midland heart

FINANCIAL STATEMENTS 2025 2026

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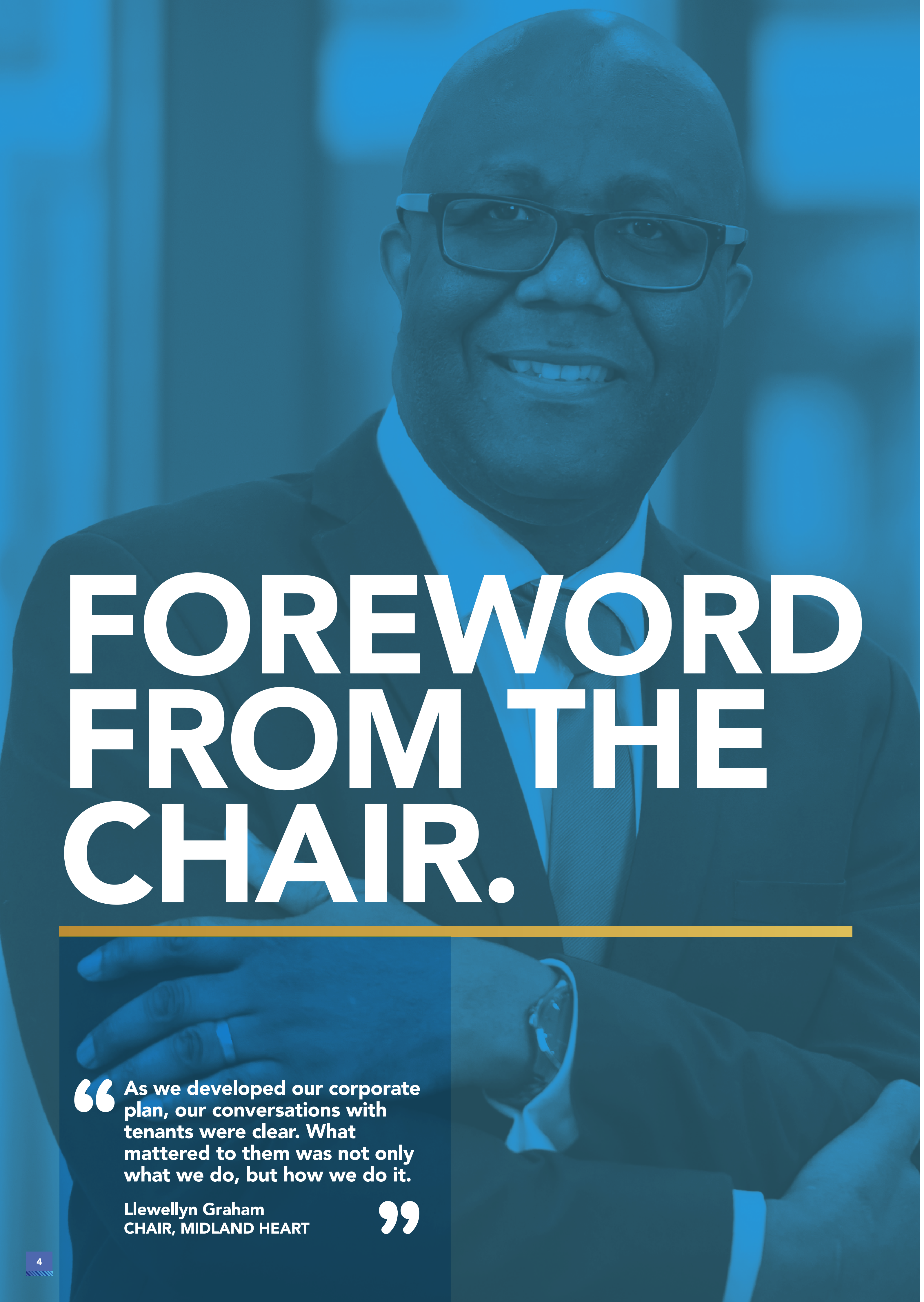


FOREWORD FROM THE CHAIR.

> As we developed our corporate plan, our conversations with tenants were clear. What mattered to them was not only what we do, but how we do it.
>
> Llewellyn Graham
> CHAIR, MIDLAND HEART

This report marks the end of the first year of our *Tenants at Heart* corporate plan, co-created with tenants themselves and the beginning of a transformational shift in our culture through the Midland Heart Mindset.

As we developed our corporate plan, our conversations with tenants were clear. What mattered to them was not only what we do, but how we do it. That insight has shaped our approach this year and will continue to guide us in the years ahead.

I am proud that Midland Heart has delivered strong operational and financial performance this year, as set out in this report. However, these results have not been achieved through strategy alone. They reflect the commitment of our colleagues and the deliberate shift we have made in how we work as an organisation. That shift is embodied in the Midland Heart Mindset.

We recognised early on that delivering the ambitions of our corporate plan would require more than clear priorities and robust governance. It would require a step change in behaviours across the organisation, ensuring that every decision, every interaction and every action is rooted in what matters most to our tenants.

The Mindset sets out, in a practical and tangible way, the behaviours that will underpin our success: honesty, empathy, professional curiosity, reliability, and a truly tenant-centred approach.

In a sector often shaped by changing regulation, legislation and external pressures, our colleagues are the constant. Their commitment, skills and values are what enable us to deliver safe, good-quality homes, support our tenants, and maintain strong financial foundations. Embedding the right mindset across the organisation is therefore critical not only to improving tenant outcomes, but to sustaining our overall performance.

While not everyone will look to a housing association for lessons in organisational culture, the challenge we face is one shared across many sectors: how to ensure our people are engaged, aligned and equipped to deliver in an increasingly complex environment. For Midland Heart, we are clear that success depends on bringing our colleagues with us every step of the way.

The results set out in this report reflect that approach.

And as we look ahead, it is this continued focus on our people, and the mindset they bring to their work, that will enable us to build on this progress, strengthen our resilience, and deliver lasting value for our tenants.

Llewellyn Graham
Chair

This report looks back on the first year of our *Tenants at Heart* corporate plan. A plan that has been co-created with our tenants, meaning it is not just shaped by our tenant voice; it is our tenant voice.

Given the importance of this plan to tenants I am happy to say we have made a strong and purposeful start.

We have delivered another set of operational and financial results that sit comfortably in the top quartile of our sector. Our G1, V1, C1 from our Regulator alongside our A1 Moody's credit rating places us among a handful of the top housing providers in the country. When these are coupled with our recent 97% Tenant Participation Advisory Service (TPAS), reflecting a clear commitment to putting tenants at the centre of everything we do, it is clear we sit at the very top of our sector.

Crucially, these results are being felt where it matters most, in our homes and communities. Tenant satisfaction, measured via TSMs, has surpassed 80% for the first time, and we have delivered record levels of investment in our existing homes £55m. Over 300 of our oldest and least energy-efficient properties have been upgraded, improving quality and thermal comfort for tenants.

We are achieving this in an increasingly complex environment. Many of our homes are older, a significant proportion are in areas of high deprivation, and many tenants continue to face ongoing cost of living pressures.

As a result, our financial strength is more important than ever. It enables us to invest and deliver at scale, maintain safe and compliant homes, and provide the right support to tenants when they need it most.

We handed over the keys to 350 new affordable homes, helping to meet housing demand across the region. Over the next three years, we will deliver 2,750 new affordable family homes, with over 1,200 homes in Birmingham alone, helping families to move from temporary accommodation into good quality, safe homes.

While our focus has increasingly shifted towards improving our existing homes, we have continued to deliver new ones, demonstrating that growth and improvement can go hand in hand when investment is made strategically.

It is important to recognise the role of our colleagues in delivering these results. This past year has seen the introduction of the #MHMindset, our culture framework, setting out clearly who we are as an organisation and how we work. In a sector shaped by ongoing change, it is our colleagues who provide the consistency, compassion and professionalism our tenants desire. By defining the behaviours and values that underpin our work, we are strengthening our already tenant-centred ways of working.

As such, we have continued to invest in colleague development, through the introduction of a graduate programme, a competitive internship scheme and the development of a Regional Skills Academy. Together, these initiatives are helping to address regional skills shortages while building a strong pipeline of talent for the future.

As we look ahead to year two of Tenants at Heart, our focus is clear and unwavering to develop our colleagues, deliver new homes, go further in improving existing homes and deliver more personal, localised and timely services.

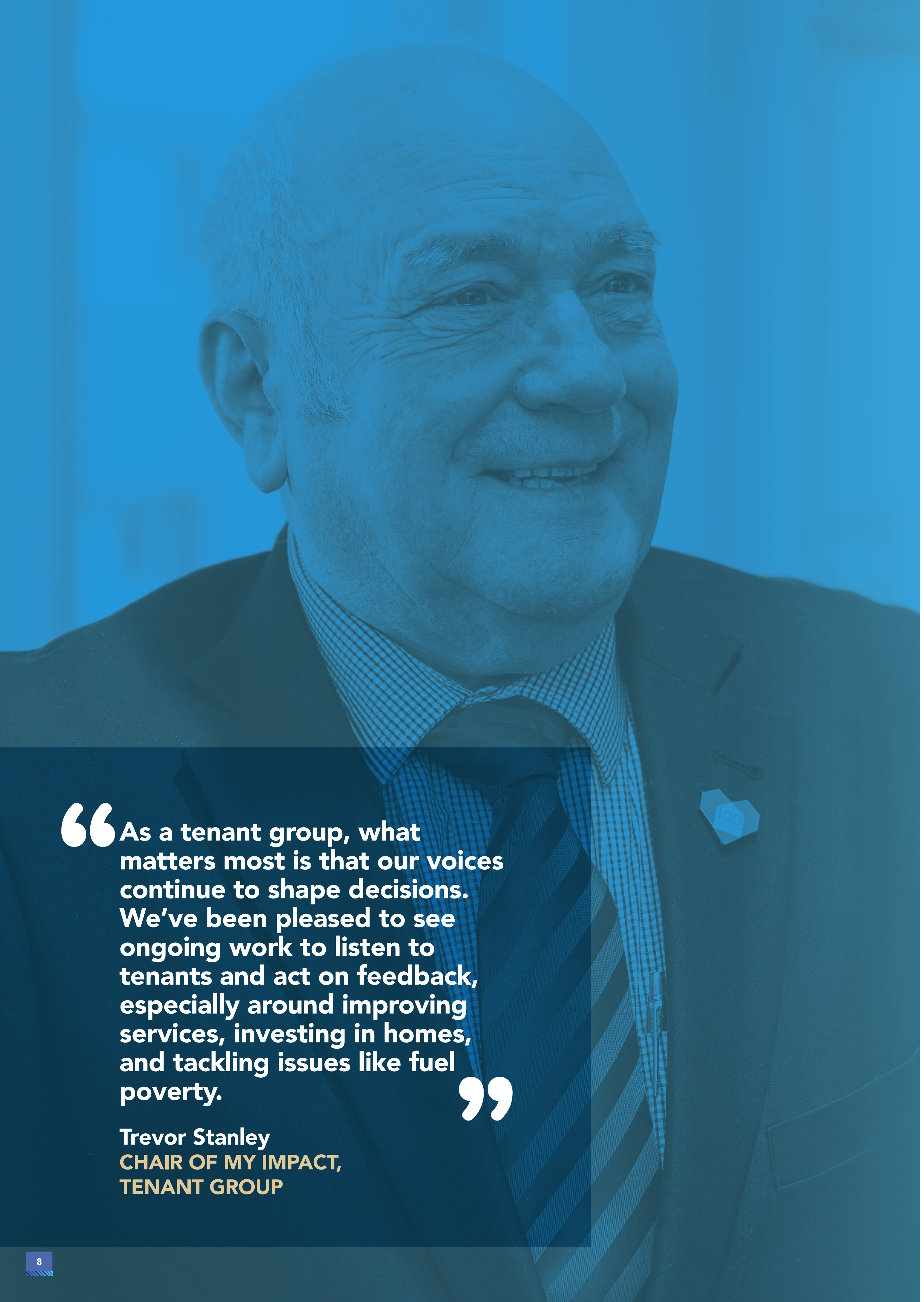
We will continue to listen, learn and act on what tenants tell us, giving them a stronger voice in decisions that affect them and ensuring our performance delivers meaningful, lasting change.

G.W.Harris

Glenn Harris MBE
Chief Executive

FOREWORD FROM THE CHIEF EXECUTIVE.

> **“As we look ahead to year two of Tenants at Heart, our focus is clear and unwavering to develop our colleagues, deliver new homes, go further in improving existing homes and deliver more personal, localised and timely services.”**
>
> **Glenn Harris**
> **CHIEF EXECUTIVE, MIDLAND HEART**



“As a tenant group, what matters most is that our voices continue to shape decisions. We’ve been pleased to see ongoing work to listen to tenants and act on feedback, especially around improving services, investing in homes, and tackling issues like fuel poverty.”

Trevor Stanley
CHAIR OF MY IMPACT, TENANT GROUP

FOREWORD FROM THE CHAIR OF MY IMPACT.

Over the past year, Midland Heart has made real progress on the things that matter most to us as tenants. The ‘Tenants at Heart’ corporate plan is starting to show results, not just on paper but in our homes and neighbourhoods. More of us are satisfied or very satisfied with the service we receive, with TSM overall satisfaction now above 80% for the first time. That is driven by repairs done quicker, clearer communication, and services that feel more responsive to our everyday needs and lives.

We’ve seen investment going into existing homes, which is a priority we’ve consistently raised. More kitchens, bathrooms, windows and roofs are being replaced than ever before, and more homes are being improved to make them warmer and more energy efficient. This matters because it helps with comfort and keeps our energy bills down. Midland Heart’s strong financial performance gives us confidence that the organisation will continue to provide safe, well-maintained homes, while supporting tenants through a challenging cost of living environment.

As a tenant group, what matters most is that our voices continue to shape decisions. We’ve been pleased to see ongoing work to listen to tenants and act on feedback, especially around improving services, investing in homes, and tackling issues like fuel poverty. There is more to do, but these results show commitment, hard work and progress, in the right places

Trevor Stanley,
Chair of My Impact, Tenant Group

STRATEGIC ANNUAL REVIEW

At the end of year one of our new tenant co-created corporate plan 'Tenants at Heart' we have delivered excellent operational and financial results, cementing our place in the top quartile within the Housing sector.

There are very few organisations who have a G1, V1, C1 rating from the Regulator (Governance, Viability and Consumer standards) combined with an A1 Moody's credit rating.

In March 2026, we further strengthened our credentials by achieving the highest-ever Tenant Participation Advisory Service (TPAS) accreditation score of 97%, following an independent assessment of our tenant engagement and insight approach. This builds on our existing Customer Service Excellence accreditation.

OUR KEY HIGHLIGHTS:

- **Increased all but one Tenant Satisfaction Measures** (TSMs) score in year one of Tenants at Heart.
- Overall satisfaction for Low Cost Rented Accommodation **exceeded 80%** for the first time, **reaching 81.3%.**
- Built and let **356 new homes** (350 target).
- A total of **4,110 new homes** have been delivered since 2019.
- **Modernised 332 of our oldest homes** through our flagship Homes for Modern Living programme (300 target).
- **Upgraded 1,329 homes** to **EPC Band C** (target: 1,200).

  84.1% of homes are now **EPC Band C or above** (target: 83.2%).
- Completed our largest-ever programme of capital investment, including **record replacements of kitchens, windows, roofs, and bathrooms.**
- **Completed 99% stock condition surveys** within 5 years.
- **Continued simplification of our portfolio** through the disposal or leasing of supported housing assets.
- **Removed** a further **846 tonnes** of our **scope 1 & 2 CO_2** emissions (target of 200 tonnes).
- Maintained **100% compliance** with building safety TSMs.
- Achieved **record low rent arrears** of 3.82%.
- **Colleague absence reduced to 2.4%,** the lowest level since the pandemic (target <3%).

We are proud of this performance. However, we recognise that continuing to deliver the services and investment our tenants expect depends on maintaining both financial resilience and operational discipline. We are well positioned to build on this progress as we enter the second year of Tenants at Heart.

OUR OPERATING ENVIRONMENT

A YEAR MARKED BY GLOBAL INSTABILITY

The global political and economic landscape has remained highly volatile. Geopolitical tensions, including disruption to key global trade routes, have contributed to rising food, fuel and input costs.

These pressures are having a direct impact on our tenants, many of whom pay all or part of their rent independently. Increased living costs, particularly during the winter months, place additional strain on household finances and heighten the risk of financial hardship.

We are not immune to these challenges either. Rising supplier and operating costs are impacting our margins and financial flexibility at a time when expectations for service delivery and investment continue to grow. In this environment, maintaining a strong focus on value for money is critical.

HOUSING A NATIONAL PRIORITY

Housing remains firmly at the forefront of the national agenda. The government's commitment to deliver 1.5 million homes during the current Parliament has reinforced the importance of the sector.

Policy developments including a £39 billion Social and Affordable Homes Programme, a CPI+1% rent settlement, and measures supporting rent convergence have improved long-term rental certainty. As a result, we have increased our development ambition to 2,750 new homes by 2030 (previously 2,250).

However, the regulatory landscape continues to evolve in both scope and complexity. Key developments include:

- Awaab's Law, introducing stricter and time-bound requirements for addressing damp, mould and other hazards, with further expansion expected.
- The Competence and Conduct Standard, requiring enhanced investment in colleague training and professional development.
- The Employment Rights Act 2025, bringing significant changes to employment practices.
- Expanded powers for the Housing Ombudsman, including oversight of new tenant information requirements Social Tenant Access to Information Requirements (STAIRs).

We are proactively responding to these changes through colleague development programmes, policy updates and service improvements. Nevertheless, regulatory expectations continue to rise, making the achievement and maintenance of a C1 consumer grading increasingly challenging.

A CHANGING REGION

The political landscape across the Midlands has shifted significantly. More councils under 'no overall control' and changes in political leadership has added complexity to partnership working. This evolving environment requires greater flexibility and stronger engagement across multiple stakeholders to continue delivering our strategic objectives.

MIDLAND HEART'S UNIQUE CHALLENGES

Our operating environment presents distinct challenges:

- High levels of deprivation: Approximately 90% of our homes are located within the 10% most deprived wards in England.
- Ageing housing stock: We manage one of the oldest portfolios in the sector, with many homes—particularly in Birmingham—over 100 years old.

While significant progress has been made, further investment is required. Our sector-leading Homes for Modern Living programme will continue to modernise properties, improving energy efficiency, comfort and overall living standards for our tenants.

Record **£55m** investment in planned capital works

100% compliance with building safety TSM

84% of homes at EPC band C or above

1,697 bathrooms

1,228 kitchens

1,297 boilers

289 roofs

Consistent **~80%** customer satisfaction

3.82% arrears

356 new homes delivered in 2025/26

Development target increased to 2,750 homes from 2,250 by 2030 due to increased rent certainty.

4,110 New homes delivered since 2019

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

£36.8m surplus

A1 A1 Moody's credit rating

OPERATING AND FINANCIAL HIGHLIGHTS

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

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

A1
A1 Moody's rating

£55m
Record planned capital works

£36.8m
Surplus

Despite the ongoing challenges in our operating environment, we are pleased to report another strong set of financial results. We are determined to provide homes that our customers are proud to live in while continuing to be committed to our financial discipline.

Our surplus for the year of £36.8m has decreased by £30.4m on the previous year. This decrease is mainly driven by a one–off surplus of £27.4m in 24-25 caused by the sale of 23 schemes. Masked by this sale Midland Heart has increased its rental income due to the regulatory rent increases (CPI +1%) and new builds increasing the total number of tenants.

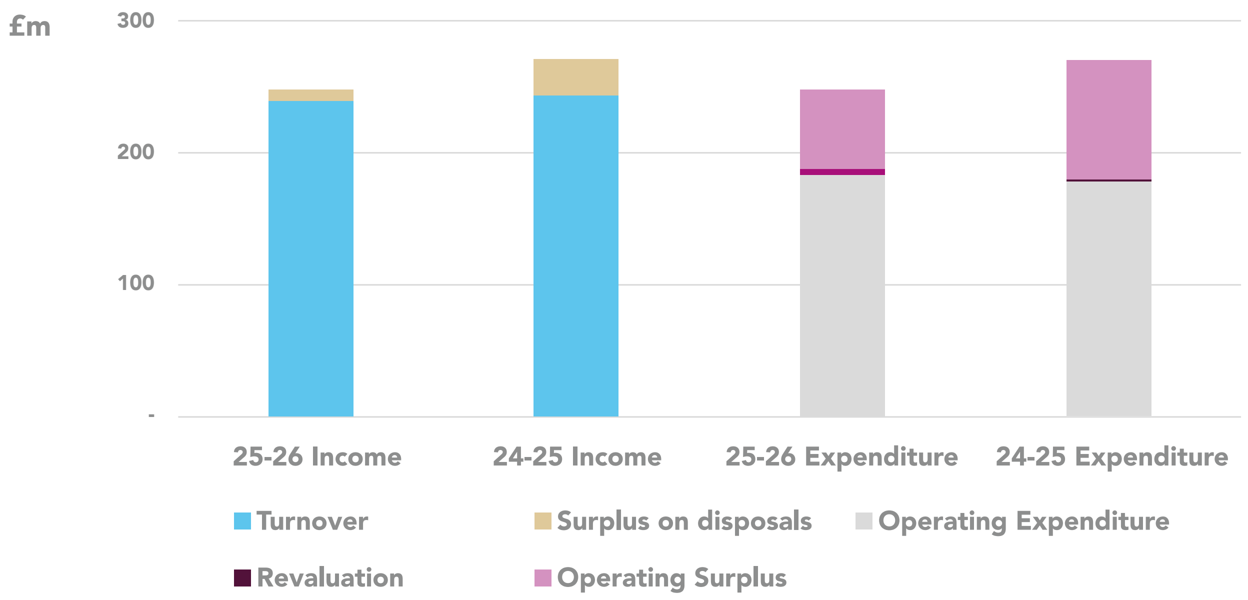
There have been additional costs driven by additional regulatory requirements and a drive to improve the standards of the homes for our tenants, investing £55m in our existing stock. In addition Midland Heart maintained our high investment in new homes for customers with £136m invested, this is a total increase of 30% over the prior year as we continue to invest for our tenants.

