Annual Report
2025-26

Our new purpose built accommodation offer for NHS staff at St Peter's Hospital Chertsey, Surrey.

Contents

STRATEGIC REPORT

LEADERSHIP AND GOVERNANCE

FINANCIAL STATEMENTS

Strategic Plan 26-30 page 15

OUR STRATEGIC **GOALS 2026-30**

1 Improve our repairs service by 2027

2 Meet the C1 requirements of the Regulator's consumer standards by 2028, showing improved services to residents

3 Restore our financial health by 2029, so all investment into our homes and services can be covered by our income on an annual basis

OUR THREE STRATEGIC OBJECTIVES

The Board presents its report incorporating the strategic report and audited consolidated financial statements for Southern Housing and its subsidiary undertakings for the year ended 31 March 2026.

OPENING STATEMENT

From **Chair of Southern Housing Board**

I am pleased to introduce our Annual Report for the year ended 31 March 2026, and to do so with pride in my first year as Chair. This is a significant year for us as we mark our 125th anniversary. Over that time we have grown and adapted to meet changing needs, regulatory expectations and economic conditions. Our purpose, however, has remained constant: helping people in housing need by providing safe, affordable homes and supporting residents and communities to thrive. Reaching this milestone has provided an opportunity to reflect on our legacy, while remaining firmly focused on the future.

Residents remain at the heart of the Board's considerations. We recognise that strong financial performance and positive resident outcomes are inseparable and that trust is built through transparency, accountability and consistent delivery. A governance review I commissioned following my appointment last year has underlined the important role residents play on our Board. Of our twelve board members four are current residents and more than half currently have lived experience of social housing.

During 2025/26 we underwent an extensive consultation with residents and colleagues to inform our strategy for the years ahead. Over 5,000 residents engaged in this process, and there was a huge consistency in the views of colleagues, residents and Board members. Our new strategic plan for 2026-30 focuses on the three central themes which came out of this consultation: reliable repairs, professional services, and efficient business. A central task for the Board will be holding the business to account for delivery against this strategy. I'm confident that a strengthened committee structure, with its oversight aligned to our strategic priorities, will help to support this.

The year under review was set against a challenging backdrop for the housing sector. Continued cost pressures, heightened regulatory expectations and the scale of investment required in existing homes have demanded difficult choices. The Board's role is to ensure those choices are taken with clear evidence, assurance and accountability so that residents' interests remain central to decision making.

These strong financial results show a prudent and responsible approach to financial management and governance and reflect the judgements the Board has made over time to respond to our operating environment. In particular: our increasing investment in existing homes; our pause on new development commitments; and our drive for operating efficiency.

I would also like to recognise the contribution of Board members who retired during the year; Sir Peter Dixon, Eugenie Turton and Michelle Dovey. Peter, as former Chair, played an important role in guiding Southern Housing through a significant period of change, including the continuing work to bring the organisation together following merger. On behalf of the Board, I would like to thank the members who retired during the year for their leadership, commitment and service to Southern Housing.

I also thank my fellow Board members for their commitment and support during my first year as Chair and colleagues across Southern Housing for their professionalism and dedication in delivering for residents.

Trudi Elliott CBE
Chair of Southern Housing Board

OPENING STATEMENT
From **Chair of the Resident Experience Committee and Board member**

Four Courts Regeneration - A Vision for Change
See page 51 for more information..

I am pleased to provide a resident perspective on this Annual Report. Residents rightly expect safe homes, services that work, and an organisation that listens, learns and puts things right.

The Resident Experience Committee, (an amalgamation of the Board's Resident Services Committee with the Resident Strategy Group), plays a key role in ensuring that residents' voices are embedded in our governance. We provide insight, challenge and support to the Board, drawing on lived experience to influence strategy, policy and service improvement. Over the past year, we have been closely involved in scrutinising performance, understanding areas of concern for residents, and ensuring that feedback leads to action rather than reassurance alone.

Residents have been clear about where improvements are needed, particularly around repairs, communication and service reliability. These are the areas residents look to for evidence of progress, and where we will continue to provide challenge and scrutiny so that commitments translate into tangible change in day-to-day experience.

The Committee's focus is on whether residents are experiencing real improvements in everyday services. Over the year our Tenant Satisfaction Measures improved. Overall service satisfaction improved to 67% (2024/25: 63%). Satisfaction with the repairs service improved to 67% (2024/25: 65%), and 80% of residents said they were satisfied that we keep them informed (2024/25: 76%). Our service promise and transactional surveys were encouraging with 91% of residents saying they were treated with respect, 92% were happy with repair quality and 76% felt staff took responsibility. These results show progress is being made, but we must go further, particularly on communication, consistency and follow-through, so that improvements are felt in residents' day-to-day lives.

I work alongside over 100 involved residents, Board members, Resident Experience Committee members, Resident Governance members, Scrutiny Panel members and members of the communications group, who offer their time and energy to bring expertise and experience to help make our organisation the best it can be. Tens of thousands more residents have completed surveys and provided feedback over the year. Thank you to all residents who have supported our vital work.

As we look ahead to our next phase, residents will continue to play an active role in holding the organisation to account and shaping its improvement journey. With openness, honest challenge and continued collaboration, we can ensure that progress is real, measurable and felt by residents in their homes and the services they receive.

Billy Brown
Chair of Resident Experience Committee

OPENING STATEMENT
From **Board member and Chief Executive**

This was a year of significant activity for us, delivered during a period of sustained pressure and change across the housing sector. While the organisation has grown in scale and complexity since our merger in 2022, our responsibility to residents and our responsible use of public and charitable resources has never been greater.

Rising costs, higher interest rates, increased regulatory requirements and the scale of investment needed in existing homes have required difficult decisions and a relentless focus on priorities. Our colleagues have worked hard to maintain services, address long-standing issues and build the foundations for improvement, often in challenging circumstances. As part of our efficiency programme, we have also streamlined senior leadership, removing three roles from the Executive Team to reduce overheads and help focus resources on delivery.

A key theme of the year has been preparing the organisation for the next phase of its journey as we begin delivery of our new four-year strategy. It provides a clear and realistic roadmap for improvement, shaped by what residents have told us matters most; better repairs and communication, more consistent services, and rebuilding financial capacity and resilience.

Improving efficiency and rebuilding capacity for future investment are essential if we are to continue meeting residents' needs and sustain the organisation over the long term. The strategy sets out a realistic and focused financial trajectory, aligned with service improvement and regulatory expectations. Value for money remains a central consideration in all financial decisions. As a charitable housing association, we have a duty to ensure that the resources entrusted to us are used effectively, transparently and in the best interests of residents. This means making hard decisions where necessary, simplifying the business, and ensuring that investment delivers clear and measurable benefits.

Alongside this strategic work, we continued to strengthen delivery of our building safety programme and the wider improvement agenda. During the year we signed up to the Government's Joint Plan to Accelerate the Remediation of Social Housing, reinforcing our commitment to transparent reporting and resident engagement as we increase the pace of delivery.

Sound financial management enables delivery. It shapes what we can do, and how quickly we can do it, while we continue to invest in safety, compliance, repairs and service improvement. Over the year we have strengthened controls, prioritised spending and managed risk carefully so we can deliver the first year of the new strategy with focus and realism.

Three of our developments have been shortlisted for this year's First Time Buyer Readers' Awards. This is a fantastic annual celebration recognising the lengths we go to, to help aspirational buyers on to the housing ladder.

Paul Hackett CBE
Chief Executive

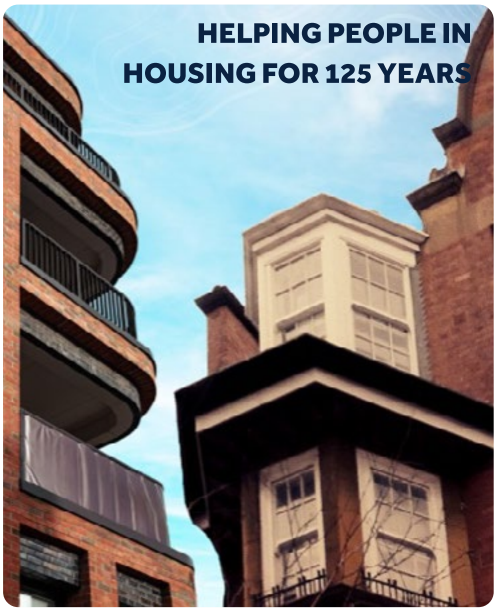
Best Small/Medium Development
2 Palliser Road

Best First Time Buyer Family Home
Plot 1 at Ingrams Farm

Best Development in the South
Wharf Twenty One

OPENING STATEMENT
From **Chief Financial Officer**

For the last three years we have reported that the business remains below where we want it to be and that we are taking steps to remediate this. Our results for 2025/26 confirm that the steps we have taken over recent years are working.



The Board's risk appetite is expressed through a series of metrics. During 2025/26, as in all recent years, we met all bar one: our cash interest cover test ("EBITDA Major Repairs Included Cash Interest Cover (excluding sales)"). Our target by 2030 is 100% and during 2025/26 we improved to 48%. This compares to 28% in 2024/25 and 36% in 2023/24.

The turnaround is due to two principal factors; firstly, that the balance of uncompleted homes in our development programme is reducing, and we are bringing in more rental income on homes that are completed; and secondly, that we have made great strides in driving cost efficiency. We have now achieved £25m in efficiency savings since merger, £14m of which was delivered during 2025/26.

Headline financial performance for 2025/26 was turnover of £719 million (2024/25: £674 million), operating surplus (including the building safety provision) of £134 million (2024/25: £123 million) and surplus before fair value movements (including the building safety provision) of £16 million (2024/25: £10 million). We invested £291 million (2024/25: £286 million) in existing homes and a further £142 million (2024/25: £229 million) into new homes. We have recognised a significant provision of £49 million for future building safety works, reflecting improved data and greater certainty over the scope, timing and cost of remedial and safety related activity.

We ended the year with available liquidity of £576 million, including undrawn committed facilities of £539 million. We continue to have significant headroom against banking covenants, with moderate gearing, low refinancing risk, and strong liquidity.

The financial results for the year reflect the difficult choices required to balance competing priorities. Investment in building safety, compliance and the quality of homes has rightly remained a core focus, while pressures on operating costs and borrowing have constrained short-term financial flexibility. Throughout the year, we have taken a prudent approach to risk management, liquidity and covenant compliance, ensuring that we remain financially viable and well governed. Strong financial controls and oversight have been critical.

We have continued to strengthen financial discipline across the organisation, improve the quality of financial information available to decision makers, and maintain close engagement with our lenders, auditors and regulator. These measures underpin confidence in the figures presented and support effective strategic decision making.

Tom Paul
Chief Financial Officer

Highlights

For the year to 31 March 2026 (31 March 2025)

Satisfied with overall service (TSM)	Satisfied with repairs service (TSM)	Homes meeting Decent Homes Standard
67% (63%)	**67%** (65%)	**99.9%** (99.6%)

Operational

Satisfied we keep residents informed (TSM)	Vacant homes available for letting	EPC band C and above
80% (76%)	**0.5%** (0.7%)	**77%** (75%)

Development & Investment

New homes started	New homes completed	New homes in contract
39 (127)	**937** (807)	**1,746** (2,609)
Investment in existing homes	New homes spend	Capital commitments
£291m (£286m)	**£142m** (£229m)	**£111m** (£343m)
Total homes owned and managed	Fixed debt proportion	Undrawn committed funding
81,096 (80,427)	**89%** (91%)	**£539m** (£592m)

Financial

Turnover	Operating surplus (incl. provision)	Operating surplus (excl. provision)
£719m (£674m)	**£134m** (£123m)	**£183m**[2] (2,609)
Surplus before fair value movements	Operating margin	Operating margin (excl. provision)
£16m (£10m)	**11%**[1] (12%)*	**20%**[2] (13%)
Social Housing cost per home	Operating margin social housing	New sales receipts
£7,389 (£7,293)*	**22%**[1] (16%)*	**£72m** (£59m)
Total assets	Current arrears	Total debt including bonds
£7bn (£7bn)	**4.5%** (4.3%)*	**£3bn** (£3bn)
Moody's credit rating	Fitch credit rating	Regulatory judgement
A3 stable outlook	**A-** stable outlook	**G1/V2/C2** (G2/V2)

Colleagues

Colleagues satisfied overall with Southern as an employer	Average number of sickness days absent per employee	Colleagues leaving for a voluntary reason
70% (83%)	**9 days** (7 days)	**12%** (11%)

[1] Our operating margin is adjusted to exclude surplus on housing property disposals (£54 million) but includes surplus on first tranche low-cost home ownership sales excluding impairment (£2 million) and loss on market sales excluding impairment (£1 million).

[2] Our operating margin reported here excludes the £49 million building safety provision and all sales.

* Calculated using Regulator of Social Housing (RSH) definitions. Our internal target operating margin excludes all sales.
TSM - Tenant Satisfaction Measure


SOUTHERN

About Us

OUR HOMES

General Needs	**65%**
Low cost home ownership	**12%**
Supported, Care & Housing for Older People	**9%**
Leasehold	**8%**
Key workers	**2%**
Non Social Housing	**2%**
Temporary & Intermediate	**2%**

Who we are

We are one of the UK's largest housing providers and we exist to help people in housing need by providing safe, high-quality, affordable homes and services. As a charitable housing association, we do not pay dividends to shareholders. All the income we receive is used to run our services, invest in repairs and improvements and support the delivery of homes we have committed to build and the debt interest costs we incur in doing so.

Southern Housing is the charitable parent organisation and undertakes 93% of the Group's activities by turnover, holding 99% of the Group's assets. Development and sales activity is delivered through our subsidiaries, including Lamborn Estates, Optivo Development Services, Southern Housing Construction Limited and Southern Home Ownership (see note 31 to the financial statements).

We invest equity in a small number of subsidiary and project vehicles to support delivery. This includes £1.7 million in Spruce Homes and £13 thousand in Southern Housing Finance Plc (previously Optivo Finance Plc). Equity investments in dormant companies, charities and registered providers are nominal (£3). We also support project delivery through Middlesex First Limited, to which Southern Housing provides an equity loan of £6 million (recorded in intercompany debtors). We hold interests in two joint ventures (33% to 50%) providing management and/or maintenance services, including investment in social housing assets.

What we do

We work with residents, local authorities and partners to help meet housing need and create safe, sustainable neighbourhoods. This includes boosting residents' financial resilience, tackling anti-social behaviour and investing into estates and other communal areas. We fund investment and our committed development programme through a combination of rental income and long-term debt finance secured against our housing assets. In 2025/26 we delivered 937 new homes and started 39, reflecting our decision to pause new development commitments for a while to improve our financial health. We will continue to build out schemes already in our ownership, predominantly in London and the South East.

How we generate our money and what we do with it

We continue to be heavily committed to social and affordable housing with 79% of our turnover in 2025/26 coming from rent and service charges and just 7% from the sale of first tranche (low-cost home ownership) and market sales properties. Our operations generated £350 million in cash. This, together with net funding of £30 million, helped us to maintain a high level of investment back into existing and new homes. We invested £291 million into existing homes in 2025/26. At the year-end we had committed £111 million in capital investments on developments already in contract.

Fire and Building Safety

Keeping residents safe in their homes is our highest priority. We take a proactive, risk-based approach to fire and building safety, meeting our legal duties, acting quickly where we identify risks and working openly with residents about what we are doing and why. We continue to invest in long-term programmes to inspect, assess and where needed, improve the safety of our buildings, with particular focus on taller buildings that fall within the Higher-Risk Building (HRB) regime. This is not only about meeting regulations or responding when issues arise. It is about active risk management; spotting potential problems early, putting effective controls in place, and continuously improving how we maintain our homes. Our Building Safety Policy sets out how we meet the regulatory framework for social housing and comply with relevant legislation.

In August 2025 we formally signed up to the Government's Joint Plan to Accelerate the Remediation of Social Housing. Co-developed by the Ministry of Housing, Communities and Local Government (MHCLG), the National Housing Federation (NHF), the Local Government Association and sector leaders. The plan sets out 22 commitments to remove unsafe cladding and improve resident safety across the country. It responds to calls for faster, fairer remediation ending the two-tier system between private and social landlords, so residents, regardless of tenure, benefit from the same safety standards and timelines.

By signing up, we have joined a national movement to:

- Remediate all 18m+ buildings in funded schemes by the end of 2029
- Ensure all 11m+ buildings are either remediated, scheduled, or subject to enforcement by the same deadline
- Access over £1 billion in new Government funding without needing to prove financial hardship
- Adopt the new National Remediation System (NRS) for transparent tracking and reporting
- Embed resident engagement and support throughout the remediation journey.

We are well placed to deliver on these commitments. We've already:

- Helped shape the plan's development
- Developed a new delivery model
- Shared insight with Government on cost recovery, data usage and resident experience to help shape national policy.

Through our rolling fire risk assessment programme, we have rich data on our buildings, enabling us to prioritise effectively and maintain the highest safety standards, and to determine when more intrusive building safety surveys are required. This positions us well to meet regulatory requirements and protect our residents.

Our building safety survey programme continues to make strong progress and is on track to complete in 2026/27. Full remediation work is complete at 33 blocks and we've completed work on 32 blocks which required elements of façade, balcony, balustrade or spandrel panel remediation. Works are in progress on a further 18 blocks. We expect the number of buildings in active remediation to continue to increase through 2026/27 as further schemes pass key readiness gateways. The remaining buildings within the programme are predominantly at earlier technical stages, including further intrusive investigations and opening up works required to define scope, cost and sequencing ahead of construction. Completion of these investigations will increase work in progress sites.

Now we have more certainty on works required and costs, our 2025/26 results include a building safety provision of £49 million in relation to leasehold and shared ownership homes over 11 metres. Our latest long-term (thirty year) financial plan includes over half a billion pounds of future spend on building safety remediation and enhancements across all tenures.

During the year, we made significant progress on building safety through focused work on individual higher risk buildings, moving from assessment into delivery. We undertook a comprehensive fire remediation programme at 5 and 7 Mackintosh Lane in Hackney, two five storey residential buildings constructed with timber frame and mixed brick and timber-clad façades.

Fire Risk Assessments and intrusive investigations identified significant risks associated with combustible materials within the external wall system, including timber cladding, timber balcony decking and insufficient cavity barrier provision. Both buildings were assessed as high risk, with the original "stay put" strategy deemed inappropriate without remediation.

In response, we developed and delivered a full façade remediation strategy. The works focused on removing combustible elements and replacing them with materials meeting current fire safety standards, alongside improving compartmentation and fire stopping throughout the external wall construction.

The scope of works included:

- Full removal and replacement of timber cladding systems with A2-s1, d0-rated (enhanced fire performance with low smoke production) or non-combustible alternatives
- Installation of new cavity barriers and fire stopping at compartment lines, windows and service penetrations
- Replacement of combustible insulation with mineral wool solutions
- Upgrade of sheathing boards and membranes to A1/A2-rated systems
- Removal of timber balcony decking and installation of aluminium systems achieving A2 fire ratings
- Review and remediation of brick façade interfaces to address potential fire spread within cavities.

Works were designed to align with PAS 9980 principles and Building Regulations requirements, with the objective of eliminating external fire spread risk and reinstating a safe, compliant building envelope. Following completion, 5 Mackintosh Lane achieved a satisfactory EWS1 (B1) rating, providing assurance to residents and enabling normal market transactions such as remortgaging and sales.

This project demonstrates Southern Housing's commitment to prioritising resident safety, taking a proactive and fully funded approach to remediation, and delivering complex façade upgrades in occupied buildings. It also reflects the organisation's focus on adopting robust, future-proofed solutions.

Our Stakeholders & Engagement

We're committed to operating fairly, with integrity and respect for the opinions and perspectives of our stakeholders. Our primary stakeholders are our residents and service users, both current and future, but also include our partners in central and local government, our colleagues, suppliers and investors and the wider communities in which we operate. A summary of our engagements with our stakeholders is outlined below.

Residents

Residents are at our heart. Through our resident governance model and strong resident engagement, residents work alongside us in strategic decision-making and in shaping improvements to day-to-day services. They scrutinise performance and carry out deep dives into key areas of activity. Their insight and feedback are essential in helping us improve services and to respond effectively to residents' needs.

Our Co-Creation Framework sets out how we involve residents in a meaningful and consistent way. More than 100 involved residents scrutinised our services and helped shape our policies during the year. We also provide a range of support services for residents, including volunteering opportunities, money and benefits guidance, and energy efficiency advice.

We are committed to safeguarding the wellbeing of all residents. Our engagement with residents also includes a Rent Flex plan offering flexible rent payment options, a regular resident magazine, and satisfaction surveys.

Colleagues

Through our commitment to diversity and inclusion, and by embedding strong organisational values, we are building an organisation that empowers colleagues and provides the right learning opportunities and working environment.

We remain focused on improving services and identifying opportunities to transform our processes. Meaningful and regular engagement with colleagues is critical to our ongoing success, supported by fair reward, openness, constructive dialogue and effective appraisal.

Engagement with colleagues includes open-forum time with our Executive Team, our Colleague Forum, trade union engagement, colleague surveys, colleague communications including magazines and bulletins, our wellbeing commitment, and our whistleblowing process.

Suppliers

Our contractors and suppliers play an essential role in enabling us to deliver services and new homes. Many also support our social purpose by providing jobs and training opportunities for residents.

Our policies and procedures help ensure equal access to tendering opportunities, multi-year contracts with key suppliers, standard contract management processes and controls including monthly or quarterly meetings and annual reviews. We have standard approved supplier processes and controls, contractual mechanisms to extend contracts based on performance, clear problem-solving hierarchies and escalation routes set out in contracts, and contract management arrangements supported by key performance indicators (KPIs).

Through regular performance monitoring and constructive challenge, we work with suppliers to maintain standards, resolve issues quickly and improve outcomes over time.

Investors / Funders

We are a not-for-profit organisation with charitable status. We access debt capital through lenders and investors to support continued investment in our homes.

We believe effective communication with these stakeholders, including the timely provision of relevant information, is essential to maintaining access to debt markets and achieving competitive pricing.

Engagement with lenders and investors includes quarterly covenant reporting, half-year and full-year trading statements, bilateral lender meetings, investor presentations, and maintaining credit ratings.

This ongoing engagement helps build trust, supports investor confidence and enables us to access funding on competitive terms over the long term.

Regulators & Government

We work closely with regulators, Government, local authorities and sector bodies, reflecting our role as a provider of publicly supported housing and services.

This includes responding to enquiries from MPs and local authorities, engaging with Government, City Hall, the National Housing Federation and the G15, and helping make the case for continued investment in social housing and the positive impact it has on residents' lives.

As well as the Regulator of Social Housing we are also regulated by the Care Quality Commission, which carries out unannounced inspections of our care and support services.

Our contracts with local authorities include clear performance indicators and are supported by regular monitoring and inspection. We also work closely with health authorities and mental health teams to ensure our specialist accommodation delivers the right outcomes for residents.

Communities & Environment

We help residents reduce bills, manage energy use, improve wellbeing and reduce environmental impact. We invest in the quality, safety and sustainability of our homes.

Supported by:

- Strategic Plan 2026–30
- Environmental Sustainability Strategy 2023–26
- Social Impact Statement.

We tackle antisocial behaviour, hate crime and domestic abuse.

University & NHS Key Workers

We work with NHS Trusts to provide key worker homes. Our student accommodation assets serve several universities under partnership arrangements, with regular dialogue on bookings, demand forecasting and service quality expectations.

Strategic Plans & Southern Service

Southern Service

Southern Service is our organisation-wide customer service approach. It sets out the common commitments, tools and behaviours we expect colleagues and partners to use, so residents experience a more consistent, reliable and accountable service.

- **What it is**: a shared service standard that brings together clear expectations for how we communicate, take ownership and work across teams to resolve issues
- **What residents should notice:** a positive first response, clearer and more proactive updates, and fewer hand-offs between teams
- **How we are delivering it:** colleagues using consistent commitments such as taking ownership and responsibility, being solution-focused and working as one team, supported by improved systems, better data and clearer accountability.

Strategic Plan 2026–30

From April 2026 we began delivering our new Strategic Plan 2026–30, which commits us to providing homes for those in housing need now and into the future, while recognising the new demands on us from the Government following recent legislation and regulation. Given the broad economic pressures impacting the sector the strategy reflects our continuing need to build financial resilience and capacity for investment into new social housing. And, crucially, it responds to resident feedback that asks us to improve our services, especially our repairs services.

The plan was shaped through extensive engagement with residents and colleagues. We heard from over 5,000 residents and hundreds of colleagues, supported by resident and colleague surveys, workshops and drop-in sessions. The insights gathered were instrumental in setting clear priorities focused on improved services, safer homes and good value for money.

The new plan is built around three goals:

- Improve our repairs service by 2027
- Achieve the Regulator's highest rating against the consumer standards (C1), demonstrating improved services for residents.
- Restore our financial health by 2029 so that annual investment in homes and services can be covered by our income.

Strategic Plan 2023-26

2025/26 was the final year of delivery against our previous strategic plan. We used the following KPIs to track progress against seven strategic objectives. *Regulatory Tenant Satisfaction Measures (TSMs) are included within our measures of success.

OBJECTIVE 1
Great customer experience

OBJECTIVE 2
Listen and act on resident views

OBJECTIVE 3
Safe and sustainable homes in good repair

OBJECTIVE 4
Neighbourhoods where residents are proud to live

OBJECTIVE 5
Build homes to meet housing needs

OBJECTIVE 6
Empower our people

OBJECTIVE 7
Deliver efficiency

Objective 1 Great customer experience

KPI	Actual 2025/26	Target 2025/26	Actual 2024/25	Actual 2023/24
% Satisfied with overall service*	67%	67%	63%	67%
% Satisfied with overall service (LCHO)*	32%	37%	33%	New

Overall satisfaction is a key indicator of customer experience. In 2025/26, overall service satisfaction was 67%, meeting target and improving on 2024/25 (63%), reflecting the progress made through organisational integration and service improvement activity. Low-cost home ownership (LCHO) satisfaction was 32% against a target of 37% (2024/25: 33%). This lower result reinforces the need to further improve end-to-end ownership of customer enquiries, timeliness of response and proactive communication for LCHO customers.

Objective 2 Listen and act on residents' views

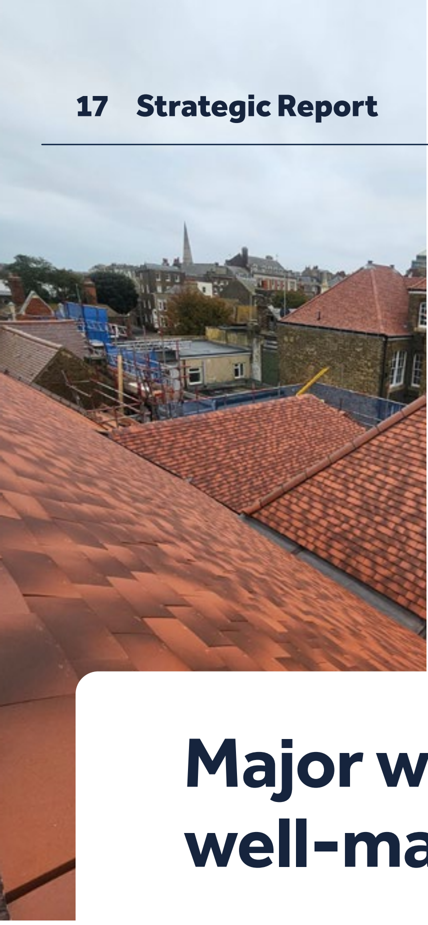
KPI	Actual 2025/26	Target 2025/26	Actual 2024/25	Actual 2023/24
% Satisfied we listen to residents' views and act upon them*	63%	63%	59%	63%
% Satisfied we keep residents informed*	80%	78%	76%	78%

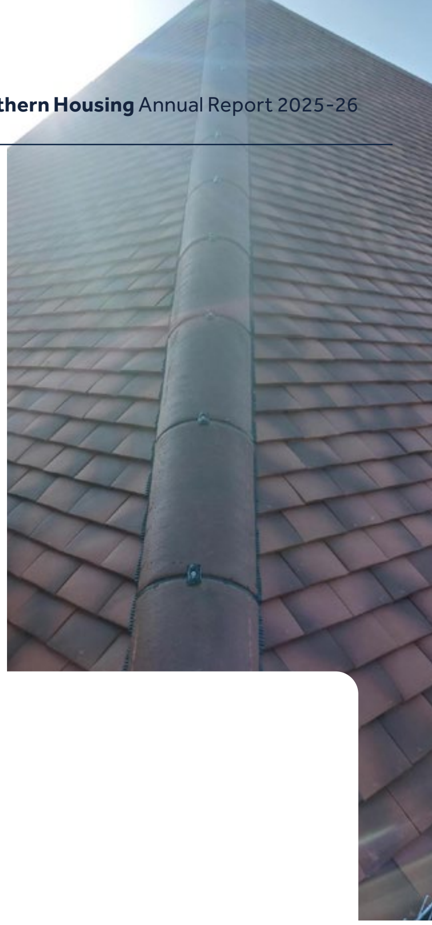
Our communications with residents show improvement on the previous year and are on target. Our Resident Scrutiny Group has reviewed several key areas over the year, making valuable recommendations.

