Annual Report
2024-25

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FINANCIAL STATEMENTS

From **Chair of the Board**

I introduce the financial statements for the last time as Chair of Southern Housing and reflect on how far our organisation has come despite a background of significant change both for Southern and the operating environment. I began as Chair of Optivo, created from the merger of AmicusHorizon and Viridian. Then in 2022 we merged again to create Southern Housing bringing together two organisations aligned on culture and focused on service delivery and colleagues. We have established a very resilient and robust business that we believe will be well placed to withstand shocks and manage risk. Despite operating in a very challenging economic and regulatory environment we have made great progress in bringing the two businesses together, but we recognise there is still more to do to support our vision of creating communities where everyone has a safe home in a place where they're proud to live. Improving customer service is our immediate priority.

Over the last year we have significantly increased investment in our homes, spending £286 million on existing homes compared with £247 million in 2023/24. Our remediation programme is already improving the safety of residents in their homes. Our remediation program has seen substantial advancement. Eight schemes have reached full remediation completion. Concurrently, work on an additional eight schemes is well underway and progressing as planned. Moreover, 14 schemes are currently in the design phase, preparing for their remediation in subsequent years. Another 46 blocks that required partial remediation have also been completed.

We have also been hit by a number of contractor failures which have impacted both short term financial performance and the number of new homes we completed and handed over for letting. As a result, we have taken further impairments and also decreased the value of a landsite being held for future development. We have however completed 807 homes during 2024/25 and started a further 127 homes.

As part of our promise to be large and local, we're restructuring our frontline housing teams to give our residents more localised support. During 2024/25 we've made a tangible difference for over 10,000 people on community support activities. This includes urgent cost of living money guidance advice for over 3,000 residents, making a £6.2 million positive financial impact for these households. Over 400 residents accessed jobs and training.

We have made excellent progress in integrating the two legacy businesses, and full integration of systems and colleagues will be complete during 2025/26 – less than three years from merger. We have increased resources in areas such as repairs, maintenance and complaint handling, and we continue to insource a number of repair activities. We have increased our repairs workforce by 21% as a result of having insourced day to day maintenance services to over 10,500 of our homes; our in-house team now delivers services to over 67% of our homes.

By the end of integration, we will have fully integrated the resident contact centres, which will result in reduced call times and enable colleagues to more effectively handle calls ensuring issues are resolved promptly. With nearly a million interactions every year, we need to ensure residents can contact us in an efficient and effective manner when they need our support. I'm very pleased that our engaged residents have been working with us through our integration work. Having reviewed our complaints process we have made it easier for residents to give us feedback through our website. We have reduced our complaints backlog by 70% since March 2023.

I was delighted that the business recovered our Governance rating of G1 following our regulatory inspection in 2024. And we received our first Consumer Standard rating of C2. We are working through an improvement plan to ensure we move to C1 rating.

We are now starting on an exciting plan to regenerate our Four Courts scheme in Hastings, comprising nearly 400 homes. This will be a 12 year programme during which time we will be rehousing residents, demolishing existing tower blocks and replacing them with at least the same number of homes.

We and many in the housing sector have continued to face significant economic and regulatory challenges with rent caps being applied at the same time as huge increases in cost inflation and interest rates. We had to take the unwelcome decision to restrict development to delivery of our existing pipeline and not to commit to any new developments and instead focus our capacity on investing in existing homes. We have driven efficiency through our business as part of our integration and future transformation plans to help rebuild financial capacity as we recognise that the housing crisis the country faces can only be solved through the provision of new homes. Whilst we are not currently committing to new sites, we are working constructively with Government to explore opportunities to create much needed financial capacity to invest in affordable new homes and welcome the recent announcement in the comprehensive spending review.

As I approach the end of my term as Chair at the end of this calendar year, I know my fellow board members will continue to rise to the challenges ahead and will remain committed to working with our residents to deliver services we can be proud of. We have created a strong business that is well governed and has proven itself to be resilient to the challenges we face. We took tough decisions early meaning we can continue to face the future confidently.

