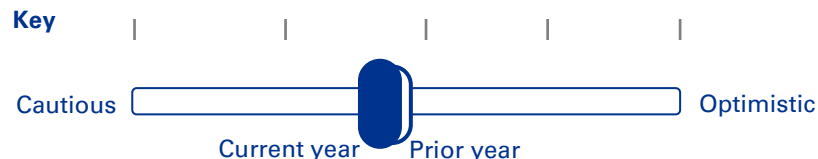
EMH Group

# Key accounting estimates - Overview

## Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Cautious means a smaller asset or bigger liability; optimistic is the reverse.



| Asset/liability class        | Our view of management judgement | Balance (£'000) | YoY change (£') | Our view of disclosure of judgements & estimates | Further comments  |
|------------------------------|----------------------------------|-----------------|-----------------|--|---|
| Stock and WIP recoverability |                                  | 15,366          | 464             |  | Management performed a year end recoverability review of stock & WIP. No misstatements or issues have been identified as a result of our testing to date but we are still finalising our testing. |
| LGPS and SHPS met liability  |                                  | (8,630)         | 10,305          |  | Our KPMG actuaries have noted that the SHPS assumptions are balances relative to our central rates. Work over the LGPS assumptions is still on going.   |

## EMH Group

## Group audits – involvement in significant components

Below we set out the entities in scope for the group opinion, and the significant risks which exist within each entity.

Our criteria for rebuttal of the fraud risk related to revenue recognition is the same across each entity.

| Entity                             | 1 | 2 | 3 |
|------------------------------------|---|---|---|
| EMH Group (Parent)                 | ✓ |   | ✓ |
| EMH Homes                          | ✓ |   | ✓ |
| EMH Care and Support               | ✓ | ✓ | ✓ |
| EMH Development Company            |   |   | ✓ |
| EMH Sharpes                        |   |   | ✓ |
| Midlands Rural Housing Association | ✓ |   | ✓ |
| EMH Treasury Plc                   |   |   | ✓ |

| Significant risks |   |
|-------------------|---|
| 1                 | Valuation of post retirement benefit obligations                |
| 2                 | Revenue recognition – fraud risk related to revenue recognition |
| 3                 | Management override of controls                                 |

✓ Risk in entity is relevant to group audit.

✓ Risk in entity is not material to the group audit, but is relevant to the statutory audit.

Also please note we audit the consolidated group accounts.

# EMH Treasury PLC

|  | <b>Page</b> |
|--|-------------|
| Summary of audit findings                  | 18          |
| Significant risks and other areas of focus | 19          |

## EMH Treasury

## Summary of audit findings

**Materiality**

During our audit planning we determined materiality for the EMH Treasury Plc based on gross assets as follows:

- Materiality for the financial statements as a whole - £1.5m (2021: £1.5m)
- Performance materiality (used to assess extent of audit procedures) - £1.12m (2021: £1.13m)
- Misstatements reported to the audit committee - £75k (2021: £75k)

There were no changes to our planned materiality.

**Outstanding matters**

Our audit is substantially complete except for the following deliverables

- Management representation letter
- Review of the Front end of the accounts, disclosure checklists and casting
- Going concern review; and
- Finalisation of testing on non-significant account areas.

**Significant risks**

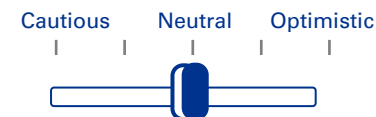
Page 19

| Significant audit risks            | Risk change | Our findings   |
|------------------------------------|-------------|--|
| Recoverability of long term debtor | Stable      | No issues have been found to date but our work is still ongoing. |

**Audit report**

A copy of our draft audit report will be provided separately to this document.

# Key audit matters



1

## Recoverability of long term debtor

Risk of error in relation to the valuation of long term debtors

### Key audit matter

#### The risk

An impairment loss is not recognised for financial assets measured at amortised cost when there is objective evidence of impairment.