Objective 3 Safe sustainable homes in good repair

KPI	Actual 2025/26	Target 2025/26	Actual 2024/25	Actual 2023/24
% Repairs complaints per repair	3.3%	<2%	2.9%	New
% Satisfied with repairs service over the last 12 months*	67%	68%	65%	68%
% Homes meeting EPC C or above	77%	77%	75%	74%
% Homes meeting Decent Homes Standard	99.9%	100%	99.6%	99.7%
% Satisfaction with last repair (Transactional Survey)	89.2%	90%	N/A	N/A
% Repairs completed within Service Level Agreement (SLA) (Emergency Repairs)	86.2%	100%	N/A	N/A
% Repairs completed within SLA (Routine Repairs)	66.5%	>90%	N/A	N/A
% Repairs completed within SLA (Communal Repairs)	35.9%	>90%	N/A	N/A

Residents consistently tell us that a well-maintained home is fundamental to their overall satisfaction, and this continues to shape how we manage and improve our homes and services. In 2025/26 we met our EPC Band C target, with 77% of homes at EPC C or above, and improved Decent Homes performance to 99.9%. Repairs satisfaction also improved, with transactional satisfaction after the last repair at 89.2%, just below target. However, complaints per repair remained above target at 3.3%, driven mainly by delays and poor communication. Improving repairs completion times remains a priority through continued transformation, better scheduling and diagnosis, and action to address capacity constraints.





Major works that deliver well-maintained homes

Our major works programme improves the safety, quality and sustainability of residents' homes through targeted, planned investment informed by stock condition data and our long-term financial strategy. Rather than carrying out full estate refurbishments, we deliver works in phases, replacing components as they reach the end of their lifecycle. Where investment cycles align, complementary elements such as windows and roofs or kitchens and bathrooms may be delivered together. Where they do not, we return over time so investment is made where it is most needed.

Over the past year, we have strengthened this approach by embedding resident insight more directly into service delivery and the design of our new long-term contracts. Residents played an active role in shaping these arrangements, including through a resident led procurement panel, helping ensure that customer priorities and lived experience are reflected throughout.

This approach has delivered measurable improvements. Complaints relating to major works have reduced by 18.7% over the past three years, with 96 complaints recorded across around 16,000 homes benefiting from our programmes. Resident feedback has also remained strong, with satisfaction consistently above 95% from more than 5,400 targeted surveys issued following completion of major works. These service-specific post-works surveys are distinct from TSMs and reflect stronger engagement, clearer communication and more consistent delivery.

A good example of this approach is at **Old School Lodge, Margate**, where we delivered a complex external works programme to a historic building in a conservation area. The scheme included roof replacement, window refurbishment and wider external fabric repairs across multiple blocks housing vulnerable residents. Works were carefully phased to coordinate roofing, scaffolding and external repairs efficiently while minimising disruption. The programme also responded to live site conditions, including further surveys, technical input and fire safety considerations, ensuring works remained safe and fully compliant. It demonstrates the importance of structured planning, robust data and proactive contract management in delivering complex programmes.

Resident engagement remains central across all programmes. Residents are consulted ahead of works, kept informed throughout delivery and invited to provide feedback on completion, helping us improve the service we provide.

These improvements are also laying the foundations for the successful mobilisation of our new long-term agreements. Over the next 20 years, we expect to invest around £2.4 billion in decent homes component renewals to improve the safety, comfort and security of residents' homes and communities. By combining sustained investment with stronger resident influence, better data and a clear lifecycle approach, we are helping to keep homes well maintained and deliver long-term value.

Objective 4
Neighbourhoods where residents are proud to live

KPI	Actual 2025/26	Target 2025/26	Actual 2024/25	Actual 2023/24
% Satisfied we keep communal areas clean and well maintained*	71%	69%	67%	69%
% Satisfied with our approach to handling anti-social behaviour *	62%	68%	63%	68%
% Vacant homes available for letting (General needs (GN) and Housing for older people (HOPS))	0.45%	0.7%	0.65%	0.58%

Performance for vacant homes available for letting remained strong at year end and improved from 0.65% in 2024/25. This reflects effective control of the voids and lettings pathway, even with higher tenancy turnover in March and ongoing work to strengthen data quality and end-to-end processes. Satisfaction with communal areas improved, indicating progress in maintaining shared spaces. Anti-social behaviour (ASB) satisfaction remains below target at 62% highlighting continued need to improve consistency of case handling and communication with residents, alongside wider service improvements under the Southern Service programme.

Objective 5
Build homes to meet housing need

KPI	Actual 2025/26	Target 2025/26	Actual 2024/25	Actual 2023/24
Build completions	937	841	807	776
Sales receipts from new homes	£71.7m	£61.6m	£58.6m	£44.0m

Build completions were above target in 2025/26. New sales receipts also exceeded target. This reflects strong year-end delivery and sales activity, including completions in March across multiple schemes, and continued focus on monitoring contractor delivery and forecast risk. Stock levels remain a focus, with homes in stock for extended periods concentrated in a small number of developments. We will continue active management of the sales pipeline. In line with the organisation's strategic direction, we do not plan to start any uncommitted schemes during 2026/27.

A NEW DEVELOPMENT AT GLENGALL ROAD

The first residents have moved into their new homes at our recently completed development on Glengall Road, which brings modern and affordable homes to Londoners. Glengall Road is one of the schemes completed in 2025/26 and forms part of the 937 homes we delivered during the year.

The scheme, built by HG Construction, has delivered 170 homes; 109 for shared ownership, 45 for social rent and 16 for market sale. Some of the homes have also been adapted for wheelchair users.

Residents can make use of a range of on-site facilities designed to support sustainable living, including Brompton bike lockers, communal spaces, a children's play area, a landscaped garden and rooftop gardens with stunning views across London.

Glengall Road forms part of our wider investment in the borough, which includes new developments at New Kent Road, Parkhouse Street and Ilderton Road. Together, these homes will help ensure local people have access to high-quality affordable places to live.

In keeping with the character of the local area, the development retains the original façade on two sides, and the site's industrial chimney has been woven into the design. These features preserve an important piece of Southwark's history while creating homes for the future.

The site has a rich local story. It once housed the R White's Lemonade factory and the Edison Bell radio works. In 1914, Jack Johnson, the first African American world heavyweight boxing champion, recorded a spoken word piece at the Edison Bell works on Glengall Road.

Objective 6
Empower our people

KPI	Actual 2025/26	Target 2025/26	Actual 2024/25	Target 2024/25
% Colleagues satisfied overall with Southern as an employer	70%	82%	83%	81%
Average number of sickness days absent per employee	9 days	8 days	7 days	8 days
% Colleagues leaving for a voluntary reason	12%	12%	11%	11.1%
% Agree we treat residents fairly and with respect	82%	82%	80%	81%

Delivering against these KPIs supports our ambition to be a great place to work and to build a culture that treats residents fairly and with respect. In 2025/26, colleague satisfaction with Southern as an employer was below target at 70%. While positive in the context of significant change and wider sector pressures, it reinforces the need for greater focus on colleagues feeling valued and improving collaboration. Sickness absence was also above target at 9 days with psychological illness the most common driver, reflecting wider national and sector trends. Voluntary turnover was 12%, in line with target and slightly above 2024/25. The TSM for treating residents fairly and with respect was 82%, meeting target and improving on 2024/25.

Objective 7
Deliver efficiency

KPI	Actual 2025/26	Target 2025/26	Actual 2024/25	Target 2024/25
% Operating margin overall (excludes all sales)	20%	21%	12%	14%
% Current rent arrears (GN and HOPS)	4.5%	4.4%	4.3%	4.7%
Social Housing Cost per Home metric (£)	7,389	7,528	7,293	6,844
EBITDA-MRI (Major repairs included) Cash Interest Cover (Excl. Sales) (%)	48%	29%	28%	38.7%

In 2025/26 we continued to focus on delivering efficiency and strengthening financial capacity. Since merger we have delivered £25 million of efficiencies and have fully identified a further £10 million to be delivered in 2026/27, with further opportunities expected through ongoing transformation. Rent arrears ended the year slightly above target. Operating margin (excluding sales & provision) closed close to target at 20%. Social housing cost per unit was lower than target, while EBITDA MRI cash interest cover was ahead of target, driven by improved operating surplus and lower net interest.

Improving energy value and data quality

Managing energy across a large and diverse portfolio creates opportunities to improve value for money through stronger procurement, better data and tighter control of billing. During the year, we continued to consolidate electricity and gas supplies under a single contract, supported by our energy broker. This has created a more consistent and efficient approach to energy management across the organisation, helping us improve data quality, strengthen oversight and secure better value for residents.

We also used specialist utility recovery services to review historic charges and identify opportunities to recover costs where appropriate. Together, these actions are expected to deliver meaningful savings and strengthen our ability to manage energy costs more effectively. As part of this work, we have reviewed utility bills, contracts and account data across the portfolio to improve accuracy and consistency. This has helped us identify opportunities to refine billing arrangements, align account information and improve the quality of our records. We expect this work to generate savings of around £0.5 million.

Alongside these savings, we have improved the quality of our energy data so that usage can increasingly be matched to individual blocks. This has enabled our Service Charge team to use more accurate information when reviewing communal gas and electricity charges, supporting a fairer and more consistent service for residents. We are also continuing to bring more meters onto our consolidated contract, helping to avoid out of contract rates and improve cost control in future. By improving the quality of our utility data and strengthening oversight of billing and contracts, we are better able to manage costs, support fairer charging and deliver better value for residents.

EFFICIENT BUSINESS

Sustainability

Sustainability is embedded across how we invest, procure and manage our homes. We expect suppliers to demonstrate a clear commitment to reducing carbon emissions and waste, improving climate resilience and using responsibly sourced materials. In our homes, our retrofit and asset investment programmes support better energy efficiency, resident comfort and resilience, including progress towards EPC band C or above where affordable, practical and cost effective.

We set out below our energy use and carbon emissions for 2025/26. This disclosure is in line with the Government's Streamlined Energy and Carbon Reporting (SECR) methodology and is disclosed voluntarily. The number of homes managed reflects all homes where we have asset investment liability and are therefore responsible for the energy performance of the property.

ACTIONS ON ENERGY EFFICIENCY UNDERTAKEN IN THE REPORTING PERIOD
Completed retrofit works on 798 homes to bring these homes up to an EPC C
Upgraded heating in 3,176 homes, including A rated boilers, high intensity storage heaters and air source heat pumps
Upgraded windows and doors in over 3,000 homes and replaced 113 roofs covering over 212 homes
We're continuing to work with contractors to reduce carbon emissions from purchased goods and services
Emissions from capital goods and services increased as we built more new homes compared to 2024-25
Achieved SHIFT Gold in December 2025

Analysing the reported figures, our total carbon emissions demonstrate a positive trend.

CARBON EMISSIONS MEASURE	2025/26 tonnesCO_2e	2024/25[1] tonnesCO_2e
SCOPE 1 Combustion of fuels	13,743	13,173
Gas heating in homes[1]	12,061	11,702
Gas heating in offices	165	138
Combustion of fuel for Southern Housing owned vehicles	1,421	1,333
Fluorinated greenhouse gases	96	-
SCOPE 2 Indirect emissions from the electricity we purchase	5,161	5,597
Purchased electricity for our homes[2]	4,872	5,222
Purchased electricity for our offices	288	373
Purchased Electricity for Recharging EV Fleet	1	2
SCOPE 3 All other indirect emissions[3]	247,432	247,448
Our homes (Category 13 Downstream leased assets)[4]	98,863	116,829
All other indirect emissions	148,569	130,619
Scope 1&2 emissions (tonnesCO_2e)	18,904	18,770
Scope 1&2 emissions per home managed	0.31	0.31
Total scope 1,2 & 3 emissions (tonnesCO_2e)	266,336	266,218
Total scope 1,2 & 3 emissions per home managed	4.42	4.36
Number of homes managed (with asset investment liability)	60,241	61,034

Methodology

The above has been prepared in accordance with the provisions of the GHG Reporting Protocol - Corporate Standard and HM Government "Environmental Reporting Guidelines including Streamlined energy and carbon reporting guidance".

DEFRA conversion factors 2025 have been used to convert electricity and gas consumption from kWh to tonnes CO_2e. Lower electricity emission factors, driven by increased grid renewables, have reduced carbon emissions.

DEFRA conversion factors 2025 have been used to convert transport fuel consumption and mileage from litres/miles to tonnes CO_2e.

[1] Where Southern Housing buys the gas; primarily heat networks and some communal heating.

[2] Where Southern Housing buys the electricity; primarily communal electricity for lighting, lifts etc, though there is some electric heating.

[3] Includes all other scope 3 emissions. After our downstream leased assets (our homes), purchased goods and services were the most significant contributor to scope 3 emissions, followed by the embodied emissions associated with production of construction materials and building new homes.

[4] Carbon emissions are based on the calculated SAP10 score, using Portfolio software, adjusted using 2025 carbon conversion factors. NB: only includes rented homes owned by Southern Housing, excluding those already reported under scope 1 and 2.

Financial Review

We closed the year with a turnover of £719 million, an operating surplus of £134 million and an operating margin of 11% (including first tranche and market sales but excluding property disposals). Excluding the £49 million building safety provision our operating surplus was £183 million. Adverse movements of £26 million in investment property and investment values resulted in an overall deficit for the year of £8 million.

Our social housing activities generated an operating margin of 22%. Operating surplus included a £54 million surplus on housing property disposals (2025: £46 million). Results also included a £49 million building safety provision and a further £2 million write-off of costs incurred in the year in relation to the Centrium 1 block at Station Approach in Woking (Eastgate scheme), bringing the total write-off to date to £15 million. Following an independent structural engineer's assessment, we rehoused all residents and are working with the developer to determine the right way forward for the site.

Sales performance was ahead of expectations with £72 million in initial and outright sales. Cost of sale included an impairment release of £3 million. Other social housing costs included an impairment charge of £2 million (2025: £4 million) on a scheme where we've replaced an insolvent contractor, bringing the total impairment value on schemes and land to £38 million, £26 million within note 13 housing properties and the remainder in stock, (2025: £39 million). Net interest costs decreased by £2 million. Adverse fair value movement of £26 million on investments, charged below operating surplus, was partly due to increased build costs on recently completed commercial schemes.

Total comprehensive income for the year reduced to a deficit of £11 million in part due to a £3 million pension actuarial loss (2025: £5 million surplus). At 31 March 2026 we had fixed assets of £6.7 billion (mostly at cost) and reserves of £1.7 billion. We continued to increase investment in our homes to improve the services residents need and expect. Spend on major works and planned maintenance to existing homes increased by £7 million to £207 million.

Our results show that we continue to have significant headroom against banking covenants, with modest gearing, low refinancing risk and strong liquidity. We currently have £539 million in undrawn facilities and £77 million in cash and short-term investments, giving us significant cover and flexibility to meet our commitments.

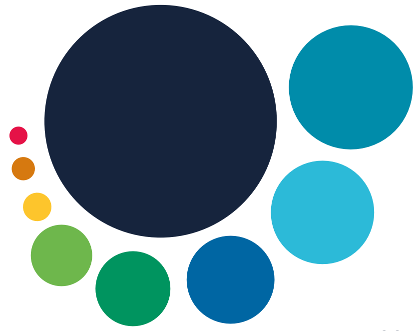
RESULTS	2025/26 £m	2024/25 £m	2023/24 £m
Turnover	719	674	609
Cost of sales	(71)	(61)	(48)
Operating costs excluding building safety provision	(519)	(536)	(482)
Building safety provision	(49)	-	(3)
Surplus on disposal of housing properties	**54**	**46**	**32**
Operating surplus	**134**	**123**	**108**
(Deficit) / Surplus on commercial & other asset sales	(6)	1	(2)
Net interest payable	(112)	(114)	(103)
Surplus before fair value movements	**16**	**10**	**3**
Fair value property and investment movements	(26)	(5)	(30)
Derivative movement	2	-	(1)
(Deficit) / surplus for the year	**(8)**	**5**	**(28)**
Actuarial pension loss	(3)	-	(4)
Total comprehensive income	**(11)**	**5**	**(32)**

Analysis of turnover

- Turnover of £648 million (excluding property sales) increased by £33 million compared with 2024/25. Increased income came from the annual rent increase and from new homes in management. 87% of turnover excluding sales is generated from social housing activities (2025:87%)
- First tranche sales turnover of £46 million increased by £1 million compared with 2024/25. Turnover from market sales was £26 million compared with £14 million in 2024/25
- Turnover from general needs activities increased by 5% to £456 million (2025: £436 million) and turnover from low-cost home ownership activities increased by 18% to £89 million (2025: £75 million) reflecting an increase in homes in management and annual rent increases partly offset by staircasing and disposals in the year
- Service charge costs of £90 million exceeded service charge receivables from residents of £74 million, resulting in a net deficit of £16 million (2025: £13 million). Around £5 million of the shortfall arises because service charge income from affordable rented homes is required to be recognised within rental income. The remaining shortfall reflects some timing differences in recovering variable service charge costs and also that some costs were not fully recovered from service charge payers.

General needs	£456m
Low cost homeownership	£89m
Supported & HOPs	£69m
First tranche sales	£46m
Open market sales	£26m
Student accommodation	£10m
Keyworker accommodation	£10m
Other non social housing	£9m
Other social housing	£4m

Analysis of expenditure



Maintenance	£211m
Management	£96m
Services	£90m
Depreciation (housing properties)	£85m
Cost of sales: first tranche	£45m
Cost of sales: market sales	£26m
Other social housing	£21m
Student accommodation	£10m
Other non social housing	£6m

Operating costs (excluding cost of sales and building safety provision) decreased by £17 million to £519 million. Management costs decreased by £3 million and revenue maintenance spend decreased by £22 million (offset by higher capital spend). Depreciation was £7 million higher in the year; where capital works replace part of an existing structure, we write out the carrying value of the old component as a proxy for depreciation. Services spend increased by £11 million in line with income increases.

Interest and sales

Interest and financing costs decreased by £5 million to £114 million (2025: £119 million). This is due to replacing a loan at lower cost and an adjustment on interest capitalised. Interest receivable of £2 million was £3 million lower (2025: £5 million).

Surplus on staircasing (where the leaseholder acquires a further property equity share), voluntary right to buy / right to acquire sales and asset management sales increased by £8 million to £54 million (2025: £46 million). We sell void properties if it's not economically viable to repair them or if they're in an estate regeneration disposal programme. We reinvest sales proceeds back into new and existing homes.

Statement of Financial Position Balance Sheet

STATEMENT OF FINANCIAL POSITION	2025/26 £m	2024/25 £m	2023/24 £m
Total fixed assets and investments	6,707	6,595	6,433
Net current (liabilities) / assets	(50)	105	54
Total assets less current liabilities	6,657	6,700	6,487
Long-term liabilities and provisions	(4,986)	(5,018)	(4,811)
Net assets	1,671	1,682	1,676
Reserves	1,671	1,682	1,676

Housing properties

Housing properties are mainly held at historical cost and unamortised grant is held in creditors. The movement in carrying cost of £152 million includes £142 million investment in new homes and £129 million spend on improvements and component replacements to existing homes. In total we've received £1.7 billion social housing and capital grant to support our development programme.

Pensions

At 31 March 2026 we operated four defined benefit schemes and one defined contribution scheme used for auto enrolment. One of the four defined benefit schemes is in deficit and all are closed to new members. The liability on the defined benefit scheme is £1 million and the total unrecognised surplus is £36 million. The defined contribution scheme offered to new colleagues carries no deficit risk to Southern Housing.

Reserves

Our reserves are fully reinvested back into services and new and existing homes to support us providing safe and sustainable communities.

HOMES	2025/26 £bn	Funded by	2025/26 £bn
Property cost less depreciation and impairment	6.4	Loans and bonds net of cash and short-term investments	3.3
		Unamortised grant	1.7
		Revenue reserves	1.7
		Other balances	(0.3)

CASH FLOW	2025/26 £m	2024/25 £m	2023/24 £m
Cash generated from operations	350	225	219
CASHFLOW FROM INVESTING ACTIVITIES			
Purchase of assets	(267)	(313)	(369)
Grant received	8	5	1
Interest received	2	5	10
CASHFLOW FROM FINANCING ACTIVITIES			
Net borrowings	30	213	226
Interest paid	(146)	(142)	(124)
NET CHANGE IN CASH	(23)	(9)	(37)

Social Housing Lettings performance

SOCIAL HOUSING LETTINGS PERFORMANCE	2025/26	2024/25	2023/24
Homes owned and/or managed	73,159	72,629	71,724
Revenue	623	585	535
Operating surplus	137	92	83
Operating margin	22%	16%	16%

Our core business is social housing lettings with our main tenures being general needs, supported housing, keyworkers and low-cost home ownership. Turnover increased by £38 million and our operating margin improved to 22% with management costs decreasing by £3 million. Lower planned maintenance spend reflects increased capitalisation of building safety spend which also caused an increase in accelerated depreciation.

Non social housing

STUDENT ACCOMMODATION – NON SOCIAL HOUSING	2025/26	2024/25	2023/24
Homes owned and/or managed	1,299	1,299	1,654
Revenue	10	13	14
Operating surplus	-	3	3
Operating margin	0%	23%	23%

Lower turnover reflects change from ownership to management only following sale of 169 rooms at Wood Green and lower operating margin due to increased major works spend.

Development and sales performance

DEVELOPMENT AND SALES PERFORMANCE	2025/26	2024/25	2023/24
Homes started	39	127	348
Homes completed	937	807	776
Homes in contract at 31 March	1,746	2,609	3,256
Homes available for sale – low cost home ownership	250	211	173
Homes available for sale – open market	25	21	27

We completed 937 homes in the year, ahead of our target of 807.

PROPERTY DISPOSALS WITHIN OPERATING SURPLUS	2025/26		2024/25		2023/24	
	Turnover (£m)	Surplus / (deficit) (£m)	Turnover (£m)	Surplus / (deficit) (£m)	Turnover (£m)	Surplus (£m)
Low cost homeownership first tranche	46	1	45	-	40	5
Market sales	26	1	14	(2)	4	(9)
Staircasing	39	16	40	18	30	15
Other social housing properties	62	37	53	28	41	18

Sales performance was stronger than in 2024/25 and ahead of expectations with £72 million in initial and outright sales. This was £10 million above target. Asset disposal surplus reached £54 million, also ahead of target. Our stock impairment provision reduced by £7 million during 2025/26, reflecting the release of previously recognised impairments as properties were sold.

Liquidity and financing

At 31 March 2026 we had £77 million cash and short-term investments and £2.1 billion bonds in issue as well as £1.4 billion of loans. None of these were retained bonds. In September 2025, we renewed our Euro Medium Term Note (EMTN) programme, maintaining our ability to access the capital markets efficiently. During the year we also published the Allocation and Impact Report for our 5.625% 2054 bond, providing transparency on the use of sustainable bond proceeds.

Total Group cash and short-term investment balances of £77 million include £38 million held in separate accounts for 'ring-fenced' sinking funds on behalf of leaseholders and restricted cash collected on behalf of third-party property owners of £1 million.

During the year, no new bond issuance was undertaken under the EMTN programme, with focus instead placed on optimising the existing debt portfolio. Our total available liquidity reduced from £639 million in 2024/25 to £576 million at 31 March 2026, reflecting our reduced development commitments.

Judgements and estimates

The preparation of the financial statements requires the Group to make significant judgements and estimates. In the current year these primarily relate to the recognition of provisions and contingent assets, going concern, capitalisation of expenditure on existing homes, the building safety provision, valuation and impairment of properties held for development and sale, useful economic lives and pension assumptions. During 2025/26, these judgements and estimates have been kept under regular review. The most significant refinement in the year relates to building safety work. As survey work, technical assessments and programme planning have progressed, there is now greater certainty over the scope, timing and cost of works. This has resulted in a change in judgement regarding when a present or constructive obligation arises, leading to the recognition of a building safety provision in the year. In prior periods, such costs were not recognised due to insufficient certainty. This change reflects improved data and programme maturity rather than a change in accounting policy and has had a material impact on the financial statements. Further detail is set out in note 2 to the financial statements.

KEY FINANCIAL INDICATORS	2025/26	2024/25	2023/24
Number of homes in management excluding leaseholders	74,796	74,249	73,686
Social Housing cost per unit	£7,389	£7,293	£6,844
Cost per home increased by £96. Service costs increased by £140, major works spend increased by £391, partly offset by lower planned maintenance spend of £384. Management costs decreased by £117.			
Interest cover (Association as per loan agreements)	227%	194%	190%
^ EBITDA per home (excluding impairment)	£3,028	£2,595	£1,862
^ EBITDA* - including impairment charge provision per home	£2,340	£2,446	£1,817
^ EBITDA - excluding fair value movements per home	£2,658	£2,515	£2,243
^^ EBITDA MRI per home	£618	£1,076	£533
^^ EBITDA MRI excluding fair value movements per home	£936	£1,145	£961
^EBITDA (Earnings before interest, tax, depreciation and amortisation) excluding non cash impairment and the building safety provision increased year on year, reflecting stronger underlying operating performance. ^^EBITDA MRI (including major repair improvements capitalised) excluding fair value movements reduced as investment in existing homes and major repairs remained high.			
Net debt to turnover (including sales)	4.6	4.8	5.0
Debt less cash and short term investments increased by £51 million and turnover increased by £45 million.			
Operating margin (excluding all sales)	12.3%	12.9%	14.1%
Operating margin (excluding sales & building safety provision)	19.8%	-	-
Operating margin (excluding all sales and £49 million building safety provision) is slightly below our target for the year of 21% mainly due to write down of costs incurred on the Eastgate scheme in Woking of £2 million, impairment costs of £2 million and regeneration scheme write downs of £4 million.			
Change in turnover	7%	11%	(5)%
Increase in turnover reflects increased rent and service charge income.			
Change in major repair improvements capitalised year on year	27%	7%	63%
Housing property capitalised improvements increased to £129 million from £102 million in 2024/25.			
Effective interest rate	4.3%	4.2%	4.2%
Net borrowing increased by £51 million, interest on loans increased by £5 million.			

Value for Money

We use the Regulator of Social Housing's value for money metrics to assess performance and inform targeted action. We compare our results with other comparable organisations, including all larger Housing Associations and especially those operating within similar geographies to us. In the tables below we compare our results against those from our G15 peer group, being one subset of those which we compare against. Although G15 comparisons are one year behind our financial reporting, they still provide a useful benchmark and are summarised below.

Regulator of Social Housing Value for Money metrics

METRIC 1 REINVESTMENT	2025/26	2024/25	G15 Median 2024/25
Investment in property	4.2%	5.3%	5%

This measures our investment in new developments and existing homes as a percentage of the total value of properties held. We invested £271 million in new and existing homes in 2025/26 (note 13) compared with £331 million in 2024/25. Compared to peers our investment in 2024/25 was more weighted to existing homes than to new developments.

METRIC 2 NEW SUPPLY	2025/26	2024/25	G15 Median 2024/25
A. New supply delivered % (social housing)	1.3%	1.2%	1.2%
B. New supply delivered % (non social housing)	0.1%	0%	0.1%

This metric sets out new housing supply delivered by us as a proportion of our total homes at period end. We focus investment in new homes into our core social housing business rather than non social housing activities. New supply delivered was ahead of target. We were at the median for reinvestment in our peer group in 2024/25.

METRIC 3 GEARING	2025/26	2024/25	G15 Median 2024/25
Gearing	51.5%	52%	46%

This metric assesses how much of the adjusted assets are made up of debt and the degree of reliance on debt finance. Net debt increased by £51 million and housing assets increased by £152 million. With the majority of our older homes held at historical cost the balance sheet doesn't reflect the true value of our assets. We're within our lender covenant of 70%.