Financial performance	2026	2025
Turnover (£m)	239.7	243.1
Operating surplus (£m)	61.2	91.7
Operating margin (%)	23.3	26.6
Surplus for the year (£m)	36.8	67.2
Interest cover covenant (%)	278	372
Balance sheet		
Housing properties (net of depreciation) (£m)	2,028.7	1,880.9
Gearing (%)	44	39
Operational indicators		
Total housing stock	34,436	34,414
Customer satisfaction (%)	81.3	89
Current tenant arrears (%)	3.82	4.15
Average re-let time (days)	23.5	18.3
Repairs satisfaction (%)	83.7	80.4

	Turnover		Operating surplus	
	2026 £m	2025 £m	2026 £m	2025 £m
Social housing lettings	212.9	215.6	53.1	60.1
First tranche shared ownership	18.5	19.2	1.7	2.6
Charges to support services and other income	5.2	4.7	-	0.9
Disposal of fixed assets	-	-	7.7	27.4
Other social housing	1.7	1.9	0.4	-
Market rent	1.4	1.6	0.7	1.0
Surplus on revaluation	-	-	(2.4)	-
Total	**239.7**	**243.1**	**61.2**	**91.7**

Operating surplus
£61.2m

Our net surplus is down on 24-25. In 24-25 there was a one-off sale of 23 supported housing schemes which inflated the surplus figure. Midland Heart has decided to invest heavily in improving the services for our tenants.



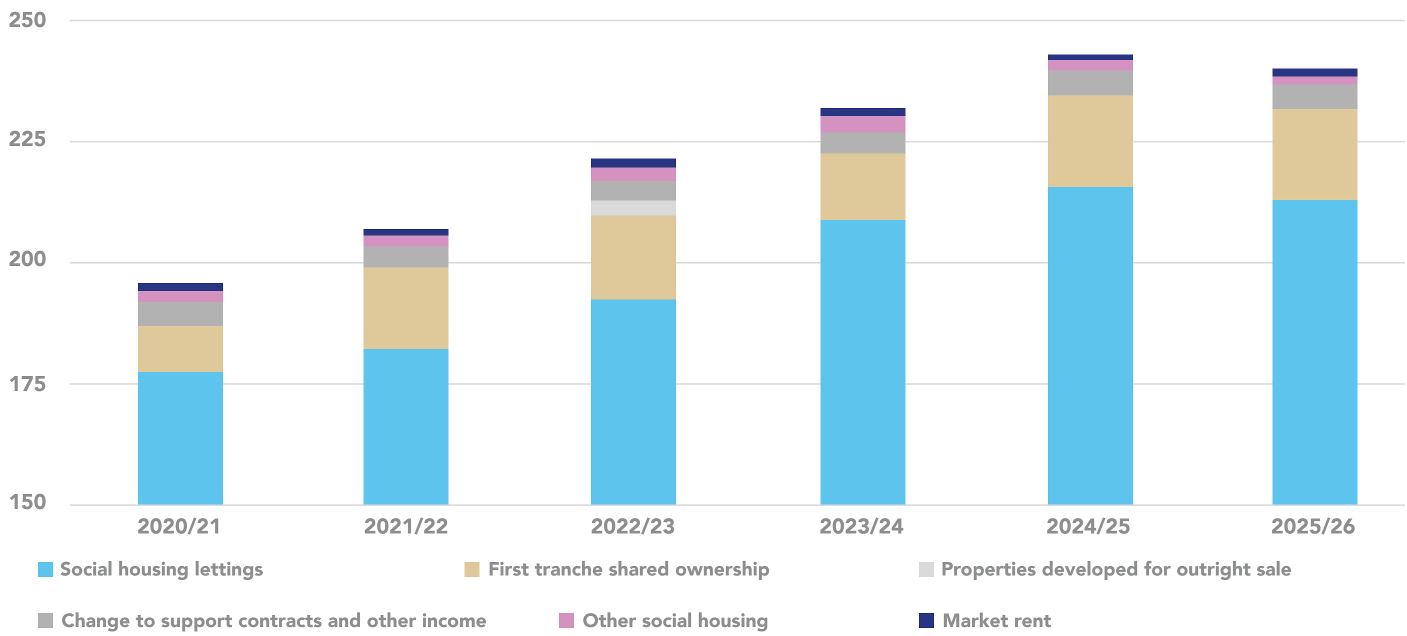
Investment in housing stock
£190.3m

Midland Heart continued its high-level investment to increase and improve the service provided to tenants. This puts Midland Heart in a great position to continue building 2,750 new homes in the 2025-30 corporate plan, invest more in our existing properties and drive towards 100% of homes being a minimum of EPC C by 2030.

Turnover
£239.7m

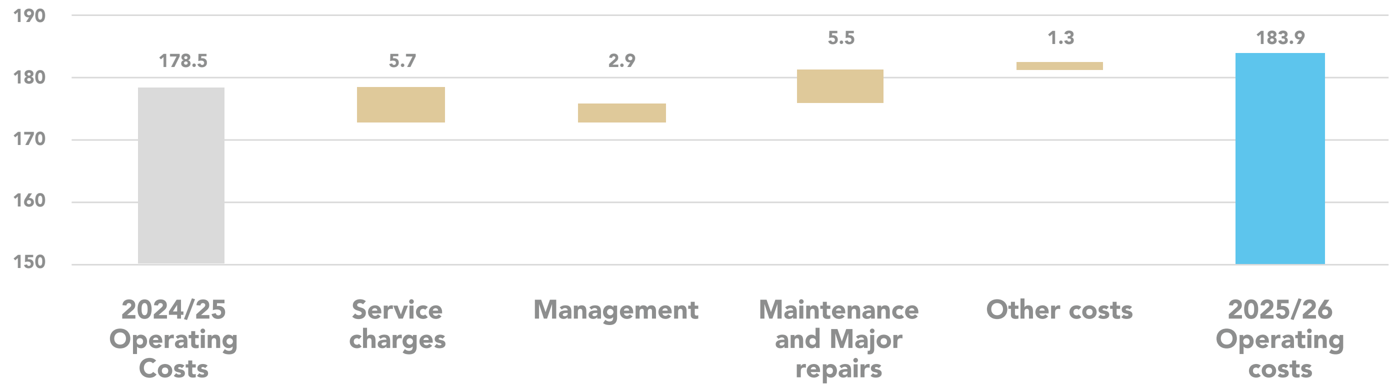
Turnover has decreased by £3.4m. 25-26 saw the full effect of the loss in turnover from the sale of over 1,600 properties in 24-25, this was offset by a rent increase due to the regulatory formula rent increases and new build properties coming on stream.

Turnover (£m)



Operating costs
£183.9m

Operating costs have increased during the year by £5.5m. This is an increase of 3.1% over the prior year. Due to the sale in 24-25, the base cost of services provided decreased. However, total costs have increased as we have heavily invested in increased maintenance, major repairs, and providing a better service all to support our tenants.



Creditors: Amounts falling due after more than one year
£1,447.3m

A new loan was drawn in 25-26 to enable Midland Heart to maintain its commitment to building new homes but also to increase the investment in our current properties in order to support our tenants.

Housing Properties
£2,028.7m

Facilitated by the new loan and reinvestment of the rental income, Midland Heart have been able to invest £136m in new homes and £55m in improving our current properties, this continues to show a clear focus on supporting our tenants and improving the quality of our homes.

Pension - defined benefit liability
£10.8m

Fallen by £5m principally reflecting deficit payments made during the year.

TENANTS AT HEART 2026-30

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

Homes that enable modern living

We will make record investment in our most challenging homes. We know more than 75% of these are pre-war properties (c4,500), our least energy efficient and in our most deprived wards. We will make these homes more affordable for tenants to maintain, improve the thermal comfort and help alleviate some of the challenges with fuel poverty. We'll focus on moving these homes to at least EPC band C and improve the overall condition to meet tenant expectations and enable modern living. That's c£300m investment in our existing homes.

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

Quality services and local impact

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

Enhance our digital offer and providing a greater breadth of digital services to tenants. Improving ease of access, convenience and transparency throughout the life of a tenancy.

Financial resilience and sustainable growth

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

We will seek to deliver 2,750 homes to 2030 but will remain agile to the prevailing economic and political circumstances. That will mean we would have built 6,000 new homes in a decade.

One team working together for our tenants

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

Measure	2025/26	2030 Target
Property investment spend	£55m	c£300m over 5 years
Building Safety TSMs	100%	100%
Homes for Modern Living	332 homes	1,500 homes
EPC (Energy Performance Certificate) ratings	84% at EPC C+	100% of properties at a minimum of EPC rating C
% Non-emergency repairs completed on time (YTD)	88.0%	Routine repairs - 28 days 85-90% target Aim to move to 14 days

We invested £55m in 2025/26 on our existing homes. We have delivered our largest ever programme of modernising our homes by replacing key components such as kitchens, bathrooms, windows and roofs. This will ensure that we can offer high quality homes to our tenants.

Within the year:

- We completed **1,697 bathrooms, 1,228 kitchens, 289 roofs,** and **replaced 674 windows.**
- Of our 289 new roofs completed, **204 (71%) had solar panels installed** showing a more integrated approached to planned investment.
- We have **significantly improved the EPC ratings of our properties** during 2025/26 with **84% at EPC C or above,** supporting our journey to ensuring all properties are above EPC rating of C by 2030.
- We achieved **99% stock condition in 5 years in March.**
- We **continued to simplify our business** to core rented accommodation.
- **Tenant satisfaction with our repairs service** (TSM) increased to **83.7%** (80.4% last year), upper quartile performance.

CASE STUDY

CCTV - KEEPING OUR NEIGHBOURHOODS SAFER

Keeping our tenants and neighbourhoods safe is a key priority. Following extensive consultation, we invested £1.8 million in digital CCTV across 70 schemes during 2024/25, including Beaumont House, Leicester and Canford Place, Cannock.

Beaumont House

Tenants felt unsafe because they were being approached by individuals in the stairwells and corridors.

Targeted monitoring was conducted by our CCTV Hub, which identified repeat visits by the same people. Further checks revealed one of them was being assisted by a tenant.

Using CCTV footage, we issued the tenant with a formal warning. Meanwhile, tenancy interviews were conducted to support the investigation and reinforce responsibilities under the tenancy agreement.

As a result, ASB-related reports decreased by 18.8% over six months. Now that the antisocial behaviour has been tackled, routine monitoring is being carried out rather than reactive or targeted intervention.

Canford Place

Several complex and sensitive domestic-related incidents, involving different levels of vulnerability and associated risk, had occurred. These incidents, which involved multiple households, had not always been formally reported, making them difficult to predict and address via standard reactive approaches.

Tenants told us they felt unsafe within the communal areas, as well as other spaces throughout the scheme.

Our CCTV Hub monitored target areas. Their footage was used to identify repeat visits, no-contact advice breaches and escalating behaviour. Relevant tenancy action was taken and welfare checks and safety planning meetings conducted.

Several high-risk incidents were identified early on, preventing further harm. Tenants received timely support, safeguarding planning and follow-up contact.

CASE STUDY

A TENANT-FOCUSED CRM SOLUTION

As part of our ongoing focus on improving services for tenants, we launched the first phase of our new Customer Relationship Management (CRM) solution in September 2025. Colleagues can now log tenant interactions in a central place, improving record-keeping and creating a single view of our tenants.

We are currently in the process of rolling out the new system to all remaining colleagues who interact with our tenants.

How we delivered the change

In addition to designing, building and testing the intuitive system, we:

- Conducted extensive training for 500+ end users
- Incorporated the Midland Heart Mindset into all training sessions
- Embedded record-keeping training into our system training
- Obtained Tenant Scrutiny engagement, including mock calls to obtain feedback on the system
- Provided super user training and ongoing support
- Engaged with managers to help embed the change
- Agreed a quality assurance and control framework with supporting reports via Power BI
- Produced 50+ knowledge pages aimed at helping all teams support tenant request resolutions at the first point of contact

The solution has been widely recognised as an invaluable source of rich customer data that can be used to shape future service delivery.

As of October 28 2025, more than 36,000 customer contacts had been logged in the new CRM. This insight will help us further understand the reasons why our tenants contact us and how we can resolve their issues more efficiently and effectively.

CASE STUDY

INVESTING IN EARLY CAREERS

Supporting early-career talent is a key component of our People Strategy. Our Early Careers programmes enable colleagues to gain professional qualifications while contributing to our services and the wider organisation, helping us build capability, support workforce sustainability and create meaningful career opportunities.

In October 2025, we launched our Graduate Programme to address key skills gaps, diversify talent pipelines and strengthen succession planning. The programme focuses on Surveyors - Disrepair, Damp and Mould, Retrofit and Development (Land & New Business). Graduate Surveyors will progress through the RICS development pathway with the aim of becoming fully qualified professionals.

Further to this, paid internships (Annual and Summer) launched in January 2026, giving students from a range of degree disciplines hands-on experience within the housing sector. Placement areas will include Computer Science, HR, Technology, Finance, Sustainability and Housing Legal. This will create an additional route for emerging talent while providing meaningful work experience to local students.

We are also looking to continue our commitment to developing Trade Apprentices in Plumbing, Carpentry and Electrical. Recruitment for a new cohort is planned for Spring 2026, ensuring continued investment in skilled trades across the organisation.

Our objectives around our Early Careers offering is to:

- Create accessible entry pathways into the organisation for young people with limited experience
- Increase representation of underrepresented groups within the workforce, linking to our ethnicity and gender pay gap action plans
- Develop future skills aligned to organisational need – digital capability, technology, sustainability, trades & surveying
- Improve social value outcomes through employment and training opportunities for local community, and;
- Improve retention by building a pipeline of talent across critical areas

The overall measure of success is to have 10% of our workforce (c100 colleagues) coming through the Early Careers Programme by 2030. While the full benefits are yet to be realised, by the end of 2025/26 we had 25 colleagues who had either completed or were participating in the programme. This is expected to grow to over 40 colleagues during 2026/27.

In the last year:

- All 5 of our first cohort of degree apprentices have completed their degree and are building their career with us.
- 5 Trade Apprentices completed their training and have progressed to permanent Multi Trade Operative positions
- 3 Trainees completed their Building Surveying degree and are progressing to full RICS chartership

Together, these initiatives demonstrate our continued investment in building a skilled, diverse and sustainable workforce for the future. By creating clear pathways into professional and trade careers, we are strengthening organisational capability, supporting local employment and ensuring we have the expertise required to meet evolving tenant, regulatory, and sustainability demands.

Quality services and local impact

Measure	2024/25	2025/26	2030 Target
% Tenants satisfied with overall landlord services (LCRA - TSM)	78.7%	81.3%	80%
% Tenants satisfied with overall landlord services (Low Cost Home Ownership - TSM)	53.5%	61.7%	60%
% Homes with a completed Home Checker or relevant visit in last 18 months	98.9%	99.8% (47 left)	100%
% Complaints maladministration rate below national av. (cumulative)	49.4%	45.8%	Below national average <73%
Rent arrears	4.15%	3.82%	<3.5%

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

Within the year:

- **Satisfaction with our overall service increased to 81.3%** (78.7%, 2024/25) for Low Cost Rented Accommodation (LCRA); and a significant 8.2 points increase to 61.7% (53.5%, 2024/25) for Low Cost Home Ownership (LCHO).
- We achieved our **lowest ever arrears at 3.82%** despite the cost-of-living challenges.
- We received **57,935 applications from prospective tenants through our lettings portal last year.** This demonstrates the continued high levels of demands for our homes.

CASE STUDY

SUPPORTING MENTAL HEALTH AND WELLBEING

We are prioritising health and wellbeing within the workplace and making sure our people perform at their best and feel supported. We have launched several wellbeing initiatives to strengthen our teams and improve outcomes for tenants and colleagues.

So far, we have introduced:

- My Adjustment Pass (MAP) – based on colleague and manager feedback and designed to enable colleagues to centrally record their adjustments and support needs consistently
- Neurodiversity and hidden disabilities learning sessions and awareness campaigns. We have also shared personal stories via blogs and podcasts to foster empathy and connection
- A manager resource to support team wellbeing and complement existing guidance
- Habits for Health, a self-led online programme to help colleagues build sustainable wellbeing habits that promote health and inclusion
- Inclusive Leadership training to equip our leaders with the insight and skills to strengthen colleague support, improve sickness absence management and increase the frequency and quality of wellbeing check-ins

We have also:

- Represented wellbeing at our Big Get Together conference
- Renewed our status as a Disability Confident Leader
- Held our largest Winter Wellbeing Month

The results

Results achieved to date include:

- Sickness absence staying below our 3% target over the 12-month period
- Disability data disclosure increasing to 93% from 89% in 2024
- Colleagues identifying as disabled rising from 13% to 14%, nearing the regional average of 18%
- 5% of applicants declaring a disability and receiving equitable assessment and offer rates
- 76% of colleagues agreeing Midland Heart cares for their wellbeing
- 78% of colleagues feeling happy and safe at work

Financial resilience and sustainable growth

Within the year:

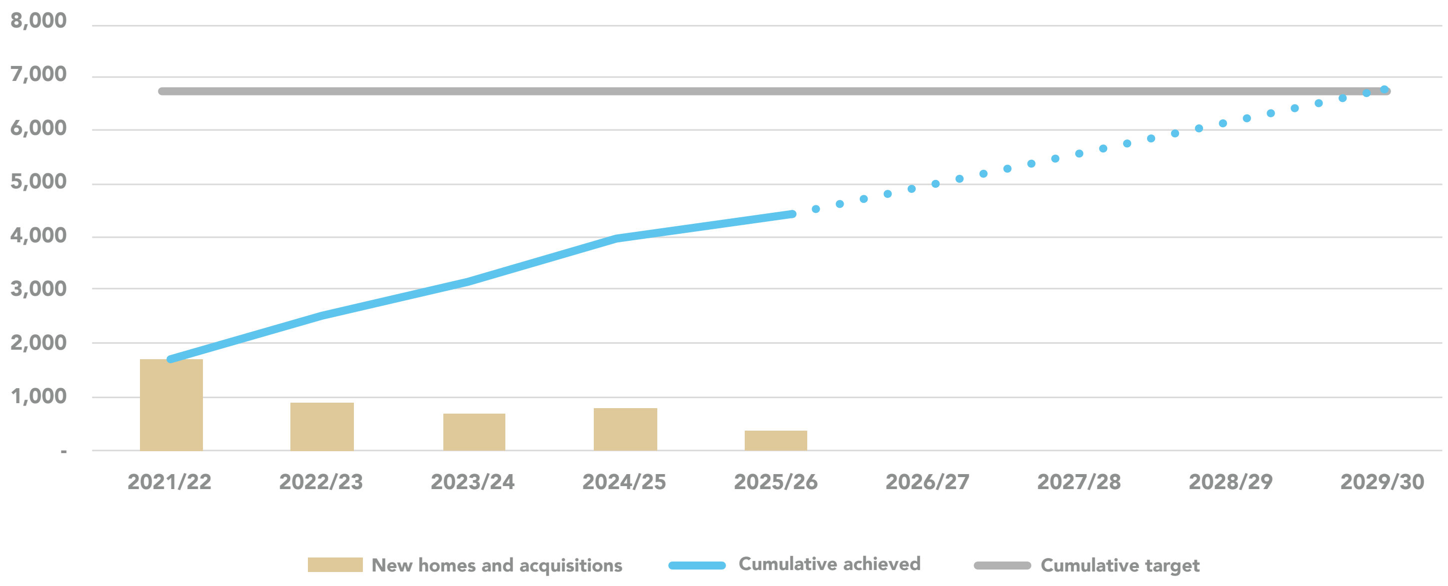
We built
356 new homes in 2025/26
against a target of 350.

There were
81 shared ownership sales
which generated sales receipts of £3.0m.

Measure	2020/25 corporate plan Target	Achieved 2020/25
New homes built and acquired	4,000	4,013

Measure	2025/30 corporate plan Target	Achieved 2025/26
New homes built and acquired	2,750*	356

* - Target increased by 500 due to Midland Heart reviewing their financial stability.



CASE STUDY

ENERGY EFFICIENCY

We have the highest proportion of pre-war homes of any housing association in the UK and face the unique challenge of bringing them up to today's living standards.

Thanks to our high-profile Retrofit and Homes for Modern Living programmes, we are investing £106million in our oldest and least energy efficient homes up until 2030.

In 2025 alone, we upgraded around 1,200 homes to EPC C, with 300 of them also receiving refurbishment measures, such as new kitchens and bathrooms.

Supported by appropriate grants, we have already invested £2.4million in around 1,500 energy efficiency measures, including solar PV, solid wall insulation and triple glazed windows - improving the proportion of our homes that are EPC C or above to our year one 83% target.