The Company's primary activity is to issue bonds, source investor financing and on-lend to the Parent. It therefore has long term liabilities which relate to the bonds issued and long term intercompany debtors which relate to the loans provided to the Parent.

The carrying amount of the long term intercompany debtor balance represents 99% of the Company's total assets. Recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Company financial statements, this is considered to be the area that had the greatest effect on our overall Company audit.

Whilst there are small amounts of financial income and financial expense during the loan period, the risk mainly stems from the expectation of the ability of the Parent to repay the loan in 22 years.

### Our response

We performed the following procedures:

- i. **Assessment of Recoverability:** Assess 100% of intercompany long term debtors owed by the Parent (2021: 100%) to identify, with reference to the Parent's financial draft balance sheet, whether they have a positive net asset value and sufficient headroom to cover the debt owed, and that future cash flow plans include repayment of the debt.
- ii. **Assessment of Parent:** Assess the work performed by the Group audit team, and considering the results of that work, on those net assets. This will include assessment of the fair value headroom available on those net assets, and therefore the ability of the parents to fund repayment of the receivable. We will critically assess the directors' going concern assessment, including the reasonableness of the key assumptions used by the parents in their cash flow forecasts and the level of downside sensitivities applied using our knowledge of COVID-19 scenarios being applied by other entities.

### Our findings








No issues have been found to date but our substantive work is still ongoing and subject to review.

# Appendix

|   | <b>Page</b> |   | <b>Page</b> |
|---|-------------|---|-------------|
| Required communications with the Audit Committee          | 21          | Confirmation of independence            | 28          |
| Additional report relating to EU public interest entities | 22          | FRC's focus areas                       | 30          |
| Recommendations raised                                    | 25          | ISA (UK) 315 Revised Overview           | 32          |
| Audit differences   | 27          | ISA (UK) 240 Revised Summary of changes | 34          |








## Appendix one

## Required communications with the Audit Committee

| Type   |   | Response   |
|--|---|--|
| <b>Our draft management representation letter</b>  |  | We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2022.   |
| <b>Adjusted audit differences</b>  |  | There were one adjusted audit differences with a total comprehensive income impact of £661k. See page 27.  |
| <b>Unadjusted audit differences</b>  |  | The aggregated profit impact of unadjusted audit differences would be £nil. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. |
| <b>Related parties</b>   |  | There were no significant matters that arose during the audit in connection with the entity's related parties.   |
| <b>Other matters warranting attention by the Audit Committee</b>                         |  | There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.  |
| <b>Control deficiencies</b>  |  | We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated.                    |
| <b>Actual or suspected fraud, noncompliance with laws or regulations or illegal acts</b> |  | No actual or suspected fraud involving management, employees with significant roles in group-wide internal control, or where fraud results in a material misstatement in the financial statements was identified during the audit.                   |










## Appendix one

## Required communications with the Audit Committee

| Type   |   | Response   |
|--|---|--|
| Significant difficulties   |  | No significant difficulties were encountered during the audit.   |
| Modifications to auditor's report  |  | None.  |
| Disagreements with management or scope limitations                         |  | The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.   |
| Other information  |  | No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports.<br>The Strategic report is fair, balanced and comprehensive, and complies with the law. |
| Breaches of independence   |  | No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.   |
| Accounting practices   |  | Over the course of our audit, we have evaluated the appropriateness of the Group's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.          |
| Significant matters discussed or subject to correspondence with management |  | All significant matters arising from the audit were discussed, or subject to correspondence, with management.  |