METRIC 4 EBITDA MRI INTEREST COVER %	2025/26	2024/25	G15 Median 2024/25
EBITDA-MRI % (excluding disposals)	17%	40%	85%
EBITDA-MRI % (excluding building safety provision & disposals)	51%	-	-

This is a key indicator for liquidity and investment capacity. Our EBITDA MRI reduced to 17%. Interest payments increased by £2 million and capitalised major repairs spend increased by £27 million. Operating costs also include a £49 million building safety provision; excluding this, our EBITDA MRI increases to 51%.

METRIC 5 HEADLINE COST PER HOME (CPU)	2025/26	2024/25	G15 Median 2024/25
Social Housing CPU	£7,389	£7,293	£6,594
Management	£1,315	£1,432	£1,933
Service charges	£1,228	£1,088	£1,110
Maintenance	£2,385	£2,769	£1,937
Major works	£2,354	£1,963	£1,587
Other	£107	£41	£337

Our social housing cost per home increased by £96. Service charge costs rose by £140, mainly due to higher building safety and managing agent costs, while management costs fell by £117 through efficiency savings and cost reallocations. In 2024/25 our cost per home was above the G15 median, driven by the highest maintenance cost per home, although management costs remained well below the median.

METRIC 6 OPERATING MARGIN	2025/26	2024/25	G15 Median 2024/25
Overall	11%	12%	15%
Social Housing	22%	16%	23%

The operating margin demonstrates the profitability of operating assets. Our operating margin including market and first tranche sales is 11%. Excluding all sales it increases to 12% and for social housing activities it's at 22%. Excluding the £49 million building safety provision and all sales operating margin of 20% is slightly below our internal target of 21% despite material adverse costs including £2 million in year write down on an unsafe scheme (Eastgate, Woking cumulative £13 million), £2 million impairment costs and £4 million in year write down of regeneration schemes. In 2024/25 we had additional one-off costs of £13 million (Eastgate), excluding this we'd have been close to the 2024/25 G15 median.

METRIC 7 RETURN ON CAPITAL EMPLOYED INTEREST COVER	2025/26	2024/25	G15 Median 2024/25
Return on Capital Employed (ROCE)	2.0%	1.9%	2.4%

ROCE measures the return generated on the capital employed in the business. Most of our housing stock is held on the balance sheet at historical cost, which does not reflect the full value of the assets we hold. ROCE increased slightly in the year, with operating surplus including sales up by £12 million and capital employed down by £3 million. Compared with our peers, we were below the median in 2024/25. ROCE continues to be affected by development activity, where returns are not generated until assets are completed, and by the £49 million building safety provision recognised in the year.

DIRECTORS' REMUNERATION AND MANAGEMENT COSTS	2025/26	2024/25	G15 Median 2024/25
Remuneration payable to the highest paid Director relative to our size (remuneration to highest paid director/ social housing units)	6.7	5.6	N/A
Aggregate amount of remuneration paid to Directors relative to our size (total directors remuneration / social housing units)	35.5	36.3	N/A
Management costs relative to our size	1,315	1,369	N/A

The Transparency, Influence and Accountability Standard requires us to provide our residents with accessible information on our directors' remuneration and management costs. The Executive Director of Contract Services was the highest paid director in 2025/26 due to payments made for loss of office. The Group Chief Operating Officer was the highest paid director in 2024/25 also due to loss of office.

OTHER	2025/26	2024/25	G15 Median 2024/25
Rent collected % general needs	98.9%	98.8%	99.2%
Overheads as a % of turnover	8.3%	8.9%	11.7%
Ratio of responsive repairs to planned maintenance	0.40	0.28	0.67

Rent collected percentage is slightly below G15 median. Overheads as a percentage of turnover reduced to 8.3% reflecting improved efficiency and a lower overhead burden relative to income. We were below the G15 median in 2024/25. Ratio of planned and major repairs spend relative to responsive repairs spend is also below G15 median, reflective of the scale of our investment into existing homes.

Regulator of Social Housing Financial Forecast Return (FFR) Value for Money metrics

The forecast metrics reflect the priorities in our new strategic plan. In the near term, we will continue to invest heavily in existing homes while completing schemes already committed, supporting high reinvestment and a strong level of new supply in 2026/27.

This investment profile continues to weigh on some measures in the short term, particularly EBITDA MRI and cost per home. Even so, the direction of travel is positive. By 2029/30, gearing is lower, margins are stronger and return on capital employed has improved, reflecting efficiency gains, additional income from completed homes and a more resilient financial base.

The metrics set out below are calculated from our FFR submission. Our forecast performance for the first and last year of our new strategic plan compared to current year actuals are as follows:

METRIC 1 REINVESTMENT	2026/27	2029/30	2025/26
Reinvestment	4.7%	4.2%	4.2%

Investment remains high in the near term, with £305 million planned across new and existing homes in 2026/27.

METRIC 2 NEW SUPPLY	2026/27	2029/30	2025/26
A. New supply delivered % (social housing)	1.4%	0.4%	1.3%
B. New supply delivered % (non social housing)	0%	-	0.1%

New supply peaks in 2026/27 as we complete schemes already committed, before reducing by 2029/30 as new development activity remains constrained. We expect to complete 1,017 social housing homes and 82 non-social housing homes in 2026/27.

METRIC 3 GEARING	2026/27	2029/30	2025/26
Gearing	51.1%	43.8%	51.5%

Gearing remains within the Board's golden rule throughout the period and improves further by 2029/30.

METRIC 4 EBITDA MRI INTEREST COVER %	2026/27	2029/30	2025/26
EBITDA MRI Interest Cover %	68.2%	110.8%	17.4%

EBITDA MRI improves materially over the period, while reflecting continued investment in existing homes. This supports a return to the Board's 100% golden rule by 2029/30.

METRIC 5 HEADLINE COST PER UNIT (CPU)	2026/27	2029/30	2025/26
Social Housing CPU	£7,760	£8,402	£7,389

Cost per home rises over the period, reflecting increased investment in existing homes, particularly major works and building safety, as well as assumptions regarding cost efficiency and cost inflation.

METRIC 6 OPERATING MARGIN	2026/27	2029/30	2025/26
Overall	24.8%	34.0%	11.2%
Social Housing	23.6%	32.4%	21.9%

Operating margins strengthen over the period as efficiency savings are delivered and completed homes contribute more fully to income.

METRIC 7 RETURN ON CAPITAL EMPLOYED	2026/27	2029/30	2025/26
Return on Capital Employed (ROCE)	3.9%	5.2%	2.0%

ROCE improves over the period as margins strengthen and completed homes begin to generate returns.

A REDEVELOPMENT AT ST PETER'S HOSPITAL

Work has completed on our multi-million-pound housing development built specifically for NHS staff working at St Peter's Hospital in Chertsey, Surrey.

Most residents have now moved into their new homes, giving keyworkers access to high-quality and affordable homes on the hospital site.

The redevelopment has delivered 147 new one and two-bedroom homes as well as some four-bed shared homes on the Guildford Road site, 138 of which are for keyworkers only, with the remaining nine flats available for social rent.

The first phase, completed in November 2022, provided 75 new homes. Following this, work began to replace the existing accommodation, built in the early 1970s, which had become increasingly difficult to maintain and no longer met modern standards.

This second phase has now delivered an additional 72 high-quality, modern homes.

The project is a major milestone in our partnership with Ashford and St Peter's Hospital, regenerating the site and helping to create more secure and affordable accommodation for staff.

Financial Planning and Treasury Management

The Board uses the long-term financial plan to maintain the organisation's financial viability while continuing to invest in safe homes, building safety, service improvement, sustainability and a measured return to development. The plan is centred on maintaining lender covenant compliance, restoring performance against internal "golden rules", and managing rising regulatory requirements and investment pressures across our homes. We refresh the plan at least annually, with the latest update completed in May 2026.

Our golden rules are the Board's core financial guardrails and reflect its risk appetite. They support confidence among lenders, investors and the Regulator and the long-term financial plan is tested against them alongside lender covenants to ensure that growth, investment and liquidity remain within prudent limits.

GOLDEN RULES	THRESHOLD	DEFINITION
EBITDA MRI excluding sales cash interest cover	>100%	Operating surplus excluding trading sales, adjusted for major repairs, depreciation, impairment and as a proportion of net cash interest cost
Interest cover	>150%	Operating surplus adjusted for depreciation, impairment and amortisation relative to net interest cost
Sales exposure	<30%	Trading sales as a proportion of turnover
Asset cover	>170%	Property security available relative to total debt facilities and required liquidity
Gearing	<65%	Net debt plus required liquidity relative to net assets

The plan supports our strategic objectives, demonstrates compliance with financial covenants, shows the route back to internal financial targets, and provides the basis for regulatory submissions, including the Financial Forecast Return. It also supports engagement with credit rating agencies and bank lenders. The latest plan reflects a more uncertain economic environment, with inflation remaining above target, interest rate expectations rising again, gilt yields staying high and volatile, and growth forecasts softening. It also reflects the impact of geopolitical instability and increasing sector-wide expenditure on repairs, maintenance, remediation and compliance.

A major theme of the plan is the continued prioritisation of investment in existing homes. Over the 30-year period, total direct gross property investment is forecast at £9.1 billion in real terms. This includes responsive repairs, planned maintenance, major repairs, building safety and sustainability works. Overall, the plan places much greater emphasis on compliance, remediation and the quality of existing homes than on growth. We forecast reaching 100% on our cash interest cover golden rule in 2028/29, after which we expect to have greater capacity to invest into developing new social housing.

The preparation of the plan included extensive sensitivity testing and scenario analysis. We modelled 55 sensitivity tests and several major downside scenarios. While the plan is sensitive to a combination of rent restraint, higher repairs inflation, lower grant rates and wider macroeconomic shocks, we identified 20 mitigation options. These include increased asset sales, additional efficiencies, pausing or reducing development, deferring major repairs or remediation, reducing discretionary spend, tenure conversion, and stopping some net zero delivery activity.

Overall, we remain financially resilient and operationally strong, with a financial plan that supports our corporate strategy. It balances our charitable objectives and our ambition to deliver new social homes with our responsibility not to place social housing assets at undue risk.

Treasury policy

Our Treasury Management Policy Statement sets out the principles, policies, procedures and objectives of our treasury management activities. We review it annually to ensure we apply best practice. Significant treasury risks include ensuring the Group has sufficient liquidity to fund its operations and development pipeline, interest rate risks and ensuring that all loan covenants are met. Our liquidity policy requires us to have sufficient funds in place so as not to rely on sales.

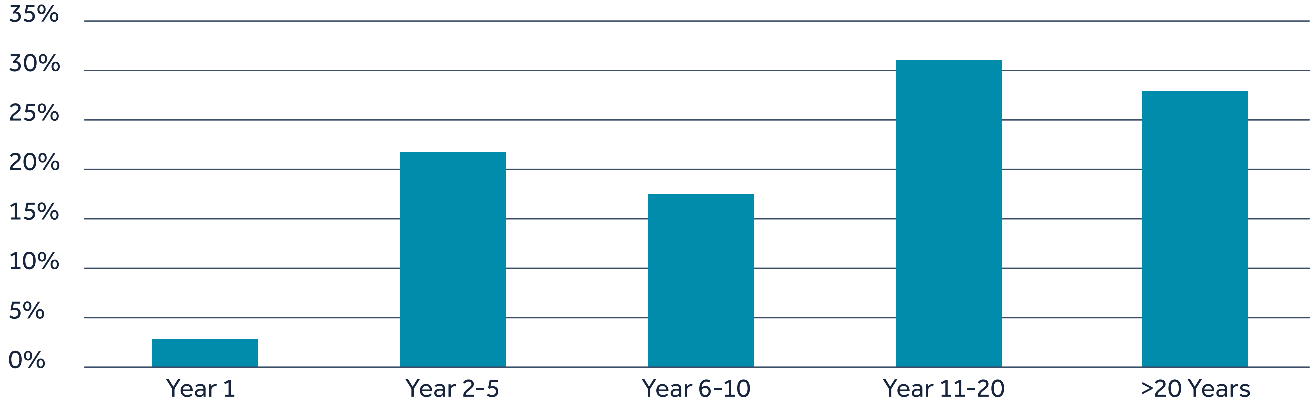
Oversight of our financial planning and treasury management activities is provided by Treasury Committee, ensuring robust governance, risk management, and alignment with our strategic objectives.

Facilities and funding

Committed facilities are fully secured against our social housing assets. These assets are independently valued to ensure we meet lenders' asset cover requirements. At 31 March 2026, 43,813 homes (2025: 42,947) were charged as security to lenders (including derivative counterparties). We also held 30,111 unencumbered properties valued at £3.6 billion (2025: 30,293 at £4 billion) of which 25,308 are chargeable (2025: 26,018).

At 31 March 2026 borrowings for the Group totalled £3.4 billion from available facilities of £4 billion. All undrawn facilities are revolving credit facilities and are fully secured and available to be drawn. We maintain diversification of drawings from funding sources with 40% coming from eight banks and 60% from capital markets, aggregators and Local Authority funding. The Group has limited near-term re-financing risk with 76% of current debt due for repayment in over five years.

Drawn debt repayment profile



The Group manages its exposure to fluctuations in interest rates with a view to achieving an acceptable level of certainty in net interest costs. We target the range of 70% to 100% of net debt to be on a fixed rate basis. Net debt is fixed either on an embedded basis, by drawing fixed-rate loans under the terms of our loan documentation, or through standalone interest rate swaps transacted under International Swaps and Derivatives Association (ISDA) agreements. At 31 March 2026 89% of net debt was fixed. The weighted average cost of debt was 4.18% (2025: 4.21%).

We manage our mark to market (MTM) exposure risk using thresholds built into our ISDA agreements below which margin calls do not arise and providing property security as collateral. At 31 March 2026, MTM fair value of interest rate swaps equalled £14.4 million (2025: £12.7 million). Thresholds and property security cover the full market exposure. Additional collateral would be required only if interest rates were to fall materially. In the tightest case collateral would be triggered following a 3.25% fall in rates.

Liquidity

We maintain sufficient liquidity to meet our liabilities and expenditure requirements. Our liquidity tests are as follows:

1. Cash of £30 million must be maintained across the Group, with flexibility to reduce to £25 million for up to five working days and for a further ten-consecutive days below this level with appropriate approval
2. A minimum of £400 million cash and undrawn committed loan facilities
3. The sum of cash and undrawn committed loan facilities to cover 18 months' cashflow requirements.

Cash and short-term balances are placed in money market funds, short-term bank deposits and in interest bearing accounts with our clearing bank.

At 31 March 2026, £102 million of debt falls due within one year. This is expected to be met through a combination of existing cash resources, operating cashflows and available committed facilities, and has been fully considered within our going concern and liquidity assessments.

Compliance with loan covenants

We report compliance with loan covenants quarterly to the Treasury Committee. The Group complied with all financial covenants for the year ended 31 March 2026 and the long-term financial plan indicates we will continue to do so for at least the next twelve months and into the future.

Going Concern

The Board has assessed our ability to continue as a going concern for a period of at least twelve months from the date of approval of these financial statements. This assessment included consideration of the approved budget for 2026/27, detailed cash flow forecasts, the long-term financial plan, available liquidity and compliance with lender covenants. At 31 March 2026, we had available liquidity of £576 million, comprising cash, short term investments and £539 million of undrawn committed facilities. We complied with all financial covenants during the year and continue to maintain substantial headroom against covenant requirements.

We considered a range of downside scenarios and sensitivities, including lower rent growth, higher repairs and maintenance expenditure, inflationary pressures, reduced grant funding and wider macroeconomic shocks. These scenarios were assessed alongside a range of mitigating actions available to management, including further efficiency measures, asset disposals, reductions in discretionary expenditure, rephasing of development activity and deferral of non-essential investment.

Having reviewed these forecasts, stress testing and mitigating actions, the Board has a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

Risk Management

Everything we do involves a certain amount of risk. We plan carefully, but there are always things that can go wrong or do not turn out as we would want them to. Risk management is the collection of actions we conduct to identify, understand and manage risks which jeopardise the achievement of our objectives. It's not about avoiding or eliminating risk. Rather, it's about understanding what the risks are, what can cause those risks to occur, their impact and likelihood, how we can manage or mitigate this and do so within the acceptable level of risk set by our Board (our 'Risk Appetite'). When we properly understand the risks we face, we can make informed decisions about appropriate actions and responses we should take.

Our goal is for risk management to be:

- **Proportionate** Ensuring the effort and resources dedicated to risk management are appropriate to the level of risk the organisation faces.
- **Aligned** An integral part of all organisational activities, and not a standalone activity performed in isolation. Risk management forms part of decision-making helping senior management to make informed choices, prioritise activities, and identify the most effective and efficient course of action.
- **Comprehensive** Our approach must be comprehensive to be fully effective. Our risk management initiatives should cover all aspects of the organisation and the risks it faces and be applied consistently across our business to facilitate comparisons and prioritisation.
- **Embedded in our culture** Part of a positive organisational culture in which roles and responsibilities are clear, people embrace their responsibilities, and in which everyone plays a part.
- **Dynamic and responsive to change** Respond swiftly to events, changes in the environmental context, and the results of monitoring and reviewing activities. Be based on the best available information – drawing on data, expert judgement, and stakeholder feedback to inform evidence-based decisions.
- **Structured and Systematic** Ensuring risk management follows a clear, consistent, and repeatable process such that risks are identified, assessed, and managed in a disciplined and effective way across the organisation.

We define strategic risks as 'threats' which if they occur could materially impact the ability to deliver our strategic objectives. Typically, these are affected by competition, sector changes, capital availability, political environment, legal and regulatory changes and reputation issues. These tend to be cross-functional in nature and theme. Strategic risks are owned by the Executive Team and Corporate Directors and are regularly reported to both Board and Audit and Risk Committee.

Operational Risks

Operational risks are significant in the context of our business. These are owned by Leadership Team (LT), who report into Executive Team, and reviewed at least quarterly. Structured in this way, we ensure risk ownership is clear and the whole operational business is risk assessed. Some 'Risk Registers' are also subject to review by Committees. Risks can be "escalated" from Operational Risk Registers to the Strategic Risk Register by approval of the Executive Team.

Risk Appetite

We recognise it may not be possible to deliver our strategic objectives unless the business takes risks. We've a responsibility to strike the right balance between a very passive approach (taking little or no risk) and a very active approach (taking too much risk). Our 'Risk Appetite' is an expression of how much risk we're prepared to take. Risk appetite is set by Board and is regularly reviewed by both Audit and Risk Committee, and Board. Risk appetite varies between different business areas, can change over time, and may be dependent on many different factors including financial headroom, level of regulation, political uncertainty, external perceptions and so on. We consider risk appetite for every strategic risk.

Risk and risk environment

We currently have 13 strategic risks reflecting those factors which pose the greatest potential exposure to the delivery of our strategic plan. By operating an objectives-led risk management process, we're able to identify those risks which put in jeopardy the achievement of our strategic objectives. Our risk scoring mechanism ensures consistency in assessing our risk profile but also facilitates the prioritisation of both risks and the development of corresponding mitigation strategies.

We are constantly monitoring our risk environment. Current focuses include changes in the macroeconomic environment, recruitment markets, cyber security, and our organisation wide transformation programme. Whilst Board delegates oversight responsibility of risk to the Audit and Risk Committee, Board remains ultimately responsible for risk management. Both forums provide review, oversight, and challenge of our risk approach and strategic risks. As our embedded risk management approach is objectives-led, the management and reflection of our strategic risks on the strategic risk register supports the achievement of our strategic objectives. The following pages outline current strategic risks aligned to the objectives in our 2026-30 strategic plan.

Risk Heat Map at 31 May 2026

We currently have 13 strategic risks reflecting those factors representing the greatest potential exposure to our business. These are categorised into short, medium, and long term. The following table details the impact and probability assessment carried out for each of our strategic risks.

LIKELIHOOD	Low (1)	Medium (2)	High (3)	Very high (4)
Very likely (4)				
Likely (3)		C, I, L	A,F,M	G
Unlikely (2)		E	D,J	B,H
Very unlikely (1)			K	

IMPACT

Risks

A. Structural and fire safety
B. Ineffective repairs service
C. EPC delivery
D. Data quality
E. Cyber security / business resilience
F. Development activity
G. Government policy
H. Financial health
I. People
J. Efficiency
K. Governance
L. Service charges
M. Transformation programme

Strategic risks at 31 May 2026

The Board reviews the Group's principal and emerging risks regularly. These are the risks that could have the greatest impact on delivery of our strategic objectives, financial strength, regulatory compliance, resident outcomes and reputation.

RELIABLE REPAIRS

RISK	TIME SPAN	SUMMARY OF ACTIVITIES UNDERTAKEN TO MONITOR AND MANAGE STRATEGIC RISKS
Provide housing environments that lack structural integrity or fire resilience which may endanger occupants and breach regulatory obligations (A) Risk appetite - Averse	Long	We manage building and fire safety through established governance arrangements, supported by Board approved building and fire safety policies and dedicated oversight through the Building Safety Programme Board. A structured programme of assessment and remediation is in place, including ongoing PAS 9980 assessments, supported by defined responsibilities, regular reporting and monitoring. The risk is influenced by evolving regulatory requirements, the scale and complexity of remediation activity, data quality and systems maturity, delivery capacity and cost recovery considerations. To address this, we continue to strengthen data, reporting and document management arrangements (including golden thread requirements), progress remediation programmes, and pursue funding and cost recovery opportunities where available, to ensure compliance and to protect residents in line with Board approved risk appetite.
Fail to effectively manage the repairs service (B) Risk appetite - Averse	Medium	This risk is managed through established governance, performance monitoring and resident engagement arrangements for the repairs service. Repairs performance is overseen through defined service metrics, Tenant Satisfaction Measures and regular reporting through management and governance forums. Complaints handling arrangements operate in line with the Housing Ombudsman Service Complaint Handling Code, with a focus on timely resolution, learning and service improvement. The risk is influenced by increased regulatory and Ombudsman scrutiny, inflationary pressures, supply chain capacity constraints and rising resident expectations across the sector. Resident scrutiny and engagement are embedded through established governance structures, supporting transparency and continuous improvement. These arrangements support regulatory compliance and the delivery of a safe, responsive repairs service in line with the Board approved risk appetite.

RELIABLE REPAIRS

RISK	TIME SPAN	SUMMARY OF ACTIVITIES UNDERTAKEN TO MONITOR AND MANAGE STRATEGIC RISKS
Failure to plan and deliver EPC C requirements (C) Risk appetite - Averse	Long	We manage this risk through a structured asset and sustainability framework, supported by governance oversight and long-term financial planning. A prioritised retrofit programme is in place to improve energy efficiency across existing homes, informed by EPC data and asset condition information, with active pursuit of external funding opportunities to support delivery. Energy efficiency and wider sustainability requirements are also considered within new build activity. The approach and risk appetite remain subject to further review as environmental and sustainability requirements continue to evolve and greater regulatory clarity emerges, which may affect delivery priorities and investment phasing.

PROFESSIONAL SERVICES

RISK	TIME SPAN	SUMMARY OF ACTIVITIES UNDERTAKEN TO MONITOR AND MANAGE STRATEGIC RISKS
Poor Data and Information Management (D) Risk appetite - Averse	Long	We have a structured approach to data and information management, underpinned by an embedded Data & Information Governance Framework. These arrangements provide assurance over the ownership and quality of key data and information, supported by automated data quality checks and regular exception reporting through established governance forums. Further improvements are being delivered through our Southern Data Core programme to build out data lake and move to "hub and spoke" model for data integrations between systems.
Failure to implement effective cyber security and/or business resilience to sufficiently protect Southern (E) Risk appetite - Averse	Long	Failure or disruption of IT systems would have a significant impact on service delivery to residents. We maintain a cyber security and business resilience framework supported by Board level oversight, a cyber security strategy, continuous monitoring through a 24/7 Security Operations Centre, regular assurance activities (including penetration testing and Cyber Essentials Plus accreditation), mandatory staff training, and supplier due diligence arrangements. Disaster recovery and business continuity plans are tested regularly, with supporting policies approved through established governance. The risk is influenced by an increasingly complex threat landscape, including rising cyber incidents across the UK and social housing sector and rapid advances in AI enabled vulnerability discovery and exploitation, which are narrowing patching and response timeframes. We continue to review and strengthen our cyber posture and resilience arrangements to ensure we stay within our ("averse") risk appetite even as the landscape changes around us.

EFFICIENT BUSINESS

RISK	TIME SPAN	SUMMARY OF ACTIVITIES UNDERTAKEN TO MONITOR AND MANAGE STRATEGIC RISKS
Development activity fails to deliver against the financial plan (F) Risk appetite - Cautious	Long	The risk is influenced by external factors including conditions in the contractor market, changes to building safety and high rise regulatory requirements, the cost of debt environment, and the level of investment required to maintain existing assets. Contractor financial resilience is assessed through a Development and Assets Committee approved financial assessment process. The potential financial impact of these factors is considered through the long-term financial plan, which is subject to regular review and stress testing. The Group continues to pursue grant funding and low interest loan opportunities to support investment. These arrangements support the management of the risk within the Board approved risk appetite, recognising constraints on new development activity in the near to medium term.
Business negatively impacted by changes to government policy (G) Risk appetite - Open	Long	The business actively engages with government and relevant stakeholders to understand influence and respond to changes in public policy. Senior management involvement in sector forums and boards supports early identification of potential policy developments. Where changes to government policy are identified as having the potential to impact the business, these are incorporated into the long-term financial plan and subject to stress testing to ensure the plan remains robust and resilient. We regularly assess our internal position against forthcoming legislative and regulatory requirements and take appropriate action where gaps are identified. We maintain a well established network of external relationships with MPs, local authorities, senior civil servants and sector bodies, and work closely with representative organisations including G15, CASE and the National Housing Federation to support insight, collaboration and policy engagement. These arrangements support informed decision making and ongoing oversight of risks arising from changes in government policy.

EFFICIENT BUSINESS

RISK	TIME SPAN	SUMMARY OF ACTIVITIES UNDERTAKEN TO MONITOR AND MANAGE STRATEGIC RISKS
Financial health is not fully protected in line with risk appetite (H) Risk appetite - Cautious	Long	We operate tight financial control through a well governed budget setting, in year forecasting and performance reporting framework, with regular oversight by the Executive Team, Board and Treasury Committee. Liquidity is maintained in line with the Board approved Treasury Management Policy, with financial and non-financial covenants are routinely monitored and reported. We manage our debt portfolio in line with our Treasury Strategy, which is informed by our long-term Financial Plan, balancing interest costs, interest rate volatility and refinancing risk. This is supported by lender engagement and external assurance, including our two credit ratings and audit activity. The level of risk is influenced by macro economic factors including sustained inflationary pressures, the prevailing interest rate and cost of debt environment, and wider market conditions. Micro level factors include the delivery of efficiency targets, the strength of financial controls and governance, exposure to fraud risk, and financial pressures arising from operating cost increases or income not rising as expected. These and other factors are assessed through long-term financial planning and regular stress testing, with delivery of the financial recovery plan and planned efficiencies monitored through established governance arrangements to maintain financial resilience in line with the Board's risk appetite.
Failure to attract, recruit, and retain people with key skills and experience to deliver strategic objectives, cultural expectations and effectively manage capacity and performance (I) Risk appetite - Moderate	Long	The Group manages people risk through delivery of the People Strategy and core controls covering pay, recruitment, onboarding, culture and capability. This includes a structured approach to pay and grading informed by benchmarking and governance oversight, and recruitment/onboarding arrangements designed to support attraction and effective resourcing. Colleague engagement, culture and performance are supported through established channels and processes, including communication and colleague voice mechanisms, inclusion activity and mandatory learning, and a framework for performance review and development planning. This risk is influenced by external labour market conditions and the operational impacts of ongoing change. The Group strengthens workforce resilience through improved workforce planning and people analytics, with progress and emerging trends monitored through regular reporting and oversight. Key metrics are tracked and reported through governance arrangements, and capability requirements (including Conduct and Competence readiness) are being progressed through role mapping and development pathways to support sustained capacity and performance.