A case in point: Solid wall insulation at 209 Stoney Stanton, Coventry (SHDF Wave 2 Project completed in September 2025)

External and internal wall insulation and new windows were scheduled to be installed. However, because the tenant works nights, we needed to adjust the delivery schedule, which led to some logistical challenges, such as subcontractor delays.

Our team quickly intervened and visited every day, so that we could monitor progress and minimise disruption to the tenant's routine.

A total of £40,000 was spent on this particular property, which included using a complementary £10,000 SHDF Wave 2 grant.

The tenant really appreciated the end result. She highlighted the anticipated energy efficiency benefits and how the upgrades will help keep her home, now EPC C-rated, warmer.

CASE STUDY

PLUGGING IN OUR GROWING EV FLEET

Global climate, air quality and cost-efficiency priorities continue to spearhead the push towards Electric Vehicles (EVs) and shape our ESG journey.

In December 2025 we ordered 16 electric Ford e-Transit 65kW vans, kickstarting our plans for an all-electric fleet, and generating savings of around £300,000 when comparing EV charging to fuel bills.

Our new fleet provider contract, together with our Executive-approved fleet and vehicle management plan, has seen our EVs initially being introduced in some of our most densely populated areas. In these areas, staff drive fewer miles and therefore require fewer charging station visits.

Our EV objectives

- Reduce fleet fuel costs and ensure value for money
- Support our Tenants at Heart corporate science-aligned target to reduce our Scope 1 & 2 operational emissions by 1,250 by 2030
- Create cleaner neighbourhoods for our tenants and communities
- Build a pilot scenario to test the operational use of EVs at scale while maintaining our services for tenants and planning to fully transition to an EV fleet post-2030

Our results

Typically, we are looking at a 75 to 85% reduction in tank-to-wheel (and electricity-use) operational carbon emissions when comparing mid-EV consumption to diesel equivalents (c3 tonnes per year, per van).

The cost of charging a commercial vehicle is estimated to be around a third of this cost, potentially saving around £300,000 per annum. As we are in the first phase of our EV roll out, it is still very much early days, and we will continue to report on our progress.

CASE STUDY

Following our listing in 2024, we were once again been ranked as one of the UK's top employers after being named again in the prestigious 2026 Sunday Times Best Places to Work list.

This recognition is based purely on the feedback colleagues provided in our last engagement survey in which we had a record breaking 84% colleague response rate, and which drove a superb overall engagement score of 80%. Being named once again is a national endorsement of our focus on being a first-class employer, which cares about inclusion, career development, opportunities irrespective of background, wellbeing, reward and recognition. In the 2026 list, we were also awarded Highly Commended status for our long-term work to ensure an inclusive workplace for disabled colleagues.

One team working together for our tenants

Measure	2023/24	2024/25	2025/26	2030 Target
Voluntary colleague turnover	13.1%	12.2%	10.3%	11.5%
Colleague absence	2.6%	2.9%	2.4%	<3%

Within the year:

- **Pensions:** Our Defined Benefits pension transferred successfully on 1st April 2026 from SHPS to The Midland Heart Defined Benefit Pension with LCP (our new Scheme Administrator) and Dalriada (the Independent Professional Trustee for the new Scheme).
- Our Defined Contributions transfer also proceeded on 1st April 2026. We have now closed all SHPS Defined Contribution accounts and all colleagues that are members of a pension scheme have moved across to the Aviva Group Personal Pension Plan. We expect colleagues' existing SHPS pots to transfer to Aviva before the end of 2026/27, subject to approval from TPT.
- We have done much in year of the corporate plan on developing our early careers programme:
- **Our Graduate Programme:** after a very successful recruitment campaign which attracted 213 applicants we have offered roles to 9 RICS Surveying Graduates to start in September 2026. This will be our first graduate cohort.
- **Internships:** Following an overwhelming response to our first paid Internship programme (1,500 applicants), we have offered the first 5 internships - Sustainability, Customer Experience, Housing, Project Management and Management Accountants. A further 5 interns will be recruited to start in 2026/27
- **Developing a Regional Skills Academy:** In partnership with University College Birmingham (UCB), the West Midlands Combined Authority and TPAS, we have made significant progress in co-creating a Level 4 HNC in Social Housing Surveying. The qualification will form the foundation of a wider Regional Skills Academy and can be extended to Levels 5–7. The qualification creates a consistent, high quality standardised approach to assessing the condition of social homes in England. As it is co-created with the sector and tenants, it will deliver core elements of the Regulators' Competence and Conduct standard, provide oversight of our full regulatory environment and will have a module dedicated to understanding tenants and tenant data.
- We have done much to prepare for the Regulators' Competence and Conduct standard, this includes 12 colleagues have already qualified and 42 already enrolled on the programme. 88% of our tenants who are satisfied tell us that our colleagues conduct themselves professionally; ensuring our tenants are treated with honesty, empathy, respect and feel listened to. This provides a strong platform on which we can build in our new corporate plan as we embed the Midland Heart mindset to further improve the tenant and colleague experience.
- Our work to ensure we are a place where anyone can succeed irrespective of background was recognised through achievement of the Inclusive Employers Standard (silver) from bronze the previous year. During this time we also retained the Disability Confident Leader status for our focus on ensuring disability shouldn't be a barrier to colleague experience & success.
- Our gender and ethnic pay gap reporting can be found on our website.

CASE STUDY

OUR FIRST EVER TENANT CENSUS

We launched our first ever Tenant Census in Summer 2025 to help us know more about our tenants' needs.

We invited a small number of tenants, mainly those who have completed a mutual exchange, homeowners and residents in Handsworth, to update their personal details as part of the pilot project.

Almost 800 tenants provided us with more than 3,000 information updates. We have used these new details to improve our records and make sure we provide better services to the residents who took the time to respond.

For example, we received around 100 new mobile phone numbers, which means these tenants will now receive our updates when we are doing work in their area or when we are planning to complete repairs work.

We also received 229 new pieces of vulnerability data. This invaluable information has enabled us to further tailor our services to support people's individual needs and circumstances, and make the necessary adjustments that may be needed when working in their home.

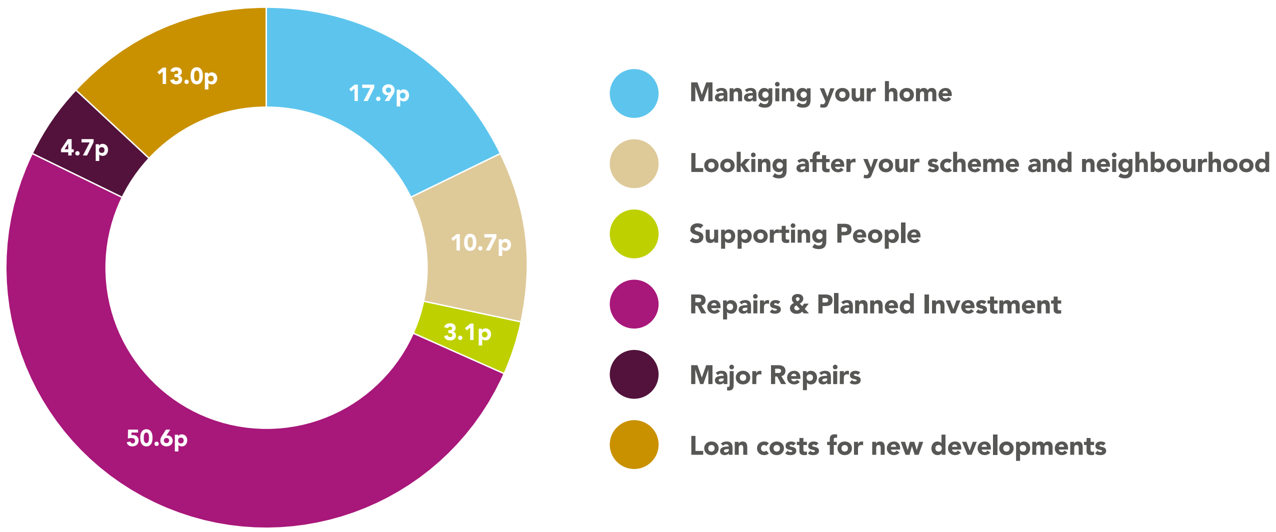
We intend to send our Tenant Census to all of our tenants across different phases and grouped by local authority area, over the course of the next year.

VALUE FOR MONEY

Alongside Tenants at Heart, last year we also developed a new VFM strategy. To achieve our objectives, we need to remain financially strong, optimising the employment of our assets and resources to deliver the services that our tenants need. We also need to provide assurance to our stakeholders that the level of resources used to meet our objectives is appropriate and proportionate.

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

Below is a graph that shows the breakdown of each £1 we spend showing the focus we have on supporting our tenants.



Value for money metrics

	2023/24	2024/25	2025/26	Target 2026/27	2027/28
Reinvestment	9.3%	8.1%	9.5%	10.4%	8.4%
New supply delivered (social housing units)	2.1%	2.6%	1.2%	1.7%	1.9%
New supply delivered (Non-social housing units)	0.0%	0.0%	0.0%	0.0%	0.0%
Gearing	30.5%	27.2%	29.8%	30.7%	31.4%
EBITDA MRI interest cover	1.96	1.93	1.06	0.96	1.35
Headline social housing cost per unit	£4,612	£5,019	£5,753	£6,257	£5,975
Operating margin (social housing lettings only)	28.1%	27.9%	24.9%	26.0%	28.2%
Operating margin (overall)	27.0%	26.6%	23.3%	25.1%	27.3%
ROCE	3.4%	4.6%	3.0%	3.0%	2.9%

Regulator 2024/25	Reinvestment	New Supply (Social housing)	New Supply (Non social housing)	Gearing	EBITDA MRI Interest Cover	Headline Social Housing Cost per Unit	Operating Margin (SHL)	Operating Margin (Overall)	ROCE
Lower quartile	5.3%	0.6%	0.0%	35%	62.2%	£5,025	15.0%	11.8%	2.3%
Median	7.5%	1.3%	0.0%	46%	113%	£5,690	20.0%	17.4%	3.0%
Upper quartile	10.0%	2.1%	0.3%	55%	152%	£7,230	25.6%	23.0%	3.6%

- Reinvestment levels have remained relatively stable across the sector although investment has mostly been a shift from development to reinvestment in existing properties. Midland Heart have been able to increase spend on both existing properties increasing spend by 56% and new properties increasing spend by 21%.
- New supply delivered 356 new homes showing Midland Heart's focus to continue to look to grow the service it can provide to its tenants.
- Non-social housing remains at 0% as we devote our resources purely to building social and affordable homes
- Gearing increased due to Midland Heart seeking additional funding to continue enable the continued investment in development.
- EBITDA MRI is an indicator of liquidity and investment capacity (excluding sales). It is the only real measure which includes interest costs. Due to significant increased investment EBITDA MRI has fallen but has remained above 100% of the interest costs.
- Headline cost per unit has continued to increase due to an increase in maintenance spend, frontline operatives and inflation as we target better customer service and improved on and investment costs, as well as increasing our number of frontline operatives. We expect this figure to continue to rise in future years with further property investment and inflationary pressures
- Operating margin (Social housing lettings and overall) has fallen in the year reflecting increased costs pressures, due to choices to concentrate on providing services for the tenants.
- Return on Capital Employed (ROCE) has decreased due to higher one –off disposal surplus in the previous year, all against a lower capital base.

CASE STUDY

DRIVING VALUE FOR MONEY IN IT

Our IT strategy is underpinned by delivering value for money and social value, wherever possible.

During 2025, our IT department achieved substantial system and financial efficiencies, maximising the use of existing systems and contracts, optimising system performance and negotiating cost reductions.

Key highlights

Network replacement

We provide network connectivity for a wide range of sites. In 2020, we entered a five-year contract with ANS to deliver these services. Over the years, we have expanded our network to include new sites and provisions, including digital CCTV.

Cyber insurance renewal

By enhancing our cyber resilience and achieving national certifications, we secured a 33% saving on our primary and secondary cyber insurance renewal, reducing costs from £44,800 while maintaining £5million of coverage.

Outsystems renewal

Reviewing and adjusting the outsystems solution for our Customer App Connect 360 generated significant savings by reducing environments and aligning licence numbers with our Strategic Disposals strategy.

Backup tool replacement

We collaborated with our backup providers, Veeam, to enhance our backup services, align them with our corporate plan and make them more cost efficient.

Disaster recovery renewal

We conducted a comprehensive review of our Disaster Recovery solution. A rigorous tender process confirmed our current provider and solution was well-suited to our requirements. We also negotiated a reduction of approximately 30% in annual expenditure.

The financial impact

We have generated £363,719 savings (including VAT) over 25/26 and 26/27. We are committed to continuing our value for money drive throughout the life of our new corporate plan.

CASE STUDY

WOMEN IN PROPERTY

Our Women in Property Working Group continues to drive initiatives aimed at attracting, developing and supporting women across an historically male-dominated sector.

Our offer helps us to engage and attract diverse, talented people, especially women, which the working group plays a core role in by making sure:

Our offer helps us to engage and attract diverse, talented people, especially women, which the working group plays a core role in by making sure:

- Colleagues understand their responsibilities and feel they can act with confidence to embed a sense of belonging
- Tailored development opportunities are provided for women in property services to help them reach their full potential, inclusive of their background

The working group also:

- Learns and develops using our data, insights, best practices and internal networks
- Provides clear routes to feedback and acts as a critical friend, reinforcing the importance of two-way communication

Actions

To date, the working group has spearheaded a wide range of actions, which include:

- Running Choose to Challenge workshops - aimed at helping colleagues recognise and address unacceptable behaviour and foster an inclusive culture
- Appearing on our internal Heart of the Matter podcast – to showcase women's experiences and promote gender equality

Our results

Thanks to the working group:

- Female representation in repairs and maintenance managerial and leadership roles has increased by 2.69% points (from 12.12% in 2023 to 14.81% in 2025)
- The proportion of female operatives has increased to 5% - more than double the Midlands average of 2%

CASE STUDY

OVERVIEW

Homes for Modern Living (HfML) is Midland Heart's flagship investment programme to enhance comfort, efficiency, and resilience of older homes as part of Tenants at Heart.

In its first year, the programme targeted

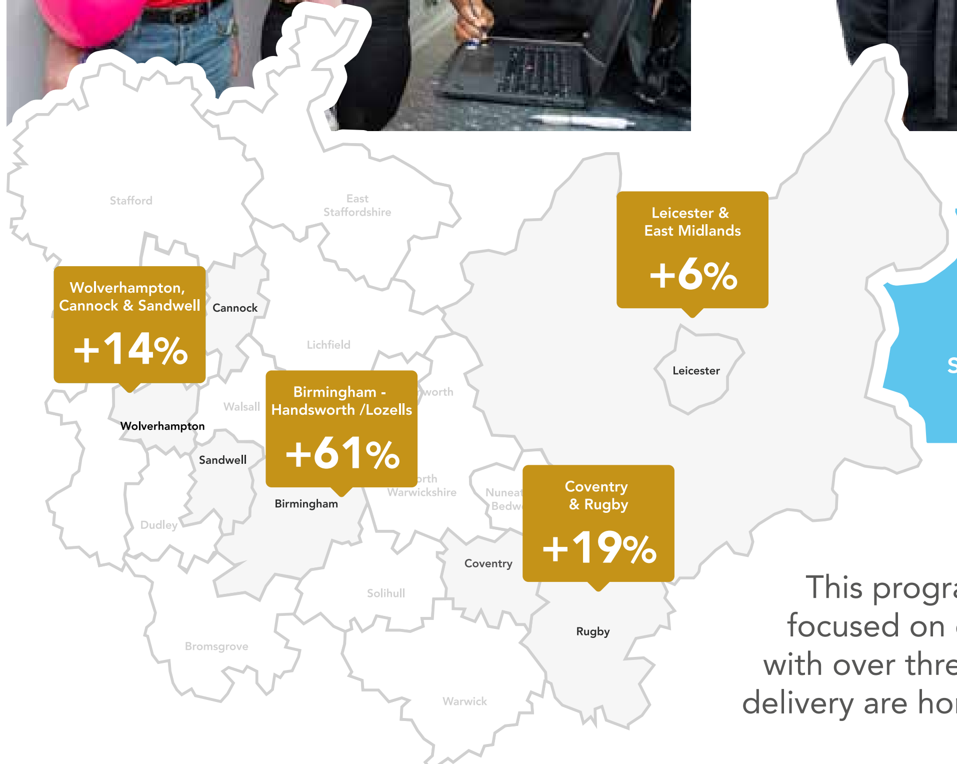
300 properties for upgrades to EPC C or above, improving:

- Insulation
- Ventilation
- Tackling damp and mould
- Completing major works

The programme also modernises interiors and outdoor spaces, adds better lighting and security, and reduces energy usage. Properties are selected based on age, energy performance, and repair history; works are coordinated to avoid repeated visits and limit tenant disruption.

TARGETED INVESTMENT IN OUR COMMUNITIES

The programme spans across our portfolio and has been concentrated into our most deprived areas. Year 1 focused on the areas of Handsworth and Lozells, with over 50% of our works taking place in these areas. Working with the Tenancy Team, we aligned our delivery with "Quality services with local impact".



Coventry, Rugby, Leicester and Wolverhampton were the additional areas that saw significant investment through year 1 of the programme.

This programme has been focused on our oldest homes with over three quarters of our delivery are home pre-WW1.

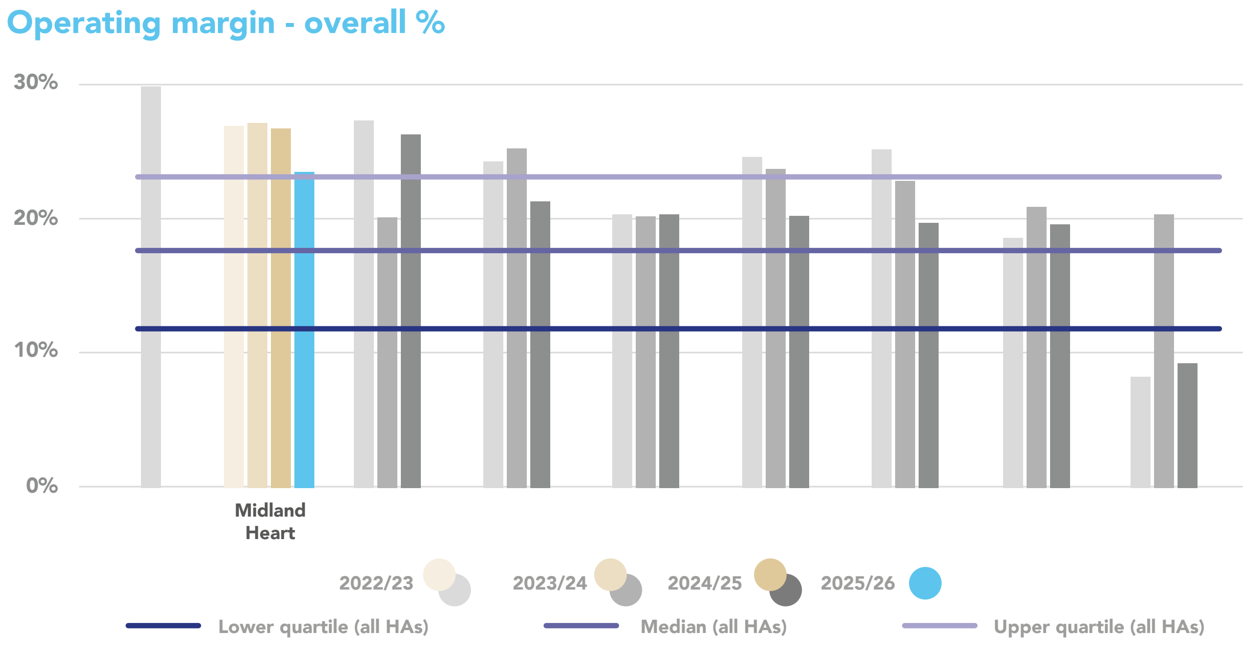
78%	10%	3%	8%	1%
Pre 1900	1901 to 1940	1941 to 1975	1976 to 2000	2001 onwards

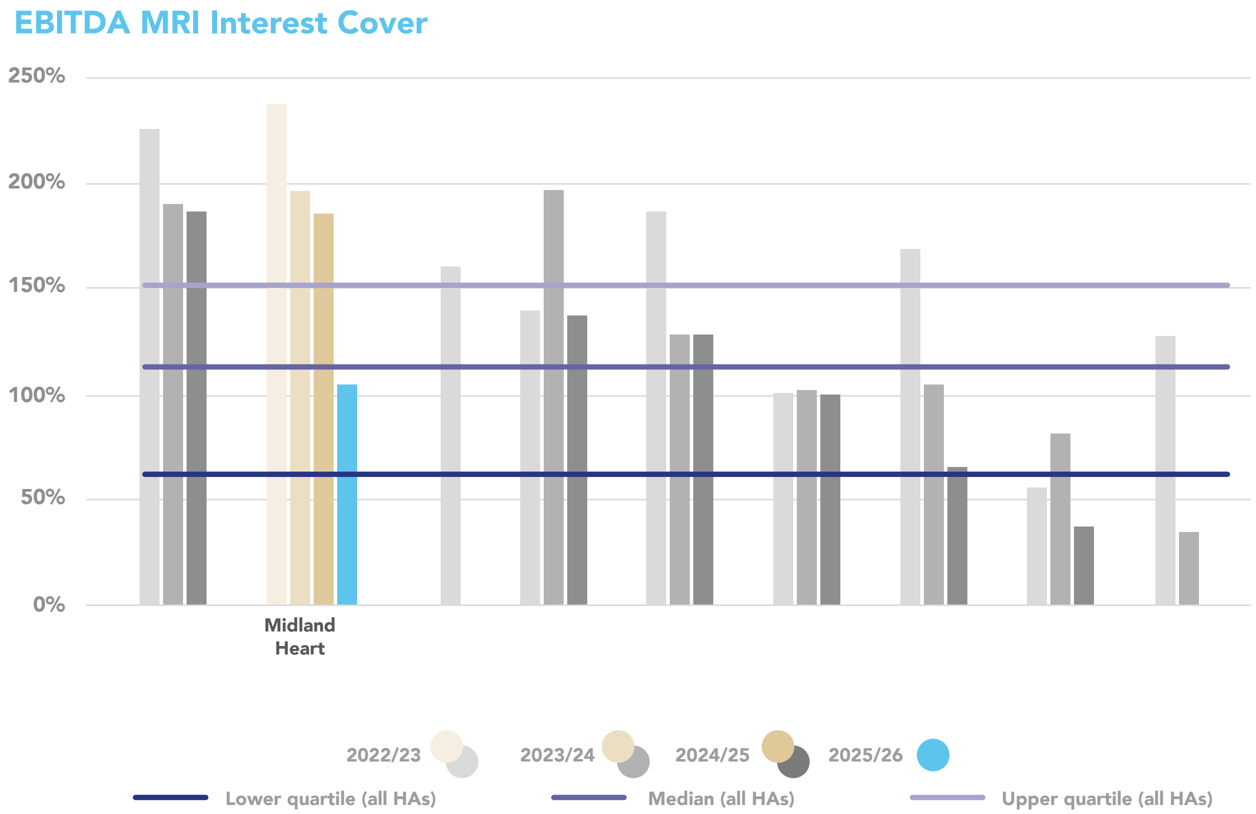
HOW DO WE COMPARE TO OTHERS?