## Appendix two

## Additional report relating to UK public interest entities

| Type  |  | Response   |
|---|--|--|
| <b>Our declaration of independence</b>  |   | No matters to report. The engagement team and others in the firm, have complied with relevant ethical requirements regarding independence.                                     |
| <b>Key audit partner(s)</b>   |   | We have identified each key audit partner at page 2 in our Audit Plan and Strategy report dated 08/02/2022.  |
| <b>Independence of external experts engaged by KPMG and non-KPMG auditors</b> |   | We have not engaged external experts.  |
| <b>Communications with Audit Committee and management</b>                     |   | We have described the nature, frequency and extent of communication with the Audit Committee and management at page 23 in our Audit Plan and Strategy report dated 08/02/2022. |
| <b>Scope and timing of the audit</b>  |   | We have described the scope and timing of the audit at page 23 in our Audit Plan and Strategy report dated 08/02/2022.   |
| <b>Audit methodology</b>  |   | Our audit methodology is described throughout this report.   |
| <b>Going concern assessment</b>   |   | There are no significant matters affecting the entity's ability to continue as a going concern found to date. Our work on this area is ongoing                                 |
| <b>Requested explanations and documents</b>                                   |   | No matters to report. All requested explanations and documents were provided by management.  |
| <b>Our declaration of independence</b>  |  | No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.   |

## Appendix two

## Additional report relating to UK public interest entities

| Type  |   | Response   |
|---|---|--|
| <b>Materiality</b>  |  | Quantitative materiality applied to the audit of the financial statements as a whole and materiality for balances/disclosures affected by qualitative factors is set out at page 5 in our Audit Plan and Strategy report dated 08/02/2022.   |
| <b>Non-compliance with laws and regulation or articles of association</b> |  | No actual or suspected non-compliance with laws and regulation or articles of association were identified during the audit.  |
| <b>Significant deficiencies in internal control</b>                       |  | There are no significant deficiencies to report.   |
| <b>Significant difficulties</b>   |  | No significant difficulties were encountered during the audit.<br>There are no significant matters arising from the audit were discussed, or subject to correspondence, with management.<br>In our professional judgment, no matters arose from the audit that were significant to the oversight of the financial reporting process. |
| <b>Management's approach to consolidation</b>                             |  | We report on management's approach to consolidation. It is consistent with FRS 102. The consolidated financial statements include all material subsidiaries.   |

## Appendix three

## Recommendations raised and followed up

The recommendations raised as a result of our work in the current year are as follows:

| Priority rating for recommendations |   |          |  |
|-------------------------------------|---|----------|--|
| <b>1</b>                            | <b>Priority one:</b> issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.                              | <b>2</b> | <b>Priority two:</b> issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system. |
| <b>3</b>                            | <b>Priority three:</b> issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them. |          |  |

| #                           | Risk     | Issue, Impact and Recommendation  | Management Response   |
|-----------------------------|----------|---|---|
| <b>Financial Statements</b> |          |   |   |
| 1                           | <b>2</b> | <p><b>Rent Reconciliations</b></p> <p>During our controls test work management disclosed to the audit team that no rent reconciliations were completed between week 21 and week 51 for EMH Housing and Regeneration Ltd. We did however note that the week 52 reconciliation had been completed and all differences were investigated and resolved.</p> <p><b>Recommendation</b></p> <p>We recommend that management complete the rental reconciliations on a weekly basis for 2022/23 and ensure there is adequate oversight of this process to ensure any issues with completion are identified and resolved on a timely basis.</p> | This matter was recognised at year end and fully disclosed at the time. The process is in place for the reconciliation to be completed each week however due to internal issues this did not happen in year. The year end reconciliation was produced and all necessary adjustments made. Going forward this process will be carried out on a weekly basis and regular checks will take place by management to ensure that this is happening. |
| 2                           | <b>3</b> | <p><b>Leavers access to OpenAccounts</b></p> <p>KPMG identified 19 leavers with active accounts in the OpenAccounts system. We performed additional tests to check if any of the leavers logged on into the OpenAccounts system after their termination date and noted that none of the 19 leavers leavers had logged in after their termination date</p> <p>We <b>recommend</b> that management remove leaver's access to open accounts on their termination date</p>  | TBC   |