EFFICIENT BUSINESS

RISK	TIME SPAN	SUMMARY OF ACTIVITIES UNDERTAKEN TO MONITOR AND MANAGE STRATEGIC RISKS
Ineffective governance and regulatory compliance and / or poorly controlled business (J) Risk appetite - Averse	Long	We update our financial plan and stress test annually. Our financial risks remain within Board approved risk appetite and organisation capacity. Financial parameters within the financial plan set a clear limit on risk, including the scale and tenure mix of the development programme, and inform decisions on the timing and nature of new development commitments. Insights from stress testing directly influence these decisions. Strong financial controls and frequent reporting provide oversight of treasury matters, including covenant compliance, mark to market exposure and liquidity. Our Governance Framework, Internal Control Framework and Risk & Assurance Framework establish clear and structured governance across the business. Following the post merger review of our corporate structure, actions continue to simplify the structure through the consolidation and dissolution of a number of subsidiary entities, strengthening governance clarity and regulatory oversight.
Failure to deliver efficiency targets (K) Risk appetite - Cautious	Long	Efficiency targets of £10m for the current year (2026/27) are reflected in the approved budget, delivery of which is subject to significant scrutiny and control. Over the medium-term further savings of £20m are expected through delivery of projects both within particular teams and cross-business. Progress is monitored through regular financial and performance reporting to Board, with oversight to identify variances and take corrective action where required. The risk is influenced by macro economic factors including sustained inflationary pressures and rising costs from new and renewed contracts, and further legislative and/or regulatory change. Our focus is on delivering sustainable transformation led efficiencies, ensuring financial performance remains aligned with the Board approved risk appetite while delivering improving services to residents.

EFFICIENT BUSINESS

RISK	TIME SPAN	SUMMARY OF ACTIVITIES UNDERTAKEN TO MONITOR AND MANAGE STRATEGIC RISKS
Failure to manage service charge disputes effectively (L) Risk appetite - Cautious	Medium	We have established governance, controls, and processes to support effective management of service charges, including clear policies, defined responsibilities and regular oversight through management and governance forums. Service charge estimates and reconciliation processes are in place to support accurate service charge accounting, supported by improved performance monitoring to identify variances, emerging disputes and recovery risks. The risk is influenced by factors including inflationary pressures, rising service delivery and contractor costs, changes to government policies and regulation, and the complexity of legacy systems and lease arrangements. We continue to strengthen its approach through targeted improvements including delivery through our transformation programme. Together with enhanced data quality and assurance, colleague training, and clearer communication with residents. These measures are intended to reduce disputes, improve transparency and support effective recovery, while ensuring compliance with legal and regulatory requirements and maintaining alignment with the Board approved risk appetite.

ALL

RISK	TIME SPAN	SUMMARY OF ACTIVITIES UNDERTAKEN TO MONITOR AND MANAGE STRATEGIC RISKS
Transformation programme fails to deliver strategic objectives (M) Risk appetite - Cautious	Medium	Transformation is a critical enabler of our strategic objectives and is managed through established governance and delivery arrangements, with clear accountability and regular oversight. Oversight arrangements enable timely scrutiny of delivery risks, including impacts on cost, timetable, service performance and benefits realisation.

The Board

The Board as at 29 July 2026 has twelve members; eleven are independent Non-Executive Directors (NEDs), of which four are our residents. Our Chief Executive also sits on the Board. The Board brings independent oversight on all strategic issues either directly or through Committees with delegated authority. The Board also reviews performance, resources and the control framework. The Board and Committees are appraised annually, both individually and collectively. This helps to ensure that we have ongoing effective governance.

The main responsibilities of our Board include:

- Setting our overall strategy and business plan
- Making sure our Executive Team is working effectively and has the resources it needs
- Ensuring any risks to the organisation are identified and controlled
- Monitoring our performance, service delivery and financial viability.

Trudi Ellott CBE

Chair of Southern Housing Board

Trudi joined us as Designate Chair in September 2025 and became Chair in January 2026, succeeding Sir Peter Dixon. She has over 35 years' experience across housing, planning, regulation and the built environment, including as Chief Executive of the Royal Town Planning Institute from 2011 to 2018. She has also held senior public sector leadership roles across local and regional government. Trudi has a BSc in Law and Economics, is a Chartered Town Planner, a Fellow of the Academy of Social Science, a former practising solicitor, and currently serves as Chair of The Planning Inspectorate.

Janet Collier

Senior Independent Director

Janet is a CIPFA-qualified accountant with over 30 years' public sector experience across housing and corporate finance. She has held senior finance roles in local government, including Deputy Chief Executive and Director of Finance at CityWest Homes, and has also worked as a consultant specialising in social housing finance and value for money. An experienced non-executive, Janet has served as a board member and Audit Committee Chair in the housing sector. She is the Senior Independent Director on our Board, working closely with the Chair, Board members, Committee Chairs, Chief Executive and Company Secretary.

Paul Hackett CBE

Chief Executive of Southern Housing

Paul is an Honorary Professor at the UCL Bartlett School of Sustainable Construction and a member of the Independent Advisory Board and a Fellow of Royal Institution of Chartered Surveyors, the Chartered Institute of Building, the Chartered Institute of Housing and an Academician of the Academy of Urbanism. Paul has worked in the housing association sector since 1989.

Daisy Armstrong

Daisy has lived experience of social housing and is a qualified teacher specialising in IT and design technology. She brings 17 years of school governance experience, including eight as Chair of Governors. She is a resident board member and supports resident and disabled voices through a range of governance roles. She also chairs the G15 Residents' Group, helping to influence housing policy and champion the voice of social housing residents.

Alex Ashby

Chair of Treasury Committee

Alex is Group Treasurer at WPP Plc, where he leads global treasury strategy, funding and financial risk management. He is a Fellow of the Association of Corporate Treasurers and the Association of Chartered Certified Accountants and previously held senior treasury roles at Tesco. Alex is also Vice Chair and Honorary Treasurer of Wikimedia UK, Trustee and Treasurer of Young Lives vs Cancer, and an adviser to the Accounting for Sustainability Expert Panel.

Phil Blume

Phil is a resident board member. He has been the administrator and fundraiser for a charity that operates in the cultural heritage sector for many years. He works with volunteers to develop a historic building as a heritage centre and museum and organises projects to conserve collections, gather and disseminate historical records and present events and exhibitions. He also collaborates with university researchers to explore ways of telling stories using immersive technologies.

Geanna Bray

Chair of Remuneration and Nomination Committee

Geanna has over 20 years' experience working in the social housing sector in executive and senior management roles. She has a post graduate diploma in housing from the London School of Economics. She is the Board member responsible for complaints.

Billy Brown

Chair of Resident Experience Committee

Billy has been a Southern Housing resident for 13 years and became an involved resident in 2020. He chairs the Resident Experience Committee and serves on the Board of TPAS, England's leading tenant engagement organisation. He has worked with the Regulator of Social Housing on Tenant Satisfaction Measures and regularly speaks on behalf of residents across the sector. Billy is also a member of the Chartered Institute of Logistics and Transport and has volunteered as a public speaker for Young Lives vs Cancer.

Robert Clark

Chair of Development Committee

Robert has been a member of the Royal Institution of Chartered Surveyors since 1974 and retired as CEO of Durkan Ltd in 2016. He held senior leadership responsibility for construction projects, business planning and HR, and has board and committee experience across housing, construction and training. He currently serves on the BPHA Board and chairs its Development & Assets Committee.

Mark Everard

Chair of Asset Management Committee

Mark has held senior roles at Managing Director, Director, Executive Director and Board level across the housing, repairs and consultancy sectors. He retired from full-time work in 2024 after almost 40 years in housing. He was owner and Managing Director of his own repairs and maintenance business for 20 years, later becoming a Director for a national plc, before holding senior roles at AECOM and Capita and spending seven years as Executive Director of Property at Metropolitan Thames Valley Housing. He is also a Trustee of World Child Cancer.

Damien Régent

Chair of Audit and Risk Committee

Damien is a financial analyst by background with significant expertise in credit markets and financial institutions. He is an experienced Non-Executive Director and holds board-level roles across sectors including charities, healthcare and social housing. In social housing, he is Vice-Chair at Amplius and a non-executive Director at Anchor Hanover Group ('Anchor').

Ian Wilson

Ian is a resident board member and Partner at Knight Frank Investment Management. He has over 25 years' experience in the real estate sector and has been a member of the Royal Institution of Chartered Surveyors since 2000. Previously, he worked at CBRE Investment Management, where he launched the CBRE UK Affordable Housing Fund in 2018. His background includes fund management, asset management, development, and residential and commercial valuation.

Committees

The following are the principal Committees supporting our Board. All Committees are chaired by a Board member.

Audit and Risk Committee

The Audit and Risk Committee (ARC) has four members; two are Board members and two are independent committee members. The Committee meets regularly with senior managers and external and internal auditors to scrutinise audit findings and the effectiveness of the internal control framework. The Committee reviews our risk management framework biennially, recommends this to Board for approval and makes any recommendations on risk management issues affecting the group or subsidiary companies. The Committee reviews the financial statements, including the applicability of policies and areas of judgement. It receives control reports and recommendations arising from internal and external audits and also considers any matters relating to fraud, whistleblowing, bribery and money laundering. The Committee meets privately with the internal and external auditors at least once a year.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee has four Board members. The Committee's role is to oversee fair, transparent and responsible remuneration practices that align with the organisation's mission and values. It is also responsible for leading the process for Board and Executive appointments, succession planning and performance evaluation.

Development Committee

This Committee has four members, three are Board members and one is an independent member. This Committee supports delivery of our development programme and development strategy. The Committee recommends the development strategy to the Board, monitors delivery programmes and advises the Board on development issues and new initiatives.

Asset Management Committee

The Committee comprises four Board members, including two resident Board members, and provides holistic oversight of the efficient and effective management of the organisation's homes and its repairs service. It oversees delivery of asset related strategies, plans and programmes and seeks to ensure value for money in the procurement and management of the assets related supply chain and delivery models.

Treasury Committee

The Treasury Committee has four members, two are Board members and two are independent members. The Committee's role is to oversee treasury related activity and recommend the treasury strategy, policy and plans to the Board.

Resident Experience Committee

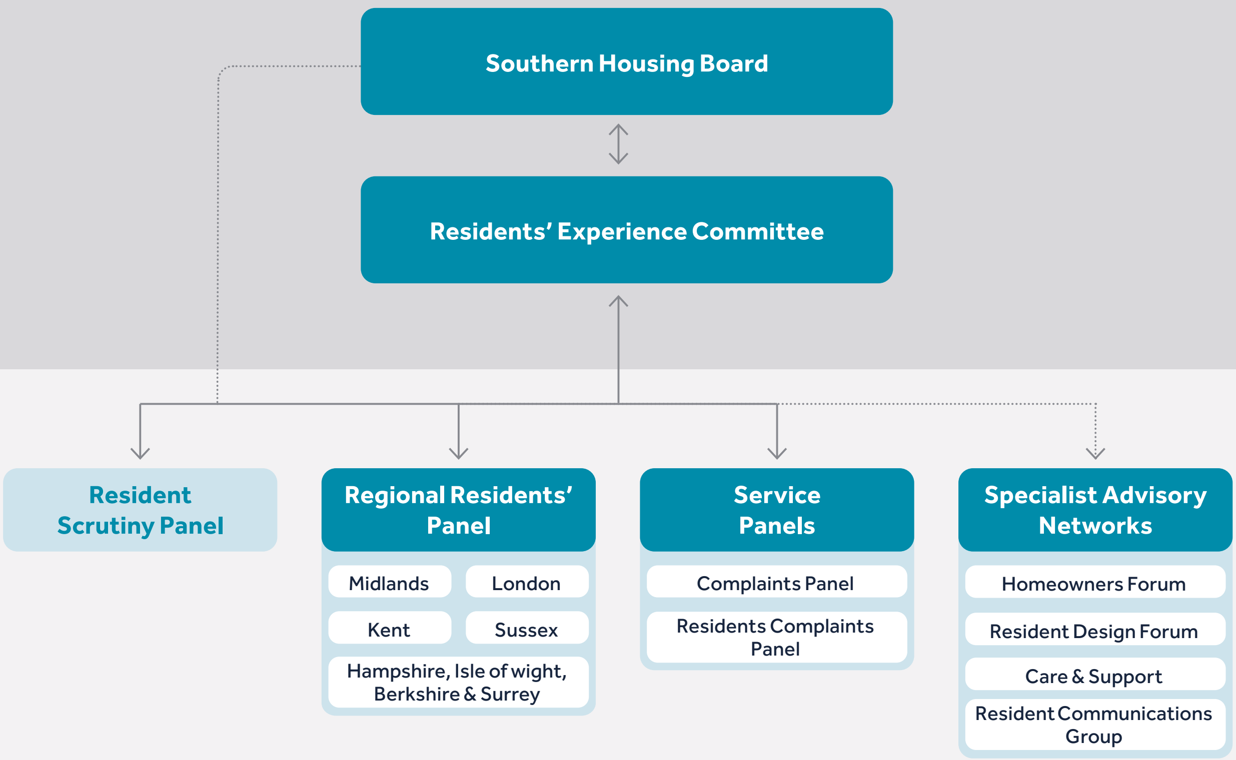
The Committee provides strategic oversight of activities relating to the resident experience in all business areas including housing management, specialist housing portfolio, financial inclusion, resident involvement, community development, repairs and estate services. The Committee has six members, three are Board members (one resident) and three are independent resident members.

Residents

We know the importance of living in a safe and secure environment and how this enables people to flourish. This can be achieved by colleagues and residents working together in partnership. We worked with residents to decide what our resident involvement would look like.

Our resident governance structure is designed to strengthen resident voices and increase accountability. It's made up of several groups, with more than 100 members, and covers a wide range of topics - from picking contractors to our policies and day-to-day services.

Southern Housing Resident Governance Structure



The residents across our governance structure work with senior colleagues to identify what's working well and where we can make improvements. They have the opportunity to influence decisions that affect them, their home, and their local community. The resident governance structure was designed by residents and links directly into our Board. It ensures residents' voices are heard at every level of our organisation.

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FOUR COURTS, HASTINGS REGENERATION

Four Courts is a long-term regeneration project to replace ageing homes with safer, better quality homes and improved public spaces. Our vision is to create a neighbourhood that works better for existing and future residents, with modern homes, improved energy performance and a layout that supports a stronger sense of place.

The regeneration is intended to address the condition of the existing buildings and improve residents' living environment over the long term. It is also an opportunity to rethink how the neighbourhood works, creating homes and spaces that are better suited to current and future needs. This includes the potential to improve the quality of homes, the public realm and the overall experience of living in the neighbourhood.

This is not simply about replacing buildings. It is about investing in a place and creating a neighbourhood that feels safer, greener and more connected. We want the regeneration to support better quality living for residents, with homes that are more energy efficient and public spaces that are more attractive, accessible and usable.

A key part of our approach is working closely with residents as plans develop. Regeneration on this scale takes time, and it is important that residents understand what is proposed, why change is needed and how they will be supported throughout the process. We are committed to ensuring that local insight helps shape the plans and that the needs of existing residents remain central to decision making.

Four Courts reflects our broader approach to investing in existing neighbourhoods. Alongside improving housing quality and energy performance, regeneration gives us the opportunity to make better use of the site over time and to create a place that can support residents and the wider community for years to come.

The emerging design approach aims to "weave" the estate back into the surrounding neighbourhood by creating new, traditional streets and lower rise built form, with active frontages, doors onto the street, and clear distinctions between public and private space to support safety, stewardship and long-term community cohesion.


Before


After
COMMUNITY
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The Executive Team

The Board delegates day to day management to the Executive Team (ET). ET are supported by the Leadership Team (LT) in developing and co-ordinating our culture and values.

Paul Hackett

Chief Executive

Paul also sits on the Board (page 47).

Tom Paul

Chief Financial Officer

Tom was appointed the Chief Financial Officer from June 2025, previously on our Executive Team as Executive Director of Strategy & Change. Tom's professional background is in corporate finance and he has worked for predecessor organisations since 2012. He is member of the Chartered Institute of Securities and Investments, the Finance & Treasury Committee at Amplius and the Housing Committee of the Church of England Pensions Board. At Southern Housing Tom is responsible for finance, technology, data, transformation, internal audit, and risk management.

Troy Francis

Executive Director of Operations

Troy is an experienced leader having worked for over 24 years in the housing sector, including more than 21 years at a senior level. He has held key leadership roles in our legacy organisations and prior to that at two London boroughs, Hounslow and Brent where he was instrumental in delivering significant business change programmes. Troy was previously our Corporate Director of Operations.

Karin Stockerl

Executive Director of Asset Management and Sustainability

Karin has over 20 years' experience working in property management and construction with roles in academia, private and public sector as well as housing associations. She's responsible for devising and implementing our asset management and environmental sustainability strategies and the implementation of our Building Safety Transformation Programme. Karin is also a Board member and chair of the Customer Experience Committee at Golding Homes.

Richard White

Executive Director of Development

Richard has extensive experience in partnerships, land led development and delivering high-quality design and place making. With over 32 years of experience in residential development, Richard started his housing career in local government. He then progressed into senior land planning and technical roles with FTSE 100 Housebuilders. He moved to the housing association sector in January 2017 and now chairs the G15 development group.

Sarah Smith, Chief Financial Officer, Wam Dawson, Executive Director of People and Culture, and Yvette Carter, Executive Director of Contract Services, served as Executive Directors during the year and left the organisation during the period.

Compliance

Health, safety and welfare of employees at work

We have an effective Health and Safety Management System, underpinned by our Health and Safety Policy statement. The Policy contains a comprehensive organisational structure and framework, sets out responsibilities of managers and staff, and summarises the arrangements for putting the Policy into practice. The Executive Director of Operations is our 'Health and Safety Champion' and executive lead, chairing our Health and Safety Group (HSG), and reporting to the Board on performance twice per year. He has overall accountability and responsibility for ensuring we meet the requirements of the Health & Safety at Work Act 1974 and other relevant health & safety legislation.

Our Director of Health and Safety is a Chartered Safety and Health Practitioner and is responsible for the strategic management and implementation of the Health and Safety Management System, supported by a competent in-house Health and Safety Team. We carry out regular inspections of health and safety standards across our portfolio and closely monitor performance relating to key compliance areas which is scrutinised at Resident Services Performance Group, HSG and Board meetings.

Our Health & Safety Policy Statement is available on our website. We are committed to following best practice in discharging our legal duties.

Environmental policy

We are committed to reducing the environmental impact of our homes and operations over time, while supporting residents to live in safe, warm and more energy efficient homes. Our approach focuses on practical action, including improving the energy performance of existing homes where affordable, practical and cost effective, reducing emissions, using resources responsibly and strengthening climate resilience. This work is supported by our Strategic Plan, Sustainability Strategy and wider investment in homes and neighbourhoods.

Compliance with Governance and Financial Viability Standard

The Regulator of Social Housing's (RSH) Governance and Financial Viability Standard (the Standard) provides a framework to enable us to assess our compliance with the Standard. The overall required outcomes of the Standard are:

- To ensure we have effective governance arrangements in place that deliver the aims, objectives and intended outcomes for our residents and potential residents in an effective, transparent and accountable manner
- To manage our resources effectively to ensure we maintain our viability, ensuring that social housing assets are not put at undue risk.

The Standard requires registered providers to assess their compliance with the Standard at least annually and Boards are required to report their compliance with the Standard within their annual accounts. Boards need to determine where they are obtaining their assurance to demonstrate to the RSH:

- A clear understanding of asset values, related security and potential losses. Boards need to know exactly what information will be required in the event of distress. They should ensure an up to date and accurate record of assets and liabilities is maintained, particularly those liabilities that may have recourse to social housing assets
- Evidence of application of the principles
- The assurance they receive on the quality of records.

Consumer Standards for social housing providers are designed to ensure housing providers provide a safe, secure and well-maintained home and meet various requirements relating to neighbourhoods, the services residents receive and the influence they have over them.

The Audit and Risk Committee reviewed the annual assurance report from the CEO on 16 July 2026. Compliance with the Regulator's Governance and Financial Viability Standard was reviewed by the Board on 29 July 2026 which covers compliance from 1 April 2025 until signing of the financial statements on 29 July 2026.

For 2025/26 we report compliance with all the economic and consumer regulatory standards and the Data Protection Act 2018. There are areas of partial compliance with some requirements of the consumer standards. Where this is the case, plans are in place to strengthen compliance. The Board adopted the National Housing Federation Code of Governance 2020 from Southern Housing's inception on 22 December 2022. Southern Housing fully complies with this Code.

Assessment of the effectiveness of internal controls

The Board is responsible for internal control and for reviewing its effectiveness. Board delegates the ongoing review of controls to the Audit and Risk Committee and receives annual reports from the Chief Executive and the Audit and Risk Committee. Day to day management of the business is the responsibility of the Executive Team.

In order to fulfil their responsibilities, the Executive Team has established an assurance framework supported by clear delegated authorities and operating procedures. We use our documented assurance framework to demonstrate to Board and Audit and Risk Committee a transparent process of reporting on the annual internal controls. The internal audit department provides an independent opinion on the robustness and effectiveness of the internal controls across the organisation. The team achieves this through a programme of reviews which are approved by and reported to the Audit and Risk Committee. The organisation also uses the services of independent third-party auditors to review controls and processes where the nature of the review requires expertise not available in-house. These systems have operated throughout the financial year and up to the date of signing these accounts.

Scope of assurance

The Board understands our internal controls system is designed to manage rather than eliminate all risks. Our procedures can only provide Board with reasonable rather than absolute assurance against material misstatement, errors, losses or fraud.

The Board's review of effectiveness

The Board recognises that the business continues to operate in a period of heightened risk while work is underway to transform key services and processes. The external regulatory and economic environment also continues to be challenging. Both the internal and external factors require strong systems of control and oversight to monitor and manage the risk environment.

The Board considered the Chief Executive's report on Internal Controls and the Annual Report from Audit and Risk Committee for the year to 31 March 2026 and up to the date of signing these accounts. The Board monitored and considered outcomes arising as a consequence of the risk management process. They also saw reports from officers on the associated integration and transformation work and control environment. The Board confirms the risk management process was in place in the year under review, up to the date of the annual report, and is regularly reviewed.

The Board confirms we had no breakdown in internal control resulting in material losses, contingencies or uncertainties which would require disclosure in the financial statements during the year.

The Board and Executive Officers

The Board, Executive and Leadership Officers of the subsidiaries are shown in those entities' financial statements. Each of our Non-Executive Board members holds one fully paid £1 share in Southern Housing. The Executive Officers hold no interest in our share capital. They do not have the legal status of directors (apart from the Chief Executive), but act as executives within the authority delegated by the Board. We have directors' and officers' liability insurance for the Board, Executive Officers and staff.

Statement of the Board's responsibilities

The Board members are responsible for preparing the report of the Board and the financial statements in accordance with applicable law and regulations.

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;

- State whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and association will continue in business.

Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. They are also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Housing providers 2018.

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

Anti-slavery statement

We confirm, so far as we are aware, we had no acts of modern-day slavery within our organisation during 2025/26. We recognise we need to be vigilant and committed to driving out potential acts of modern-day slavery from our supply chains. We've responsibility under the Modern Slavery Act 2015 to ensure transparency in the provision of all our goods and services. As part of our due diligence processes to prevent slavery and human trafficking, our:

- Supplier set-up process requires suppliers to outline the controls they have in place. Imported products from sources outside the UK and EU are potentially more at risk of slavery/human trafficking issues
- People team ensure we operate robust and inclusive selection, recruitment and induction processes which include a range of checks which would highlight any potential concerns
- Account Managers and Contracts Managers continually monitor the level of management control required
- Modern Slavery Statement is reviewed annually at People Committee and recommended for approval by the Board.

We've briefed our colleagues and contractors on how to recognise the signs and symptoms of modern-day slavery as part of our work around Safeguarding. Our full statement is available on our website.

Corporate criminal offence

Board are committed to preventing financial crimes, including the corporate criminal offence (CCO) of tax evasion. We take a zero-tolerance approach to any activities which facilitate tax evasion. Board are committed to ensuring good working standards and compliance with relevant laws. We've put in place reasonable preventive procedures informed by the 6 guiding principles set out below and approved by Audit and Risk Committee.

- Risk assessment
- Proportionality of risk-based prevention procedures
- Top level commitment
- Due diligence
- Communication (including training)
- Monitoring and review.

We consider our procedures to prevent facilitation of tax evasion are proportionate to the risks we face. We keep the procedures under review. We expect all associated persons to adhere to the CCO provisions.

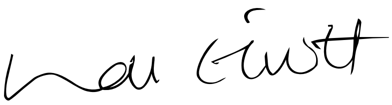
Audit

Each Board member has confirmed in fulfilling their duties as a Director, they have taken the steps they ought to have taken to make themselves aware of any information relevant to the audit and the auditors are aware of that information. So far as they are aware, there is no relevant audit information which they haven't made the auditors aware of.

A resolution to re-appoint BDO LLP as the auditors will be proposed at our Board meeting on 23 September 2026.

Approval

This Report of the Board and Strategic Report were approved by order of our Board on 29 July 2026



Trudi Elliott
Chair of Southern Housing Board

29 July 2026

Puneet Rajput
Southern Housing Company Secretary

29 July 2026

Independent Auditor's Report to the Members of Southern Housing

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group and of the Association's affairs as at 31 March 2026 and of the Group and the Association's deficit and the Group's cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We have audited the financial statements of Southern Housing ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2026 which comprise of the following:

- Group and Association statement of comprehensive income
- Group and Association statement of financial position (balance sheet)
- Group and Association statement of changes in reserves
- Consolidated statement of cash flows
- Notes 1 - 32 to the financial statements including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Association and we remain independent of the Group and the Association in conducting our audit.

Services, in addition to the audit, which were provided by us to the Group and the Association that have not been disclosed in the financial statements or elsewhere in the annual report relate to service charge agreed upon procedures as well as services relating to the EMTN bond programme.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board's assessment of the Group and the Association's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern.
- We assessed the internal forecasting process to confirm the forecasts are prepared by appropriate personnel that are aware of the detailed figures in the forecast and also have a high level understanding of the entity's market, strategy and profile in the customer base, and the potential impact that current economic pressures might have on these forecasts.
- We challenged the key assumptions used by management in the preparation of their forecasts based on our knowledge of the business and the general economic environment.
- We tested the mechanical accuracy of the forecasts, assessing historical forecasting accuracy and understanding management's consideration of downside sensitivity analysis.
- We assessed scenarios modelled by management which included a range of stress tests to analyse the impact of risks from the emerging change in inflation, high interest rates and possible lower rent settlements from the Government. We challenged the assumptions used and available mitigating actions included within these scenarios and reviewed the stress test calculations.
- We challenged management on the suitability of any mitigating actions identified by management in their assessment and the quantum and period ascribed to these mitigating actions.
- We obtained and assessed the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to March 2028 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements. We assessed the facility and covenant headroom calculations and re-performed sensitivities on management's base case and stressed case scenarios.
- We considered the development plan over the going concern period and specifically the availability of funding for contracted commitments within the plan.
- We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenarios.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and the Association's ability to continue as a going concern.

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

Overview		2026	2025
KEY AUDIT MATTERS	The recoverable amount of property developed for sale is materially misstated	✓	✓
	Impairment of social housing rental property assets under construction	✓	✓
MATERIALITY	Group financial statements as a whole £126 million (2025: £91 million) based on 1.8% (2025: 1.3%) of total assets		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, the applicable financial reporting framework and the Group's system of internal control. We identified and assessed the risks of material misstatement of the Group financial statements including with respect to the consolidation process. We then applied professional judgement to focus our audit procedures on the areas that posed the greatest risks to the group financial statements. We continually assessed risks throughout our audit, revising the risks where necessary, with the aim of reducing the group risk of material misstatement to an acceptable level, in order to provide a basis for our opinion.

Components in scope

The group is highly centralised with 13 components all based in the UK, in the same location, and all subject to group management oversight. The group structure is designed to support the overall social purpose of the group, with a combination of charitable and commercial entities. Components generally have the same accounting function and group management and therefore are subject to a common control environment. For our scoping assessment, we identified components as legal entities, aligned with statutory audit requirements in the UK.

To determine components in scope, we performed risk assessment procedures to identify areas in the Group's financial statements that may be at risk of material misstatement. We used both qualitative and quantitative factors to perform this assessment including evaluating the size, complexity, and nature of each entity's activities, reviewing significant transactions or estimates and any changes in the business environment.

We identified the specific areas that could lead to a material misstatement at Group level. As part of our Group audit, we assessed each component against the risks of material misstatement identified.

For components in scope, we used a combination of risk assessment procedures and further audit procedures to obtain sufficient appropriate evidence. These further audit procedures included:

- procedures on the entire financial information of the component, including performing substantive procedures and tests of operating effectiveness of controls
- procedures on one or more classes of transactions, account balances or disclosures
- specific audit procedures

Procedures performed at the component level

We performed procedures to respond to group risks of material misstatement at the component level that included the following.