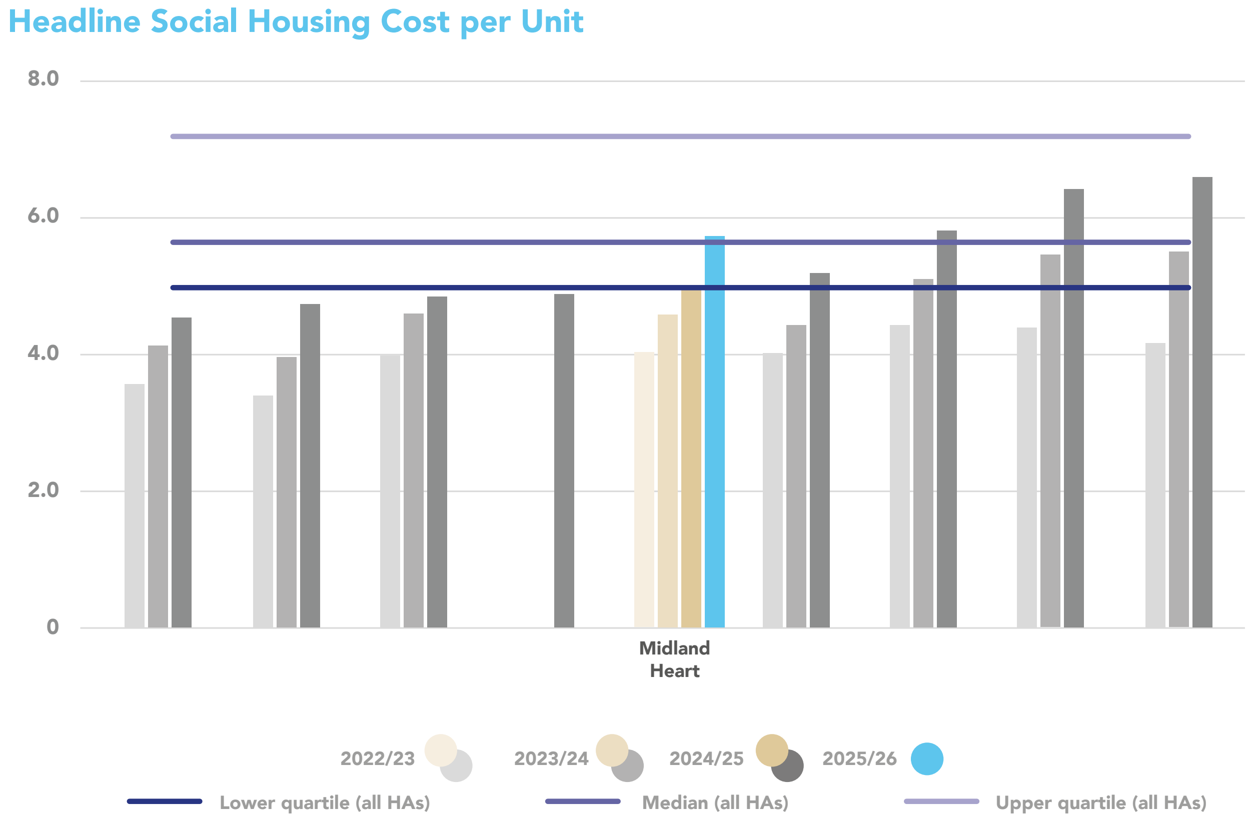
We continue to lead and develop a new performance improvement and benchmarking model for the sector with Vantage Business Solutions. A key aim is to analyse the performance of the largest providers on an annual basis through publicly available information from financial accounts.

We've also chosen a group of eight associations to compare our results against based on their size, predominant areas of operation and consumer gradings. These are Bromford Flagship, Citizen, GreenSquareAccord, Orbit, Platform, East Midland Homes, Thirteen Housing Group and Walsall Housing Group.

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







TREASURY MANAGEMENT

LOAN FACILITIES

Proactive treasury management continues to underpin Midland Heart's strong financial position. Our approach remains relationship driven, with a focussed strategy centred around developing long term partnerships with funders who understand Midland Heart and can support our evolving requirements. Regular engagement, including structured meetings with institutional investors, ensures transparency around delivery of our Corporate Plan and supports continued confidence in our financial strategy.

We operate under a Sustainable Finance Framework, independently verified by DNV as aligned to ICMA and LMA principles. We remain committed supporters of the Sustainable Reporting Standard (SRS) and publish a separate ESG Report annually. During 2025 we retained our SHIFT Gold accreditation for the second year.

Our liquidity policy requires sufficient cash and fully secured loan facilities to cover at least 18 months of net committed development expenditure, excluding receipts from outright sales and shared ownership first tranche sales. As of 31 March 2026, Midland Heart held approximately £361m of available liquidity, comprising:

- £272m of undrawn, fully secured facilities, predominantly in the form of flexible Revolving Credit Facilities
- £89m of cash balances

In addition, we continue to hold £75m of retained bonds from our 2020 bond issuance, which could be brought to market quickly if required. This strong liquidity position provides a solid foundation for both our future development programme and on-going investment in existing homes.

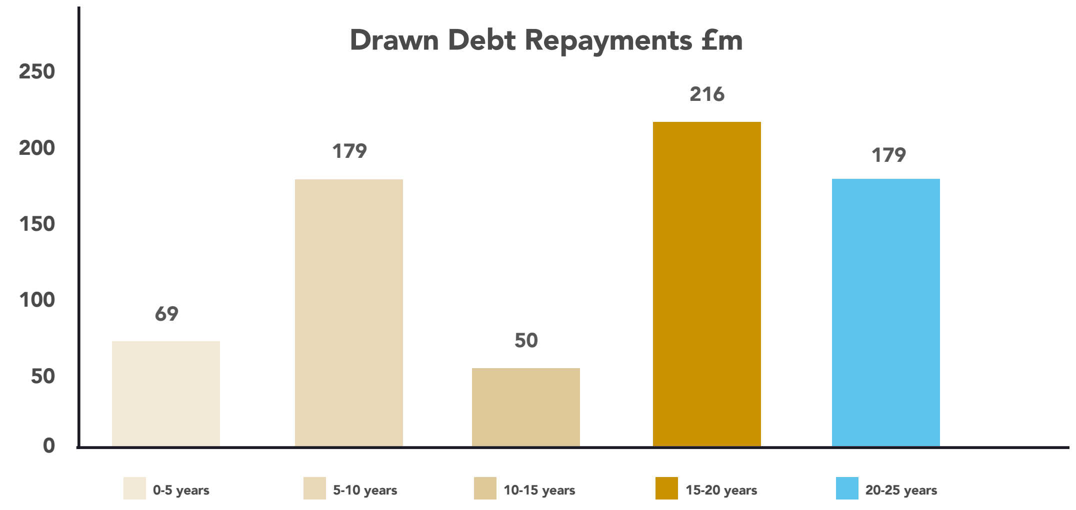
During 2025/26 we secured a significant new funding partner, completing and drawing a new £100m 10 year loan facility with NatWest, consistent with our preference for longer term loan maturities where available and appropriate. We also agreed one year extensions to our Revolving Credit Facilities with HSBC, Lloyds and Nationwide, and activated the Sustainability Linked Loan (SLL) features within these facilities.

Drawn Loan Maturity Profile (£'000)

	2026	2025
Within one year	7,932	7,907
Between one and two years	28,720	7,932
Between two and five years	32,391	55,998
After five years	623,822	533,769
Total	**692,865**	**605,606**

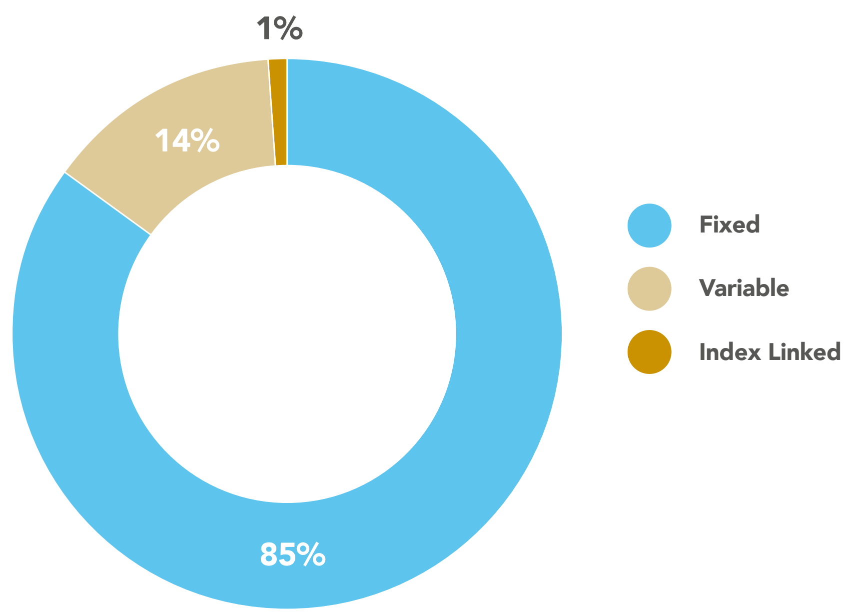
Approximately 10% of drawn debt is due to mature over the next five years, providing Midland Heart with limited short term refinancing risk.

As at 31 March 2026, our drawn debt was funded 55% through capital markets and 45% through banks and building societies, ensuring we maintain a diversified lender pool.



DEBT PORTFOLIO

As at 31 March 2026, our existing drawn debt was 85% fixed providing strong interest rate risk protection. Our drawn debt was funded 55% through capital markets and 45% through banks and building societies, maintaining a diversified funding base.



FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Midland Heart is financed through a combination of retained reserves, long term loan facilities and government grants. Our Treasury Management Policy, approved annually by the Board, sets out the framework for managing funding and liquidity risk, ensuring covenant compliance and defining permitted financial instruments.

We use a mix of embedded fixed rate instruments (including fixed rate bank loans and bond issues) and standalone interest rate swaps to hedge exposure to variable interest rates. Swaps are used solely for hedging existing liabilities and are not used for speculative purposes. Collateral requirements arising from swap valuations are managed through property security and credit thresholds. As at 31 March 2026, collateral posted totalled approximately £5m, down from £8m in as of 31 March 2025 and £14m as of 31 March 2024, with all counterparty exposures fully covered.

We monitor interest rate exposure daily and undertake regular stress testing. Our policy requires capacity to withstand a 100bps fall in interest rates. The Group has no exposure to non sterling currencies.

COVENANTS AND CREDIT STRENGTH

The Group's main financial covenants are in respect of gearing, interest and asset cover. These have been agreed with all the relationship banks and are monitored on a regular basis including stress testing at our Finance and Growth Committee.

The Committee monitors our golden rules, which have been set to ensure that all times we maintain strong headroom relative to our financial covenants. This underpins the resilience of our financial performance, which has remained robust despite significant investment in our customers services and new and existing stock.

Measure	Golden rule	Bank tightest covenant	2026	2025
Gearing	70%	75%	44%	39%
Interest cover	150%	116%	278%	372%

As of 31 March 2026, we had 8,411 unencumbered units available to support future funding requirements. Security readiness is key to support our Corporate Plan in an evolving market backdrop.

Our strong financial management is reflected in our A1 (stable) credit rating from Moody's Investors Service, reaffirmed on 28 November 2025. This remains one of the highest ratings in the sector.

Our Regulatory judgements of V1, alongside our G1 / C1 gradings, further confirms our robust financial profile, strong governance and adequate liquidity.

SUSTAINABILITY AND CLIMATE CHANGE

84% of our homes are EPC C or above

£9.3m investment moving 1,329 homes from EPC D to EPC C or above

Over **600** homes retrofitted with solar PV systems

846 tonnes reduction in Scopes 1 & 2 CO2 emissions

100% of **356** new homes achieved minimum EPC band B

SHIFT Environment Gold 2025 retained

Over **660** tenants engaged through localities investment including on environmental issues

99% Landfill diversion rate achieved through our new waste brokerage contract

Corporate sustainability annual deliverables in the homes we rent, the homes we build and the way we work

The homes we rent – 1,200 homes to be uplifted from EPC D to EPC C or above

We improved 1,329 homes from EPC D to EPC C or above through a £9.3m investment, including £2.2m secured through the Social Housing Decarbonisation Fund Wave 2.

The homes we build – 350 new homes to be completed at a minimum EPC band B

We completed 356 new energy-efficient affordable homes across the West Midlands, bringing total completions over the past seven years to 4,110 and exceeding our target.

The way we work – Reduce our Scope 1 and 2 carbon emissions by 200 tonnes

We reduced Scope 1 and 2 carbon emissions by 846 tonnes CO2e against a target of 200 tonnes CO2e, driven by an approximately 20% reduction in heat and power emissions, the continued decarbonisation of the UK electricity grid and our first bulk purchase of 16 electric vans. Our target is science-aligned within a Well Below 2°C pathway and, based on current performance, sits within a 1.5°C pathway.

SUSTAINABILITY-LINKED LOAN (SLL) PERFORMANCE

Aligned to our commitment to sustainability, several of our loan facilities contain ambitious Key Performance Indicators ("KPI"). Below we have outlined these targets as well as our performance

SLL Targets	Target 2025/26	Mar-26
Cumulative New Homes Built at EPC 'B' and above (Since April 2024)	1,050	1,169
Energy Performance Certificate Rating EPC C and above (%)	83	84.0
Energy Performance Certificate Rating EPC C and above (not including new build) (%)	83	83.6
Annual Customer Referrals to Money Advice	3,000	2,729
Cumulative Customer Referrals to Money Advice (Since April 2024)	6,000	5,311
Regulator Rating	G1	G1
Cumulative New Homes Built at EPC 'B' and above (since April 2025)	325	356

- The cumulative number of new homes completed with a registered EPC Band B and above (Since April 2024) reached 1,169 as at March 2026, outperforming the cumulative target of 1,050.
- 356 new homes were delivered during the year with a registered EPC rating of Band B or above, exceeding the within in year target of 325 for 2025/26.
- Registered EPC certificates for existing properties show performance of 84.0% (including new build) and 83.6% (excluding new build), both exceeding the 83% SLL target.
- Customer referrals to Money Advice totalled 2,729 cases during the year, below the annual target of 3,000, with 5,311 cumulative referrals recorded against a cumulative target of 6,000 as at March 2026.
- The Regulator of Social Housing governance rating remained at G1, meeting the SLL requirement for the year.

STREAMLINED ENERGY & CARBON REPORTING (SECR)

Greenhouse gas emissions (tonnes CO2 emissions)				
Financial Year		2025-26	2024-25	2019-20
Scope 1 emissions from natural gas and commercial fleet fuel use		3,026	4,326	7,529
Scope 2 emissions from electricity use	Location based	1,460	3,211	4,958
	Market based	668	3,151	2,825
Scope 3 emissions from business travel private vehicle use		201	192	183
Total greenhouse gas emissions	Location based	4,687	7,729	12,670
	Market based	3,895	7,669	10,537
Carbon intensity ratio (total tCO2e / number of homes)	Location based	0.14	0.22	0.38
	Market based	0.11	0.22	0.31
Energy use total (MWh)		24,060	38,659	n/a
number of homes (excluding offices)		34,436	34,414	33,611

Reporting methodology

We calculate greenhouse gas (GHG) emissions in line with the GHG Protocol and report Scope 1 and 2 emissions for SECR, together with a sector-relevant intensity ratio. We also measure Scope 3 emissions, including categories relevant to social housing such as emissions associated with independently heated homes, and disclose these in our annual ESG Report.

SHIFT provides assurance over our methodology and data. We use the latest UK Government (Defra) conversion factors to calculate tonnes of CO2e and align our reporting with the UK Government Environmental Reporting Guidelines. Scope 3 is calculated using the GHG Protocol Scope 3 Technical Guidance; for SECR, we include Category 6 business travel in private vehicles and exclude other Scope 3 categories from the SECR disclosures.

Our intensity ratio is total market-based emissions, measured in tonnes CO2e, per home, supporting benchmarking across the social housing sector.

Energy efficiency measures

We increased investment in energy efficiency through our retrofit programmes and Homes for Modern Living initiatives in tenants' homes, and we built all new homes to a high energy-efficiency standard of EPC B or above.

- **312 homes improved from EPC E–D to EPC C–A** through our Social Housing Decarbonisation Fund (SHDF) Wave 2 programme
- **871 new smart or automated meters** (AMRs) installed since 2023
- **1,662 new energy-efficient boilers** installed
- **201 electric heating systems installed** (including storage and panel heaters)
- **621 solar PV arrays** installed across existing homes, including in-roof PV through our re-roofing programme
- **140 properties** fitted with **new double-glazed windows**
- **436 properties received insulation** and triple-glazed windows
- **849 insulation top-ups** completed
- **1,329 homes improved from EPC D** (or below) **to EPC C** (or above) toward our 2030 goal

Climate risk summary

Our Risk Management Policy sets out how we identify and manage strategic and operational risks. The Board Audit and Risk Committee reviews strategic risks quarterly, including transition risks arising from decarbonisation and emerging risks such as more frequent severe weather events and policy change.

We work with retained insurance and risk consultants, Gibbs Laidler, alongside insurer reviews and independent analysis from SHIFT, to monitor physical climate risks across our portfolio and horizon-scan for emerging threats. Key perils for the sector include flooding, windstorm and overheating. Gibbs Laidler assesses flood and storm risk factors at postcode level and aggregates these into an overall location score to support prioritisation and mitigation planning.

We use GIS mapping at postcode and postcode-district level to understand spatial exposure and target adaptation actions as risks evolve. Our results compare favourably with sector benchmarks, with projected windstorm risk over a 50-year horizon below sector comparators.

Governance

As a G1/V1/C1 organisation with a Moody's A1 rating, we are committed to high standards of governance, integrity, ethics and professionalism.

Our ESG Committee leads our ESG agenda and our ambition to reach net zero across the homes we rent, the homes we build and our operations by 2050. Chaired by the Deputy Chief Executive, it brings together senior leaders to set strategy, review performance and drive delivery against key targets, including the energy performance of our homes and operations.

The New Business Group, chaired by the Chief Executive, is responsible for selecting and evaluating new-build development projects using guidelines approved by the ESG Committee.

Our VFM Steering Group supports sustainability by embedding it in decision-making and securing direct benefits for tenants.

We publish an annual ESG Report, including impact reporting against our Sustainable Finance Framework. We are a voluntary adopter of the Sustainability Reporting Standard for Social Housing (SRSSH) to support consistent and reliable reporting. SRSSH strengthens our net zero pathway reporting, supports alignment with the UN Sustainable Development Goals and aligns with elements of the Task Force on Climate-related Financial Disclosures (TCFD) and International Financial Reporting Standards (IFRS) S1 and S2.

DELIVERING SOCIAL VALUE

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

Our total average social rents for General Needs housing as a % of Private Rents in our top 10 local authorities was 56%. This is inherent social value.

This year, we:

- **Maximised tenant income by £4.4m,** increasing income and reducing debt liability.
- **Obtained Universal Credit awards of £841,134.** This was supported by an awareness campaign reminding tenants that it was necessary to migrate to Universal Credit in line with the government's welfare changes.
- **£49,250 in Discretionary Housing Payment** for tenants struggling to meet their rent shortfall due to financial hardship and the effects of welfare reform.
- **Helped eligible tenants obtain an additional £ 948,704 in housing benefit,** and £185,254 in attendance allowance for those over 65 to help with care needs.
- During National Carers Week we raised awareness of the eligibility to claim Carers Allowance and Carers Element within Universal Credit; **during the year we claimed £7,700 in carers benefits.**
- **Pension Credit £183,629** was awarded to people of pension age.
- **Secured £92,071 from charities,** trust funds and tenant hardship funds to help reduce debt and purchase essential goods and services, such as ovens, bedding, and fridges.
- **Provided additional support for our tenants** who were struggling to cope with food and energy price inflation – **responding to 120 requests for help with emergency food,** issuing vouchers via the Trussell Trust foodbank portal and emergency shopping vouchers.
- **Issued over 148 requests for help with heating costs** and supporting our building safety team to clear gas meter debt to enable gas safety checks.
- **Distributed 12 winter warm packs** donated by a contractor for vulnerable tenants.
- **Provided 6 customers with washing lines** so that they can save on drying costs – helping them to save money.