Sir Peter Dixon
Chair of Southern Housing Board

From **Chair of Resident Strategy Group**

At Southern Housing, we believe in empowering residents to influence their services and the places they call home. Not just listening but actively collaborating with residents to make decisions that affect their lives. From shaping local services, policies and strategies to improving communal spaces, our residents are at the heart of decision-making.

This approach is more than just the right thing to do. By involving residents, we ensure services meet real needs, drive higher satisfaction, create better, safer places to live, and improve value for money for residents. We were the first housing association to achieve the Scrutiny Assured Quality Mark from The Tenants Participation Advisory Service (TPAS), recognising our excellence and good practice in the scrutiny function. Our Scrutiny Panel have reviewed several key areas including, Damp and Mould Management and Website Effectiveness.

Our involved residents are passionate advocates and integral to our continuous improvement and success. We are unique amongst large landlords in having four resident places on our Board. I'm delighted to have been appointed to the Southern Housing Board in March 2025, having previously been an observer at Board meetings as part of my role as Chair of Residents Strategy Group. As residents, our dedication extends beyond Southern Housing, with many of us taking on high-profile positions that are helping to shape the future of the housing sector. For example, sitting on the G15 Residents Group and on the Housing Ombudsman Resident Panel.

Through co-creation, residents have helped us design better services and strategies, approving:

- ✓ A new contractor to deliver repairs and maintenance services in London
- ✓ A Fire Safety strategy
- ✓ Our Sustainability strategy
- ✓ Our Social Impact statement along with the Resident Involvement Strategy Statement
- ✓ 15 resident policies through the Resident Policy Panel
- ✓ The Scrutiny Panel Framework.

We'll continue to ensure residents are meaningfully involved in decision making at a local level, shaping the places in which they live and the services they receive. We're valuable partners helping to improve places, lives and services. Our Resident Involvement Strategy Statement ensures a commitment to these values at every level of our organisation and provides focus as we look to the future.

Billy Brown
Chair of Resident Strategy Group

From **Chair of Audit and Risk Committee**

We are committed to achieving the highest standards of conduct and probity in all activities. Our Audit and Risk Committee provided oversight of the organisation's systems for financial reporting, risk management and internal controls. We review reports from our internal and external auditors to ensure the integrity of our financial statements. We oversee the systems in place to identify, understand and monitor the risks that could prevent Southern Housing from reaching its strategic objectives. We have five members, three are Southern Housing Board members and two are independent. We all have either treasury and finance, risk or audit experience. Through our annual report to Board we are able to provide assurance over the risk and assurance framework.

We recommend the annual internal audit plan to Board having assessed the operational and external risks faced by the business. Our committee has reaffirmed the in-house delivery model for internal audit supported where necessary by subject matter experts.

We annually approve the external audit plan and review the results of the audit. As part of the year end process, we assess the assurances provided by management on the internal controls framework, this includes assessing the appropriateness of the accounting policies and judgements made.

Board has delegated regular oversight of the effectiveness of our risk management framework to Audit and Risk Committee. We receive updates on the management of risk (strategic risk register) at each meeting (apart from July) and present updates to both the risks and risk appetite to Board.

We monitor the management of fraud controls and whistleblowing events, regularly reviewing the fraud, bribery and whistleblowing register. We ensure any impact on the group's framework of internal control is properly assessed and, where recommendations to strengthen the control framework are made, ensure they are actioned.

Damien Régent
Chair of Audit and Risk Committee

From **Chief Executive**

We established Southern Housing with the aim of creating a more resilient organisation. In August 2024 the Regulator of Social Housing (RSH) published their judgement on us and we're now rated G1 / V2 / C2. The "G1" rating is the highest standard of governance, and an uplift on the G2 rating we carried through on an interim basis as the lower of our two legacy organisations before the merger. The "C2" rating reflects the significant progress we've made in gripping legacy issues around complaints and compliance, but also that work is on-going and the turnaround is not complete. We're targeting a C1 rating as expected under the Regulatory Standards the next time we have a regulatory judgement.