For the purpose of our group audit, the group consisted of 13 components in total. These were comprised of 13 legal entities.

Procedures were performed on the entire financial information of Southern Housing, Southern Home Ownership Limited, Southern Housing Finance Plc and Lamborn Estates.

The remainder of the components were not identified as contributing to identified Group risks of material misstatement and the financial information of these components were principally subject to risk assessment procedures, including performed by the Group audit team.

The Group engagement team has performed all procedures directly, and has not involved component auditors in the Group audit.

Procedures performed centrally

We considered there to be a high degree of centralisation of financial reporting and commonality of controls and similarity of the group's activities in relation to going concern, building safety provision assessment, stock valuation and housing property impairment. We therefore designed and performed procedures centrally in these areas.

The group operates a centralised IT function that supports IT processes for certain components. This IT function is subject to specified risk-focused audit procedures, predominantly the testing of the relevant IT general controls and IT application controls.

Changes from the prior year

There are no significant changes in group audit scope from the prior year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

The recoverable amount of property developed for sale is materially misstated

As explained in the note 17 accounting policies, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £107.4m.

For completed properties at the balance sheet date an assessment is needed of the anticipated selling price and costs to sell.

For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete and sell.

This area also represents a key area of estimation uncertainty for management, as described in note 2.

Due to the volume of property developed for sale and the inherent estimation uncertainty in determining both sales proceeds and costs to complete we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.

HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We obtained management's assessment of the recoverable amount of properties developed for sale as part of their year end procedures.

For a sample of properties developed for sale, we have performed a combination of the following:

1. FOR SALES PRICE

- compared expected selling prices to sales prices achieved after the year end, evidence of sales reservations, sales prices achieved for similar units in the year, valuation of properties for marketing purposes and other selling prices of similar properties in the locality.
- performed a retrospective review comparing estimated selling prices at 31 March 2025 with the prices achieved in the year for units sold in the year; and
- where third party valuation is used, for a sample of properties, checked expert estimates against publicly available selling prices for comparable properties.
- Performed a sensitivity of selling prices based on publicly available data.

2. FOR COSTS TO COMPLETE

- obtained the works contract and confirmed the nature of the contract as fixed or variable.
- obtained the latest contract valuation to identify agreed contract variations.
- obtained details of the expected costs to complete from the latest forecast outturn and agreed the forecast total contracted cost of the development to the latest contract documentation.
- reviewed invoices and valuation certificates recorded after the year end in order to assess completeness of expenditure and forecast costs to complete.
- Performed a sensitivity analysis to stress test the impairment assessment and understand the impact of reasonably possible changes to this estimate.
- assessed the accuracy of cost forecasting by looking at outturn costs compared with latest forecast at the end of the prior year on schemes that completed in the year.
- for development schemes in progress, we attended the year-end Impairment Working Group (IWG) meeting and reviewed minutes of other IWG meetings throughout the year. Where the IWG minutes, or other audit procedures performed indicated potential issues, we discussed those issues with the Head of Commercial and/or individual Project Managers (corroborating as required).

3. FOR COSTS TO SELL

- where material, considered computations of selling costs and compared against known selling costs that have been incurred in the year.

KEY OBSERVATIONS

Based on the evidence obtained we did not identify any indications that the assessments of the recoverable amount made by management were inappropriate.

KEY AUDIT MATTER

Impairment of social housing rental property assets under construction

As described in note 13, the Association annually assess housing properties for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount.

Assets are required to be reviewed for indicators of impairment annually. If such indicators exist, an impairment assessment and estimate of the recoverable amount must be performed.

This area also represents a key area of estimation uncertainty for management, as described in note 2.

Due to the inherent estimation uncertainty in determining the recoverable amount, we considered there to be a significant risk and therefore a key audit matter.

HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Having obtained management's assessment of indicators of impairment, and subsequent impairment review calculations where indicators of impairment were identified, we have:

- considered whether management had included all asset groups (including all tenure types) in their assessment of indicators of impairment.
  - for schemes where an indicator was identified, reviewed management's calculations of the recoverable amount of the scheme and corroborated assumptions that were used to support these calculations this includes performing a sensitivity analysis to stress test the impairment assessment and understand the impact of reasonably possible changes to this estimate
- considered the completeness of the schemes that were identified using our knowledge obtained through other procedures performed in our audit
- reviewed management's historical forecast accuracy in terms of costs to complete
- where a management expert valuation was used to support managements assessment we confirmed the competence of any expert used by management and assessed their valuation methodology and assumptions used in the valuation.
- reviewed the appropriateness and completeness of the disclosures in the financial statements and accompanying narrative reports.

KEY OBSERVATIONS

Based on our procedures we noted no exceptions.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	GROUP FINANCIAL STATEMENTS		ASSOCIATION FINANCIAL STATEMENTS	
	2026	2025	2026	2025
FINANCIAL STATEMENT MATERIALITY				
Materiality	£126.7m	£90.6m	£125.3m	£86.1m
Basis for determining materiality	1.8% of total assets	1.3% of total assets	1.8% of total assets	1.2% of total assets
Performance materiality	£95.0m	£63.4m	£94.0m	£60.2m
Basis for determining performance materiality	75% of materiality	70% of materiality	75% of materiality	70% of materiality
SPECIFIC MATERIALITY				
Specific materiality	£13.0m	£12.1m	£12.1m	£11.5m
Basis for determining specific materiality	1.8% of revenue	1.8% of revenue	1.8% of revenue	1.8% of revenue
Specific performance materiality	£9.7m	£8.5m	£9.1m	£8.0m
Basis for determining specific performance materiality	75% of materiality	70% of materiality	75% of materiality	70% of materiality

Rationale for the benchmarks applied

A housing association's key stakeholders are primarily focused on the value of the stable, rented asset portfolio, as their debt is secured on these assets. Total assets is therefore considered to be the appropriate benchmark for determining overall materiality. However, we also determined that for other classes of transactions and balances in income and expenditure recognised within the statement of comprehensive income that are used in covenant calculations and sector benchmarking metrics, as well as other financial statement areas such as property for sale stock and rent arrears that are subject to greater scrutiny by key stakeholders, a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of the users of the financial statements. As a result, we applied a specific materiality calculated using Revenue as the benchmark to these balances and transactions.

We have determined that 75% of materiality is an appropriate basis for performance materiality based on our previous experience of the audit and factors such as the low levels of misstatements previously identified partially offset by some areas of the financial statements subject to significant estimation uncertainty.

Component performance materiality

For the purposes of our Group audit opinion, we set performance materiality for each component of the Group, apart from the Association whose materiality and performance materiality are set out above, based on a percentage of between 0.1% and 12% (2025: 0.1% and 18%) of Group performance materiality dependent on a number of factors including size and our assessment of the risk of material misstatement of those components. Component performance materiality ranged from £9,750 to £11.0m (2025: £720 to £11.2m).

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £3.8m (2025: 1.8m) in relation to financial statement materiality and £388k in relation to specific materiality (2025: £241k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Board are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the 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 the Board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Association and management.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management, those charged with governance and the Audit and Risk Committee; and
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations.

we considered the significant laws and regulations to be Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, employment law, the Regulator of Social Housing's Regulatory Standards, fire safety legislation and data protection legislation.

Our procedures in respect of the above included:

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

Fraud

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

- Enquiry with management and those charged with governance and the Audit and Risk Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override through accounting estimates in relation to net realisable value of properties developed for sale and recoverable amount when assessing impairment and inappropriate journal entries.

Our procedures in respect of the above included:

- Testing all journal entries that met defined risk criteria, as well as a random sample from the non-risky population, by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias, in particular in relation to the net realisable value of properties developed for sale (see Key Audit Matter 1) and impairment of properties (see Key Audit Matter 2).

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**.
This description forms part of our auditor's report.

Other matters which we are required to address

On 16 December 2022, Optivo and Southern Housing Group amalgamated to become Southern Housing. We were first appointed as auditors to Optivo for the year ended 31 March 2014 and for Southern Housing Group for the year ended 31 March 2022. In considering our independence we use the Optivo appointment date.

Following a tender process for the 31 March 2024 financial audit, we were the recommendation of the Audit and Risk Committee, and we were re-appointed by the Board on 7 November 2023 to audit the financial statements for the year ending 31 March 2024 and subsequent financial periods. Following a tender process for the 31 March 2027 financial audit, we were the recommendation of the Audit and Risk Committee and a resolution to re-appoint us will be proposed at the Board meeting on 23 September 2026.

Our total period of uninterrupted engagement including retenders and reappointments is 13 years, covering the years ending 2014 to 2026.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.15R - 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

DocuSigned by:

BDO LLP

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BDO LLP

Statutory Auditor

London, UK

31 July 2026

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

Statement of Comprehensive Income for the year ended 31 March 2026

		GROUP				ASSOCIATION			
	NOTES	2026 £m	* Building Safety 2026 £m	Total 2026 £m	2025 £m	2026 £m	* Building Safety 2026 £m	Total 2026 £m	2025 £m
TURNOVER	3a	705.4	14.0	719.4	673.7	658.6	14.0	672.6	640.8
Cost of sales	3a	(71.1)	-	(71.1)	(60.6)	(31.9)	-	(31.9)	(30.7)
Operating expenditure	3a	(499.8)	(68.1)	(567.9)	(535.9)	(495.7)	(68.1)*	(563.8)	(539.7)
Surplus on disposal of housing properties	3a	53.5	-	53.5	46.0	52.2	-	52.2	44.0
Operating surplus	**5**	**188.0**	**(54.1)**	**133.9**	**123.2**	**183.2**	**(54.1)**	**129.1**	**114.4**
Deficit on disposal of other fixed assets	9	(3.9)	-	(3.9)	(1.1)	(3.9)	-	(3.9)	(1.1)
(Deficit) / surplus on disposal of commercial properties	9	(2.4)	-	(2.4)	1.9	(2.4)	-	(2.4)	1.9
Interest receivable	10	2.4	-	2.4	4.9	23.0	-	23.0	35.6
Interest and financing costs	11	(113.9)	-	(113.9)	(119.0)	(131.1)	-	(131.1)	(128.7)
Surplus before fair value movements		**70.2**	**(54.1)**	**16.1**	**9.9**	**68.8**	**(54.1)**	**14.7**	**22.1**
Movement in fair value of financial instruments	11	1.8	-	1.8	(0.1)	1.7	-	1.7	(0.1)
Movement in fair value of investment properties	15	(25.2)	-	(25.2)	(6.4)	(17.2)	-	(17.2)	(4.8)
Movement in fair value of investments	16	(0.4)	-	(0.4)	1.4	-	-	-	-
(Deficit) / surplus before taxation		**46.4**	**(54.1)**	**(7.7)**	**4.8**	**53.3**	**(54.1)**	**(0.8)**	**17.2**
Taxation	12	-	-	-	-	-	-	-	-
Surplus / (deficit) for the year		**46.4**	**(54.1)**	**(7.7)**	**4.8**	**53.3**	**(54.1)**	**(0.8)**	**17.2**
Actuarial (loss)/gain in respect of defined benefit pension schemes	32	(2.8)	-	(2.8)	0.4	(2.8)	-	(2.8)	0.4
Total comprehensive income / (deficit) for the year		**43.6**	**(54.1)**	**(10.5)**	**5.2**	**50.5**	**(54.1)**	**(3.6)**	**17.6**

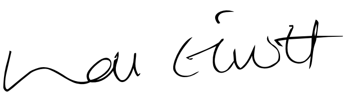
*includes £48.7 million of building safety provisions and £14 million grant received.

All activities relate to continuing operations.

Statement of Financial Position (Balance Sheet) at 31 March 2026

	NOTES	GROUP 2026 £m	GROUP 2025 £m	ASSOCIATION 2026 £m	ASSOCIATION 2025 £m
FIXED ASSETS					
Tangible fixed assets - Housing properties	13	6,387.0	6,235.4	6,141.7	5,969.4
Tangible fixed assets - other	14	47.0	44.7	47.0	44.7
Investment properties	15	240.4	279.1	214.9	231.3
Other investments	16	16.1	16.9	12.5	12.5
Derivatives	16	16.6	18.6	16.6	18.7
Total fixed assets		**6,707.1**	**6,594.7**	**6,432.7**	**6,276.6**
CURRENT ASSETS					
Properties held for sale	17	107.4	163.1	44.6	57.2
Debtors: amounts falling due within one year	18	79.7	67.8	76.8	65.7
Debtors: amounts falling due after one year	18	38.6	41.5	325.5	410.6
Short term investments	19	2.8	15.5	2.8	15.5
Cash and cash equivalents	20	74.6	84.4	63.7	72.6
Total current assets		**303.1**	**372.3**	**513.4**	**621.6**
Creditors: amounts falling due within one year	21	(353.0)	(267.2)	(352.3)	(258.7)
Net current (liabilities) /assets		**(49.9)**	**105.1**	**161.1**	**362.9**
Total assets less current liabilities		**6,657.2**	**6,699.8**	**6,593.8**	**6,639.5**
Creditors: amounts falling due after more than one year	22	(4,935.8)	(5,012.4)	(4,953.0)	(5,026.0)
Provisions and other liabilities	26	(48.9)	(0.2)	(48.9)	(0.2)
Pension liability	32	(1.5)	(5.7)	(1.5)	(5.7)
Net assets		**1,671.0**	**1,681.5**	**1,590.4**	**1,607.6**
CAPITAL AND RESERVES					
Share capital - non equity	28	-	-	-	-
General reserve		1,670.2	1,680.4	1,589.7	1,606.8
Designated reserve		0.5	0.8	0.7	0.8
General reserves		**1,670.7**	**1,681.2**	**1,590.4**	**1,607.6**
Revaluation reserve		0.3	0.3	-	-
Total reserves		**1,671.0**	**1,681.5**	**1,590.4**	**1,607.6**

The financial statements were approved by the Board on 29 July 2026 and were signed on its behalf by:



Trudi Elliott
Chair

Janet Collier
Senior Independent Director

Puneet Rajput
Secretary

The accompanying accounting policies and notes form part of these financial statements.

Statement of Changes in Reserves for the year ended 31 March 2026

GROUP	General reserve £m	Designated reserve £m	Restricted reserve £m	Revaluation reserve £m	Total £m
Balance as at 1 April 2025	1,680.4	0.8	-	0.3	1,681.5
Deficit for the year	(7.7)	-	-	-	(7.7)
Actuarial loss on defined benefit pension schemes	(2.8)	-	-	-	(2.8)
Total comprehensive deficit for the year	**(10.5)**	**-**	**-**	**-**	**(10.5)**
Reserves transfers	0.3	(0.3)	-	-	-
Balance as at 31 March 2026	1,670.2	0.5	-	0.3	1,671.0

ASSOCIATION	General reserve £m	Designated reserve £m	Total £m
Balance as at 1 April 2025	1,606.8	0.8	1,607.6
Deficit for the year	(0.8)	-	(0.8)
Actuarial loss on defined benefit pension schemes	(2.8)	-	(2.8)
Total comprehensive deficit for the year	**(3.6)**	**-**	**(3.6)**
Transfer to Samuel Lewis Foundation (Note 13)	(13.5)	(0.1)	(13.6)
Balance as at 31 March 2026	1,589.7	0.7	1,590.4

For the year ended 31 March 2025

GROUP	General reserve £m	Designated reserve £m	Restricted reserve £m	Revaluation reserve £m	Total £m
Balance as at 1 April 2024	1,674.8	1.0	0.2	0.3	1,676.3
Surplus for the year	4.8	-	-	-	4.8
Actuarial gain on defined benefit pension schemes	0.4	-	-	-	0.4
Total comprehensive income for the year	5.2	-	-	-	5.2
Reserves transfers	0.4	(0.2)	(0.2)	-	-
Balance as at 31 March 2025	1,680.4	0.8	-	0.3	1,681.5

ASSOCIATION	General reserve £m	Designated reserve £m	Restricted reserve £m	Total £m
Balance as at 1 April 2024	1,588.8	1.0	0.2	1,590.0
Surplus for the year	17.2	-	-	17.2
Actuarial gain on defined benefit pension schemes	0.4	-	-	0.4
Total comprehensive income for the year	17.6	-	-	17.6
Reserves transfers	0.4	(0.2)	(0.2)	-
Balance as at 31 March 2025	1,606.8	0.8	-	1,607.6

Consolidated Statement of Cash Flows for the year ended 31 March 2026

	GROUP	
	2026 £m	2025 £m
CASHFLOWS FROM OPERATING ACTIVITIES		
(Deficit) / surplus for the year	**(7.7)**	**4.8**
ADJUSTMENTS		
Interest payable	113.9	119.0
Interest receivable	(2.4)	(4.9)
Deficit on disposal of other fixed assets	3.9	1.1
Deficit / (surplus) on disposal of commercial properties	2.4	(1.9)
Movement in fair value of investments	0.4	(1.4)
Net fair value movement recognised in profit or loss	23.4	6.5
Depreciation and amortisation	73.4	69.6
Impairment	2.8	8.8
Cost of properties disposed in the year	56.2	59.8
Difference between net pension expense and cash contribution	(7.0)	(6.5)
Decrease/ (increase) in stocks	55.7	(3.4)
(Increase) / decrease in trade and other debtors	(9.0)	1.3
Decrease in trade and other creditors	(4.2)	(26.3)
Increase / (decrease) in provisions	48.7	(1.2)
Net cash from operating activities	**350.5**	**225.3**
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(266.3)	(312.9)
Purchase of investment property	(2.2)	(3.1)
Investment in joint ventures	0.8	0.3
Interest received	2.4	4.8
Net capital grant	8.0	5.2
Net cash (used in)/from financing activities	**(257.3)**	**(305.7)**
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings (loans)	86.0	332.0
Proceeds from long-term borrowings (bonds)	-	248.8
Interest paid	(145.8)	(141.5)
Repayment of borrowings (bonds)	-	(13.7)
Repayment of borrowings (loans)	(55.9)	(354.3)
Net cash (used in)/from financing activities	**(115.7)**	**71.3**
NET CHANGE IN CASH AND CASH EQUIVALENTS	(22.5)	(9.1)
Cash and cash equivalents at start of year	99.9	109.0
Cash and cash equivalents at end of year	**77.4**	**99.9**

Analysis of Change in Net Debt

	At 1 April 2025 £m	Cashflows £m	Other non cash changes £m	At 31 March 2026 £m
CASH, CASH EQUIVALENT AND SHORT-TERM INVESTMENTS				
Short-term investments	15.5	(12.7)	-	2.8
Cash	46.5	(11.2)	-	35.3
Cash equivalents	37.9	1.4	-	39.3
Total cash, cash equivalent and short-term investments	**99.9**	**(22.5)**	**-**	**77.4**
BORROWINGS				
Debt due within one year	(22.9)	22.9	(102.3)	(102.3)
Debt due after one year	(1,297.3)	(53.0)	102.3	(1,248.0)
Bonds	(2,055.0)	-	-	(2,055.0)
	(3,375.2)	(30.1)	-	(3,405.3)
DERIVATIVES	12.7	-	1.7	14.4
Total	**(3,262.6)**	**(52.6)**	**1.7**	**(3,313.5)**

The analysis above separates movements in net debt between cash and non-cash items.

Cashflows reflect the actual drawdown and repayment of borrowings and movements in cash and cash equivalents during the year.

Other non-cash changes reflect accounting movements that do not result in a cash flow. These primarily include the reclassification of borrowings between current and non-current, together with the amortisation and other non-cash adjustments.

Notes to the Financial Statements for the year ended 31 March 2026

Introduction

Southern Housing was formed on 16 December 2022 when Optivo and Southern Housing Group merged.

Legal status

Southern Housing is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 (Registration number 8983) and is registered with Regulator of Social Housing as a social housing provider (Registration number 5171). The Association is a public benefit entity and has adopted the public benefit entity sections of FRS 102.

1. Accounting Policies

The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

The functional and presentation currency is GBP. The figures are rounded to the nearest £0.1 million.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting judgements and estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The impacts potential variations may have on the financial information is explained in the accounting policies below. In preparing the separate financial statements of the parent Association, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent Association would be identical
- No cash flow statement has been presented for the parent Association
- Disclosures in respect of the parent Association's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent Association as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied consistently in relation to the financial statements.

Basis of consolidation

The consolidated financial statements present the results of Southern Housing and its subsidiaries (the "Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. Control of each subsidiary is established through holding 100% of the share capital, being a corporate trustee or through ability to appoint the Board.

Going concern

After reviewing Southern Housing's budget for 2026/27, cashflow forecasts to August 2027, available liquidity and the long-term financial plan, the Board have a reasonable expectation Southern Housing has adequate resources to continue in operational existence for the foreseeable future. At 31 March 2026, available liquidity was £576 million, comprising cash, short term investments and £539 million of undrawn committed facilities. We complied with all lender covenants during the year and continue to maintain significant headroom against covenant requirements.

The general UK economic environment and outlook have been factored into our macroeconomic assumptions. Board has considered the risks from the current operating environment, including inflationary pressures, interest rate movements, repairs and maintenance costs, future rent growth (confirmation from Government of a ten-year rent settlement) and grant funding assumptions. The stress testing of our financial plan shows the business to be robust even in extreme downside scenarios, including lower rent growth, higher repairs inflation, reduced grant funding and increased borrowing costs). Board is confident our viability can be maintained and having assessed our plans, liquidity levels and mitigating actions available, should they be needed, there is reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months to August 2027. For these reasons, Board continues to adopt a going concern basis for the preparation of the financial statements.

Segmental reporting

As we have publicly traded securities within the Group we are required to disclose information about our operating segments under IFRS 8. Segmental information is disclosed in notes 3(a) and 3(b) and as part of the analysis of housing properties in note 13. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group rather than geographical location. As permitted by IFRS 8 this is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer / resident and the nature of the regulatory environment across all of the geographical locations in which the Group operates. The Board does not routinely receive segmental information disaggregated by geographical location.

Reserves

Income received, and expenditure incurred, for restricted and designated purposes is separately accounted for within restricted and designated funds. The revaluation reserve was established on transition to FRS 102 on application of the deemed cost model which allowed first time adopters to elect to measure an item of fixed assets at its fair value at the date of transition and to use that fair value as its deemed cost at that date. Movements in the revaluation reserve relate to depreciation in the year of homes held at deemed cost.

2. Key Judgements and Estimates in the Preparation of these Accounts

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenditure, and the disclosure of contingent assets and liabilities at the reporting date. Actual outcomes may differ from those estimates. Judgements and estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant Judgements

Recognition of provisions and contingent assets

Judgement is required in determining whether obligations should be recognised as provisions, disclosed as contingent liabilities, or whether potential recoveries should be recognised only when virtually certain. This is particularly relevant in relation to building safety, contractual matters, defects claims and development-related disputes, where outcomes depend on future events, legal interpretation and third-party actions.

Accounting treatment of building safety works

Judgement is required in determining whether building safety and remediation expenditure should be capitalised within housing properties or recognised as expenditure in the Statement of Comprehensive Income. This assessment considers the nature of the work undertaken, whether it replaces or enhances a component of an existing asset, whether it generates future economic benefit for the Group and the tenure of the homes affected. Expenditure that is capital in nature is recognised within housing properties where it relates to the replacement of an existing component or provides an enhancement that improves the future economic benefit or service potential of a Group controlled asset. Examples include replacement of external wall systems, roofs, balconies, windows, heating systems and other significant components of rented housing assets. Where a component is replaced, the estimated carrying value of the original component is removed from the housing property carrying value through a proxy depreciation adjustment and the cost of the replacement component is capitalised.

Expenditure is recognised in the Statement of Comprehensive Income where it is incurred to meet a remediation obligation but does not create or enhance a Group controlled asset from which future economic benefit will be derived. This typically relates to leasehold and sold portion of shared ownership properties where the Group has an obligation to undertake building safety works but does not own the leaseholder's interest in the property. Such expenditure is recognised as a provision where a present or constructive obligation exists.

In applying this policy, expenditure on social and affordable rented homes is generally capitalised where it represents the replacement or enhancement of a housing component controlled by the Group. Expenditure relating to leasehold and shared ownership homes is generally recognised as expenditure and provided for where a present or constructive obligation exists, reflecting that the future economic benefits of the remediated asset do not accrue to the Group.

Going concern

The Board has considered the Group's current financial position, available liquidity, covenant compliance, forecasts and principal risks in assessing whether the Group remains a going concern. This assessment requires judgement over future performance, investment phasing, inflation, interest rates and the timing and effectiveness of mitigating actions. Based on this assessment, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Impairment of housing properties and cash generating units

Judgement is applied in assessing whether there are indicators of impairment in relation to housing properties, development schemes and assets held for sale. Where indicators are identified, judgement is required in determining the appropriate cash generating unit and in assessing the recoverable amount of the asset or cash generating unit. Further information is included in notes 13 and 17.

Capitalisation of development costs

Judgement is applied in determining the point at which development schemes have progressed sufficiently for directly attributable development overheads and finance costs to be capitalised, and the point at which such capitalisation should cease. Capitalisation ceases when the asset is substantially complete and ready for its intended use.

Capitalisation of expenditure on existing homes

Judgement is applied in determining whether expenditure on existing homes should be capitalised as improving or replacing a component of an asset, or recognised as revenue expenditure. This includes judgement over whether works give rise to future economic benefit. This affects both the statement of comprehensive income and the carrying value of housing properties. Further information is included in Note 13.

Classification of subsidiary and jointly controlled entities

Judgement is applied in assessing the level of control or influence the Group has over certain entities and arrangements in determining the appropriate accounting treatment. This includes consideration of ownership interests, governance rights and contractual arrangements. Further information is included in Note 31.

Recognition of pension surplus assets

Where pension schemes are in surplus, judgement is applied in assessing whether that surplus is recoverable and therefore capable of recognition as an asset in the financial statements. Further information is included in Note 32.

Significant Estimates

Building safety provision

The Group has recognised a significant provision of £48.9 million for future building safety works in respect of relevant residential properties, primarily shared ownership and leasehold homes in buildings above 11 metres.

Estimating this provision requires assumptions over the scope of works, delivery timescales, construction costs, responsibility for defects and the extent to which costs may be recoverable from third parties, including contractors, developers, insurers or funding schemes. The provision is measured net of grant funding where receipt has been confirmed. As the programme progresses and further surveys and designs are completed, the provision may change in future periods. A 10% increase in forecast works would increase the provision by £4.9 million. Further information is included in note 26.

Impairment and cost to complete development schemes

The assessment of development assets and properties held for development and sale requires assumptions over forecast build costs, sales values, programme timing and site-specific risks. This includes schemes affected by contractor performance or insolvency, where estimated costs to complete may change as matters progress. Where expected costs to complete exceed expected recoverable value, an impairment is recognised. Further information is included in Notes 13 and 17.

Valuation of commercial elements and investment properties

Where commercial elements, investment properties or other relevant assets are held at fair value, the valuation is based on assumptions and inputs including market rents, yields, occupancy levels, future cash flows and comparable market evidence which may change over time and affect the surplus reported for the year. Further information is included in Note 15.

Useful economic lives of housing components and other depreciable assets

The annual depreciation charge is sensitive to the estimated useful economic lives of housing properties and their component parts, together with other depreciable assets. These estimates are reviewed periodically and revised where appropriate. Further information is included in Note 13.

Pension assumptions

The valuation of pension obligations involves assumptions including discount rates, inflation, salary growth and mortality. Changes in these assumptions may have a material effect on the defined benefit obligation recognised in the financial statements. Further information and sensitivity analysis is included in Note 32.

Bad debt provision

The provision for doubtful debts is based on assumptions regarding the recoverability of tenant and other receivables, having regard to the age and nature of the debt, customer type and historic collection experience. Changes in resident financial resilience, welfare reform impacts or collection rates could result in higher or lower provision charges. Further information is included in Note 18.

3. Turnover

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

- Rental income receivable (after deducting lost rent from void properties available for letting)
- First tranche sales of shared ownership housing properties developed for sale
- Service charges receivable
- Amortisation of deferred capital grants and other grants receivable
- Proceeds from the sale of land and property
- Key worker accommodation
- Student accommodation
- Market rent lettings
- Commercial lettings.

Rental income

Rental income is earned from social housing properties, key worker accommodation, student accommodation, market rent lettings and commercial lettings. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of voids. Rental income received in advance is disclosed within creditors in the balance sheet.