## Appendix three

## Recommendations raised and followed up (cont.)

| #                  | Risk | Issue, Impact and Recommendation   | Management Response / Officer / Due Date |
|--------------------|------|--|--|
| <b>IT Controls</b> |      |  |  |
| 3                  | ③    | <p><b>IT Access Controls</b></p> <p>KPMG noted that there were no proper controls in place on the access modification of users. For the two modified users identified in the audit period, there were no formal process in place for their identification and approvals.</p> <p><b>Recommendation</b></p> <p>We recommend that management implement the controls described above</p> | TBC                                      |

## Appendix four

## Audit Differences

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit [and Risk] Committee with a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

| Adjusted audit differences (£'000s) |   |              |                      |  |
|-------------------------------------|---|--------------|----------------------|--|
| No.                                 | Detail  | SOCI Dr/(cr) | SOFP Dr/(cr) (£'000) | Comments   |
| 1                                   | Dr Remeasurement of Local Government Pension Scheme<br><br>Cr Leicestershire County Council LGPS Net asset at 31 March 2022 | £661         | (£661)               | We have reported an adjusted audit misstatement on the LCC LGPS net asset position. It is generally expected that the employer would not have the right to a refund and therefore it is hard to demonstrate that the asset is recoverability. Management have agreed to cap to net asset to 0 and adjust for this in the accounts. |
| Total                               |   | £661         | (£661)               |  |

## Appendix five

# Confirmation of Independence

**We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.**

To the Audit Committee members

### **Assessment of our objectivity and independence as auditor of the EMH Group (the 'Group').**

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### **General procedures to safeguard independence and objectivity**

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard.

As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications

- Internal accountability
- Risk management
- Independent reviews.

The conclusion of the audit engagement partner as to our compliance with the FRC Ethical Standard in relation to this audit engagement is subject to review by an engagement quality control reviewer, who is a director not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

### **Independence and objectivity considerations relating to the provision of non-audit services**

#### *Summary of non-audit services*

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the following table

## Appendix five

## Confirmation of Independence

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period. Total fees charged by us can be analysed as follows:

|   | 2021/22 (to date) | 2020/21    |
|---|-------------------|------------|
|   | £'000             | £'000      |
| Total Audit service incl. Service charge statements | 113.35            | 110        |
| <b>Total audit</b>                                  | <b>113.35</b>     | <b>110</b> |
| Strategic partnership grant                         | 10                | 10         |
| <b>Total non-audit services</b>                     | <b>10</b>         | <b>10</b>  |
| <b>Total Fees</b>                                   | <b>123.35</b>     | <b>120</b> |

*Fee ratio*

The anticipated ratio of non-audit fees to audit fees for the year at the time of planning is 0.1 : 1.

We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

*Application of the FRC Ethical Standard 2019*

We communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

**Confirmation of audit independence**

We confirm that as of the date of this letter, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Compliance Committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

## Appendix Six

# FRC's areas of focus

The areas of focus from the FRC's Annual Review of Corporate Reporting 2020/21, annual letter to CEOs, CFOs and audit committee chairs along with the five thematic reviews issued in 2021 should be considered for reporting in the current financial period. The reports identify where the FRC believes organisations should be improving their reporting. Below is a high level summary of the key topics. We encourage management and those charged with governance to read further on those areas which are significant to the Registered Provider.

### Judgements and Estimates

In the current climate it is particularly important for entities to provide as much context as possible for the assumptions and predictions underlying the amounts recognised in the financial statements, including potential sensitivities or ranges of possible outcomes.

Trusts should disclose the carrying amounts impacted by estimation uncertainty. Disclosures of key assumptions and sensitivities could be improved. Preparers are encouraged to clearly distinguish between sources of estimation uncertainty with a significant risk of a material adjustment in the following year and other, perhaps longer-term, uncertainties.

Significant accounting judgements should be clearly explained along with factors considered.