Despite a challenging year we're starting to realise the benefits of merger, with our people and systems mostly integrated and a shift in our focus to transformation. We've achieved two major steps forward during 2024/25 in our mission to drive up service performance. During September we completed the in-sourcing of elements of our responsive repairs service, such that now we deliver two thirds ourselves with the remaining third outsourced to a contractor we have confidence in.

We now take all repair calls ourselves and have much greater control and visibility over the service. Feedback from residents is already positive about this change. In October we completed the integration of our Housing Management System. This means we now have all tenancy, property and financial data and systems integrated. We now move onto transformation projects. In line with feedback from residents our transformation projects will focus on our repairs services, communications and housing management, as well as continuing to drive cost efficiency.

We continue to invest in our existing homes as the focus on housing conditions, particularly building safety and damp and mould, has intensified. We're also delivering a repairs service improvement plan, the benefits of which we'll see in the coming years. These activities have drawn resource we ordinarily would have used to build new homes, meaning our development activities remain on hold, although our ambition remains to ramp up from 2029.

We've had some significant changes to my Executive Team. Three valued colleagues have retired. Wam Dawson succeeds Jenny Poore as Executive Director of People and Culture. Following a rigorous selection process, Troy Francis steps up from his role of Corporate Director of Operations to a new executive role, Executive Director of Operations, replacing Jane Porter previously Chief Operating Officer. And Tom Paul, previously Executive Director of Strategy and Change replaces Sarah Smith as our Chief Financial Officer.

We are a safe, stable, efficient business with strong underlying financial strength, which allows us to change course rapidly should we need to. Our primary focus remains on delivering and improving social housing for our communities while addressing the challenges of building safety, decarbonisation and stock condition.

Paul Hackett

Paul Hackett CBE
Chief Executive Southern Housing

From **Chief Financial Officer**

I take over as CFO from Sarah Smith at a pivotal time. We have proven resilience over recent years and now look forward to financial recovery. With integration now almost complete our focus is shifting to our business transformation. We are also looking closely at the recent Spending Review through which government has put the ball into our court on what we can do to deliver new social housing.

For now, we are focusing our financial capacity on investment in our existing homes and in particular our building safety remediation programmes.

We will continue to focus on managing our cost base whilst responding to greater regulatory scrutiny and consumer expectations, and rebuilding our capacity to return to building much needed new homes at the earliest opportunity.

We concluded the year with a turnover of £674 million, an operating surplus of £123 million, an annual surplus after revaluations of £5 million and an operating margin of 12% (including first tranche and market sales but excluding property disposals). This is below our target of 19% due to reasons set out in the financial section of this report.

Tom Paul
Chief Financial Officer Southern Housing

Highlights

For the year to 31 March 2025 (31 March 2024)

Operational

Satisfied with overall service
63% (67%)

Homes meeting Decent Homes Standard
99.6% (99.7%)

Satisfaction with repair service
65% (68%)

Vacant homes available for letting
1% (1%)

Satisfied we keep residents informed
76% (78%)

EPC band C and above
75% (74%)

Development & Investment

New home started
127 (348)

Investment in existing homes
£286m (£247m)

Total homes owned and managed
80,427 (79,820)

New homes completed (including market sales)
807 (776)

New homes spend
£229m (£257m)

Fixed rate debt proportion
91% (89%)

New homes in contract
2,609 (3,256)

Capital commitments
£343m (£531m)

Undrawn committed funding
£592m (£866m)

Financials

Turnover
£674m (£609m)

Operating surplus
£123m (£108m)

Surplus before fair value movements
£10m (£3m)

Social Housing cost per home**
£7,293 (£6,844)

Operating margin*
12% (12%)

New sales receipts
£59m (£44m)

Total assets
£7bn (£7bn)

Current arrears**
4 % (5%)

Total debt including bonds
£3bn (£3bn)

Moody's Credit Rating
A3 stable outlook

Fitch Credit Rating
A negative outlook

Regulatory judgement
G1 / V2 / C2
(G2/V2)

Colleagues

Satisfaction with Southern Housing as an employer
83% (81%)

Average number of sickness days per employee
7 days (8 days)

Colleagues leaving for a voluntary reason
11% (11%)

* Our operating margin is adjusted to exclude surplus on housing property disposals (£46 million) but includes surplus on first tranche low cost home ownership excluding impairment (£3 million) and market sales surplus excluding impairment (£2 million). Our internal target operating margin excludes all sales.