Income from disposal of properties

Income from first tranche sales is recognised at the point of legal completion of the sale. The profit or loss on disposal of social housing properties intended for outright sales or first tranche sales is recognised within operating surplus. Any profit or loss on disposal of investment properties is recognised below the operating surplus.

Service charges

The Group operates both fixed and variable service charges on a scheme by scheme basis. Service charges on all schemes are set on the basis of budgets. Where variable service charges are used the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge.

Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable.

Charges made to leaseholders for the replacement of equipment and repairs within their estates are held in sinking funds which are ring-fenced for use on those estates. Such sinking funds are disclosed on the balance sheet as creditors.

Rent and service charge agreements

The Association has made arrangements with individuals and households for arrears payments of rent and service charges.

Schemes managed by agents

Income represents rent receivable for schemes where the Association acts as principal. In determining whether it acts as principal or agent, the Association considers the indicators below:

Where the Association is assessed to be acting as principal, gross rental income is recognised within turnover and management fees payable to managing agents are included within operating costs.

Where the Association is assessed to be acting as agent, only the net management fee or commission earned is recognised within income.

Government grants

As required by the Housing SORP, grant is carried as deferred income in the balance sheet and released to the statement of comprehensive income on a systematic basis over the useful economic life of the asset for which it was received. In accordance with Housing SORP the useful economic life of the housing property structure has been selected.

Social housing grant (SHG) becomes recyclable at the point the related property is sold and is transferred to a recycled capital grant fund until it is reinvested in a replacement property or repaid to Government. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the statement of comprehensive income.

Within government grant, we also recognise Building Safety Grant Funding (BSGF), as income, when a successful claim is made to the Government. All related building safety expenditure is recognised on an accrual basis as and when costs are incurred as this work is undertaken regardless of the grant award.

Grants relating to revenue are recognised in the statement of comprehensive income over the same period as the expenditure to which they relate once performance related conditions have been met. Grants due from government organisations or received in advance are included as liabilities.

Other grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

Other housing provision

Provision comprises homes delivered through alternative arrangements outside traditional tenancy models, including agency-managed properties, partnerships, and cooperative housing. These arrangements typically involve shared management or delivery with third parties to provide affordable housing solutions.

3(a). Particulars of turnover, operating costs and operating surplus

GROUP	2026 Turnover £m	2026 Cost of sales £m	2026 Operating costs £m	2026 Housing properties disposals £m	2026 Operating surplus/ (deficit) £m	2025 Turnover £m	2025 Cost of sales £m	2025 Operating costs £m	2025 Housing properties disposals £m	2025 Operating surplus/ (deficit) £m
SOCIAL HOUSING LETTINGS (NOTE 3b)	**623.4**	**-**	**(486.7)**	**-**	**136.7**	**585.5**	**-**	**(494.0)**	**-**	**91.5**
OTHER SOCIAL HOUSING ACTIVITIES										
First tranche sales	45.8	(45.2)	-	-	0.6	45.0	(42.0)	-	-	3.0
Supported housing	4.5	-	(4.0)	-	0.5	4.7	-	(4.4)	-	0.3
Building safety provision	-	-	(48.7)	-	(48.7)	-	-	-	-	-
Scheme costs and write down*	-	-	(6.0)	-	(6.0)	-	-	(13.0)	-	(13.0)
Abortive & other development costs	-	-	(3.8)	-	(3.8)	-	-	(3.0)	-	(3.0)
Impairment housing properties	-	-	(2.2)	-	(2.2)	-	-	(3.8)	-	(3.8)
Impairment first tranche sales stock	-	(0.3)	-	-	(0.3)	-	(2.7)	-	-	(2.7)
	50.3	**(45.5)**	**(64.7)**	**-**	**(59.9)**	**49.7**	**(44.7)**	**(24.2)**	**-**	**(19.2)**
SURPLUS ON HOUSING PROPERTIES DISPOSAL (NOTE 3c)	-	-	-	53.5	53.5	-	-	-	46.0	46.0
NON SOCIAL HOUSING ACTIVITIES										
Community activities	1.3	-	(2.9)	-	(1.6)	1.4	-	(3.6)	-	(2.2)
Market & sub-market renting	4.6	-	(1.9)	-	2.7	6.0	-	(1.9)	-	4.1
Student accommodation	10.4	-	(10.5)	-	(0.1)	13.1	-	(9.9)	-	3.2
Commercial renting	3.4	-	(1.2)	-	2.2	3.2	-	(1.4)	-	1.8
Market sales	26.0	(25.3)	-	-	0.7	13.5	(11.3)	-	-	2.2
Impairment market sales stock	-	(0.3)	-	-	(0.3)	-	(4.6)	-	-	(4.6)
Other (includes South East Consortium)	-	-	-	-	-	1.3	-	(0.9)	-	0.4
	45.7	**(25.6)**	**(16.5)**	**-**	**3.6**	**38.5**	**(15.9)**	**(17.7)**	**-**	**4.9**
TOTAL	**719.4**	**(71.1)**	**(567.9)**	**53.5**	**133.9**	**673.7**	**(60.6)**	**(535.9)**	**46.0**	**123.2**

* Scheme costs & write-down relate to decommissioned schemes for safety or viability reasons, including Eastgate, Newington Court and Four Courts. Costs include structure and components, decant and legal costs, alternative accommodation costs and payments to residents

Community activities for Fresh Visions and Southern Housing includes grant received from:

	GRANT RECEIVED		RELATED EXPENDITURE	
	2026 £000	2025 £000	2026 £000	2025 £000
Medway Council	100.0	100.0	(100.0)	(100.0)
Fusion 21	2.0	-	(2.0)	-
Sussex Community Foundation	6.5	-	(6.5)	-
East Sussex County Council	3.6	3.0	(1.4)	(1.0)
Big Local Trust (Heart of Sidley)	76.2	50.0	(76.2)	(68.0)
Rother District Council	-	2.0	-	(2.0)
Hasting Borough Council	-	84.0	-	(84.0)

Unspent grant is carried forward to spend in 2026/27.

3(a). Particulars of turnover, operating costs and operating surplus

ASSOCIATION	2026 Turnover £m	2026 Cost of sales £m	2026 Operating costs £m	2026 Housing properties disposals £m	2026 Operating surplus/ (deficit) £m	2025 Turnover £m	2025 Cost of sales £m	2025 Operating costs £m	2025 Housing properties disposals £m	2025 Operating surplus/ (deficit) £m
SOCIAL HOUSING ACTIVITIES (NOTE 3b)	**616.0**	**-**	**(484.7)**	**-**	**131.3**	**578.3**	**-**	**(493.3)**	**-**	**85.0**
OTHER SOCIAL HOUSING ACTIVITIES										
First tranche sales	31.2	(31.6)	-	-	(0.4)	31.6	(27.7)	-	-	3.9
Supported housing	4.5	-	(4.0)	-	0.5	4.7	-	(4.4)	-	0.3
Services to group companies	0.9	-	-	-	0.9	1.0	-	-	-	1.0
Qualifying charitable donation	5.7	-	-	-	5.7	5.7	-	-	-	5.7
Scheme costs & write down*	-	-	(6.0)	-	(6.0)	-	-	(13.0)	-	(13.0)
Building safety provision	-	-	(48.7)	-	(48.7)	-	-	-	-	-
Abortive & other development costs	-	-	(3.8)	-	(3.8)	-	-	(2.8)	-	(2.8)
Impairment housing properties	-	-	(2.4)	-	(2.4)	-	-	(3.8)	-	(3.8)
Impairment first tranche sales stock	-	(0.3)	-	-	(0.3)	-	(3.0)	-	-	(3.0)
	42.3	**(31.9)**	**(64.9)**	**-**	**(54.5)**	**43.0**	**(30.7)**	**(24.0)**	**-**	**(11.7)**
SURPLUS ON HOUSING PROPERTIES DISPOSAL (NOTE 3c)	-	-	-	52.2	52.2	-	-	-	44.0	44.0
NON SOCIAL HOUSING ACTIVITIES										
Community activities	0.7	-	(2.0)	-	(1.3)	0.8	-	(2.8)	-	(2.0)
Market & sub-market renting	3.1	-	(0.6)	-	2.5	4.4	-	(0.8)	-	3.6
Student accommodation	7.0	-	(10.0)	-	(3.0)	10.1	-	(9.6)	-	0.5
Commercial renting	3.5	-	(1.4)	-	2.1	3.2	-	(1.4)	-	1.8
Intercompany loan write off provision	-	-	(0.2)	-	(0.2)	-	-	(6.8)	-	(6.8)
Other (includes South East Consortium)	-	-	-	-	-	1.0	-	(1.0)	-	-
	14.3	**-**	**(14.2)**	**-**	**0.1**	**19.5**	**-**	**(22.4)**	**-**	**(2.9)**
TOTAL	**672.6**	**(31.9)**	**(563.8)**	**52.2**	**129.1**	**640.8**	**(30.7)**	**(539.7)**	**44.0**	**114.4**

*Scheme costs & write-down relate to decommissioned schemes for safety or viability reasons, including Eastgate, Newington Court and Four Courts. Costs include structure and components, decant and legal costs, alternative accommodation costs and payments to residents.

3(b). Particulars of income and expenditure from social housing lettings

GROUP	General needs housing £m	Independent Living& Supported Housing £m	Keyworkers £m	Other housing provision £m	Low-cost home ownership £m	Temporary social housing £m	2026 Actual £m	2025 Actual £m
Rents receivable net of identifiable service charges	396.0	39.1	8.6	-	49.2	0.5	493.4	474.4
Service charges receivable	25.5	21.7	-	-	26.6	0.2	74.0	65.7
NET RENTAL INCOME	**421.5**	**60.8**	**8.6**	**-**	**75.8**	**0.7**	**567.4**	**540.1**
Amortised government grant	14.0	2.4	-	-	3.2	-	19.6	19.4
Other revenue income	15.1	0.8	1.1	2.8	1.3	0.4	21.5	11.8
Government grant	5.4	1.0	-	-	8.5	-	14.9	14.2
TURNOVER FROM SOCIAL HOUSING LETTINGS	**456.0**	**65.0**	**9.7**	**2.8**	**88.8**	**1.1**	**623.4**	**585.5**
EXPENDITURE ON LETTINGS ACTIVITIES								
Management	62.8	12.7	4.7	0.4	15.1	0.5	96.2	99.6
Bad debts	4.5	0.6	(0.1)	-	-	-	5.0	5.4
Service charge costs	50.8	18.6	-	0.2	20.1	0.1	89.8	79.0
Routine maintenance	89.9	6.6	1.1	-	-	-	97.6	102.5
Planned maintenance	71.5	3.4	2.0	-	-	-	76.9	98.6
Major repairs	26.2	-	0.1	-	10.0	-	36.3	31.2
Depreciation of housing properties	73.4	10.5	1.0	-	-	-	84.9	77.7
OPERATING COSTS ON SOCIAL HOUSING	**379.1**	**52.4**	**8.8**	**0.6**	**45.2**	**0.6**	**486.7**	**494.0**
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	**76.8**	**12.6**	**0.9**	**2.2**	**43.7**	**0.5**	**136.7**	**91.5**
Void loss	(4.6)	(1.7)	(0.3)	-	(0.1)	(0.2)	(6.9)	(7.3)

3(b). Particulars of income and expenditure from social housing lettings (continued)

ASSOCIATION	General needs housing £m	Independent Living& Supported Housing £m	Keyworkers £m	Other housing provision £m	Low-cost home ownership £m	Temporary social housing £m	2026 Actual £m	2025 Actual £m
Rents receivable net of identifiable service charges	392.7	38.6	8.6	-	47.2	0.5	487.6	468.4
Service charges receivable	25.3	21.4	-	-	25.9	0.2	72.8	64.5
NET RENTAL INCOME	**418.0**	**60.0**	**8.6**	**-**	**73.1**	**0.7**	**560.4**	**532.9**
Amortised government grant	13.8	2.4	-	-	3.1	-	19.3	19.4
	15.2	0.6	1.1	2.8	1.3	0.4	21.4	11.8
Other revenue income	5.4	1.0	-	-	8.5	-	14.9	14.2
TURNOVER FROM SOCIAL HOUSING LETTINGS	**452.4**	**64.0**	**9.7**	**2.8**	**86.0**	**1.1**	**616.0**	**578.3**
EXPENDITURE ON LETTING ACTIVITIES								
Management	62.9	12.7	4.7	0.4	14.7	0.5	95.9	99.4
Bad debts	4.5	0.6	-	-	-	-	5.1	5.4
Service charge costs	50.4	18.4	-	0.2	19.7	0.1	88.9	78.3
Routine maintenance	88.9	6.5	1.1	-	-	-	96.5	94.5
Planned maintenance	71.2	3.4	1.9	-	-	-	76.5	102.4
Major repairs	27.5	-	0.1	-	10.0	-	37.6	35.4
Depreciation of housing properties	72.8	10.3	1.1	-	-	-	84.2	77.9
OPERATING COSTS ON SOCIAL HOUSING	**378.2**	**51.9**	**8.9**	**0.6**	**44.4**	**0.6**	**484.7**	**493.3**
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	**74.1**	**12.1**	**0.8**	**2.2**	**41.6**	**0.5**	**131.3**	**85.0**
Void loss	(4.4)	(1.7)	(0.3)	-	(0.1)	(0.2)	(6.7)	(7.1)

3(c). Surplus on disposal of housing properties

GROUP	Staircasing and lease extensions £m	Right to buy £m	Other properties £m	2026 Total £m	2025 Total £m
Disposal proceeds	38.9	5.2	57.1	101.2	93.0
Cost of disposals	(22.7)	(1.7)	(23.3)	(47.7)	(47.0)
Surplus on asset disposals	**16.2**	**3.5**	**33.8**	**53.5**	**46.0**

ASSOCIATION	Staircasing and lease extensions £m	Right to buy £m	Other properties £m	2026 Total £m	2025 Total £m
Disposal proceeds	36.6	5.2	57.1	98.9	90.8
Cost of disposals	(21.4)	(1.7)	(23.6)	(46.7)	(46.8)
Surplus on asset disposals	**15.2**	**3.5**	**33.5**	**52.2**	**44.0**

4. Units of housing stock

Social housing homes managed but not owned

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

GROUP	1 April 2025	Additions	Disposals	Tenure change	Other	31 March 2026
SOCIAL HOUSING HOMES						
General needs rent	45,987	155	(162)	1	16	45,997
General needs affordable rent	6,515	204	(7)	-	(18)	6,694
Supported housing rent	1,744	2	(35)	18	1	1,730
Supported housing affordable rent	27	-	-	-	-	27
Housing for Older People rent	5,429	-	-	-	13	5,442
Housing for Older People affordable rent	100	-	-	-	(5)	95
Key workers	1,207	180	(1)	-	-	1,386
Low cost home ownership	9,736	402	(92)	(103)	2	9,945
Temporary & intermediate rent	1,796	-	(6)	3	(31)	1,762
Care homes	88	-	-	(7)	-	81
Total social housing homes owned and/or managed	**72,629**	**943**	**(303)**	**(88)**	**(22)**	**73,159**
Total social housing homes owned but not managed	598	-	(6)	(2)	97	687
Total social housing homes managed but not owned	1,984	59	(19)	-	1,208	3,232
NON SOCIAL HOUSING						
Market rent	103	-	(2)	17	14	132
Student accommodation	1,299	-	-	-	(169)	1,130
Total non social housing homes owned and/or managed	**1,402**	**-**	**(2)**	**17**	**(155)**	**1,262**
Market rent	218	-	-	2	(14)	206
Student accommodation	-	-	-	-	169	169
Total non social housing homes managed but not owned	**218**	**-**	**-**	**2**	**155**	**375**
Total owned and managed	**74,249**	**943**	**(305)**	**(69)**	**(22)**	**74,796**
Leaseholders	6,178	-	(55)	171	6	6,300
Total	**80,427**	**943**	**(360)**	**102**	**(16)**	**81,096**

We own an average 59% equity in shared ownership properties. Included in low-cost homeownership of 9,943 are 167 homes where a less than 100% equity share has been disposed of but no rent is charged on the remaining portion.

Other movement include corrections and change in ownership (e.g. from owned to managed).

4. Units of housing stock

ASSOCIATION	1 April 2025	Additions	Disposals	Tenure change	Other	31 March 2026
SOCIAL HOUSING HOMES	45,987	155	(162)	1	16	45,997
General needs rent	6,515	204	(7)	-	(18)	6,694
General needs affordable rent	1,744	2	(35)	18	1	1,730
Supported housing rent	27	-	-	-	-	27
Supported housing affordable rent	5,429	-	-	-	13	5,442
Housing for Older People rent	100	-	-	-	(5)	95
Housing for Older People affordable rent	1,207	180	(1)	-	-	1,386
Key workers	9,736	402	(92)	(103)	2	9,945
Low-cost home ownership	1,796	-	(6)	3	(31)	1,762
Temporary & intermediate rent	88	-	-	(7)	-	81
Care homes						
Total social housing homes owned and/or managed	**72,629**	**943**	**(303)**	**(88)**	**(22)**	**73,159**
Total social housing homes owned but not managed	598	-	(6)	(2)	97	687
Total social housing homes managed but not owned	3,805	153	(25)	(15)	(116)	3,802
NON SOCIAL HOUSING						
Market rent	103	-	(2)	17	14	132
Student accommodation	1,299	-	-	-	(169)	1,130
Total non social housing homes owned and/or managed	**1,402**	**-**	**(2)**	**17**	**(155)**	**1,262**
Market rent	218	-	-	2	(14)	206
Student accommodation	-	-	-	-	169	169
Total non social housing homes managed but not owned	218	-	-	2	155	375
Total owned and/or managed	**74,249**	**943**	**(305)**	**(69)**	**(22)**	**74,796**
Leaseholders	5,842	-	(53)	157	9	5,955
Total	**80,091**	**943**	**(358)**	**88**	**(13)**	**80,751**

We own an average 59% equity in shared ownership properties. Included in low-cost homeownership of 9,943 are 167 homes where a less than 100% equity share has been disposed of but no rent is charged on the remaining portion.

Other movement include corrections and change in ownership (e.g. from owned to managed).

5. Surplus for the year

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
OPERATING SURPLUS IS STATED AFTER CHARGING/(CREDITING)				
Grant amortised	(19.5)	(19.4)	(19.4)	(19.4)
Depreciation – housing properties	71.6	65.6	70.9	66.3
Depreciation – other fixed assets	5.8	7.4	5.8	7.4
Accelerated depreciation	13.3	12.1	13.3	11.6
Impairment housing properties and stock	2.8	11.1	2.6	6.8
Building safety provision*	48.7	-	48.7	-
OPERATING LEASE CHARGES				
- Land & building	2.9	2.4	2.9	2.4
- Other	0.4	0.6	0.4	0.6
AUDITORS' REMUNERATION				
- in respect of audit services (inc. VAT)	0.7	0.7	0.6	0.6

*Building safety provision is exclusively Fire safety provision

Accelerated depreciation includes net book value of components replaced in year and an additional £7.1 million (2025: £3.0 million) for group and £7.1 million (2025: £2.5 million) for association for fire remediation related depreciation.

6. Employees

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
STAFF COSTS (INCLUDING DIRECTORS) CONSIST OF				
Wages & salaries	122.9	118.1	122.4	117.6
Social security costs	15.0	11.9	14.9	11.9
Pension costs	9.2	8.5	9.2	8.5
Redundancy costs	1.8	1.8	1.8	1.8
	148.9	**140.3**	**148.3**	**139.8**

More details on pension costs can be found in note 32.

The average number of employees (including directors) expressed as full time equivalents (calculated based on a standard working week of 35-36 hours) during the year was as follows:

	GROUP		ASSOCIATION	
	2026 FTE	2025 FTE	2026 FTE	2025 FTE
FTE ANALYSIS				
Administration	426	443	426	443
Development	105	92	105	92
Housing, Support and Care	2,169	2,056	2,169	2,056
	2,700	**2,591**	**2,700**	**2,591**

Our staffing has increased as a direct result of our strategic decision to bring more repair work in-house.

7. Directors' and senior executives' remuneration

The key management personnel are defined as the Chief Executive and the Executive Team of Southern Housing as it existed at 31 March disclosed in the Leadership and Governance section.

	GROUP AND ASSOCIATION	
THE EMOLUMENTS OF THE EXECUTIVE OFFICERS WERE	2026 £m	2025 £m
Executive directors' emoluments (excluding pension)	1.8	2.0
Pension contributions	0.2	0.2
Total compensation paid for loss of office to Directors and Senior Executives	0.3	0.1
The Executive Director of Contract Services as the highest paid director in 2025/26 due to payments made for loss of office. The Group Chief Operating Officer was the highest paid director in 2024/25 due to payments made for loss of office.		
Total remuneration paid to the highest paid directors (excluding pension contributions, including compensation for the loss of office) for the year	0.5	0.4

The Group Chief Executive has been a member of Southern Housing's defined contribution scheme with Aviva. A contribution of £33.7k (2025: £33.0k) was made to this scheme on his behalf. There are no enhanced or special terms that apply to the Chief Executive's pension scheme arrangements.

The remuneration (including employer pension contributions) paid to staff (including Executive Team) earning over £60,000:

	GROUP AND ASSOCIATION	
BAND	2026 Employees	2025 Employees
£60,000 - £70,000	183	198
£70,001 - £80,000	120	108
£80,001 - £90,000	43	44
£90,001 - £100,000	43	39
£100,001 - £110,000	24	25
£110,001 - £120,000	19	18
£120,001 - £130,000	9	7
£130,001 - £140,000	5	8
£140,001 - £150,000	4	6
£150,001 - £160,000	7	9
£160,001 - £170,000	8	8
£170,001 - £180,000	2	3

	GROUP AND ASSOCIATION	
BAND	2026 Employees	2025 Employees
£180,001 - £190,000	2	-
£230,001 - £240,000	1	-
£240,001 - £250,000	-	1
£250,001 - £260,000	-	1
£260,001 - £270,000	1	1
£280,001 - £290,000	2*	-
£290,001 - £300,000	-	2
£300,001 - £310,000	1	-
£360,001 - £370,000	1	1
£420,001 - £430,000	-	1**
£480,001 - £490,000	1**	-
TOTAL	**476**	**480**

**One Executive Team member received a loss of office payment.

* Includes an Executive Team member who received a loss of office payment.

8. Non-Executive Board and Committee members

The table below shows the salaries paid to Non-Executive Board and Committee members and expenses incurred during the discharge of their duties during 2025/26:

	2026 Remuneration £	2026 Expenses £	2026 Total £	2025 Total £
Trudi Elliott*	16,481	155	16,636	-
Sir Peter Dixon*	23,841	702	24,543	33,600
Janet Collier	21,688	-	21,688	23,513
Eugenie Turton	19,814	54	19,868	19,465
Damien Regent	19,814	-	19,814	19,500
Robert Clark	19,814	-	19,814	21,925
Michelle Dovey*	18,162	767	18,929	20,297
Philip Blume	14,591	427	15,018	15,125
Geanna Bray	14,591	90	14,681	14,767
Ian Wilson	14,591	-	14,591	14,969
Mark Everard	14,591	-	14,591	2,540
Billy Brown	13,955	103	14,058	7,185
Daisy Donovan	12,567	-	12,567	9,749
Darrell Porter	10,710	-	10,710	10,500
Charles Joseland	9,818	64	9,882	10,564
Judith Harding*	6,696	23	6,719	5,272
Karen Moscrop	5,355	-	5,355	5,250
Sara Jane Ensor	5,355	-	5,355	5,296
Anita Hockin*	4,909	22	4,931	5,250
Kathryn Smith*	4,909	-	4,909	5,250
Matthew Abbott*	4,909	-	4,909	5,250
Maureen Nicholas*	4,909	-	4,909	5,250
Sarah Morgan	4,016	-	4,016	4,091
Alexander Ashby*	3,528	-	3,528	-
Howard Cresswell*	3,302	-	3,302	19,425
Candice McCausland*	3,124	-	3,124	5,250
Charles Pears	3,060	-	3,060	3,309
Ben Broad*	2,678	-	2,678	5,365
David Carmalt*	558	-	558	-
Lynn Lochhead*	558	-	558	-
Carol Rosati	-	-	-	1,875
Carolyn Porretta	-	-	-	3,679
Justin Chittock	-	-	-	2,250
Liz Curran	-	-	-	4,413
Malcolm Groves	-	-	-	4,324
	302,894	**2,407**	**305,301**	**314,498**

* served part year

The Fresh Visions People Limited Trustees are unpaid. The amount paid to Board and Committee members is reviewed annually. All members are subject to a formal annual appraisal process. Remuneration is based on sector benchmarking data for comparable sized associations.

9. (Deficit) surplus / on disposal of commercial properties and other fixed assets

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
Disposal proceeds - Commercial	14.5	8.6	14.5	8.6
Disposal proceeds - Other fixed assets	2.6	-	2.6	-
Disposal cost of sales - Commercial	(16.9)	(6.7)	(16.9)	(6.7)
Disposal cost of sales - Other fixed assets	(6.5)	(1.1)	(6.5)	(1.1)
	(6.3)	**0.8**	**(6.3)**	**0.8**

10. Interest receivable and income from investments

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
Bank and deposit interest	0.9	1.8	0.7	1.5
Investment income	1.5	3.1	1.5	3.1
Intercompany interest receivable	-	-	20.8	31.0
	2.4	**4.9**	**23.0**	**35.6**

11. Interest and financing costs

Financial instruments and borrowings

Southern Housing has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to its financial instruments. Financial assets and financial liabilities are recognised when the organisation becomes a party to the contractual provisions of the instrument, and are offset only when the organisation currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. All borrowings have been assessed as meeting the basic definition in Section 11 and are therefore initially recognised at the transaction price, including transaction costs, and are subsequently measured at amortised cost. Interest expense is included in interest payable and similar charges. Loans and investments payable or receivable within one year are not discounted.

Derivative instruments and hedge accounting

The group holds floating rate loans which expose the group to interest rate risk. To mitigate against this risk the group uses interest rate swaps. These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Movements in fair value are recognised in the statement of comprehensive income. The derivatives are accounted for in accordance with FRS 102 – Section 12 at fair value through profit or loss.

Finance costs

Finance costs are charged to income and expenditure over the term of the debt. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Deferred financing costs

Deferred financing costs represent the costs incurred in securing new borrowing facilities. They are deducted from the value of the housing loans and bond and amortised over the life of the housing loans or bond to which they relate using the effective interest rate method. The deferred financing cost includes the discount and premium on the bond issue. The carrying amount of the housing loans or bond will be increased by the finance cost for each reporting period and reduced by repayments made in respect of the loan or bond in that period.

Capitalised interest

Interest payable on loans is recognised on a payable basis as it falls due together with amortisation charges. Interest is capitalised on properties under construction on a proportion of the borrowings of the Group and Association as a whole, using the weighted average interest rate for borrowing. The Group's weighted average interest rate for borrowing is 4.18% per annum (2025: 4.21% per annum).

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
Bank loans	144.0	143.3	143.9	143.2
Interest rate swaps	(1.8)	(6.1)	(1.7)	(6.1)
Recycled capital grant fund	0.8	2.0	0.8	1.9
Other interest payable	1.7	3.5	2.0	3.5
Net interest on pension funds	0.1	0.4	0.1	0.4
	144.8	**143.1**	**145.1**	**142.9**
Interest capitalised on construction of housing properties	(30.9)	(24.1)	(14.0)	(14.2)
	113.9	**119.0**	**131.1**	**128.7**
OTHER FINANCING COSTS THROUGH INCOME AND EXPENDITURE				
Gain / (loss) on basic swap derivative instruments	**1.8**	**(0.1)**	**1.7**	**(0.1)**

12. Taxation

No taxation is payable on the charitable surpluses of the Association, Southern Housing. The Association may be required to pay tax on trading income derived from non-charitable activities. Taxation is chargeable on the surpluses of subsidiary entities which include Crystal Palace Housing Association Limited, Southern Housing Finance plc, Optivo Development Services Limited, Lamborn Estates Limited, Optivo Homes Ltd, Southern Home Ownership Limited, Southern Space Limited, Spruce Homes Limited and Southern Housing Construction Limited. Surpluses either in whole or in part are transferred to the parent by a qualifying charitable donation which then reduces the taxation charge accordingly. The tax impact of a qualifying charitable donation is accounted for when it is probable that the qualifying charitable donation will be made.

The tax charge has been assessed on the basis that it is probable that a qualifying charitable donation will be paid to the parent by the Group companies within nine months of the year end.

Deferred taxation

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102 Section 29.

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Deferred tax mainly arises from timing differences relating to revaluation of investment properties in entities that are subject to tax.