### Revenue

Having raised a considerable number of queries in relation to revenue recognition policies and related disclosure, the FRC strongly encourage preparers to read their thematic report which includes tips and examples of good and inadequate disclosure.

Entities should disclose significant judgements made in accounting for revenue. This could include judgements in relation to performance obligations, transaction price and amounts allocated to performance obligations. Disclosures should clearly identify the methods used to estimate any variable consideration.

### Statement of Cash Flows

Organisations need robust reviews of the cash flow statement to ensure consistency with other parts of the annual report and to ensure preparation in line with the accounting standard.

Errors continue to be identified, including inappropriate classification of cash flows and inappropriate netting. The FRC also challenges organisations on the composition of cash equivalents and on incomplete or incorrect related disclosures.

Organisations are reminded that even in the limited cases where borrowings can be included as a component of cash and cash equivalents in the cash flow statement, the IAS 32 'Financial Instruments: Presentation' criteria need to be applied to determine whether they can be presented on a net basis in the balance sheet.

### Alternative Performance Measures (APMs)

APMs should not be given undue-prominence. Preparers should avoid statements appearing to provide APMs with more authority than IFRS measures and are reminded that meaningful commentary on the IFRS figures is required.

APMs, including ratios, should be appropriately labelled and reconciled to the most directly reconcilable financial statement line item. It should be clear how reconciling items are determined and companies should explain clearly why amounts are excluded from adjusted measures. Adjusting items should include gains as well as losses, where relevant.

## Appendix Six

## FRC's areas of focus

|  |   |
|--|---|
| <p><b>Strategic Report</b></p>   | <p>The annual report should provide a fair, balanced and comprehensive analysis of the development and performance of the business in the financial year and of its position at the end of the year. In particular companies are encouraged to include discussion of relevant significant matters and performance against key strategic objectives.</p>   |
| <p><b>Provisions and contingencies</b></p>   | <p>Provisions and contingencies should be clearly explained including the nature of the exposure, the timeframe and the basis for determining the amount. Any significant judgements and relevant assumptions should be disclosed clearly.</p> <p>There should be consistency between information provided in the annual report and accounts.</p> <p>If material provisions are dependent on the future performance of a business expected to be heavily impacted by climate change, this should be disclosed and detail provided on how climate change had been taken into account in the estimate.</p>  |
| <p><b>Leases</b></p>   | <p>Lessees and lessors are required to disclose information that gives a basis for users to assess the effect of leases on financial position, financial performance and cash flows. This could include information about variable payment features, for example. Judgements should be disclosed.</p> <p>Entity-specific accounting policies should be disclosed for material transactions.</p>   |
| <p><b>2021/22 priorities for FRC review:</b></p> <ul style="list-style-type: none"> <li>- <b>Impact of COVID-19</b></li> </ul> | <p>In addition to the topics summarised above, the FRC have indicated that routine monitoring for the 2021/22 cycle will include a focus on:</p> <ul style="list-style-type: none"> <li>- judgement and uncertainty in the face of continuing economic and social impact of Covid-19; and</li> <li>- climate-related risks and new disclosures.</li> </ul> <p>Disclosure on judgements and assumptions about the future will remain important to users of reports, particularly when considering matters such as going concern and liquidity. Therefore as part of their routine 2021/22 routines, the FRC will continue to consider whether entities:</p> <ul style="list-style-type: none"> <li>- Explain the significant judgements and estimates made;</li> <li>- Provide meaningful sensitivity analysis or details of a range of possible outcomes;</li> <li>- Describe any significant judgements made in determining whether there is a material uncertainty about their ability to continue as a going concern; and</li> <li>- Ensure that assumptions used in the going concern assessment are compatible with those used elsewhere.</li> </ul> |

## Appendix Seven

# ISA (UK) 315 Revised: Overview



### Summary

ISA (UK) 315 *Identifying and assessing the risks of material misstatement* incorporates significant changes from the previous version of the ISA. These have been introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA is effective for the 2022-23 financial year onwards.