CASE STUDY

SUPPORTING OUR TENANTS FINANCIALLY

Our Tenant Hardship Fund helps tenants alleviate financial hardship. It is accessible to all of our tenants and administered by our Money Advice Manager.

During the first half of 2025, we supported 115 tenants. We issued more than £5,000 in fuel vouchers and £1,000 in shopping vouchers to our most vulnerable tenants. The following case studies demonstrate the fund's impact:

Tenant 1
Balsall Heath, Birmingham

Our tenant, who was struggling to make ends meet, needed to buy a double bed for her son, who was 6ft 2in tall.

The tenant needed to apply to Birmingham City Council for help. But because it can take months for applications to be approved, if at all, we allocated money for the new bed via the Tenant Hardship Fund.

Tenant 2
Coventry

A disabled 65-year-old veteran was allocated a Midland Heart property as his forever home. However, he had no furniture or belongings and was on a limited income.

We worked with his NHS social prescriber to obtain what he needed - curtains, blinds, carpet and a fridge to move in, which were purchased via the fund.

Tenant 3
Staffordshire

Our 47-year-old tenant had lived in a tent for seven years before being allocated a Midland Heart property. He had very few possessions and no food.

We ordered a bed, duvet and bedding, as well as a kitchen starter pack. We also referred him to the local foodbank, which provided him with food for three days until his benefits were paid.

RISK MANAGEMENT

Risk management embedded through our business

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

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

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

Our risk management process seeks to identify the key risk factors that may have a material impact on the group and to manage them appropriately. The risk factors cover financial, operational and reputational risk. They are reviewed quarterly alongside deep dives into emerging risk areas and benchmarking against the Sector Risk Profile.

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

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

Our operating environment

Birmingham City Council's bin strikes continued throughout the year, resulting in additional costs as our Rangers team increased refuse pick-ups and provided extra support to our schemes and tenants.

The first phase of Awaab's Law came into effect in October. Following extensive preparation by our Assets and Data Analytics teams, we now report on relevant hazards to Board level. We have also completed a learning exercise to inform our approach to the second phase, scheduled for 2026.

We have continued to assess our exposure to market volatility following the war in Iran and have contingency plans in place for potential impacts, including fuel shortages. We also remain mindful of the effect of higher fuel costs and wider inflationary pressures on our tenants, particularly in relation to CPI for 2027/28 rent setting. We regularly monitored arrears and ensured that tenants continued to be supported through our Money Advice Team.

Strategic risks

Risk	Mitigation
Causing serious harm or neglect to a tenant, staff, supplier or third party	• Safeguarding and operational policies and procedures in place with all relevant staff inducted and trained. • Routine checks undertaken by fully trained operational staff. • Safeguarding Board monitors policy implementation and performance. • Health and safety system and reporting in place. • Contractor H&S systems checked via procurement / contract monitoring. • Annual programme of thematic H&S audits. • Monitoring by Safety at Heart Committee.
Non-compliance with Building Safety laws, regulations and best practice in existing and new build properties	• Dedicated team and budgets to manage building safety and compliance. • Systems and processes in place to identify, control, monitor and report on building safety risk / performance. • Competent, qualified contractors procured to provide specialist services. • Building Safety (Customer) Engagement Strategy for building safety responsibilities. • Building Safety competency framework for staff training / knowledge. • Contract Management Framework for contractor services. • Building Safety horizon-scanning group assesses emerging themes / impact. • New Build Handover process between Building Safety / Development teams.
Adverse impact on financial plan of government policy and macroeconomic changes	• Scrutiny of business plans budgets by Executive/Board. • Active treasury management, including money market funds (AAA-rated). • Forecast and business plan presented to Board. • External affairs engagement with key national and local political bodies and individuals. • Planned sequence of mitigation plans if golden rules breached. • Money Advice Team advise customers on accessing hardship funds and maximising income.
Midland Heart suffers a cyber-attack	• IT policies, procedures and training, including IT security e-learning. • Vendor management with IT security requirements embedded at procurement. • Annual penetration test and digital application testing with all remediation complete. • Anti-virus software, firewalls, email and web filtering. • Mobile device management. • Encryption of data, MFA and geo-blocking implemented across all systems. • Executive cyber training by external specialist and phishing simulations.
Failure to achieve minimum standards for decarbonisation of EPC C by 2030 to help ensure homes are ready for modern living	• Governance arrangements meet the requirements of the ESG return (ESG Committee and reporting to Board). • Board and ESG Committee monitor progress towards ESG targets. • Financial Plan to get our properties to EPC C by 2030. • Annual ESG report aligned to external reporting standards. • Low carbon priority included in the Corporate Plan as agreed by Board. • Decarbonisation operational team with specialist knowledge to achieve energy efficiency targets in the most cost efficient way.

Risk	Mitigation
Inaccurate and incomplete data adversely impacts on our legal / regulatory obligations, causing service disruption and/or financial loss	• Regular triangulation exercises e.g. building safety data reconciling multiple systems. • Exception reporting, data cleansing process for SDR. • Internal and external audits in specific areas e.g. Business planning, TSMs, stock condition and building safety reconciliations (e.g. monthly control accounts).
The inability of the business to be prepared and comply with Awaab's Law	• Damp & Mould (D&M) Strategy in operation. • Daily/weekly meetings are held with the D&M team to review no access and aged cases. • Customer liaison officers work with tenants to find root causes to ensure mould issues are eradicated (e.g. humidity sensors). • Focus on collaboration with tenants rather than behavioural changes. Tenants can submit photos to enable faster triage. • HomeChecker application to facilitate the reporting of damp and mould and/or other hazards issues at every tenant visit. • Review of D&M disrepair cases to ensure no legal case delays works, with a protocol for future cases. • Customer Scrutiny Group reviews how D&M approach aligns with best practice outlined by the Housing Ombudsman in their spotlight on D&M Report. Operations Committee review outcomes.
Insufficient skills to deliver Tenants at Heart	• People Strategy for 2025-30 that articulates our response to the people challenges. • Established Degree Apprenticeship programme developing key skills. Employer brand and employee value proposition, including a dedicated careers site. • Corporate induction to ensure colleagues join with the right expectations and knowledge of key systems and processes. • Pulse surveys to monitor engagement in highest turnover teams; local engagement plans to address feedback. • Significant level of investment in colleague development; highest level of investment in frontline operational roles. • Recruitment based on values and behaviours, ensuring we recruit people with right mindset, as well as competencies. • MH Mindset developed and launched to colleagues, articulating the focus on tenants.
Pension transfer project is unsuccessful due to mismanagement or significant delays	• Monthly Pensions Steering Group reporting into RESC and Board. • Specialist third party pension, actuarial, investment and legal advisors to support expected TPT project pace challenges. • Clear project plan with 'redline' milestones. • Appointment of strong Independent Professional Trustee, Advisors to IPT and future scheme governance. • Clear communication and consultation strategy & plan, including mechanisms for concerns to be raised and answered. • Monthly project meeting with key TPT project managers to ensure project is on track and issues are resolved as quickly as possible.

CORPORATE GOVERNANCE

Midland Heart's approach to governance

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

Main principles of the Code

The Code provides a framework for effective Board practice and is founded on the core principles of good governance: accountability, transparency, probity, and a clear focus on the long-term sustainable success of the organisation.

For further information about the Group's compliance with the Code:

1. Board leadership and company purpose: the board's responsibility to align a company's strategy with corporate culture.

See page 20 for our vision and strategy.

2. Division of responsibilities: ensuring independence of non-executive directors.

See page 79 for the Statement of Directors' Responsibility

3. Composition, succession and evaluation: promoting a diverse board with the necessary skills and experience.

See page 60 for the Board and Non-Executive Directors

4. Audit, risk and internal control: highlights the board's responsibility for risk management and maintaining a sound system of internal controls.

See page 54 for Risk Management

5. Remuneration: ensuring pay is transparent and based on the company's long-term success.

See page 75 for Directors' Remuneration Report

Application of the Code

The Group's governance framework is aligned with the principles of the 2024 UK Corporate Governance Code ("the Code"). The Code sets out standards of good practice and the principles the Board applies to promote the Group's purpose, values and long-term success. As a private company, the Group does not adopt the Code in full, as certain provisions are not applicable to its business context.

Compliance with the Code

The Board has recently reviewed its compliance with the Code, ensuring sufficient explanation with each provision. Where the Code requires the engagement or views of shareholders, we have also included tenant engagement.

A third party reviews our governance structure and board effectiveness every three years. Our last review was performed by DTP in 2025, and all recommendations have been closed. DTP does not have a connection with the Group or individual directors.

The Code operates on a "comply or explain" basis. With the exceptions noted below, the Group has complied during the year with all relevant principles of the Code. The Group Board sets the standard of governance across the Group and oversees compliance with the applicable provisions of the Code.

Provision 9 – A Chief Executive should not become Chair of the same company, If, exceptionally, this is proposed by the Board, major shareholders should be consulted ahead of appointment.

The Chief Executive is Chair of three operational subsidiaries: Prime Focus Finance Limited, Midland Heart Capital Plc and Midland Heart Development. These appointments were agreed in consultation with the Group Chair of the Group Board, being the parent and as only shareholder, who considered this to be appropriate due to the operational nature of these subsidiaries.

Provision 11 – At least half of the Board, excluding the Chair, should be Non-Executive Directors whom the Board considers to be independent.

All of the four subsidiaries have Boards compromised of Executive Directors only. This is seen as appropriate due to the operational nature of these subsidiaries.

Provision 18 – All Directors should be subject to annual re-election

Non-Executive Board members are appointed for a maximum term of 3 years at a time. Although not formally re-elected to the Board, all members are appraised for their performance twice a year.

Provision 36 is not applicable to the Group.

Provision 37 and 38 – inclusion of malus and clawback provisions in Directors' contracts

Directors' contracts do not contain a malus and clawback provision. Executive Directors do not have share awards or a bonus scheme as part of their remuneration package. Executive Directors receive a performance related uplift against their basic pay based on the outcome of their annual appraisal, and if deemed necessary, this uplift can be removed in the following year. It is not designed as a long term incentive scheme which would make a clawback provision disproportionate.

Declarations of interest

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

BOARD AND NON EXECUTIVE DIRECTORS

Llewellyn Graham
Chair

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

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

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

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

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

Dominic Wong
Senior Independent Director

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

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

Louise McFadzean
Non-Executive Director

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

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

Abigaile Bromfield
Non-Executive Director

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

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

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

Dasos Christou
Non-Executive Director

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

Dasos is the Regional Managing Director of Abri, one of the largest housing associations in the south of England and is responsible for the south east and south west region totalling over 25,000 homes. Prior to the this he was the Executive Director of Customer Relations at Silva.

Dasos started his career in retail, working for the John Lewis Partnership for over 12 years. Dasos brings a wealth of knowledge and commercial experience to modernise the way services are delivered in housing, implement sector leading digital services and improve customer experience. This is further supported by his chartered member qualification with the Chartered Institute of Housing.

Pamela Leonce
Non-Executive Director

Pamela resigned from our Board effective 31 March 2026. She joined in September 2023 and sat on the Audit & Risk Committee, Remuneration & Executive Selection Committee, and Nominations Committee. She was also the Board champion for Equality, Diversity and Inclusion.

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

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

Chiluba Musukuma
Non-Executive Director

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

Chiluba is an experienced finance leader with over 25 years of experience across strategic and commercial finance, transformation, financial planning and analysis and audit. Starting her career with PwC where she qualified as a Chartered Accountant, she gained experience in audit, forensic accounting and transaction services before moving into industry. Chiluba currently works at National Grid as the CFO Regulatory Finance, having previously spent time in higher education and manufacturing sectors.

Glenn Harris MBE
Chief Executive Officer and Executive Board Member

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

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

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

Joe Reeves
Deputy Chief Executive Officer and Executive Board Member

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

As our Deputy Chief Executive, Joe is responsible for our housing development strategy, commercial projects, finance, treasury, procurement and corporate affairs functions.

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

Baljinder Kang

Executive Director of Corporate Resources and Executive Board Member

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

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

EXECUTIVE DIRECTORS

Sayeed Haris

Executive Director of Property Services

Sayeed joined Midland Heart in March 2020 having previously worked for Bromford Housing Association and KPMG.

He leads colleagues across Property Services to ensure we deliver great services for our tenants whilst remaining financially sound. He was promoted to Executive Director of Property Services in April 2024 and has strategic responsibility for our repairs and maintenance, building safety, and property investment.

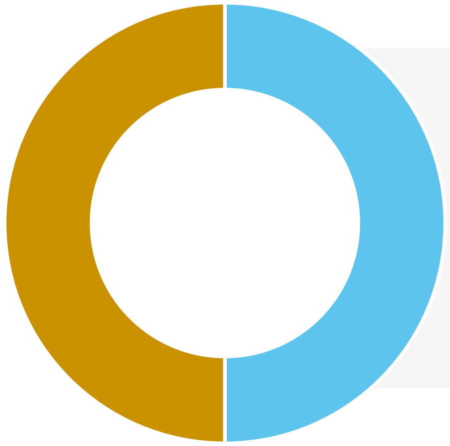
Daren Nowlan

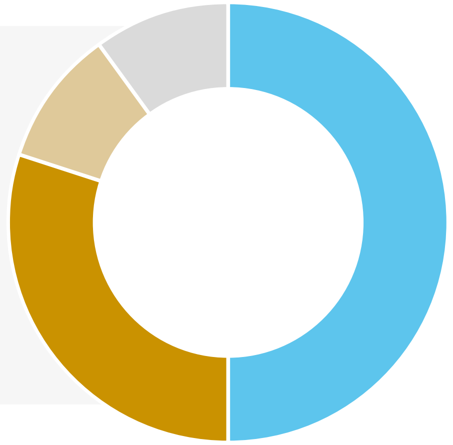
Executive Director of Tenancy Services

Daren joined Midland Heart in February 2025 as Executive Director of Tenancy Services. He previously spent eleven years at one of the UK's largest housing associations, Sanctuary Housing, where he led housing services across England. Earlier in his career, Daren worked in local Government and was the Head of Customer Services at Oadby and Wigston Borough Council.

In his role at Midland Heart, Daren is responsible for housing management, lettings, tenant experience, specialist accommodation, and the customer contact centre. He leads the delivery of high-quality, customer-focused services, with a strong emphasis on local accountability, community presence and improving outcomes for tenants.

Board Diversity





Appointments and resignations

Name	Position	Appointed	Resigned	End of tenure
Glenn Harris	Chief Executive and Executive Board Member	29/07/2017		
Llewellyn Graham	Chair of the Board and Nominations Committee, Non-Executive Director	25/09/2019		
Joe Reeves	Deputy Chief Executive and Executive Board Member	01/05/2019		
Dominic Wong	Senior Independent Director, Non-Executive Director, Chair of Remuneration and Executive Selection Committee, and Chair of Finance and Growth Committee	01/05/2021		
Baljinder Kang	Executive Director of Corporate Resources and Executive Board Member	01/10/2022		
Louise McFadzean	Non-Executive Director and Chair of Audit and Risk Committee	28/09/2022		
Pamela Leonce	Non-Executive Director	27/09/2023	31/03/2026	31/03/2026
Abigaile Bromfield	Non-Executive Director	27/09/2023		
Dasos Christou	Non-Executive Director and Chair of Operations Committee, Member Responsible for Complaints	27/09/2023		
Chiluba Musukuma	Non-Executive Director	01/07/2024		

Our non-executive directors are considered to be independent per Provision 10 of the UK Corporate Governance Code (2024).

Board member attendance – 1 April 2025 to 31 March 2026

Board member	Main Board	Finance and Growth Committee	Audit and Risk Committee	Operations Committee	R&ES Committee	Nominations Committee	Board Away Time April 2025	Board Strategy Time November 2025
Total number of meetings	8	4	4	4	3	3	1	1
Glenn Harris	8/8	4/4					1/1	1/1
Llewellyn Graham	7/8				3/3	2/3	1/1	1/1
Joe Reeves	8/8	4/4					1/1	1/1
Dominic Wong	8/8	4/4			3/3	3/3	1/1	1/1
Baljinder Kang	8/8						1/1	1/1
Louise McFadzean	6/8	3/4	4/4				1/1	1/1
Pamela Leonce	8/8		4/4		3/3	3/3	0/1	1/1
Abigaile Bromfield	8/8	4/4	4/4				1/1	1/1
Dasos Christou	8/8			4/4			1/1	1/1
Chiluba Musukuma	7/8		4/4	4/4			1/1	1/1

ROLES AND RESPONSIBILITIES

Board of Directors

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

As of 31 March 2026, there were 10 Board Members, of whom seven are Non-Executive Directors and three are Executive Directors. This includes Pamela Leonce (Non-Executive Director) who has resigned, as of 31 March 2026, as a Board Member.

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

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

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

On 31 March 2026, the Board had five sub committees.

In 2025/26, all Board resolutions received 80% or more votes in favour.

Audit and Risk Committee

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

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

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

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

The Committee are charged with ensuring the effectiveness of external auditors, including leading appointments and reappointments, and monitoring independence. Information about our current auditors is shown in the Directors' Report on page 76. There were no significant findings raised to the Audit and Risk Committee relating to the 2025/26 financial statements by KPMG.

Finance and Growth Committee

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

At the close of the financial year, the Committee convened and considered the following areas:

- The final budget for 2026/27.
- The Management Accounts Report with outturn forecast.
- The rent and service charge report.
- The Treasury report, including covenant compliance.
- The long-term financial plan, including assessing adequacy and comprehensiveness of stress testing and mitigation plans.
- The delivery of our development programme and targets and ensuring sufficient liquidity is in place for this.
- The annual review of the development appraisal parameters.
- The Assets & Liabilities Register.

Nominations Committee

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

The committee's main responsibilities are:

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

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

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

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

The diversity of the Board is shown on page 65, with the diversity of senior management shown in our gender and ethnicity pay gap reports.

Operations Committee

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

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

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

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

Remuneration & Executive Selection Committee

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

The Committee also reviews colleague engagement activities and associated policies. During the year the Committee has:

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

When considering Executive pay in the year, the Committee considered market benchmark data, the time served and performance in the role, the experience of the post holder, and the affordability of any pay increase. The 2025/26 Executive pay increase is disclosed in Note 4 of the Financial Statements.

The Committee were satisfied that 2025/26 Executive Director pay met the requirements of Provision 40 of the UK Corporate Code of Governance.

Cygnet Property Management Plc

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

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

Executive Board

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

STAKEHOLDER ENGAGEMENT

Colleague engagement

We continue to engage with our colleagues regularly in a variety of ways and through several digital, written and face-to-face channels.

This includes our colleague engagement survey, through our relaunched Colleague Champion Forum, and a variety of dedicated departmental and directorate away days where strategy and progress is discussed, and success celebrated. Our unified inclusion network, RISE, continues to bring colleagues together, celebrate difference and shape a more inclusive workplace for everyone. Launched in October 2025, RISE builds on the strong colleague-led inclusion work delivered through our previous networks since 2018. Our RISE committee were instrumental in producing a range of interfaith documents for colleagues, our involvement in Birmingham's Pride Parade and several engagement events linked to International Women's Day.

Stakeholder engagement

We continue to engage proactively with our stakeholders to promote the interests of our tenants and Midland Heart.

Our focus is building direct relationships with policy and decision makers, the goal is influence while policy is open, not commentary after it is closed. Examples of this engagement include meetings with new council leaders and councillors across the West Midlands and continuing to support the APPG for Anti-Social Behaviour, alongside Resolve.

Tenant Insight

During the year, we have continued to strengthen our approach to understanding and responding to tenant views, ensuring that insight remains central to shaping our services and priorities.

Our Tenant Insight framework brings together feedback from thousands of tenants across our communities, providing a clear and comprehensive understanding of what matters most to them. Insight is gathered through a wide range of channels, including surveys, engagement groups (My Voice), complaints, and direct interactions.

A key focus this year has been strengthening our engagement approach through the continued development of our My Voice framework, enabling more tenants to get involved in ways that suit them. We have broadened participation, including increasing involvement from younger tenants, helping us better reflect the diversity of our communities.

In total, last year our tenants undertook 474 hours of engagement, with 71 tenant meetings held.

We have continued to use the feedback gathered in these meetings to deliver tangible service improvements driven directly by tenant feedback. For example, tenants identified concerns around contractor performance, leading to the launch of a dedicated programme bringing tenants and contractors together to co-design service improvements. In addition, new engagement forums such as the Neighbourhood Contribution Group have provided tenants with greater influence over local issues including anti-social behaviour, safety and communal services.

Our commitment to meaningful engagement has been independently recognised through achieving TPAS accreditation with a score of 97%, reflecting the strength of our approach to tenant involvement and our focus on continuous improvement.

Overall, tenant insight continues to play a critical role in shaping our services, strengthening accountability, and ensuring that we deliver homes and services that residents are proud of. We will continue to build on this progress, using insight to inform our priorities and deliver better outcomes for our tenants.