Value Added Tax

The group charges Value Added Tax (VAT) on some of its income and can recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the statement of comprehensive income.

Tax charges

The rate of corporation tax in the UK remained at 25% on profits over £250k and 19% on profits under £50k with marginal relief applied for profits between the two limits.

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
CURRENT TAX				
Current tax on surplus for the period	-	-	-	-
Adjustment in respect of previous periods	-	-	-	-
Total current tax	**-**	**-**	**-**	**-**
Deferred tax expense	-	-	-	-
Adjustment in respect of previous periods	-	-	-	-
	-	-	-	-

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
CURRENT TAX RECONCILIATION				
(Deficit) /surplus on ordinary activities before taxation	(7.7)	23.6	(0.8)	17.2
Less surplus /(deficit) from charitable activities	(3.4)	(19.5)	0.8	(17.2)
Taxable (deficit) / surplus on ordinary activities before tax	(11.1)	4.1	-	-
Corporation tax (credited) / charged at 25% (2025: 25%)	(2.8)	1.0	-	-
EFFECTS OF				
Qualifying charitable donations paid or to be paid within 9 months of the year end	(0.6)	(1.0)		
Share of taxable profits in Triathlon Homes LLP	(0.2)	0.3	-	-
Group relief / losses not recognised	3.6	(0.3)	-	-
Total tax (see above)	-	-	-	-

13. Tangible fixed assets – housing properties

Housing properties constructed or acquired (including land) on the open market are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for incremental staff costs and other costs of managing the development. Directly attributable costs of acquisition include capitalised interest calculated on a proportional basis using finance costs on borrowing drawn to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the statement of comprehensive income.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in the first tranche, are included in property, plant and equipment and held at cost less any impairment. They are transferred to completed properties when ready for letting. Expenditure on schemes, which are subsequently aborted, is written off in the period in which it is recognised the scheme will not be developed to completion. The portion of shared ownership property retained or expected to be retained is not depreciated on account of the high residual value.

Surpluses/deficits on disposals of housing properties are determined by comparing the proceeds with the carrying amount and incidental costs of sales and recognised within surpluses/deficits on disposal of fixed assets, which is included in the operating surplus for the year in the statement of comprehensive income.

Impairment

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An options appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The recoverable amount is taken to be the higher of the fair value less costs to sell or the value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived appropriately adjusted to account for any restrictions on their use. Where value in use - service potential (VIU-SP) is to be determined, the calculation of depreciated replacement cost compares a rebuild cost (using floor space, an average build cost per square metre and an average grant per unit) with expectations of price for an asset with equivalent service potential on the open market. The lower of the replacement costs is then adjusted as if that cost had been depreciated for the life of the asset.

The Group defines cash generating units as follows:

- Individual historical completed homes / stock transfer properties assessed on the basis of geography and property size
- Already impaired properties assessed at individual scheme level.

Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to the statement of comprehensive income.

Depreciation of housing properties

Housing using land and property is split between land structure and other major components that are expected to require replacement over time. Land is not depreciated on account of its indefinite useful economic life. Assets in the course of construction are not depreciated until they are completed and ready for use to ensure they are only depreciated in periods in which economic benefits are expected to be consumed. The cost of housing property and components are depreciated over the useful economic lives of the assets on the following basis:

COMPONENT	Years
Structure	85-125
Lifts	25-30
Kitchens	20-25
Bathrooms	20-30
Solar panels	20-25
External storage	10
External staircase	60
Aerials /CCTV	10
Flooring	15
Windows	25-30
Roofs	20-80
Boilers & heating	15-25
Emergency lighting	15-20
Electrical wiring	5-30
Warden call / door entry	15
Fire alarms	20

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease. The lease and building elements are depreciated separately over their expected useful economic lives.

Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure, costs are allocated on a floor area or unit basis depending on what is appropriate for each scheme.

Development overheads

Development overhead costs are capitalised to the extent they are directly attributable to bringing schemes into working condition for their intended use. Such expenditure consists of in-house development, architect and surveyor costs (including the cost of our own employees), and a proportion of the cost of staff in other departments who work on development activities.

Donated land and other assets

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between fair value and consideration paid is treated as a non-monetary grant and recognised in the balance sheet as a liability. Where the donation is from a non-public source the value of the donation is included as income.

Stock swaps

Housing properties acquired from other social landlords in exchange for non-monetary assets, or a combination of monetary and non-monetary assets, are measured at fair value. Grant associated with the transfers is recorded as a contingent liability.

Shared ownership properties and staircasing

Under low-cost home ownership arrangements, the Group disposes of a long lease on low-cost home ownership housing units for a share ranging between 25% and 75% of value. The buyer has the right to purchase further proportions based on market value, up to the maximum ownership permitted under the lease (typically 100%, but lower in certain cases).

Low-cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining "staircasing element", is classed as property, plant and equipment and included in completed housing property at cost together with any provision for impairment. Sales of subsequent tranches are treated as a part disposal of property, plant and equipment. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

GROUP	Housing properties held for letting £m	Housing properties for letting under construction £m	Completed shared ownership properties £m	Shared ownership properties under construction £m	Total housing properties £m
COST					
At 1 April 2025	5,446.2	450.5	1,055.4	187.6	7,139.7
Reclassification	(7.4)	12.9	1.1	(7.3)	(0.7)
Reclassification - investment properties	(1.2)	-	-	-	(1.2)
Reclassification - other fixed assets	(2.9)	-	(1.2)	-	(4.1)
Additions during year	1.2	88.6	2.3	50.2	142.3
Replaced components	124.7	-	4.1	-	128.8
Gifted housing components	7.2	-	-	-	7.2
Transfer from investment property (note 15)	0.1	-	-	-	0.1
Transfer from current assets	-	1.1	2.7	-	3.8
Tenure change	0.5	4.2	(0.5)	(4.2)	-
Transfer on completion	185.3	(185.3)	123.0	(123.0)	-
Disposals - property	(15.0)	-	(32.1)	-	(47.1)
Disposals - components	(34.4)	-	-	-	(34.4)
Transfer to I&E (Write off)	(6.5)	9.4	-	-	2.9
At 31 March 2026	**5,697.8**	**381.4**	**1,154.8**	**103.3**	**7,337.3**
DEPRECIATION					
At 1 April 2025	850.6	-	30.4	-	881.0
Reclassification	(0.7)	-	-	-	(0.7)
Reclassification - other fixed assets	(0.2)	-	(1.2)	-	(1.4)
Reclassification - investment properties	(0.1)	-	-	-	(0.1)
Depreciation charge for the year	71.6	-	-	-	71.6
Disposals - property	(3.3)	-	(0.6)	-	(3.9)
Disposals - components	(20.9)	-	-	-	(20.9)
Transfer to I&E (Write off)	(0.8)	-	-	-	(0.8)
At 31 March 2026	**896.2**	**-**	**28.6**	**-**	**924.8**
IMPAIRMENT					
At 1 April 2025	-	22.1	-	1.2	23.3
Reclassification	-	1.2	-	(1.2)	-
Impairment charge for the year	-	2.2	-	-	2.2
At 31 March 2026	**-**	**25.5**	**-**	**-**	**25.5**
NET BOOK VALUE					
At 31 March 2026	**4,801.6**	**355.9**	**1,126.2**	**103.3**	**6,387.0**
At 31 March 2025	4,595.6	428.4	1,025.0	186.4	6,235.4

The cost of land included in the above which is not subject to depreciation is £1,876 million (2025: £1,840 million). Additions to housing properties in the course of construction during the year included capitalised interest of £30.9 million (2025: £24.1 million).

Major works expenditure in the year was £141.6 million (2025: £117.8 million), of which £128.8 (2025: £101.6 million was capitalised to housing properties.

£7.2 million of gifted assets were capitalised during the year (2025: £nil) in respect of the Energy Company Obligation (ECO4) scheme, a government-backed energy efficiency initiative. The assets are recognised at fair value, with a corresponding credit recorded in other income upon transfer to Southern Housing.

An impairment charge of £2.4 million was recognised in respect of 26 homes across 1 development scheme where forecast recoverable value was assessed to be below carrying value. The carrying value of these homes before the impairment was recognised was £5.4 million. An impairment release of £0.2 million was recognised against land held for development, carrying value after the release was £3.2 million.

ASSOCIATION	Housing properties held for letting £m	Housing properties for letting under construction £m	Completed shared ownership properties £m	Shared ownership properties under construction £m	Total housing properties £m
COST					
At 1 April 2025	5,387.6	386.9	979.9	114.1	6,868.5
Reclassification	(2.0)	-	1.1	0.2	(0.7)
Reclassification - investment properties	(1.2)	-	-	-	(1.2)
Reclassification - other fixed assets	(2.9)	-	(1.2)	-	(4.1)
Additions during year	0.9	66.0	1.3	27.8	96.0
Replaced components	124.4	-	4.1	-	128.5
Gifted housing components	7.2	-	-	-	7.2
Acquired housing properties	17.7	23.9	35.5	38.4	115.5
Transfer to Samuel Lewis Foundation	(27.3)	-	-	-	(27.3)
Transfer from investment property	0.1	-	-	-	0.1
Transfer (to)/from current assets	-	-	(1.7)	3.9	2.2
Tenure change	0.5	4.2	(0.5)	(4.2)	-
Transfer on completion	173.9	(173.9)	121.6	(121.6)	-
Disposals - property	(15.0)	-	(47.2)	-	(62.2)
Disposals - components	(34.4)	-	-	-	(34.4)
Transfer to I&E (Write off)	(6.5)	(0.6)	-	-	(7.1)
At 31 March 2026	**5,623.0**	**306.5**	**1,092.9**	**58.6**	**7,081.0**
DEPRECIATION					
At 1 April 2025	850.3	-	27.4	-	877.7
Reclassification	(0.7)	-	-	-	(0.7)
Reclassification - other fixed assets	(0.2)	-	(1.2)	-	(1.4)
Reclassification - investment properties	(0.1)	-	-	-	(0.1)
Depreciation charge for the year	70.9	-	-	-	70.9
Disposals - property	(3.3)	-	(0.6)	-	(3.9)
Disposals - components	(21.1)	-	-	-	(21.1)
Transfer to Samuel Lewis Foundation	(5.1)	-	-	-	(5.1)
Transfer to I&E (Write off)	(0.8)	-	-	-	(0.8)
At 31 March 2026	**889.9**	**-**	**25.6**	**-**	**915.5**
IMPAIRMENT					
At 1 April 2025	-	21.4	-	-	21.4
Impairment charge for the year	-	2.4	-	-	2.4
At 31 March 2026	**-**	**23.8**	**-**	**-**	**23.8**
NET BOOK VALUE					
At 31 March 2026	**4,733.1**	**282.7**	**1,067.3**	**58.6**	**6,141.7**
At 31 March 2025	4,537.3	365.5	952.5	114.1	5,969.4

The cost of land included in the above which is not subject to depreciation is £1,810 million (2025: £1,835 million).

Additions to housing properties in the course of construction during the year included capitalised interest of £14.0 million (2025: £15.0 million) at an average interest rate during the year in the region of 4.20% (2025: 4.20%).

Major works expenditure in the year was £141.4 million (2025: £117.7 million), of which £128.5 million (2025: £101.3 million) was capitalised to housing properties.

£7.2 million of gifted assets were capitalised during the year (2025: £nil) in respect of the Energy Company Obligation (ECO4) scheme, a government-backed energy efficiency initiative. The assets are recognised at fair value, with a corresponding credit recorded in other income upon transfer to Southern Housing.

An impairment charge of £2.4 million was recognised in respect of 26 homes across 1 development scheme where forecast recoverable value was assessed to be below carrying value. The carrying value of these homes before the impairment was recognised was £5.4 million.

Transfer to Samuel Lewis Foundation

In prior years, the Samuel Lewis Foundation was included within Southern Housing's accounts. During the year, as part of the alignment of linked charities, the Samuel Lewis Foundation has been transferred out of Southern Housing's accounts and incorporated within the Trust's linked charity structure. The Samuel Lewis Foundation now forms the linked charity group and includes the accounts of Eason Gruaz Homes, the Charity of Julia Spicer for Almshouses, Hewitt Homes, and The Fellowship Houses Trust.

14. Tangible fixed assets – other fixed assets

Other tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised and reflected in the statement of comprehensive income. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation of other tangible fixed assets

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

The estimated useful lives range as follows:

OTHER FIXED ASSETS	Years
Freehold offices	50-100
Furniture & office equipment	5-15
Computer hardware	3-4
Computer software	3-4
Motor vehicles	4
Office improvements	10
Leasehold properties	Over term of lease

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

GROUP	Land and building £m	Furniture and office equipment £m	Computer equipment and software £m	Motor vehicles £m	Total £m
COST					
At 1 April 2025	43.9	51.6	40.6	1.6	137.7
Reclassification from housing properties	4.1	-	-	-	4.1
Additions during year	1.6	9.5	0.6	0.2	11.9
Transfer from Investment properties	0.2	-	-	-	0.2
Disposals	(10.6)	(1.4)	(0.2)	-	(12.2)
At 31 March 2026	**39.2**	**59.7**	**41.0**	**1.8**	**141.7**
DEPRECIATION					
At 1 April 2025	20.5	34.3	37.7	0.5	93.0
Reclassification from housing properties	1.4	-	-	-	1.4
Charge for the year	1.5	2.5	1.5	0.3	5.8
Disposals	(4.1)	(1.2)	(0.2)	-	(5.5)
At 31 March 2026	**19.3**	**35.6**	**39.0**	**0.8**	**94.7**
NET BOOK VALUE					
At 31 March 2026	**19.9**	**24.1**	**2.0**	**1.0**	**47.0**
At 31 March 2025	23.4	17.3	2.9	1.1	44.7

The net book value of freehold land and buildings included in the above is £15.0 million (2025: £19.7 million).

The net book value of leasehold buildings included in the above is £4.1 million (2025: £2.8 million).

ASSOCIATION	Land and building £m	Furniture and office equipment £m	Computer equipment and software £m	Motor vehicles £m	Total £m
COST					
At 1 April 2025	44.4	51.2	40.6	1.6	137.8
Reclassification from housing properties	4.1	-	-	-	4.1
Additions during year	1.6	9.5	0.6	0.2	11.9
Transfer from Investment properties	0.2	-	-	-	0.2
Disposals	(10.6)	(1.4)	(0.2)	-	(12.2)
At 31 March 2026	**39.7**	**59.3**	**41.0**	**1.8**	**141.8**
DEPRECIATION					
At 1 April 2025	20.9	34.0	37.7	0.5	93.1
Reclassification from housing properties	1.4	-	-	-	1.4
Charge for the year	1.6	2.4	1.5	0.3	5.8
Disposals	(4.3)	(1.0)	(0.2)	-	(5.5)
At 31 March 2026	**19.6**	**35.4**	**39.0**	**0.8**	**94.8**
NET BOOK VALUE					
At 31 March 2026	**20.1**	**23.9**	**2.0**	**1.0**	**47.0**
At 31 March 2025	23.5	17.2	2.9	1.1	44.7

The net book value of freehold land and buildings included in the above is £15.0 million (2025: £19.7 million).

The net book value of leasehold buildings included in the above is £4.1 million (2025: £2.8 million).

15. Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business but held for investment potential or capital appreciation. Investment properties are measured at cost on acquisition or initial recognition and subsequently on completion at fair value at the year end, with changes in fair value recognised in the statement of comprehensive income. Fair value is determined annually by appropriately qualified external valuers and derived from current market rents and investment property yields for comparable properties, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided on investment properties.

	Student accommodation £m	Market rent £m	Commercial £m	Properties under construction £m	Total £m
GROUP					
At 1 April 2025	86.4	97.9	67.8	27.0	279.1
Reclassification – housing properties	-	0.5	0.6	-	1.1
Additions	-	-	0.1	2.1	2.2
Schemes completed	-	-	23.3	(23.3)	-
Transferred to housing assets (note 13)	-	(0.1)	-	-	(0.1)
Transfer to other fixed assets (note 14)	-	-	(0.2)	-	(0.2)
Disposals	(12.1)	-	(4.4)	-	(16.5)
Revaluation in year	(1.3)	0.3	(20.6)	(3.6)	(25.2)
At 31 March 2026	**73.0**	**98.6**	**66.6**	**2.2**	**240.4**
ASSOCIATION					
At 1 April 2025	71.1	89.1	67.7	3.4	231.3
Reclassification - housing properties	-	0.5	0.6	-	1.1
Acquisition	-	-	-	14.8	14.8
Additions	-	-	-	1.6	1.6
Schemes completed	-	-	17.6	(17.6)	-
Transferred to housing assets	-	(0.1)	-	-	(0.1)
Transfer to other fixed assets	-	-	(0.2)	-	(0.2)
Disposals	(12.1)	-	(4.3)	-	(16.4)
Revaluation in year	0.2	0.3	(16.9)	(0.8)	(17.2)
At 31 March 2026	**59.2**	**89.8**	**64.5**	**1.4**	**214.9**

The Group's investment properties are valued annually on 31 March at fair value. The Group engaged Jones Lang LaSalle Limited (JLL) for the latest fair value valuation. They are independent, professionally qualified valuers and valuation is undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Changes in fair value are recognised in the statement of comprehensive income. We update the investment property valuations annually.

Valuers benchmarked 2026/27 rents with competing schemes. Assumptions reflect the market approach a potential purchaser would take, as at the valuation date. A rent capitalisation methodology was adopted coupled with an assessment of what an owner-occupier might pay with reference to respective rental and capital value markets. Where appropriate, for offices with obvious permitted development credentials, a high level residual appraisal was undertaken to underpin the valuation.

Discount rates in valuing our student properties range from 8.25% and 25.00%. The cash flows generated incorporate growth assumptions in respect of income and expenditure elements based upon deviations from the RPI trend rate of inflation (2.5%) plus additional real growth (0.5%).

Market rent valuation assumes management costs at 9.0%, bad debts and voids at 2.5% with a discount rate of 7.25%-8.00%.

Commercial valuation assumes that each property would be marketed as an individual property and not as part of a portfolio and therefore consequently no portfolio premium or discount has been reflected. £20.6 million revaluation on commercial investment properties, charged below operating surplus, was mainly due to increased build costs on recently completed commercial schemes.

16. Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual entity's financial statements.

Associates and joint venture

An entity is treated as an associated undertaking where Southern Housing or the relevant subsidiary exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

An entity is treated as a joint venture where the group is party to a contractual agreement with one or more parties from outside the group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in joint ventures are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the joint venture. The consolidated statement of comprehensive income includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the group. Any share of losses are only recognised to the extent that they do not reduce the investment balance below zero as the group has no obligations to make payments on behalf of the joint venture, and any share of subsequent profits shall be accounted for once the unrecognised profits are equal to the unrecognised losses. In the consolidated balance sheet, the interests in joint ventures are shown as the group's share of the identifiable net assets, including any unamortised premium paid on acquisition. Any unrealised profits and losses from transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture.

	GROUP	
	2026 £m	2025 £m
LINDEN (RAINHAM) LLP		
At 1 April	0.2	0.2
Cumulative share of joint venture loss	(0.2)	-
At 31 March	**-**	**0.2**

In December 2018 Optivo Homes Limited, a subsidiary of Southern Housing, entered into an agreement with Galliford Try Homes Limited (now Vistry Linden Limited) to become a member of Linden (Rainham) LLP. Each party holds a 50% interest in the LLP and 50% of the voting rights. Linden (Rainham) LLP´s principal activity is the development of new homes. All homes are sold and the joint venture will end when all retentions have been paid.

Southern Housing holds:

A 50% partnership capital in Affinity Housing Services (Reading), a joint venture with Abri Group, which is accounted for as a jointly controlled operation. The joint venture has a 33% holding in Affinity (Reading) Holdings Limited, which holds 100% of the share capital of Affinity (Reading) Limited, the operator of a PFI contract to supply refurbishment, management and maintenance services to part of Reading Borough Council's housing portfolio.

A 33.33% direct holding in Affinity (Reading) Holdings Limited, which together with the indirect holding described above, gives a total interest of 50%. The indirect interest is accounted for through the accounting of Affinity Housing Services (Reading). The direct interest is accounted for as a jointly controlled entity. In the Association it is held at cost less impairment and in the Group it is held using the equity method of accounting.

Southern Space Limited holds a one-third interest in Triathlon Homes LLP, a joint venture with First Base 4 Stratford LLP and East Place Limited. The principal activity of Triathlon Homes LLP is the management of the social housing within East Village, Stratford. Following the final handover of all units by the developer to Triathlon Homes LLP, all units are used for social housing in a variety of tenures. Triathlon Homes LLP is accounted for as a jointly controlled entity.

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
AFFINITY AND TRIATHLON				
At 1 April	9.9	8.5	4.1	3.8
Distribution received	(0.4)	(0.3)	-	-
Additional loan	0.4	0.3	0.4	0.3
Cumulative share of joint venture (loss) / profit	(0.2)	1.4	-	-
At 31 March	**9.7**	**9.9**	**4.5**	**4.1**

Investment in Social HomeBuy

The Group retains a stake in homes purchased through the HomeBuy and Starter Homes Initiative schemes which are regarded as public benefit entity concessionary loans. They are held in the statement of financial position, recorded at transaction value, being the share of value of the property at the date of acquisition, as opposed to being held at the fair value of the loans which FRS 102 would otherwise require, which is not materially different.

The loan is repayable on the sale of the underlying property with any proportionate excess achieved on the sale value over the loan value being reported through the statement of comprehensive income.

Investments in HomeBuy and Starter Home Initiatives are funded through social housing grant. The Association funds 6% of the stake in Starter Home Initiatives, with the remainder being funded through social housing grant. No interest is payable. The security is a charge on the property and repayment is due upon the sale of the property. There are no concessionary loans committed but not taken up at year end.

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
Investment in subsidiary	-	-	1.8	1.8
Investment in social HomeBuy	6.2	6.6	6.2	6.6
	6.6	**6.6**	**8.0**	**8.4**

Endowment

The endowment is held by Fellowship Houses Trust at fair value (the quoted market price) at each balance sheet date. Gains or losses on remeasurement are recognised in the Statement of Comprehensive Income.

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
Fair value of endowment	**0.2**	**0.2**	**-**	**-**

Derivatives

The group holds floating rate loans which expose the group to interest rate risk. To mitigate against this risk the group uses interest rate swaps. These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Movements in fair value are recognised in the statement of comprehensive income. The derivatives are accounted for in accordance with FRS 102 – Section 12 at fair value through profit or loss.

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
MARK TO MARKET DERIVATIVES				
Asset	16.6	18.6	16.6	18.7
Liabilities	(2.2)	(5.9)	(2.2)	(5.9)
	14.4	**12.7**	**14.4**	**12.8**

17. Properties held for sale

Stock represents work in progress, completed properties developed for outright sale and shared ownership properties. For shared ownership properties the value held as stock is the estimated proportion of cost to be sold as a first tranche. Stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
Open market sale: completed properties	14.2	14.3	-	-
Open market sale: under construction properties	19.7	45.9	-	-
Shared ownership: completed properties	31.0	33.7	27.9	25.0
Shared owenership: under construction properties	42.5	69.2	16.7	32.2
	107.4	**163.1**	**44.6**	**57.2**

Group: During the year, previously recognised stock impairment provisions reduced by £3.2 million. This primarily reflects the sale of impaired stock. Total stock impairment of £12.7 million (2025: £15.9 million) related to 383 homes (2025: 443 homes). Carrying value reduced from £163.1 million to £107.4 million.

Association: During the year, previously recognised stock impairment provisions reduced by £0.9 million. This primarily reflects the sale of impaired stock. Total stock impairment of £4.8 million (2025: £5.7 million) related to 234 homes (2025: 324 homes). Carrying value reduced from £57.2 million to £44.6 million.

18. Trade and other debtors

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

Liquidity fund

In accordance our borrowing agreements we maintain a Liquidity Reserve Fund with a lender. The Reserve Fund is equal to not less that twelve months' interest. The liquidity fund comprise interest bearing cash deposits placed as a guarantee for loans from The Housing Finance Corporation Limited ('THFC'). These are held at cost, adjusted for any increases in amounts deposited or withdrawn and impairment. The deposits are held as interest reserve account with differing maturity and interest rates in line with the loan facility agreements. Interest receivable is accounted for on an accruals basis.

Impairment of rental and other trade receivables

The Association and Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair the Association and Group reviews the age profile of the debt, historical collection rates and the class of debt. Former tenant arrears are written off to the statement of comprehensive income at the point the resident exits the property to the extent that they are not considered recoverable.

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
DUE WITHIN ONE YEAR				
Rental and service charge arrears	39.3	36.1	38.7	35.6
Provision for doubtful debts	(11.7)	(9.7)	(11.5)	(9.6)
	27.6	**26.4**	**27.2**	**26.0**
Social housing grant receivable	5.1	-	5.1	-
Trade debtors	8.9	14.7	7.4	12.6
Other debtors	4.2	3.7	3.4	2.9
Amounts owed by subsidiary undertakings	-	-	3.3	2.8
Prepayments and accrued income	26.0	22.6	26.1	21.4
VAT	7.9	0.4	4.3	-
	79.7	**67.8**	**76.8**	**65.7**
DUE AFTER MORE THAN ONE YEAR				
Leaseback schemes	0.7	1.1	0.7	1.1
Service charge debtor	25.8	28.1	25.7	28.0
Liquidity fund	12.1	12.3	12.1	12.3
Amounts owed by subsidiary undertakings	-	-	287.0	369.2
	38.6	**41.5**	**325.5**	**410.6**
TOTAL DEBTORS	**118.3**	**109.3**	**402.3**	**476.3**

19. Short-term investments

Short term investments in the Group's consolidated and Association's balance sheet consist of short-term investments into our restricted pension collateral with an original maturity of over three months. In our cashflow statements, short term investments are classed as cash and cash equivalent as they are 95 days' notice accounts.

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
Short term investments	**2.8**	**15.5**	**2.8**	**15.5**

20. Cash and cash equivalents

Cash and cash equivalents in the Group's consolidated and Association's balance sheet consist of cash at bank and in hand deposits and short-term investments with an original maturity of three months or less.

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
Cash and cash equivalents	**74.6**	**84.4**	**63.7**	**72.6**

Total Group cash and short-term investment balances of £77.4 million (2025: £99.9 million) include £38.1 million (2025: £36.3 million) held in separate accounts for ' ring-fenced' sinking funds on behalf of leaseholders and restricted cash £4.1 million (2025: £17.1 million) which is mainly collateral for our Pensions.

21. Creditors: amounts falling due within one year

Trade and other creditors and housing loans are carried at amortised cost.

Building safety grant

The funding relates to building remediation works and is held as deferred income pending completion of the associated obligations and incurrence of qualifying expenditure. The balance is expected to be utilised within the next 12 months as the programme of remediation works progresses.

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
Loans and borrowings (note 25)	102.3	22.9	102.3	22.9
Social housing grant (note 23)	22.3	19.7	22.2	19.7
Building safety grants	8.2	-	8.2	-
Interest payable	26.5	26.8	26.5	26.8
Taxation and social security	1.7	2.2	1.7	2.2
Rent & service charge in advance	21.2	19.0	20.9	18.8
Leaseholder sinking funds	40.1	32.6	38.7	31.4
Accruals and deferred income	120.1	137.9	102.4	125.1
Amounts due to subsidiary undertakings	-	-	18.9	6.3
Other creditors	3.6	5.6	3.5	5.5
Recycled capital grant fund (note 24)	7.0	0.5	7.0	-
	353.0	**267.2**	**352.3**	**258.7**

22. Creditors: amounts falling due after more than one year

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
Loans and borrowings (note 25)	3,266.8	3,317.6	3,313.4	3,365.0
Social housing grant (note 23)	1,649.3	1,670.7	1,619.8	1,637.4
Derivative financial instruments	2.2	5.9	2.2	5.9
Lease premium grant subsidy	0.1	0.1	0.1	0.1
Service charge creditor	1.1	1.2	1.1	1.1
Recycled capital grant fund (note 24)	16.0	14.9	16.0	14.5
Other creditors	0.3	2.0	0.4	2.0
	4,935.8	5,012.4	4,953.0	5,026.0

23. Social Housing Grant

The Group receives financial assistance from Homes England and the GLA. These government grants are accounted for as deferred income in the statement of financial position and are amortised annually to the statement of comprehensive income based on the life of the building structure, which is between 85 -125 years.