The revised standard expands on concepts in the existing standards but also introduces new risk assessment process requirements – the changes will have a significant impact on our audit methodology and therefore audit approach.

### Why have these revisions been made?

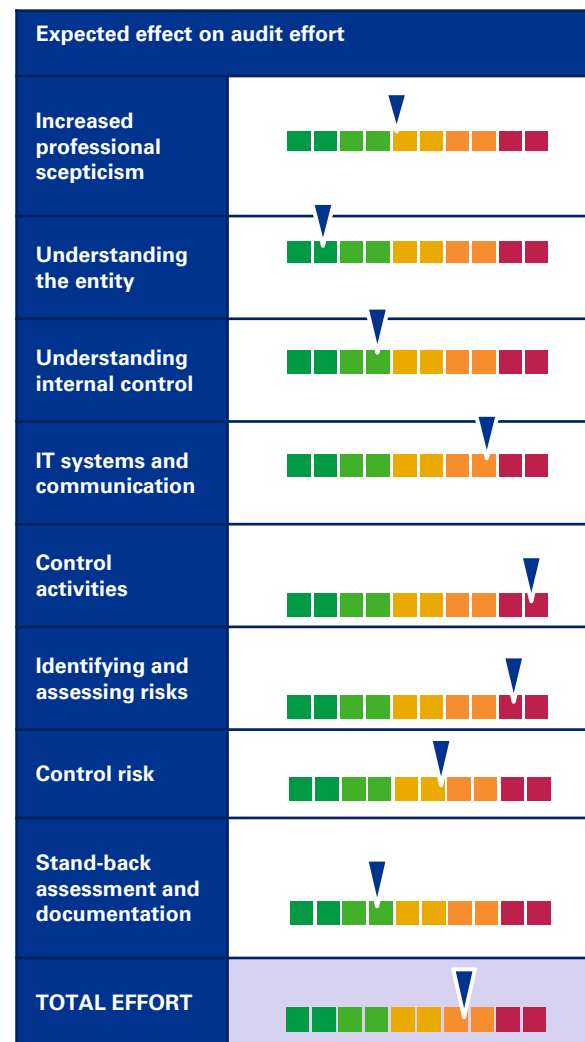
With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes are aimed at (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard’s scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

### What does this mean for an audit?

To meet the requirements of the new standard, auditors will be required to spend an increased amount of time across the risk assessment process, including more detailed consideration of the IT environment. We expect these changes to result in significantly increased audit effort levels which will, in turn, affect auditor remuneration. This additional effort is a combination of time necessary to perform the enhanced risk assessment procedures and the anticipated need to involve more technical specialists (particularly IT Audit professionals) in our audits.

Given the level of changes to the standard, debate remains ongoing about the extent of impact on application of some paragraphs. Global regulators have committed to providing further clarification in this area in advance of adoption, and there may therefore be some later updates to our initial assessment of relative impact.