STATEMENT OF INTERNAL CONTROL

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

The Board has overall responsibility for ensuring that effective systems of internal control are established and maintained, with a focus on the principal risks that could threaten the Group's ability to achieve its strategic objectives. Such systems are designed to provide reasonable, but not absolute, assurance against material financial misstatement or loss. The assurance framework is subject to ongoing monitoring and scrutiny by both the Executive team and the Audit and Risk Committee.

During the year, the Board (via the Audit and Risk Committee) conducted its annual review informed by internal audit reports, the risk management process, and other third-party assurance providers. The review confirmed that the systems in place are operating effectively and that material controls (financial, operational and compliance) are fit for purpose as at 31 March 2026.

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

Control system	Contribution
Governance arrangements	Provides regular and significant oversight of and scrutiny over the business and its performance.
Terms of reference for the Audit and Risk Committee	Provides for a detailed system of scrutiny and checks the effectiveness of management processes and the overall system of internal control, using both internal and external sources of assurance.
Governance and control framework	Detailed scheme of delegation for all parts of the business, including financial delegation.
Risk Management	A group-wide risk management function that seeks to proactively manage risk, so as to avoid any serious damage or impact to the Group, its customers or its assets. This includes a formal requirement to report on risk and how this will be mitigated in relation to new business and major development initiatives.
Whistleblowing/anti-fraud measures	Whistleblowing and anti-fraud policies are approved by the Board and their effectiveness monitored by Audit and Risk Committee. All Whistleblowing instances and other concerns raised are reviewed by a whistleblowing Committee that reports into Audit & Risk Committee. Fraud reports, including annual fraud report to the housing Regulator, the Regulator of Social Housing.
Financial controls	Financial controls that have shown themselves to be effective through the delivery of on budget financial performance in 2025/26. Budgets are prepared that allow the Board and the Executive team to monitor the achievement of financial objectives throughout the year. Monthly management accounts are prepared and distributed promptly, providing relevant, reliable and up-to-date financial information and commentary that allows significant variances from budget or from Key Performance Indicators to be quickly understood and corrective actions put in place.

Control system	Contribution
Performance information - non-financial (e.g. key performance indicators)	All housing new build investment decisions and other major commitments are subject to appraisal and approval by the relevant governance forum, depending on the value of the transaction. All transactions with a capital value in excess of £10m are approved by a forum with a majority of non-executives.
Treasury management	A group-wide treasury management function monitors compliance with our obligations to lenders (including in relation to performance against our financial and non-financial covenants) and external treasury risk factors, whilst also proactively taking steps to improve the efficiency, and reduce the risk of our loan book. It also ensures we have sufficient cash to meet our short-term commitments and access to loan facilities sufficient to finance our long-term plans and commitments. It reports regularly to the Finance and Growth Committee, which in turn reports to the Board.
Appraisal of investment decisions	All housing new build investment decisions and other major commitments are subject to appraisal and approval by the relevant governance forum depending on the value of the transaction. All transactions with a capital value in excess of £10m are approved by a forum with a majority of non-executives.
External audit	KPMG LLP gave an unqualified opinion on the 2025/26 financial statements.
Internal audit	These are carried out in an audit programme focusing on the areas of highest risk within the business. This is an outsourced service which in 2025/26 was delivered by our advisers, BDO. The internal audit programme is determined by the Audit and Risk Committee annually by reference to a rolling three-year programme which aims to ensure all key risk areas are audited at least every three years. Audit reports then identify any control weaknesses or areas for improvement and require management to implement corrective actions in relation to those areas of weakness/improvement.
Other third party assurance	External funder reviews and annual financial/ governance reviews by credit rating agency, Moody's. Homes England annual audit of development programme performance. Periodic quality reviews of building safety inspections and stock condition surveys.
Regulatory standards compliance	An annual report provides evidence of compliance against the RSH regulatory standards which is reviewed by the Board and enables the Chair, on behalf of the Board, to certify compliance against the regulatory standards. The Board also takes assurance from the Regulator's judgements and inspections.
Health and safety	A Health and Safety Committee meets regularly to monitor the extent to which we meet our health and safety responsibilities. Reporting of health and safety key performance indicators and review of risks and controls occurs at each meeting of Executive team, Audit and Risk Committee and the Board to determine if health and safety risks are being adequately managed.
Building Safety	Regular compliance checks and reporting to the Board inspection outcomes in relation to fire risk, hot water, asbestos, gas safety, legionella and electrical testing.

Regulator of Social Housing Regulatory Standards Compliance

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

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

Mergers and partnerships

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

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

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

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

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

DIRECTORS' REMUNERATION REPORT

This Directors' Remuneration Report sets out the Group's approach to the remuneration of Executive and Non-Executive Directors for the year ended 31 March 2026. The report aims to provide transparent and clear information on how remuneration arrangements support the delivery of the Group's strategic objectives, reflect performance, and promote long-term sustainable success, while ensuring value for money and fairness to tenants and other stakeholders.

The roles and responsibilities of the Remuneration and Executive Selection Committee which governs the development and implementation of remuneration policy are shown on page 69.

Advisors to the Committee

The Committee sought advice on independent advice on Executive and Non-Executive Directors remuneration from an Executive Reward benchmarking specialist. A new specialist is procured by Committee from time to time to ensure that independence is maintained on an on-going basis. Henley Reward Consulting performed our benchmarking for executive pay in 2025/26. Non-Executive pay was benchmarked by Chameleon People Services in 2024/25. Neither organisation has any connection with the Group or individual directors.

The Committee is satisfied that the advice it receives on remuneration and other areas remains independent and objective.

Remuneration Policy

Our Remuneration Policy is designed to ensure that remuneration for Executive Directors and Non-Executive Directors is competitive, fair and aligned with Midland Heart's strategic objectives and regulatory requirements.

Our Executive Directors receive remuneration as per their employment contracts and are not entitled to additional payments for their roles on Boards and Committees. Their remuneration includes a base salary and a variable performance related element based on their year-end appraisal, and benefits in line with market standards. Their remuneration contract does not include malus and clawback provision.

Our Non-Executive Directors are remunerated based on their roles and responsibilities.

When setting senior management pay, we follow key principles:

- Attract and retain senior management with the right behaviours and skills to deliver against the purpose and strategic objectives of the Group.
- Pay effectively and fairly by seeking relevant external benchmarking, considering the skills and experience required, and ensuring equal pay and opportunities with diversity and inclusion.
- Sustainability and affordability in line with the long-term success of our Corporate Plan.

Both Executive and Non-Executive pay is benchmarked at least every three years with an uplift applied annually in line with the broader pay award.

Notice periods are less than one year.

The expenses policy allows members to be reimbursed reasonable expenses incurred in fulfilling their roles, including travel, accommodation and incidental expenses.

Directors' emoluments can be found in Note 4 of the Financial Statements on page 106.

Dominic Wong
Senior Independent Director and Chair of Remuneration & Executive Selection Committee

DIRECTORS' REPORT

The Board of Directors present their report, together with the financial statements, for the year ending 31 March 2026. Collectively, the Board of Directors are responsible for preparing the annual report and accounts, and consider that the annual report and accounts, taken as a whole, as fair, balanced and understandable, and provides the information necessary for stakeholders to assess Midland Heart's performance and strategy.

Organisation structure

Midland Heart Limited
Main operating business of Group
Charitable Status

Cygnet Property Management PLC	**Midland Heart Capital Limited**	**Midland Heart Development Limited**	**Prime Focus Finance Limited**
Market rent subsidiary	Capital market vehicle Non-charitable	Non-charitable VAT Group company Charitable Status	Non-operating subsidiary Funding vehicle

The Directors who held office during the period are set out on page 60.

Principal activities

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

Income and surplus for the year

The Group's activities generated turnover for the period of £239.7m (2024/25: £243.1m) on which a surplus of £36.8m (2024/25: £67.2m) was achieved. On 31 March 2026, revenue reserves totalled £677.1m (2024/25: £639.5m).

Legal proceedings

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

Financial instruments

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

Modern Slavery Act

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

Health and safety

Health and safety continues to be our number one priority. We provide safe homes for our customers and safe places to work for our colleagues. For us, health and safety is never a tick box exercise. Our Corporate Plan puts customer and colleague safety at its centre. Responding to events outside of our business, we are committed to ensure concerns about safety can be raised as quickly and seamlessly as possible. We make sure that we respond to any concerns connected to safety; we are open and transparent about what needs to be improved and how it will be done.

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

Investment for the future

We are committed to investing in our properties and the communities in which we serve. During the year, we invested £54.7m (2024/25: £45.3m) in our homes. Our asset management strategy also provides for the disposal of properties that sit outside of our core operational area. Proceeds from these properties are used to fund the development of properties within our core area.

Policy on payment to suppliers

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

Auditors

KPMG LLP have been our auditors for 19 years. Non audit services are set out in the engagement letter as approved by our Audit and Risk Committee.

The resolutions for their re-appointment and to authorise the directors to determine their remuneration will be proposed at the AGM on 30 September 2026. The auditors' fees for audit and non-audit work are disclosed in Note 9 to the financial statements.

Going concern

The Board has considered those areas that could give rise to significant financial exposure and is satisfied that no material or significant exposures exist other than those reflected in these financial statements and that Midland Heart Limited and the Group have adequate resources to continue its operations for the foreseeable future. We have a strong capital position with high levels of favourable financing facilities and of cash holdings. No significant concerns have been noted and for this reason the going concern basis has been adopted in preparing the financial statements.

Viability Statement

While the Corporate Plan reflects the Directors' best estimate of the Group's future prospects, they have rigorously tested the key assumptions and sensitivities. This has included stress testing the financial forecasts for both solvency and liquidity by considering severe but plausible changes to the plan's assumptions, both in isolation and in combination.

As part of our annual business planning process, the Board considered a range of stress test scenarios and assessed Midland Heart's ability to meet its obligations over a 30-year period. Based on this assessment, the Board has a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due over the viability period of 30 years.

The Board have also assessed the Company's ability to adapt its plans and capital requirements in response to an economic downturn. As part of this assessment, they reviewed the Company's existing credit facilities. The Directors noted a comfortable level of headroom against these requirements.

Following the assessments described above, and discussions with the Group's investors confirming their continued support in line with the current business plan, the Board have a reasonable expectation that the Group will have access to adequate liquidity to continue operating for the foreseeable future.

STATEMENT OF BOARD'S RESPONSIBILITY

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

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

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

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

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

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

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

Sarah McMeekin
Company Secretary
22 July 2026

Llewellyn Graham
Chair
22 July 2026

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Midland Heart Limited ("the Association") for the year ended 31 March 2026 which comprise the group and association statements of comprehensive income, the group and association statements of financial position, the group cash flow statement, the statement of movement in reserves and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the Group and the Association as at 31 March 2026 and of the income and expenditure of the Group and the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

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

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries with unusual characteristics compared to the total journal population.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

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

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

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

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

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

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

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

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

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

Other information

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Board's responsibilities

As explained more fully in their statement set out on page 79, the Association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

M. J. Dawson

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

31 July 2026

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	2026 £'000	2025 £'000
Turnover	3	239,727	243,059
Operating expenditure	3	(183,893)	(178,426)
Surplus on disposal of property, plant and equipment	6	7,745	27,384
Loss on revaluation of investment properties	11	(2,390)	(277)
Operating Surplus	**3**	**61,189**	**91,740**
Interest receivable		3,785	3,676
Interest and financing costs	8	(28,146)	(27,962)
Surplus before Tax	**9**	**36,828**	**67,454**
Taxation credit / (charge)	10	14	(210)
Surplus for the year		**36,842**	**67,244**
Other comprehensive income			
Movement in fair value of cash flow hedged financial instruments	24	2,809	5,440
Actuarial gain/(loss) on defined benefit scheme	25	715	1,960
Total comprehensive income for the year		**40,366**	**74,644**

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

These financial statements were approved by the Board of Directors on 22 July 2026 and signed on its behalf by:

Chairman
Llewellyn Graham

Member
Dominic Wong

Chief Executive Officer
Glenn Harris MBE

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

	Notes	2026 £'000	2025 £'000
Turnover	3	239,000	242,277
Operating costs	3	(183,157)	(177,826)
Surplus on disposal of property, plant and equipment	6	7,799	27,332
Operating Surplus	**3**	**63,642**	**91,783**
Interest receivable	7	3,762	3,642
Interest and financing costs	8	(27,773)	(27,449)
Gift Aid received		686	-
Surplus before Tax	**9**	**40,317**	**67,976**
Taxation	10	-	-
Surplus for the year		**40,317**	**67,976**
Other comprehensive income			
Movement in fair value of cash flow hedged financial instruments	24	2,809	5,440
Actuarial gain/(loss) on defined benefit scheme	25	715	1,960
Total comprehensive income for the year		**43,841**	**75,376**

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

These financial statements were approved by the Board of Directors on 22 July 2026 and signed on its behalf by:

Chairman
Llewellyn Graham

Member
Dominic Wong

Chief Executive Officer
Glenn Harris MBE

GROUP STATEMENT OF FINANCIAL POSITION

	Notes	2026 £'000	2025 £'000
Fixed Assets			
Tangible Assets:			
Housing properties	12	2,028,678	1,880,882
Investment properties	11	16,313	23,548
Other fixed assets	13	43,274	43,376
Homebuy loans receivable	14	90	90
Fixed asset investments	15	374	570
Total Fixed Assets		**2,088,729**	**1,948,466**
Current Assets			
Debtors	17	17,179	19,821
Properties for sale and work in progress	18	7,585	20,022
Cash and cash equivalents	19	89,109	76,873
		113,873	**116,716**
Creditors: Amounts falling due within one year	20	(72,996)	(70,831)
Net Current Assets		**40,877**	**45,885**
Total Assets less Current Liabilities		**2,129,606**	**1,994,351**
Creditors: Amounts falling due after more than one year	21	(1,447,289)	(1,347,301)
Pension – defined benefit liability	25	(10,745)	(15,844)
Total Net Assets		**671,572**	**631,206**
Reserves			
Revenue reserves		677,059	639,502
Cash flow hedge reserve		(5,487)	(8,296)
Total Reserves		**671,572**	**631,206**

These financial statements were approved by the Board of Directors on 22 July 2026 and signed on its behalf by:

Chairman
Llewellyn Graham

Member
Dominic Wong

Chief Executive Officer
Glenn Harris MBE

ASSOCIATION STATEMENT OF FINANCIAL POSITION

	Notes	2026 £'000	2025 £'000
Fixed Assets			
Tangible Assets:			
Housing properties	12	2,027,014	1,890,106
Other fixed assets	13	43,262	43,354
Homebuy loans receivable	14	90	90
Investments	15	326	470
Investments in subsidiaries	16	6,067	6,067
Total Fixed Assets		**2,076,759**	**1,940,087**
Current Assets			
Debtors	17	26,709	19,872
Stock and work in progress	18	7,585	20,022
Cash and cash equivalents	19	88,310	75,833
		122,604	**115,727**
Creditors: Amounts falling due within one year	20	(65,704)	(65,582)
Net Current Assets		**56,900**	**50,145**
Total Assets less Current Liabilities		**2,133,659**	**1,990,232**
Creditors: Amounts falling due after more than one year	21	(1,450,055)	(1,345,370)
Pension - defined benefit liability	25	(10,745)	(15,844)
Total Net Assets		**672,859**	**629,018**
Reserves			
Revenue reserves		678,346	637,314
Cash flow hedge reserve		(5,487)	(8,296)
Total Reserves		**672,859**	**629,018**

These financial statements were approved by the Board of Directors on 22 July 2026 and signed on its behalf by:

Chairman
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Glenn Harris MBE

GROUP CASH FLOW STATEMENT

	Notes	2026 £'000	2025 £'000
Cash Flows from Operating Activities			
Operating Surplus		61,189	91,740
Adjustments for:			
Depreciation & Impairment charges		36,517	34,784
Amortisation of grant		(8,027)	(8,087)
Surplus on disposal of property, plant and equipment		(7,745)	(27,384)
Loss on revaluation of investment properties		2,390	277
Interest received		3,717	3,424
Interest and financing costs (including capitalised interest)		(28,052)	(29,217)
Decrease / (Increase) in debtors		2,642	(2,358)
Decrease / (Increase) in stock		12,437	(7,202)
Decrease in creditors		7,951	4,072
Increase in pension - defined benefit liability		715	1,960
Tax paid		195	269
Net Cash flow from Operating Activities		**83,929**	**62,278**
Cash Flows from Investing Activities			
Acquisition and construction of housing properties		(193,514)	(148,736)
Social Housing Grant received		22,021	43,373
Sales of housing properties		18,124	117,033
Net decrease in investments and loans to other associations		196	231
Purchase of other tangible fixed assets		(4,907)	(6,090)
Net Cash flow from Investing Activities		**(158,080)**	**5,811**
Cash Flows from Financing Activities			
Loan advances received		100,300	13,500
Loan principal repayments		(13,913)	(44,080)
Net Cash flow from Financing Activities		**86,387**	**(30,580)**
Net increase in cash and cash equivalents	33	**12,236**	**37,509**
Cash and cash equivalents at the start of the year	19	76,873	39,364
Cash and cash equivalents at the end of the year	**19**	**89,109**	**76,873**

STATEMENT OF MOVEMENT IN RESERVES

Group	Income and Expenditure Reserves £'000	Cash flow hedge reserve £'000	Total Reserves £'000
At 1 April 2024	**570,298**	**(13,736)**	**556,562**
Surplus for the year	67,244	-	67,244
Movement in cash flow hedge	-	5,440	5,440
Movement in defined benefit pension obligations	1,960	-	1,960
At 31 March 2025	**639,502**	**(8,296)**	**631,206**
Surplus for the year	36,842	-	36,842
Movement in cash flow hedge	-	2,809	2,809
Movement in defined benefit pension obligations	715	-	715
At 31 March 2026	**677,059**	**(5,487)**	**671,572**

Association	Income and Expenditure Reserves £'000	Cash flow hedge reserve £'000	Total Reserves £'000
At 1 April 2024	**567,378**	**(13,736)**	**553,642**
Surplus for the year	67,976	-	67,976
Movement in cash flow hedge	-	5,440	5,440
Movement in defined benefit pension obligations	1,960	-	1,960
At 31 March 2025	**637,314**	**(8,296)**	**629,018**
Surplus for the year	40,317	-	40,317
Movement in cash flow hedge	-	2,809	2,809
Movement in defined benefit pension obligations	715	-	715
At 31 March 2026	**678,346**	**(5,487)**	**672,859**

NOTES TO THE FINANCIAL STATEMENTS

(Forming part of the financial statements)

1. LEGAL STATUS

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

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

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

2. ACCOUNTING POLICIES

2A. BASIS OF ACCOUNTING

The financial statements of the Group (Midland Heart Ltd and its group entities) are prepared in accordance with Financial Reporting Standard 102 – the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2018, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022, the Co-operative and Community Benefit Societies Act 2014 and the Housing Regeneration Act 2008.

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

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

Judgements and key sources of estimation uncertainty

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

Tangible fixed assets: Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

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

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

2A. BASIS OF ACCOUNTING (CONTINUED)

Revaluation of investment properties: The Group carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Group engaged independent valuation specialists to determine fair value at determine fair value at 31 March 2026. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in Note 11.

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

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

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

Social Housing Pension Scheme

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

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

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

2B. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the results of Midland Heart Limited and all of its subsidiary undertakings as at 31 March 2026, using the acquisition or merger method of accounting, as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition, being the date the Group obtains control.

2C. MEASUREMENT CONVENTION

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

2D. GOING CONCERN

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

The Group prepares a 30-year business plan, which is updated and approved on an annual basis. The most recent business plan was approved in June 2026 by the Board. As well as considering the impact of a number of scenarios on the business plan, the Board also adopted a stress-testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the group and company budgets for 2026-27 and the group's medium-term financial position, as detailed in the 30-year business plan, the Group and company have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board has considered through multi-variant stress testing:

- The property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to social homes.
- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years.
- Inflation – given the high volatility in the current global/UK environment, CPI/RPI assumptions, as well as differential inflation on various elements, such as energy costs, development costs etc have been stressed tested to take into account the increasing cost base.
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents.
- Liquidity – current available cash and unutilised loan facilities of c£361m, which gives significant headroom for committed spend and other forecast cash flows that arise.
- The group's ability to withstand other adverse scenarios such as higher interest rates and number of void properties.

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

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

2E. TANGIBLE FIXED ASSETS

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

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

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

2E. TANGIBLE FIXED ASSETS (CONTINUED)

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

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

2F. HOUSING PROPERTIES

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

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

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

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

Depreciation

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

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

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

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

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

Non component works to existing properties

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

Interest capitalised

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised. For the period ending 31 March 2026, interest has been capitalised at an average rate of 4.25% (2025: 4.35%) that reflects the weighted average effective interest rate on the Group's borrowings required to finance housing property developments.