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
TOTAL SOCIAL HOUSING GRANT RECEIVED OR RECEIVABLE TO DATE				
Capital grant - housing properties	1,671.6	1,690.4	1,642.0	1,657.1
Recycled capital grant fund (note 24)	23.0	15.4	23.0	14.5
Cumulative amount amortised	424.3	407.3	420.0	405.0
	2,118.9	**2,113.1**	**2,085.0**	**2,076.6**
At 1 April	1,690.4	1,674.9	1,657.1	1,630.5
Grants received during the year	8.0	14.8	8.0	14.3
Grant recycled from RCGF	1.5	31.6	1.5	31.6
Intra group transfers	-	-	3.5	10.9
Disposals	(8.8)	(11.5)	(8.7)	(10.8)
Grants amortised during the year	(19.5)	(19.4)	(19.4)	(19.4)
At 31 March	1,671.6	1,690.4	1,642.0	1,657.1
Cumulative amount amortised	**424.3**	**407.3**	**420.0**	**405.0**

24. Recycled Capital Grant Fund (RCGF)

On the occurrence of certain relevant events, primarily the sale of dwellings, the Regulator of Social Housing (RSH) can direct the Group to recycle or repay capital grants. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, grant will be repayable to the RSH with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated cannot be used within one year is held in the balance sheet under "creditors due after more than one year". The remainder is held under "creditors due within one year".

GROUP	2026 Homes England £m	2026 GLA £m	2025 Homes England £m	2025 GLA £m
Balance at 1 April	7.5	7.9	20.1	27.0
Grants recycled	2.9	6.4	3.0	4.6
Interest accrued	0.3	0.5	0.8	1.2
New development and repairs to existing properties	(2.3)	(0.2)	(16.4)	(15.3)
Grant repaid	-	-	-	(9.6)
At 31 March	**8.4**	**14.6**	**7.5**	**7.9**
AMOUNT DUE FOR REPAYMENT TO HOMES ENGLAND/GLA				
Within one year	4.5	2.5	-	0.5
Within 2 to 3 years	3.9	12.1	7.5	7.4
	8.4	**14.6**	**7.5**	**7.9**

ASSOCIATION	2026 Homes England £m	2026 GLA £m	2025 Homes England £m	2025 GLA £m
Balance at 1 April	7.5	7.0	20.1	26.1
Grants recycled	2.8	6.3	3.0	4.4
Transfers	0.1	1.0	-	0.2
Interest accrued	0.3	0.5	0.8	1.1
New development and repairs to existing properties	(2.3)	(0.2)	(16.4)	(15.2)
Grant repaid	-	-	-	(9.6)
At 31 March	**8.4**	**14.6**	**7.5**	**7.0**
AMOUNT DUE FOR REPAYMENT TO HOMES ENGLAND/GLA				
Within one year	4.5	2.5	-	-
Within 2 to 3 years	3.9	12.1	7.5	7.0
	8.4	**14.6**	**7.5**	**7.0**

25. Loans and borrowings

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
HOUSING LOANS REPAYABLE				
Loans and debentures	1,350.3	1,320.2	1,350.1	1,320.1
Bond	2,055.0	2,055.0	925.0	925.0
Total housing loans	**3,405.3**	**3,375.2**	**2,275.1**	**2,245.1**
Inter-company loan	-	-	1,171.5	1,172.9
Other loan/ bond costs	(21.9)	(18.7)	(16.6)	(14.1)
Deferred financing & set-up costs	(14.3)	(16.0)	(14.3)	(16.0)
Net borrowings	**3,369.1**	**3,340.5**	**3,415.7**	**3,387.9**
HOUSING LOANS REPAYABLE				
Within one year	102.3	22.9	102.3	22.9
One to two years	190.0	102.3	190.0	102.3
Two to five years	536.5	570.8	536.5	570.8
More than five years	2,576.5	2,679.2	1,446.3	1,549.1
Total housing loans	**3,405.3**	**3,375.2**	**2,275.1**	**2,245.1**

Other loan/bond costs includes any discount (or premium) on bonds issued in the period.

At 31 March 2026 the Group facilities were as below.

GROUP	2026 £m	2025 £m
TOTAL FACILITIES	**3,944.3**	**3,967.2**
of which own name bonds	2,055.0	2,055.0
of which banks and other lenders	1,889.3	1,912.2

GROUP	2026 £m	2025 £m
TOTAL FACILITIES	**3,944.3**	**3,967.2**
of which drawn	3,405.3	3,375.2
of which available to draw	539.0	592.0

The loans bear interest at fixed rates ranging from 1.8% to 11.5% or at variable rates calculated at a margin above SONIA, the Bank of England Base Rate, or the Retail Prices Index.

GROUP	2026 £m	2025 £m
DRAWN FACILITIES	**3,405.3**	**3,375.2**
of which fixed rate	3,028.8	3,090.1
of which floating rate	366.5	275.1
of which index linked	10.0	10.0

The Group has interest rate swap agreements in place to mitigate the risk of interest rate increases in its floating rate debt. We had vanilla floating to fixed swaps of £422.5 million notional value (2025: £422.5 million), fixed to floating SWAPS of £125.0 million (2025: £125.0 million), amortising swaps of £120.0 million notional value (2025: £160.0 million), as well as forward starting swaps of £30.0 million notional value (2025: £30.0 million).

The mark to market of the swaps is £14.4 million (2025: £12.7 million). Our swaps have a maturity range of 2026-2038. The average rate, weighted by notional value of swaps active at year end, was 3.78% (2025: 3.64%). During 2025/26, Southern Housing didn't enter into any new SWAPS.

Our bonds are summarised here.

BOND MATURITY	Oct 2035	Mar 2043	Mar 2048	Oct 2036	Feb 2039	Oct 2047	Oct 2054
Coupon	2.86%	5.25%	3.28%	2.38%	4.50%	3.50%	5.63%
Issue size (£m)	350	400	380	300	75	300	250
Remaining retained (£m)	-	-	-	-	-	-	-
Valuation date	May 2025	Jul 2025	May 2025	Dec 2025	Dec 2025	Dec 2025	Dec 2025
Valuation before asset cover (£m)	504	473	525				
Valuation after asset cover (£m)	445	415	459				
Charged security valuation of which, valued to: (£m)				1,497			
EUV-SH rented properties (£m)				349			
MV-STT rented properties (£m)				1,148			
Maximum bond size supported by current security valuation (£m)				1,330			
Excess security over current bond size (£m)				405			
Company issuing*	SFP	SFP	SFP	SH	SH	SH	SH

*SH is Southern Housing and SFP is Southern Housing Finance PLC

At 31 March 2026 we had £2,055.0 million bonds in issue. None of these were retained bonds. In September 2025, we renewed our Euro Medium Term Note (EMTN) programme, maintaining our ability to access the capital markets efficiently. We also published the Allocation and Impact Report for our 5.625% 2054 bond, providing transparency on the use of sustainable bond proceeds.

During the year, no new bond issuance was undertaken under the programme, with focus instead placed on optimising the existing debt portfolio.

Our total available liquidity reduced from £639.0 million in 2024/25 to £576.0 million at 31 March 2026, reflecting our reduced development commitments.

The Board recognises a key risk faced by the Group relates to the ability of the Group to repay loans as they fall due. The Group is exposed to fluctuations in interest rates. The key risks and mitigation strategies are:

- The Group uses derivatives to manage interest rate risk
- The Group undertakes regular revaluation of the property portfolio, ensuring the asset cover required to secure borrowings is maintained. The majority of borrowing is secured against the market value of properties subject to tenancies
- The Group regularly monitors actual and projected compliance with financial covenants, and uses sensitivity analysis to ensure price, liquidity, credit, and interest rate risk will not affect the ability of the Group to repay debt to the lender as it falls due or that mitigating actions are taken where appropriate.

26. Provisions

A provision is only recognised for specific and quantifiable liabilities that exist at the balance sheet date as a result of a past event and only where it is probable that we will be required to transfer economic benefits in settlement of the obligation.

Provisions are made when expenditure required to settle the obligation at the balance sheet date can be reliably measured. Where the effect of the time value of money is material the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises. Southern Housing reviews at each reporting date the identified risks it is aware of to ensure the value of provisions made is appropriate.

During the year, our assessment of our obligation in respect of building safety remediation has changed following our public commitment to the Government's joint plan to accelerate social housing remediation and improvements in the reliability of cost estimates. In summer 2025, we committed to a sector wide programme to accelerate remediation and improve resident safety, alongside a public statement confirming that remediation costs would not be passed on to leaseholders. These actions contribute to a constructive obligation under FRS 102 as they create a valid expectation that we will complete the required works. Having established a constructive obligation, we then need to reliably measure the costs. We now have sufficiently developed information on the scope and cost of remediation across relevant buildings. This improved level of cost certainty enables a more reliable estimate of the obligation to be made.

For social and affordable rented homes, no provision is recognised at the reporting date. In line with FRS 102 and the Housing SORP, we own the underlying asset and retain the future economic benefits arising from the expenditure. For shared ownership and leasehold properties, contractual obligations together with our commitment not to recover costs from leaseholders give rise to a present or constructive obligation. As future economic benefits relating to leaseholder and staircased interests do not accrue to us, the related costs are recognised as expenditure and provided for where the recognition criteria are met.

Provisions are not made for works which are considered to be part of the ordinary course of business and that form part of an ongoing maintenance and major works programme. Where settlement is not probable and / or cannot be reliably estimated a contingent liability is recognised.

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
THE GROUP HAS RECOGNISED				
Building safety provision	48.7	-	48.7	-
Hand back provisions	0.2	0.2	0.2	0.2
	48.9	**0.2**	**48.9**	**0.2**

27. Contingent liabilities

A contingent liability is disclosed for a possible obligation for which it is not yet confirmed that an obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant repayment which is dependent on the disposal of the related property. The timing of any future disposal is uncertain. No provision has therefore been recognised in these financial statements in relation to any potential repayment of grant that may arise in the event of a disposal. The Group holds £162.7 million of grant (2025: £161.6 million) relating to stock swaps which would be repayable to the grant provider in the event that this stock is disposed.

We were notified in 2021 by the Trustee of the Optivo defined benefit Pension Scheme (OPS) that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee is seeking clarification from the Court on these items, this process is ongoing with the Court's determination expected no earlier than Summer 2026. It is estimated that this could potentially increase the value of the full scheme liabilities by £4 million. We note that this estimate has been calculated as at 30 September 2021 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

28. Non-equity share capital

Every member of the Association holds one share of £1. These shares carry no dividend rights and on cessation of membership of the Association, are cancelled and the amount paid becomes the property of the Association. Each member has the right to vote at members' meetings.

ASSOCIATION	2026 £	2025 £
At 1 April	33	29
Issued in year	2	4
Cancelled in year	(4)	-
At 31 March	31	33

29. Capital commitments

The amount contracted for at 31 March 2026 will be funded from grants approved by Homes England/GLA 4% (2025: 6%) or will be financed from property sales 55% (2025: 68%) and private loans or cash generated from the business 41% (2025: 26%). Under regulations approved by Board, expenditure to certain levels may be authorised by appropriate officers, and such authorised expenditure is included below.

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
EXPENDITURE ON DEVELOPMENTS				
Capital expenditure contracted for but not provided for in the financial statement	110.8	271.7	72.5	201.2
Authorised by the board, scheme on site, not in contract	109.3	71.5	81.6	45.6
	220.1	**343.2**	**154.1**	**246.8**
Capital expenditure which has been authorised by the Board but not yet contracted for	142.1	126.9	134.8	112.2

30. Commitments under operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases. Rentals paid under operating leases are charged to the statement of comprehensive income on the accruals basis. Where assets are financed by leasing agreements that give rights approximating to ownership they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments (or if lower the fair value of leased asset) and is depreciated in accordance with the Group's normal policy for that class of assets. The corresponding liability to the lessor is included in the Balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Annual rentals on operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

At 31 March the Group and Association had total commitments under non-cancellable operating leases as follows:

	GROUP		ASSOCIATION	
	2026 £m	2025 £m	2026 £m	2025 £m
LAND AND BUILDINGS				
Leases expiring within one year	2.4	2.3	2.4	2.3
One to five years	9.0	8.9	9.0	8.9
Over five years	16.3	17.9	16.3	17.9
	27.7	**29.1**	**27.7**	**29.1**
OTHER				
Leases expiring within one year	2.5	2.3	2.6	2.3
One to five years	1.7	2.4	1.7	2.4
	4.2	**4.7**	**4.3**	**4.7**
Total operating leases with tenants	31.9	33.8	32.0	33.8

The Group's rental properties other than those held for investment purposes are tenanted under cancellable operating leases with typical tenant break clauses of four weeks. Rents vary in line with the Rent Standard as set by the Government and affected by the Welfare Reform and Work Act 2016. The Group share of equity in a shared ownership property may be purchased by its leaseholder at any time at the pro-rata market rate at which point ongoing lease payments will be adjusted according to the share of ownership retained by the Group.

Income on all operating leases is recorded in the statement of comprehensive income as the rent falls due. The Group's residential market rented properties are let under operating leases which are cancellable ranging from four weeks to three-month notice periods. The Group's commercial properties are let under non-cancellable operating leases.

The Group's future minimum operating lease receipts from commercial properties under non-cancellable arrangements were:

GROUP	2026 £m	2025 £m
OPERATING LEASE INCOME DUE		
Expiring within one year	2.8	2.6
One to five years	6.6	6.1
Over five years	7.1	7.6
	16.5	16.3

Sales & leaseback schemes

The Group has a leasehold interest in properties which have been subsequently leased back to the respective freeholders for the purpose of providing housing accommodation. The Group's net investment in these properties is disclosed in the Balance Sheet under "debtors". The balance of the Group's investment in these properties is written down as lease payments are received.

31. Related party disclosures

The ultimate controlling party of the Group is Southern Housing, a registered social housing provider. There is no ultimate controlling party of Southern Housing. Southern Housing considers the key management personnel to be the Board and Executive Team. The only transaction between Southern Housing and the key management personnel is remuneration which is set out in notes 7 and 8.

Southern Housing participates in four defined benefit pension schemes.
The transactions with these pension schemes are set out in note 32.

The following managed undertakings are subsidiaries by virtue of the ability of the Association to control the composition of their Board or by holding the majority of shares. The Association owns 100% of the shares of each of the undertakings listed. In accordance with financial reporting standards, the results of the undertakings are incorporated in the consolidated accounts. Where indicated, subsidiaries are Registered Providers of Social Housing (RPSH).

Wholly owned Subsidiaries of the Group include:

Name of undertaking	Country of registration	Principal activity
Amicus Group Limited	UK	Charitable Registered social housing provider
Southern Housing Finance PLC	UK	Bond issuing vehicle
Crystal Palace Housing Association Limited	UK	Non-charitable Registered social housing provider
The Fresh Visions People Limited	UK	Registered Charity
Lamborn Estates Limited	UK	Property development
Optivo Development Services Limited	UK	Property development
Middlesex First Limited	UK	Manages student accommodation
Optivo Homes Limited	UK	Holding company
Southern Home Ownership Limited	UK	Non-charitable Registered social housing provider
Southern Space Limited	UK	Vehicle for the one-third share in Triathlon Home LLP
Spruce Homes Limited	UK	Provision of housing for private rent
Southern Housing Construction Limited	UK	Property development
Coolwater Park Management Company Limited	UK	Dormant
Sole trustee of registered linked charities		
Samuel Lewis Foundation	UK	Charitable Registered social housing provider
The Fellowship Houses Trust	UK	Charitable Registered social housing provider
Hewitt Homes	UK	Charitable Registered social housing provider
Charity of Julia Spicer for Almshouse	UK	Charitable Registered social housing provider
Eason Gruaz Homes	UK	Social housing provider

Joint ventures include:

Name of undertaking	Country of registration	Principal activity
Affinity Housing Services (Reading)	UK	50% Joint venture with Abri Group
Affinity (Reading) Holdings Limited	UK	33% shares directly and 16.67% via Affinity Housing Services (reading). Joint venture with Yarlington Housing Group
Triathlon Homes LLP	UK	33% partnership via Southern Space Limited. Joint venture entity with First Base 4 Stratford LLP and East Place Limited

Investments

	2026 £m	2025 £m
AMOUNTS OWED BY RELATED PARTIES AT YEAR END		
Joint venture with Linden Homes	-	0.2
Loan due from Affinity Reading (Holdings) Limited	3.3	3.0
Debtor due from Triathlon Homes LLP	5.5	6.5

The Association received £0.4 million interest on the loan to Affinity Reading (Holdings) Limited.

Management services

The Association provides central management services to its subsidiaries.
The quantum of charges applied for these services to each subsidiary is as follows:

	2026 £m	2025 £m
Optivo Development Services Limited	1.2	2.6
Crystal Palace Housing Association Limited	0.2	0.2
Southern Home Ownership Limited	0.4	0.3
Spruce Homes Limited	0.2	0.2
Samuel Lewis Foundation – Linked charity	0.5	0.1
	2.5	**3.4**

The Association transacted with the following entities which are not themselves registered providers:

Name of undertaking	Intercompany loan balances	2026 £m	2025 £m
Southern Housing Finance Plc	Inter-company loan to Southern Housing - bond issue	(1,130.0)	(1,130.0)
Lamborn Estates Limited	Inter-company loan	16.8	18.4
Optivo Development Services	Inter-company loan	4.0	9.0
Southern Housing Construction Limited	Inter-company loan	0.4	1.7
Spruce Homes Limited	Inter-company loan	0.5	1.3
Southern Space Limited	Inter-company loan	-	0.1
Middlesex First Limited	Inter-company loan	6.2	7.0

Name of undertaking	Transactions in the year	2026 £m	2025 £m
Optivo Development Services Limited	Development cash flow	(142.4)	(107.8)
Southern Housing Construction Limited	Development cash flow	(0.9)	(2.7)
Southern Housing Construction Limited	Inter-company loan	(1.3)	0.7
Southern Housing Finance Plc	Inter-company loan - bond issue	-	20.0
Lamborn Estates Limited	Inter-company loan	(1.6)	(7.9)
Optivo Development Services Limited	Inter-company loan	(5.0)	(19.4)
Spruce Homes Limited	Inter-company loan	(0.8)	0.4
Southern Space Limited	Inter-company loan	(0.1)	0.2
Middlesex First Limited	Inter-company loan	(0.8)	(0.7)
Triathlon Homes LLP	Provision of administrative services	(1.1)	0.7

Interest on the Southern Housing Finance plc loan is £43.5 million (2025: £43.9 million) and is charged at the same equivalent rate of the external loans with no mark up by Southern Housing Finance plc.

Interest on the Lamborn Estates Ltd loan was charged at SONIA plus 5%. Interest until 27 May 2025 and has since changed to SONIA plus 1.4%. Interest charged in the year was £1.2 million (2025: £2.9 million). £0.9 million of loan from Southern Housing to Lamborn Estates was written off in 2025/26, which leaves the loan balance at £16.8 million.

32. Pension commitments

The Group operates four funded schemes and a defined contribution scheme is used for auto enrolment. Southern Housing exited from a fifth funding scheme during 2025/26.

Defined contribution scheme

Employees have the option to join Southern Housing's defined contribution scheme, to which the Group makes a contribution of up to 10% of basic salary. Contributions are charged to operating surplus in the year in which they become payable.

Funded schemes

Southern Housing participated in four defined benefit schemes for its employees during the year. These were the Optivo DB Pension Scheme (OPS), Horizon Housing Group Pension Scheme (HHGPS), Southern Housing Group Pension Plan (SHGPP) and one Local Government Pension Schemes: East Sussex County Council Pension Fund (ESCC). Southern Housing exited from Isle of Wight scheme in 2025/26 and ESCC scheme in April 2026. The assets of the schemes are held separately from those of the Group and are managed by trustees. The contributions are determined on the basis of triennial valuations using the projected unit method. These schemes are all closed to new members. The latest triennial valuations were carried out as at 30 September 2023, 31 March 2026, 31 March 2024 and 31 March 2022 respectively.

During prior years, Southern Housing also participated in The local government Pension Scheme: Kent County Council Pension Fund (KCC). Participation ceased on 8 January 2024 and the amount due on exit from the scheme was settled in the prior years. The following disclosures include settlement for KCC and the ongoing liability for a small number of 'unfunded' pensions payable in respect of members of the scheme.

There is a commercial charge over a property to secure the liabilities on SHGPP. This property is valued at approximately £24 million.

We remain aware of the potential implications arising from the Virgin Media Court of Appeal ruling issued in June 2023. Since the prior year, the Pension Schemes Act 2026 has introduced a statutory mechanism enabling trustees to obtain retrospective actuarial confirmation to validate certain historic scheme amendments where required. We continue to work with the respective Trustees and their legal advisers to assess the possible implications for the HHGPS and SHGPP. This assessment remains ongoing as at the reporting date. Based on the information currently available, there is insufficient evidence to conclude that an adjustment is required to the year-end liabilities, and accordingly no allowance has been recognised. Similarly, the potential impact on the OPS remains under review pending completion of scheme specific assessments.

During the year, as part of exit from Isle of Wight scheme, Southern Housing received a refund of surplus. This arises following the completion of a settlement with the scheme, under which the Group has no further obligations in respect of the scheme. The transaction has been accounted for as a settlement, resulting in the recognition of a settlement gain in the Statement of Comprehensive Income, representing the difference between the surplus returned and the carrying value of the related pension obligation at the date of settlement.

The following disclosures are the aggregate for OPS, HHGPS, SHGPP, ESCC, and KCC. As the group does not have an unconditional right to a refund of surplus under the schemes' rules, to the extent that the disclosure for any individual scheme shows a surplus it has been treated as irrecoverable. As at the current year end the total irrecoverable surplus is attributable to the OPS, HHGPS, SHGPP and ESCC.

GROUP

FUNDING POSITION AT 31 MARCH	2026 £m	2025 £m
Share of assets	226.6	226.3
Estimated liabilities	(192.6)	(199.7)
Net surplus in schemes	**34.0**	**26.6**
Unrecognised surplus (asset ceiling)	(35.5)	(32.3)
Net deficit	**(1.5)**	**(5.7)**

AMOUNTS CHARGED TO INTEREST AND FINANCING COST FOR YEAR TO 31 MARCH		
Net interest income on assets and liabilities	(1.6)	(0.9)
Interest expense on irrecoverable surplus	1.7	1.3
Total net interest cost	**0.1**	**0.4**

AMOUNT RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME FOR YEAR TO 31 MARCH		
Actual return less expected return on assets	(1.6)	(18.8)
Experience losses	(2.8)	(5.4)
Change in financial and demographic assumptions	5.4	28.6
Actuarial gain	**1.0**	**4.4**
Change in unrecognised surplus	(3.8)	(4.0)
Total actuarial (loss) / gain	**(2.8)**	**0.4**

ANALYSIS OF MOVEMENT IN SURPLUS IN YEAR TO 31 MARCH		
Surplus at beginning of the year	26.7	14.4
Total contributions	8.1	8.0
Current service cost	(0.7)	(0.7)
Settlement	(2.3)	-
Other finance income	1.6	0.9
Administration expense	(0.4)	(0.4)
Actuarial gain	1.0	4.4
Surplus in the schemes at the end of the year	**34.0**	**26.6**
Unrecognised surplus	(35.5)	(32.3)
Net deficit	**(1.5)**	**(5.7)**

GROUP

AMOUNTS CHARGED TO OPERATING SURPLUS FOR YEAR TO 31 MARCH	2026 £m	2025 £m
Current service cost	0.7	0.7
Administration expenses	0.4	0.4
Settlement	(2.3)	-
Total operating (credit) / charge	**(1.2)**	**1.1**

CHANGE IN UNRECOGNISED SURPLUS IN YEAR TO 31 MARCH		
Unrecognised surplus at beginning of the year	32.3	27.0
Interest on unrecognised surplus	1.7	1.3
Change in unrecognised surplus (excluding interest)	1.5	4.0
Unrecognised surplus at end of the year	**35.5**	**32.3**

RECONCILIATION OF OPENING AND CLOSING BALANCES OF FAIR VALUE OF ASSETS AS AT 31 MARCH		
Opening fair value of assets	226.4	235.6
Expected return on assets	12.4	11.3
Actuarial losses on assets	(2.7)	(18.8)
Other gains	1.1	-
Contributions by the employer	8.1	8.0
Contributions by the participants	0.2	0.3
Administration expense	(0.4)	(0.4)
Settlement	(7.4)	-
Net benefits paid out	(11.1)	(9.7)
Closing fair value of assets	**226.6**	**226.6**

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE PRESENT VALUE OF SCHEME LIABILITIES AS AT 31 MARCH		
Opening present value of liabilities	199.7	221.2
Service costs	0.7	0.7
Change in assumptions	(5.4)	(28.6)
Interest costs	10.8	10.4
Contributions by participants	0.2	0.3
Actuarial gains on liabilities	2.8	5.4
Net benefits paid out	(11.1)	(9.7)
Settlement	(5.1)	-
Closing present value of liabilities	**192.6**	**199.7**

Split of plan assets

The major categories of plan assets as a percentage of total plan assets were as follows:

NON LOCAL GOVERNMENT PENSION SCHEMES	2026	2025
Alternatives	0%-9%	0%-12%
Cash	0%-2%	0%-2%
Credit	6%-31%	12-38%
Equity	0%-7%	0%-7%
Fixed Income	25%-69%	21%-60%
LDI/Liability Matching	25%-34%	21%-32%
Real Assets	0%-9%	0%-13%

LOCAL GOVERNMENT PENSION SCHEMES		
Equities	0% - 64%	59% - 65%
Bonds	0% - 19%	18% - 18%
Property	0% - 14%	5% - 15%
Absolute return funds	0% - 0%	0% - 0%
Cash	0% - 3%	3% - 3%
Other	0% - 0%	0% - 0%

None of the equities or properties are directly owned by Southern Housing.

Mortality

Life expectancy is based on the mortality assumptions for the underlying scheme funding valuations.

Based on these assumptions, the average future life expectancies from retirement age are summarised below:

	2026 years	2025 years
Current male pensioners	21.0 - 22.1	20.5 - 22.1
Current female pensioners	23.3 - 24.2	23.0 - 24.3
Future male pensioners	22.0 - 23.7	21.4 - 23.2
Future female pensioners	24.4 - 25.9	24.1 - 25.4

Financial assumptions

The main financial assumptions at 31 March each year were as follows:

	2026	2025
Rate of general long-term increase in salaries	2.9% - 3.9%	2.7% - 2.8%
Rate of increase in pension payment	2.0% - 3.1%	1.9% - 2.9%
Discount rate	6.0% - 6.1%	5.6% - 5.7%
Inflation assumption (CPI)	2.9% - 2.9%	2.7% - 2.8%
Inflation assumption (RPI)	3.3% - 3.3%	3.1% - 3.2%

32. Post balance sheet events

Subsequent to the year end, the Group has completed a refinancing initiative. This includes the prepayment and cancellation of the existing £135.3 million loan facilities and the issuance of approximately £150.0 million nominal of new debt under the Group's EMTN programme. The new debt was issued at a discount to par with a maturity of approximately 6.5 years.

As refinancing was not in place at the year end reporting date it has been treated as a non-adjusting post balance sheet event.

Southern Housing Board Members, Executive Officers and Advisors

Board

Trudi Elliott
Appointed 01 Sep 2025
Chair

Janet Collier
Senior Independent Director

Paul Hackett CBE
Chief Executive

Daisy Armstrong
Resident Board member

Alex Ashby
Appointed 28 Jan 2026
Chair of Treasury Committee

Phil Blume
Resident Board member

Geanna Bray
Chair of Remuneration & Nomination Committee

Billy Brown
Resident Board member Chair of Resident Strategy Group

Robert Clark
Chair of Developments Committee

Mark Everard
Chair of Asset Management Committee

Damien Régent
Chair of Audit and Risk Committee

Eugenie Turton CB
Chair of Residents' Services Committee

Ian Wilson
Resident Board member

Sir Peter Dixon
Retired 31 Dec 2025

Michelle Dovey
Retired 28 Feb 2026

Eugenie Turton
Retired 31 Mar 2026

Executive Team

Paul Hackett CBE
Group Chief Executive

Tom Paul
Chief Financial Officer

Richard White
Executive Director of Development

Karin Stockerl
Executive Director of Asset Management and Sustainability

Troy Francis
Executive Director Operations

Secretary and registered office

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Registered society number: 8983
Regulator of Social Housing number: 5171

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National Westminster Bank Plc
2 Staceys Street
Maidstone
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Principal Solicitors

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Devonshires
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