Appendix Seven

# ISA (UK) 315 Revised: Summary of key changes



| Area                              | Impact on audit effort | Summary of changes and impact   |
|-----------------------------------|------------------------|---|
| Increased professional scepticism |                        | <p>Increased focus on applying professional scepticism – particularly the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence, which requires more independent evidence to be sought. In all cases, there will be enhanced documentation requirements in this area.</p>   |
| Understanding internal control    |                        | <p>The previous standard included requirements for understanding components of the entity’s system of internal control. The revisions add another step by requiring auditors perform evaluation procedures over these. This may require additional effort to evaluate the entity’s processes over risk assessment and monitoring activities over internal control systems to assess their appropriateness to the entity’s size and complexity.</p>  |
| IT systems and communication      |                        | <p>The requirements introduce an increased focus on understanding the entity’s own management of IT. This may entail performing additional risk assessment procedures and taking a broader view across the IT environment, considering more systems and systems in greater depth, than previously. Given the complexity and specialist knowledge required to perform these procedures, increased use of technical IT Audit specialists will be a natural consequence of this revision.</p>  |
| Control activities                |                        | <p>The revised standard enhances the way we identify IT applications and aspects of the IT environment that are subject to assessed risks arising from IT. This may result in significant expansion of risk assessment procedures to obtain and evaluate the necessary information. Further, the standard adds new requirements in control testing activities to mandate evaluation of general IT controls that address risks arising from IT associated with significant risks and certain journal entries. For these controls, the auditor is required to evaluate the design and implementation of the individual controls. This could result in a significant change in approach, with more emphasis and effort spent on evaluating control activities. Again, we anticipate integrating more specialised expertise into our audit team to meet the revised requirements.</p> |
| Identifying and assessing risks   |                        | <p>The changes require more detailed assessment of risks at both the financial statement and assertion levels for classes of transactions, account balances and disclosures than previously. Further, the revisions introduce an inherent risk spectrum and new inherent risk assessment factors, each of which the auditor evaluates to assess the level of risk and thereby shape the audit response. This will increase the audit effort needed to evaluate and document the risks of material misstatement.</p>   |
| Control risk                      |                        | <p>New requirement to assess inherent risk and control risk separately for each risk of material misstatement identified where the auditor plans to test the operating effectiveness of controls. The separation of assessments will require individual attention, increased documentation and is likely to affect sample sizes for substantive procedures.</p>   |
| Stand-back assessment             |                        | <p>New requirement to perform a stand-back assessment for material classes of transactions, account balances or disclosures which have not been identified as significant, to assess whether this determination remains appropriate in the context of the overall audit. This will require increased consideration of aggregation risk and introduce additional documentation requirements.</p>   |



Appendix Eight

# ISA (UK) 240 Revised: Summary of key changes

Summary and background

ISA (UK) 240 *The auditor’s responsibilities relating to fraud in an audit of financial statements* includes revisions introduced to clarify the auditor’s obligations with respect to fraud and enhance the quality of audit work performed in this area. The revised ISA (UK) is effective for periods commencing on or after 15 December 2021. Unlike ISA (UK) 315 which mirrors updates in the international ISA, the updated UK fraud standard is not based on international changes by the IAASB.

The impact of the revisions to ISA (UK) 240 is less extensive compared to ISA (UK) 315, but will nevertheless result in changes to our audit approach. The table below summarises the main changes and our initial assessment of their impact.

| Area   | Summary of changes and impact   | Effect on audit effort |
|--|---|------------------------|
| <p>Risk assessment procedures and related activities</p> | <p>[1] Increased focus on applying professional scepticism – the key areas affected are:</p> <ul style="list-style-type: none"> <li>the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence,</li> <li>remaining alert for indications of inauthenticity in documents and records, and</li> <li>investigating inconsistent or implausible responses to inquiries performed.</li> </ul> <p>[2] Requirements to perform inquiries with individuals at the entity are expanded to include, amongst others, those who deal with allegations of fraud.</p> <p>[3] Every audit now requires a specific determination as to whether to involve technical specialists (including forensics) to aid in identifying and responding to risks of material misstatement due to fraud. This will result in increased involvement of specialists and an expanded scope of work for these specialists, on audit engagements.</p> |                        |
| <p>Internal discussions and challenge</p>                | <p>Enhanced requirements for internal discussions among the audit team to identify and assess the risk of fraud in the audit, including a requirement to determine the need for additional meetings to consider the findings from earlier stages of the audit and their impact on our assessment of the risk of fraud.</p>  |                        |
| <p>Communications with management / TCWG</p>             | <p>New requirements for communicating matters related to fraud with management and those charged with governance, in addition to the reporting in our audit reports.</p>  |                        |

What does this mean for an audit?

The changes introduce new requirements which will increase audit effort and therefore the audit fee. The additional work is largely the result of investing more time identifying and assessing the risk of fraud during risk assessment and involving specialists to aid with both risk identification and the auditor’s response to risk.



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