2G. OTHER TANGIBLE FIXED ASSETS

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

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

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

2H. INVESTMENTS

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

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

Current asset investments

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

2I. SOCIAL HOUSING AND OTHER GOVERNMENT GRANTS

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

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

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

Non-monetary government grant

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

Recycling of capital grant

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

Properties developed for outright sale

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

2J. NON-GOVERNMENT GRANTS

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

2K. SUPPORTED HOUSING MANAGED BY AGENCIES

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

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

2L. CASH AND CASH EQUIVALENTS

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

2M. BUSINESS COMBINATIONS

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

2N. INVESTMENT PROPERTY

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

2O. IMPAIRMENT

Financial assets (including trade and other debtors)

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

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

Non-financial assets

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

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

2P. EMPLOYEE BENEFITS

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

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

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

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

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

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

Changes in the defined benefit obligation that arise from:

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

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

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

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

Termination benefits

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

2R. TURNOVER

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

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

2S. SERVICE CHARGE

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

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

2T. EXPENSES

Cost of sales

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

Operating leases

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

Finance lease

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

Repairs and maintenance

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

Interest receivable and interest payable

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

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

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

Taxation

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

Deferred taxation

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

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

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

Value Added Tax

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

2U. RELATED PARTY TRANSACTIONS

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

2V. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Hedging

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

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

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

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

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

Impairment

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

The following financial instruments are assessed individually for impairment:

(a) All equity instruments regardless of significance; and

(b) Other financial assets that are individually significant.

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

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

	2026					2025
	Turnover £'000	Operating Costs £'000	Surplus on disposals £'000	Surplus on investment properties £'000	Operating Surplus/ (Deficit) £'000	Operating Surplus/ (Deficit) £'000
Social Housing Lettings	**212,926**	**159,868**	**-**		**53,058**	**60,107**
Other social housing activities:						
Community-based activity	-	578	-		(578)	(468)
Development services and costs not capitalised	-	71	-		(71)	(122)
1st tranche shared ownership sales	18,493	16,746	-		1,747	2,591
Other income	1,677	1,231	-		446	583
Total	**20,170**	**18,626**	**-**	**-**	**1,544**	**2,584**
Activities other than Social Housing Lettings:						
Charges for support services	1,785	2,198	-		(413)	(129)
Student lettings	318	316	-		2	970
Market Rent	1,390	684	-		706	61
Commercial	1,257	700	-		557	594
Leased to other parties	1,881	1,501	-		380	446
Disposal of property, plant and equipment	-	-	7,745		7,745	27,384
Revaluation of investment properties	-	-	-	(2,390)	(2,390)	(277)
Total	**6,631**	**5,399**	**7,745**	**(2,390)**	**6,587**	**29,049**
Total from Social and Non-Housing Activities	**239,727**	**183,893**	**7,745**	**(2,390)**	**61,189**	**91,740**

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

Particulars of turnover and operating expenditure from Social Housing Lettings

	2026					2025
	General Needs Housing £'000	Supported Housing £'000	Residential Care Homes £'000	Shared Ownership Accommo-dation £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges, net of voids	161,344	10,625	-	9,053	181,022	179,661
Service charge income	11,389	7,558	-	1,471	20,418	25,213
Amortised government grants (accrual model)	7,062	879	5	398	8,344	8,087
Net Rental Income	**179,795**	**19,062**	**5**	**10,922**	**209,784**	**212,961**
Other income	1,216	1,057	53	816	3,142	2,645
Turnover from Social Housing Lettings	**181,011**	**20,119**	**58**	**11,738**	**212,926**	**215,606**
Management	33,513	3,056	-	3,175	39,744	35,725
Service charge costs	12,752	8,537	7	1,800	23,096	28,280
Routine maintenance	39,587	5,087	24	475	45,173	40,937
Planned maintenance	6,814	880	12	5	7,711	7,839
Major repairs expenditure	8,680	1,299	56	42	10,077	10,312
Depreciation of housing properties	27,229	2,235	16	1,408	30,888	29,730
Bad debts	1,225	183	-	(56)	1,352	1,066
Lease costs	1,558	117	-	152	1,827	1,610
Operating Costs on Social Housing Lettings	**131,358**	**21,394**	**115**	**7,001**	**159,868**	**155,499**
Operating Surplus on Social Housing Lettings	**49,653**	**(1,275)**	**(57)**	**4,737**	**53,058**	**60,107**
Void losses	(1,227)	(469)	-	(6)	(1,702)	(1,978)

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

	2026				2025
	Turnover £'000	Operating Costs £'000	Surplus on disposals £'000	Operating Surplus/ (Deficit) £'000	Operating Surplus/ (Deficit) £'000
Social Housing Lettings	**212,926**	**159,868**	**-**	**53,058**	**60,106**
Other Social Housing Activities:					
Community-based activity	-	578	-	(578)	(468)
Development services and costs not capitalised	687	71	-	616	643
1st tranche shared ownership sales	18,493	16,746	-	1,747	2,591
Other income	1,653	1,179	-	474	607
Total	**20,833**	**18,574**	**-**	**2,259**	**3,373**
Activities other than Social Housing Lettings:					
Charges for support services	1,785	2,198	-	(413)	(129)
Student lettings	318	316	-	2	61
Commercial	1,257	700	-	557	594
Leased to other parties	1,881	1,501	-	380	446
Disposal of property, plant and equipment	-	-	7,799	7,799	27,332
Total	**5,241**	**4,715**	**7,799**	**8,325**	**28,304**
Total from Social and Non-Housing Activities	**239,000**	**183,157**	**7,799**	**63,642**	**91,783**

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

Particulars of turnover and operating expenditure from Social Housing Lettings

	2026					2025
	General Needs Housing £'000	Supported Housing £'000	Residential Care Homes £'000	Shared Ownership Accommo-dation £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges, net of voids	161,344	10,625	-	9,053	181,022	179,661
Service charge income	11,389	7,558	-	1,471	20,418	25,213
Amortised government grants (accrual model)	7,062	879	5	398	8,344	8,087
Net Rental Income	**179,795**	**19,062**	**5**	**10,922**	**209,784**	**212,961**
Other income	1,216	1,057	53	816	3,142	2,645
Turnover from Social Housing Lettings	**181,011**	**20,119**	**58**	**11,738**	**212,926**	**215,606**
Management	33,513	3,056	-	3,175	39,744	35,726
Service charge costs	12,752	8,537	7	1,800	23,096	28,280
Routine maintenance	39,587	5,087	24	475	45,173	40,937
Planned maintenance	6,814	880	12	5	7,711	7,839
Major repairs expenditure	8,680	1,299	56	42	10,077	10,312
Depreciation of housing properties	27,229	2,235	16	1,408	30,888	29,730
Bad debts	1,225	183	-	(56)	1,352	1,066
Lease costs	1,558	117	-	152	1,827	1,610
Operating Costs on Social Housing Lettings	**131,358**	**21,394**	**115**	**7,001**	**159,868**	**155,500**
Operating Surplus on Social Housing Lettings	**49,653**	**(1,275)**	**(57)**	**4,737**	**53,058**	**60,106**
Void losses	(1,227)	(469)	-	(6)	(1,702)	(1,978)

4. DIRECTORS' EMOLUMENTS

	2026 £'000	2025 £'000
Aggregate emoluments payable to Directors (including pension contributions and benefits in kind)	1,442	1,335
Emoluments (excluding pension contributions) payable to the Chief Executive, who was also the highest paid Director	**408**	**387**

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

There were five Directors in the Group's pension scheme described in Note 24 (2025: 5).

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

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

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

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

The members of the Executive Board were remunerated as follows:

Director	Position	Date of Appointment	Date of Resignation	Salaries £'000	Taxable benefits £'000	Pensions & equivalent £'000	Total 2026 £'000	Total 2025 £'000
Glenn Harris	Chief Executive Officer	29/07/2017		365	13	30	408	387
David Taylor	Executive Director of Tenancy Services	15/04/2015	30/04/2025	85	3	6	94	246
Joe Reeves	Deputy Chief Executive Office	01/05/2019		229	9	19	257	246
Baljinder Kang	Executive Director of Corporate Resources	01/10/2022		210	9	17	236	229
Sayeed Haris	Executive Director of Property Services	01/04/2024		205	9	17	231	204
Daren Nowlan	Executive Director of Tenancy Services	28/02/2025		191	9	16	216	23

The aggregate amount of Directors' Pensions recognised within these financial statements for the year ended 31 March 2026 is £75k (2025: £63k)

The aggregate compensation for loss of office of key management personnel was £nil (2025: £nil)

4. DIRECTORS' EMOLUMENTS (CONTINUED)

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

Director	Date of Appointment	Total 2026 £'000	Total 2025 £'000
Llewellyn Graham	Chair Appointed 01/04/2024	35	33
Dominic Wong		19	17
Louise Mcfadzean		16	15
Dasos Christou		16	15
Abigaile Leigh Bromfield		14	13
Pamela Leonce	Resigned 31/03/2026	14	13
Chiluba Musukuma		14	11
Peter Cheer		5	5
Amarjit Singh		5	5
Camella Norford		5	5
Hina McKiernan		5	5
Richard Starkey		5	5
John Lewis	Appointed 01/12/2024	5	2
Linda Jones	Appointed 01/04/2025	5	-
Deborah Jinks		2	5
Amit Rajput	Appointed 27/09/2023	2	5
Sarah Jane Saunders	Appointed 01/12/2025	2	-
Ruth Lyanda	Appointed 01/12/2025	2	-
Caroline Waters	Resigned 31/03/2025	-	5
Daena Shimmon	Resigned 30/09/2024	-	2
		171	161

5. EMPLOYEE INFORMATION

	Group 2026 Number	Group 2025 Number	Association 2026 Number	Association 2025 Number
Asset management	273	266	273	266
Central services	213	210	213	210
Development	18	15	18	15
Operations	488	562	488	562
Average number of employees expressed as full time equivalents	**992**	**1,053**	**992**	**1,053**

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

Staff costs (for the above persons)

	Group 2026 £'000	Group 2025 £'000	Association 2026 £'000	Association 2025 £'000
Wages and Salaries	45,904	45,236	45,904	45,236
Social security costs	5,784	4,596	5,784	4,596
Other pension costs	2,135	2,056	2,135	2,056
	53,823	**51,888**	**53,823**	**51,888**

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

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

Salary Range	2026 Number	2025 Number
£400,000 to £410,000	1	-
£390,000 to £400,000	-	-
£380,000 to £390,000	-	1
£260,000 to £380,000	-	-
£250,000 to £260,000	1	-
£240,000 to £250,000	-	2
£230,000 to £240,000	1	-
£220,000 to £230,000	1	1
£210,000 to £220,000	1	-
£200,000 to £210,000	-	1
£190,000 to £200,000	-	-
£180,000 to £190,000	-	1
£170,000 to £180,000	-	-

Salary Range	2026 Number	2025 Number
£160,000 to £170,000	3	-
£150,000 to £160,000	1	2
£140,000 to £150,000	4	1
£130,000 to £140,000	5	6
£120,000 to £130,000	1	2
£110,000 to £120,000	1	4
£100,000 to £110,000	8	8
£90,000 to £100,000	16	11
£80,000 to £90,000	17	16
£70,000 to £80,000	43	27
£60,000 to £70,000	58	45
	162	128

6A. SURPLUS ON SALE OF FIXED ASSETS - GROUP

	2026 Proceeds £'000	2026 Cost of Sales £'000	2026 Surplus £'000	2025 Proceeds £'000	2025 Cost of Sales £'000	2025 Surplus £'000
Staircasing on shared ownership	6,114	3,096	3,018	6,176	3,499	2,677
Other property sales	12,010	7,283	4,727	110,857	86,150	24,707
	18,124	**10,379**	**7,745**	**117,033**	**89,649**	**27,384**

6B. SURPLUS ON SALE OF FIXED ASSETS – ASSOCIATION

	2026 Proceeds £'000	2026 Cost of Sales £'000	2026 Surplus £'000	2025 Proceeds £'000	2025 Cost of Sales £'000	2025 Surplus £'000
Staircasing on shared ownership	6,114	3,096	3,018	6,176	3,499	2,677
Other property sales	11,017	6,236	4,781	110,244	85,589	24,655
	17,131	**9,332**	**7,799**	**116,420**	**89,088**	**27,332**

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Group 2026 £'000	Group 2025 £'000	Association 2026 £'000	Association 2025 £'000
Interest receivable on financial assets measured at amortised cost:				
Interest on investments	3,167	3,308	3,144	3,274
Equity investment realisation	618	368	618	368
Total interest receivable and similar income	**3,785**	**3,676**	**3,762**	**3,642**

8. INTEREST AND FINANCING COSTS

	Group 2026 £'000	Group 2025 £'000	Association 2026 £'000	Association 2025 £'000
Interest payable on financial liabilities measured at amortised cost:				
Housing loans	24,264	25,445	23,936	24,966
Discounted bonds	1,836	1,822	1,836	1,822
Interest on finance leases	729	733	729	733
Notional interest on Recycled Capital Grant Fund	260	515	260	515
	27,089	**28,515**	**26,761**	**28,036**
Interest on derivatives treated as fair value hedging instruments:				
Interest payable on loan swap arrangements	1,028	(46)	1,028	(46)
Interest capitalised	(2,610)	(3,075)	(2,610)	(3,075)
Loan fees	1,867	1,607	1,822	1,573
Change to measurement of net finance cost on Social Housing Pension Scheme liability	772	961	772	961
Total interest and financing costs	**28,146**	**27,962**	**27,773**	**27,449**

Interest was capitalised at an average rate of 4.25% (2025: 4.35%).

9. SURPLUS BEFORE TAXATION IS STATED AFTER CHARGING

	Group 2026 £'000	Group 2025 £'000	Association 2026 £'000	Association 2025 £'000
Depreciation of housing property fixed assets	31,710	30,130	31,710	30,130
Depreciation of non-housing property fixed assets	4,807	4,671	4,803	4,654
Auditors' remuneration - audit fees				
- Group fees	220	170	205	162
- other Group services	63	52	63	52
Payments under operating leases				
- Plant	1,876	1,610	1,876	1,610

10. TAXATION ON SURPLUS ON ORDINARY ACTIVITIES

	Group 2026 £'000	Group 2025 £'000	Association 2026 £'000	Association 2025 £'000
a) Analysis of charge in the year – Group				
United Kingdom Corporation Tax on surplus of the period	(5)	213	-	-
Adjustments in respect of prior years	-	-	-	-
	(5)	**213**	**-**	**-**
Deferred tax	(9)	(3)	-	-
	(14)	**210**	**-**	**-**

10. TAXATION ON SURPLUS ON ORDINARY ACTIVITIES (CONTINUED)

Factors affecting the tax charge for the year

The Corporation Tax charge is lower (2025: lower) than that resulting from applying the standard rate of Corporation Tax of 25% (2025: 25%) to the surplus before taxation.

The differences are explained below:

	Group		Association	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Surplus on ordinary activities before tax	36,828	67,454	40,317	67,976
Tax payable at 25% (2025:25%) thereon	9,207	16,864	10,079	16,994
Expenses not deductible for tax purposes	350	302	-	-
Fixed Asset differences	-	(5)	-	-
Prior period adjustments - current tax	(177)	-	-	-
Prior period adjustments - deferred tax	-	(1)	-	-
Capital gains/(losses)	-	44	-	-
Exemption due to charitable status	(10,079)	(16,994)	(10,079)	(16,994)
Gift aid	685	-	-	-
Total tax charge	**(14)**	**210**	**-**	**-**

11. INVESTMENT PROPERTIES HELD FOR LETTING: GROUP

	2026 £'000	2025 £'000
Valuation:		
At 1 April	23,548	24,370
Loss on valuation	(2,390)	(277)
Disposals during the year	(4,845)	(545)
At 31 March	**16,313**	**23,548**

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

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

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

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

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

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

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

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

12A. HOUSING PROPERTIES - GROUP

	Housing Properties Held for Lettings £'000	Housing Properties in the Course of Construction £'000	Shared Ownership Housing Properties £'000	Shared Ownership Housing Properties in the Course of Construction £'000	Total £'000
Cost:					
At 1 April 2025	2,013,070	65,312	166,914	5,945	2,251,241
Additions	4,936	120,716	-	9,953	135,605
Improvements	54,682	-	-	-	54,682
Interest capitalised	-	1,761	-	849	2,610
Transferred on completion	50,429	(50,429)	15,375	(15,375)	-
Transfer to current assets	-	-	(7,997)	-	(7,997)
Transfer from current assets	-	-	5,038	-	5,038
Disposals	(15,879)	-	(2,846)	-	(18,725)
At 31 March 2026	**2,107,238**	**137,360**	**176,484**	**1,372**	**2,422,454**
Depreciation and impairment					
At 1 April 2025	358,621	-	11,738	-	370,359
Charge for the year	30,260	-	1,450	-	31,710
Eliminated on disposal	(7,941)	-	(352)	-	(8,293)
At 31 March 2026	**380,940**	**-**	**12,836**	**-**	**393,776**
Net Book Value					
At 31 March 2026	**1,726,298**	**137,360**	**163,648**	**1,372**	**2,028,678**
At 1 April 2025	1,654,449	65,312	155,176	5,945	1,880,882

12B. HOUSING PROPERTIES - ASSOCIATION

	Housing Properties Held for Lettings £'000	Housing Properties in the Course of Construction £'000	Shared Ownership Housing Properties £'000	Shared Ownership Housing Properties in the Course of Construction £'000	Total £'000
Cost:					
At 1 April 2025	2,016,819	67,840	166,914	8,892	2,260,465
Additions	4,936	109,828	-	9,953	124,717
Improvements	54,682	-	-	-	54,682
Interest capitalised	-	1,761	-	849	2,610
Transferred on completion	50,429	(50,429)	15,375	(15,375)	-
Transfer to current assets	-	-	(7,997)		(7,997)
Transfer from current assets	-	-	5,038	-	5,038
Disposals	(15,879)	-	(2,846)	-	(18,725)
At 31 March 2026	**2,110,987**	**129,000**	**176,484**	**4,319**	**2,420,790**
Depreciation and impairment					
At 1 April 2025	358,621	-	11,738	-	370,359
Charge for the year	30,260	-	1,450	-	31,710
Eliminated on disposal	(7,941)	-	(352)	-	(8,293)
At 31 March 2026	**380,940**	**-**	**12,836**	**-**	**393,776**
Net Book Value					
At 31 March 2026	**1,730,047**	**129,000**	**163,648**	**4,319**	**2,027,014**
At 1 April 2025	1,658,198	67,840	155,176	8,892	1,890,106

12C. HOUSING PROPERTIES

Expenditure on works to existing properties

	Group		Association	
	2026	2025	2026	2025
	£'000	£'000	£'000	£'000
Components capitalised	54,682	34,999	54,682	34,999
Amounts charged to the Income and Expenditure account	10,077	10,312	10,077	10,312
	64,759	**45,311**	**64,759**	**45,311**

Completed housing properties book value, net of depreciation and impairment

	Group		Association	
	2026	2025	2026	2025
	£'000	£'000	£'000	£'000
Freehold land and buildings	1,795,484	1,710,424	1,799,233	1,714,173
Leasehold land and buildings	94,462	99,201	94,462	99,201
Total Net Book Value	**1,889,946**	**1,809,625**	**1,893,695**	**1,813,374**

13A. OTHER TANGIBLE FIXED ASSETS - GROUP

	Office Premises	Furniture & Equipment	Total
	£'000	£'000	£'000
Cost:			
At 1 April 2025	18,337	52,518	70,855
Additions	-	4,907	4,907
Disposals	-	(381)	(381)
At 31 March 2026	**18,337**	**57,044**	**75,381**
Depreciation:			
At 1 April 2025	4,027	23,452	27,479
Charge for the year	336	4,471	4,807
Eliminated on disposal	-	(179)	(179)
At 31 March 2026	**4,363**	**27,744**	**32,107**
Net Book Value			
At 31 March 2026	**13,974**	**29,300**	**43,274**
At 1 April 2025	14,310	29,066	43,376

13B. OTHER TANGIBLE FIXED ASSETS - ASSOCIATION

	Office Premises £'000	Furniture & Equipment £'000	Total £'000
Cost:			
At 1 April 2025	18,337	52,449	70,786
Additions	-	4,907	4,907
Disposals	-	(363)	(363)
At 31 March 2026	**18,337**	**56,993**	**75,330**
Depreciation:			
At 1 April 2025	4,027	23,405	27,432
Charge for the year	336	4,467	4,803
Eliminated on disposal	-	(167)	(167)
At 31 March 2026	**4,363**	**27,705**	**32,068**
Net Book Value			
At 31 March 2026	**13,974**	**29,288**	**43,262**
At 31 March 2025	14,310	29,044	43,354

14. HOMEBUY LOANS - GROUP AND ASSOCIATION

	2026 £'000	2025 £'000
As at 1 April	90	90
As at 31 March	**90**	**90**

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

15. FIXED ASSET INVESTMENTS - ASSOCIATION

	2026 £'000	2025 £'000
Investments - Mutuals	306	450
Investments - Other	20	20
	326	**470**

FIXED ASSET INVESTMENTS - GROUP

	2026 £'000	2025 £'000
Investments - Mutuals	306	450
Investments - Other	68	120
	374	**570**

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

They are repayable on the sale of the property.

16. INVESTMENT IN SUBSIDIARIES - ASSOCIATION

	2026 £'000	2025 £'000
Investment in subsidiaries - association	**6,067**	**6,067**

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

17. DEBTORS

	Group		Association	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Gross rent and service charge arrears	14,308	13,849	14,201	13,797
Less: provision for bad and doubtful debts	(7,581)	(7,563)	(7,535)	(7,524)
Net rent arrears	**6,727**	**6,286**	**6,666**	**6,273**
Amounts due from Group undertakings	-	-	11,532	112
Prepayments and other debtors	10,452	13,535	8,511	13,487
	17,179	**19,821**	**26,709**	**19,872**

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

	2026 £'000	2025 £'000
Stock and work in progress	-	107
Schemes developed for shared ownership disposal	7,585	19,915
	7,585	**20,022**

19. CASH AND CASH EQUIVALENTS

	Group		Association	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Bank accounts	89,107	76,871	88,308	75,831
Cash in hand	2	2	2	2
Total Cash and Cash Equivalents	**89,109**	**76,873**	**88,310**	**75,833**

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

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Housing loans (Note 21a)	8,772	8,652	1,367	1,600
Discounted bonds	(969)	(872)	(969)	(872)
Rents received in advance	5,077	4,561	4,992	4,548
Obligations due under finance leases (Note 21a)	128	127	128	127
Trade creditors	5,023	3,630	4,129	3,624
Amounts due to Group undertakings	-	-	9,094	6,785
Recycled Capital Grant and Disposals Proceeds Fund (Note 22)	2,864	3,566	2,864	3,566
Other taxation and social security costs	1,287	1,161	1,287	1,161
UK Corporation Tax	98	92	-	-
Deferred tax	90	102	-	-
Accruals and deferred income	41,742	36,573	33,898	31,804
Other Government Grants	143	4,468	143	4,468
Deferred social housing grant (Note 21c)	8,771	8,771	8,771	8,771
	72,996	**70,831**	**65,704**	**65,582**

Amounts due to group undertakings for the Association include interest bearing loans due to group undertakings of £7,405k (2025: £7,052k). All other amounts due to group undertakings are non interest bearing.

Liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of ninety days was £6,254k (2025: £3,278k).

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

	Group 2026 £'000	Group 2025 £'000	Association 2026 £'000	Association 2025 £'000
Housing loans	663,300	576,930	250,941	152,310
Discounted bonds	18,560	17,591	18,560	17,591
Obligations due under finance leases	3,073	3,178	3,073	3,178
Premium on bond issues	9,423	9,937	3,164	3,330
Discount on bond issues	(8,330)	(8,677)	-	-
Loan and bond arrangement fees	(7,917)	(7,287)	(5,597)	(4,808)
Amounts due to Group undertaking	-	-	410,734	418,140
Homebuy grant: deferred income	90	90	90	90
Other Government Grants	4,182	-	4,182	-
Deferred social housing grant (Note 21c)	758,820	741,136	758,820	741,136
Derivative financial instruments designated as hedges of variable interest rate risk (Note 24)	5,487	8,296	5,487	8,296
	1,446,688	1,341,194	1,449,454	1,339,263
Recycled Capital Grant and Disposal Proceeds Fund (Note 22)	601	6,107	601	6,107
	1,447,289	**1,347,301**	**1,450,055**	**1,345,370**

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

Housing loans:

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

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

	Group 2026 £'000	Group 2025 £'000	Association 2026 £'000	Association 2025 £'000
By instalments:				
In one year or less	8,772	8,652	1,367	1,600
Between one and two years	8,407	8,774	631	1,369
Between two and five years	31,776	30,346	6,039	5,835
In five years or more	156,262	166,099	104,041	104,876
	205,217	213,871	112,078	113,680

	Group 2026 £'000	Group 2025 £'000	Association 2026 £'000	Association 2025 £'000
Lump Sum Repayments:				
In one year or less	(969)	(872)	(969)	(872)
Between one and two years	20,185	(969)	18,560	(969)
Between two and five years	230	25,271	230	18,790
In five years or more	465,000	365,000	140,000	40,000
	484,446	388,430	157,821	56,949

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

Finance lease liabilities

	Group 2026 £'000	2025 £'000	Association 2026 £'000	2025 £'000
Total of future minimum lease payments:				
In one year or less	128	127	128	127
Between one and two years	128	127	128	127
Between two and five years	384	381	384	381
In five years or more	2,561	2,670	2,561	2,670
	3,201	3,305	3,201	3,305

Fixed rate financial liabilities bear a weighted average interest rate of 3.86% and are fixed for a weighted average period of 18 years. Including swaps the average weighted interest rate is 4.10%.

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

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

The interest rate profile to the groups' debt at 31 March 2026 was:

	Variable rate £'000	Fixed rate £'000	Total £'000
Instalment loans	168,797	39,620	208,417
Non-instalment loans	51,625	432,822	484,447
	220,422	**472,442**	**692,864**

As at 31 March 2026, 55% (£382,561k) of the above debt came from the capital markets and 45% (£310,304k) from banks and building societies.

21B. CREDITORS:

Discounted Bonds:

	Group 2026 £'000	2025 £'000	Association 2026 £'000	2025 £'000
Amount Advanced:				
5% Debenture Stock 2027	9,000	9,000	9,000	9,000
In issue at 31 March 2025	**9,000**	**9,000**	**9,000**	**9,000**
Loan discount amortised	8,591	7,719	8,591	7,719
Net Value at 31 March 2026	**17,591**	**16,719**	**17,591**	**16,719**

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

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

Discount unwound/unamortised on discounted bonds was £1,493k (2025: £2,365k).

21C. CUMULATIVE SOCIAL HOUSING GRANT

	Group 2026 £'000	2025 £'000	Association 2026 £'000	2025 £'000
Opening Balance of SHG	**749,907**	**760,451**	**749,907**	**760,451**
SHG received during the year	22,021	43,373	22,021	43,373
SHG recycled	6,680	(2,869)	6,680	(2,869)
Transferred as part of sale	(3,583)	(53,543)	(3,583)	(53,543)
Amortisation write back on sale of fixed assets	593	10,582	593	10,582
Cumulative total of Social Housing Grant received or receivable	**775,618**	**757,994**	**775,618**	**757,994**
Less grant amortised in the year	(8,027)	(8,087)	(8,027)	(8,087)
	767,591	749,907	767,591	749,907
Amount held as deferred income at the date of the Statement of Financial Position	**767,591**	**749,907**	**767,591**	**749,907**
Amounts to be released within one year (Note 20)	8,771	8,771	8,771	8,771
Amounts to be released in more than one year (Note 21)	758,820	741,136	758,820	741,136
	767,591	**749,907**	**767,591**	**749,907**
Social Housing Grant under UK GAAP				
Opening SHG	911,839	924,878	911,839	924,878
SHG received net of recycling	28,701	40,504	28,701	40,504
Less returned to Homes England	(3,583)	(53,543)	(3,583)	(53,543)
Closing SHG	**936,957**	**911,839**	**936,957**	**911,839**

21D. OTHER GOVERNMENT GRANTS

	Group 2026 £'000	2025 £'000	Association 2026 £'000	2025 £'000
Opening Balance	**4,468**	**2,318**	**4,468**	**2,318**
Grant received during the year	-	2,246	-	2,246
Less grant amortised in the year	(143)	(96)	(143)	(96)
Amount held as deferred income at the date of the Statement of Financial Position	**4,325**	**4,468**	**4,325**	**4,468**
Amounts to be released within one year (Note 20)	143	143	143	143
Amounts to be released in more than one year (Note 21)	4,182	4,325	4,182	4,325
	4,325	**4,468**	**4,325**	**4,468**

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

Group and Association

	2026 £'000	2025 £'000
Balance at 1 April	**9,673**	**11,727**
Grants recycled	3,355	3,042
Interest accrued	260	515
Allocated to new build developments	(9,803)	(5,062)
Grant abated	-	(7)
Admin allowance	(20)	(542)
Balance at 31 March	**3,465**	**9,673**
Amounts to be released within one year (Note 20)	**2,864**	**3,566**
Amounts to be released in more than one year (Note 21)	**601**	**6,107**
	3,465	**9,673**

23. FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and liabilities include:

	Group 2026 £'000	Group 2025 £'000	Association 2026 £'000	Association 2025 £'000
Liabilities measured at amortised cost				
Loans	682,840	596,274	685,606	594,344
Finance Leases	3,201	3,305	3,201	3,305

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

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

24A. FINANCIAL INSTRUMENTS: HEDGE ACCOUNTING

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

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

The negative fair value of these swap contracts as at 31 March 2026 was £5.5m (2025 £7.9m). The measurement basis for these swaps is at fair value through profit and loss, determined by calculating the net present value of the future cashflows of the swaps discounted using an appropriate mid-market swap curve as at 31 March 2026.

The total change in fair value during the year ended 31 March 2026 of £2.9m (2025 £5.8m) was recognised in the statement of comprehensive income.

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

24A. FINANCIAL INSTRUMENTS: HEDGE ACCOUNTING (CONTINUED)

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

	Group and Association 2026 £'000	Group and Association 2025 £'000
Barclays Swap £20m 4.815% 2038	470	1,046
Barclays Swap £30m 5.01% 2037	1,308	2,147
Barclays Swap £10m 4.24% 2031	(25)	192
Lloyds Swap £50m 5.432% 2034	3,734	4,911
Fair values of financial instruments designated as hedging instruments	**5,487**	**8,296**

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

2026	Carrying amount £'000	Expected cash flows £'000	1 year or less £'000	1 to <2years £'000	2 to <5years £'000	5 years and over £'000
Interest rate Swaps:						
Hedged items cash flows (liabilities)	120,000	7,118	871	1,017	1,755	3,474

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

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

24B. FINANCIAL INSTRUMENTS: HEDGES

	Barclays Swap £20m 4.815% 2038	Barclays Swap £30m 5.01% 2037	Barclays Swap £10m 4.24% 2031	Lloyds Swap £50m 5.432% 2034	
Description of the hedge	The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Lloyds £75m Fl Loan 2043 loan, a floating rate loan entered into by Midland Heart against unfavourable movements in the 3 Month Sonia rate.	The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Lloyds £75m Fl Loan 2043 loan, a floating rate loan entered into by Midland Heart against unfavourable movements in the 3 Month Sonia rate.	The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Nationwide £100m Fl Loan 2036 loan, a floating rate loan entered into by Midland Heart against unfavourable movements in the 3 Month Sonia rate.	The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Nationwide £100m Fl Loan 2036 loan, a floating rate loan entered into by Midland Heart against unfavourable movements in the 3 Month Sonia rate.	The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Lloyds £75m Fl Loan 2043 loan, a floating rate loan entered into by Midland Heart against unfavourable movements in the 3 Month Sonia rate.
Description of the financial instruments designated as hedging instruments	The interest rate swap, Barclays Swap £20m 4.815% 2038. The counterparty to the swap is Lloyds and the credit risk associated with this counterparty is considered to be low. The credit risk is reflected in the Credit Valuation Adjustment amount to the risk free fair value of the derivative instrument.	The interest rate swap, Barclays Swap £30m 5.01% 2037. The counterparty to the swap is Lloyds and the credit risk associated with this counterparty is considered to be low. The credit risk is reflected in the Credit Valuation Adjustment amount to the risk free fair value of the derivative instrument.	The interest rate swap, Barclays £10m 4.24% 2031. The counterparty to the swap is Nationwide and the credit risk associated with this counterparty is considered to be low. The credit risk is reflected in the Credit Valuation Adjustment amount to the risk free fair value of the derivative instrument.	The interest rate swap, Lloyds Swap £50m 5.432% 2034. The counterparty to the swap is Nationwide and the credit risk associated with this counterparty is considered to be low. The credit risk is reflected in the Credit Valuation Adjustment amount to the risk free fair value of the derivative instrument.	The interest rate swap, Lloyds Swap £50m 5.432% 2034. The counterparty to the swap is Lloyds and the credit risk associated with this counterparty is considered to be low. The credit risk is reflected in the Credit Valuation Adjustment amount to the risk free fair value of the derivative instrument.
Nature of the risks being hedged including a description of the hedged item	The variability of cash flows stemming from the interest payments of the Lloyds £75m Fl Loan 2043 due to movements in the 3 Month Sonia rate	The variability of cash flows stemming from the interest payments of the Lloyds £75m Fl Loan 2043 due to movements in the 3 Month Sonia rate	The variability of cash flows stemming from the interest payments of the Nationwide £100m Fl Loan 2036 loan due to movements in the 3 Month Sonia rate	The variability of cash flows stemming from the interest payments of the Nationwide £100m Fl Loan 2036 due to movements in the 3 Month Sonia rate	The variability of cash flows stemming from the interest payments of the Lloyds £75m Fl Loan 2043 due to movements in the 3 Month Sonia rate
Fair values of financial instruments designated as hedging instruments £'000	470	1,308	(25)	3,734	

25. SOCIAL HOUSING PENSION SCHEME (SHPS)

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 latest triennial valuation of the scheme for funding purposes was carried out as at 30 September 2023. This valuation revealed a deficit of £690m, compared to a deficit of £1,560m at the previous valuation at 30 September 2020 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 28 February 2019, it was not possible for the Group to obtain sufficient information to account for the liability on a full FRS 102 valuation basis so it was accounted for as a defined contribution scheme where the net present value of the deficit contributions were recognised in the accounts as creditors falling within and more than one year.

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

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

An actuarial valuation of the scheme was carried out as at 30 September 2025 to inform the liabilities for accounting year ends from 31 March 2026 to 28 February 2027 inclusive.

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

	2026 £'000	2025 £'000
Fair value of plan assets	98,347	93,899
Present value of defined benefit obligation	(109,092)	(109,743)
Net defined benefit asset (liability) to be recognised	**(10,745)**	**(15,844)**

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	Year ended 31 Mar 2026 £'000
Defined benefit obligation at start of year	**109,743**
Expenses	144
Interest expense	6,228
Actuarial losses (gains) due to scheme experience	(1,257)
Actuarial losses (gains) due to changes in demographic assumptions	986
Actuarial losses (gains) due to changes in financial assumptions	(1,223)
Benefits paid and expenses	(5,529)
Defined benefit obligation at end of year	**109,092**

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

	year ended 31 Mar 2026 £'000
Fair value of plan assets at start of year	93,899
Interest income	5,455
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(779)
Contributions by the employer	5,301
Benefits paid and expenses	(5,529)
Fair value in the plan assets at end of year	**98,347**

The actual return on the plan assets (including any changes in share of assets) over the year ended 31 March 2026 was £4,676,000

Defined Benefit Costs Recognised in Statement of Comprehensive (SOCI)

	year ended 31 Mar 2026 £'000
Expenses	144
Net interest expense	773
Defined benefit costs recognised in Statement of Comprehensive Income (SOCI)	**917**

Defined Benefit Costs Recognised in Other Comprehensive Income

	year ended 31 Mar 2026 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(779)
Experience gains and losses arising on the plan liabilities - gain (loss)	1,257
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(986)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	1,223
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	715
Total amount recognised in Other Comprehensive Income - gain (loss)	**715**

Assets	31 March 2026 £'000	31 March 2025 £'000
Global Equity	10,898	10,519
Liquid Alternatives	17,512	17,412
Insurance-Linked Securities	146	289
Property	4,801	4,704
Infrastructure	4	16
Private Equity	212	83
Real Assets	9,260	11,241
Private Debt	11,874	-
Private Credit	-	11,492
Credit	3,916	3,591
Investment Grade Credit	5,783	2,891
Cash	19	1,275
Long Lease Property	-	27
Secured Income	2,984	1,567
Liability Driven Investment	29,985	28,439
Currency Hedging	(4)	150
Net Current Assets	957	203
Net defined benefit asset (liability) to be recognised	98,347	93,899

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

Key Assumptions	31 March 2026 % per annum	31 March 2025 % per annum
Discount rate	6.08	5.82
Inflation (RPI)	3.31	3.10
Inflation (CPI)	3.03	2.79
Salary growth	4.03	3.79
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2026 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2026	20.9
Female retiring in 2026	23.2
Male retiring in 2046	22.2
Female retiring in 2046	24.6

Bulk transfer from the Social Housing Pension Scheme (SHPS)

On 1 April 2026, Midland Heart transferred its share of the assets and liabilities in SHPS, a multi-employer defined benefit scheme, to the Midland Heart Defined Benefit Plan, a defined benefit scheme solely sponsored by Midland Heart.

There were no changes to member benefits as a result of the transfer. Midland Heart has committed to continue paying deficit contributions to the new scheme at the same level as prior to the bulk transfer.

Midland Heart is expected to settle a Section 75 debt in respect of orphan and other residual liabilities remaining in SHPS in December 2026. This obligation has not been recognised at the balance sheet date and will be accounted for in the subsequent reporting period.

On 1 April 2026, Midland Heart ceased contributions to the defined contribution section of SHPS. Employees were instead offered membership of the Midland Heart Defined Contribution Pension Plan (a section of the Aviva Master Trust). Contribution rates were unchanged.

Verity Trustees Limited v Wood

In 2021, the Trustee of SHPS completed a review of historical changes made to the Scheme's benefits and identified uncertainty as to whether certain amendments were implemented in accordance with the Scheme's governing documentation. The Trustee has sought clarification from the Court on these matters. The case, Verity Trustees Limited v Wood, was heard in early 2025 and, at the balance sheet date, a judgment is awaited. The timing and outcome of the judgment remain uncertain.

Until the Court's direction is received, it is not possible to determine whether any increase in liabilities will arise or, if so, the extent of such increase. Accordingly, no adjustment has been made in these financial statements in respect of this matter. To the extent that the Court determines that additional benefits are payable in respect of transferring members, such changes would be expected to be reflected in the Midland Heart Defined Benefit Plan, given the intention to replicate SHPS benefits following the bulk transfer.

As a result of the Pension Schemes Act 2026 the Government has put in place new legislation to enable the retrospective certification of historical deeds of amendment that may have otherwise been impacted by the Virgin Media ruling. How this will apply to SHPS remains unclear as this is included within the Verity Trustees vs Wood legal case. Therefore no allowance has been made for the potential impact of the Virgin Media ruling whilst the Trustees await the final judgment on their case.

26. SHARE CAPITAL

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

	2026 £	2025 £
Allotted, called up and fully paid shares of £1 each:		
At end of year	12	12

	Number	Number
At 1 April 2025	12	12
Issued	-	1
Cancelled	-	(1)
At 31 March 2026	**12**	**12**

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

27. OPERATING LEASES - GROUP AND ASSOCIATION

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

	2026 £'000	2025 £'000
Plant - Leases which expire:		
Within one year	1,127	759
Between one year and two years	930	198
Between two and five years	2,479	28
	4,536	**985**

During the year £1,876k was recognised as an expense in the profit and loss account in respect of operating leases (2025: £1,610k).

28. CAPITAL COMMITMENTS

The carrying amounts of the financial assets and liabilities include:

	2026 £'000	2025 £'000
Capital expenditure contracted not provided for	189,690	149,291
Capital expenditure authorised by the Board of Directors but not contracted for	70,967	44,978

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

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

The above commitments will be funded primarily through cash and funds available for draw-down on existing loan arrangements and £90.0m (2025 £20.5m) funded by Social Housing Grant.

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

29. CONTINGENT LIABILITIES

Midland Heart has entered into transactions with other social housing providers which includes original government grant of £18,924k on the incoming properties. The grant has an obligation to be recycled in accordance with the original grant funding terms and conditions which is contingent in the event of the housing properties being disposed (2025: £18,965k).

30. HOUSING STOCK

	As at 1 April 2025	Units Developed	Units Sold	Other Movements	As at 31 March 2026
Social Housing					
Social rent	20,922	124	(54)	29	21,021
Affordable rent	4,897	112	(3)	16	5,012
Supported housing and housing for older people	2,232	-	(97)	(176)	1,959
Residential care homes	26	-	(8)	-	18
Shared ownership accommodation	2,468	120	(40)	(16)	2,548
Lease scheme for the elderly	158	-	-	-	158
Total social housing units owned	**30,709**	**356**	**(202)**	**(147)**	**30,716**
Accommodation managed for others	1,499	-	-	(198)	1,301
Total social housing units owned and managed	**32,208**	**356**	**(202)**	**(345)**	**32,017**
Long leasehold	1,050	-	-	171	1,221
Garages	121	-	-	-	121
Total Social Housing	**33,379**	**356**	**(202)**	**(174)**	**33,359**
Non-Social Housing					
Market rent	172	-	(4)	(35)	133
Commercial lettings	114	-	-	-	114
Student accommodation	61	-	-	87	148
Leased to other parties	550	-	-	(6)	544
Total non-social housing units owned	**897**	**-**	**(4)**	**46**	**939**
Leasehold	138	-	-	-	138
Total non-social housing	**1,035**	**-**	**(4)**	**46**	**1,077**
GRAND TOTAL	**34,414**	**356**	**(206)**	**(128)**	**34,436**

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

31. DISCLOSURE OF GROUP ACTIVITY

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

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

The members of the Midland Heart Group are as follows:

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

Intra Group Transactions

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

There has been no other cost apportionment within the Group.

32. RELATED PARTIES

Midland Heart Limited participates in the Social Housing Pension Scheme, this provides benefits to employees that choose to take part (see note 25).

33. NOTES TO THE CASH FLOW STATEMENT

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

	2026 £'000	2025 £'000
Increase/(decrease) in cash	12,236	37,509
Cash flow from increase/(decrease) in debt finance	(85,589)	29,904
Discounted bonds	(969)	(1,657)
	(74,322)	65,756
Net debt at beginning of year	(523,578)	(589,334)
Net debt at end of year	**(597,900)**	**(523,578)**

B - Analysis of changes in net debt

	At 1 April 2025 £'000	Cash flows £'000	At 31 March 2026 £'000
Cash at bank and in hand	76,873	12,236	89,109
	76,873	**12,236**	**89,109**
Discounted bonds	(17,591)	(969)	(18,560)
Other loans due less than one year	(8,652)	(120)	(8,772)
Other loans due in more than one year	(576,930)	(86,370)	(663,300)
Finance lease	(3,305)	104	(3,201)
Premium on bond issue	(9,937)	514	(9,423)
Discount on bond issues	8,677	(347)	8,330
Issue expenses	7,287	630	7,917
Net debt	**(523,578)**	**(74,322)**	**(597,900)**

NOTES

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