** Calculated using Regulator of Social Housing (RSH) definitions.

About Southern Housing

Southern Housing was formed in December 2022, following a merger, and has a legacy stretching back over 100 years of providing affordable homes and building communities. With residents at the heart of our services we use our size to influence positive change in the areas where we operate. We invest in neighbourhood community programmes, helping our residents with training, careers advice, and financial and digital inclusion so they can develop their potential.

Our residents work with us to co-design and scrutinise key activities so we can improve our services and value for money. With over 80,000 homes we're providing access to affordable homes to over 167,000 residents across London, the South East and the Midlands. We understand the difference safe, secure and affordable homes can make to people's lives and our vision is to create communities where everyone has a safe home in a place where they're proud to live. We continue to offer a range of tenures through traditional social and affordable rented housing, low cost home ownership, market rent, student accommodation and care and supported living. Despite having ceased taking new housing commitments, we have continued to build out our existing new homes development pipeline, completing 807 homes in 2024/25.

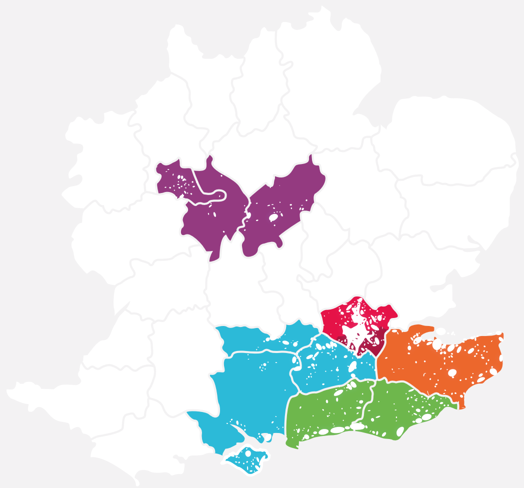
Our social housing rents in 2024/25 were on average 41% of market rent and 54% of Local Housing Allowance. The approximate market rent discount per annum equated to £560 million, equivalent to £10k per home. We aim to maximise the social impact of our activities, creating new employment and training opportunities for residents to fulfil their potential. We have helped over four thousand residents who face extreme poverty, domestic abuse, lack of education and social exclusion.

Our markets, external environment and future prospects

We've completed two full years of our 2023-2026 three year strategic plan. We've completed the restructure of teams following merger and are making good progress to integrate systems with full integration due to complete in 2025/26.

Our programme of investment in our homes is informed by an extensive survey programme including stock condition surveys (14% of our homes having a new survey in 2024/25) which inform the scale and scope of works required to meet Decent Homes Standard, building safety requirements and our sustainability ambitions. In 2024 we paused making commitments to new development schemes so we could focus investment on our existing homes. We, however, recognise the significant housing crisis in England and continue to drive more efficiency through the business and consider other solutions to create more financial capacity to enable us to return to providing new homes.

Southern Housing has more than 80,000 homes and over 167,000 residents



- London North
- London South
- Midlands
- South and Isle of Wight
- Sussex
- Kent and Essex

Homes in management and/or owned

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

02

STRATEGIC REPORT

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 2025. These consolidated accounts are also available on our website.

Our Business Model

Who we are

We're one of the largest housing providers in the UK. Our core business, providing homes for people who need them, is founded on maintaining a strong social purpose. 95% of the group's business (by turnover) is undertaken by Southern Housing, the charitable parent organisation. 99% of assets are also held by Southern Housing. New build activities are conducted through Lamborn Estates (market sales), Optivo Development Services, Southern Housing Construction Limited and Southern Home Ownership. A full list of the group subsidiaries and their activities is set out in note 31 to these financial statements.

Southern Housing has invested equity in its subsidiary companies. £1.7 million is invested in Spruce Homes, the investment is supported by the net assets of this subsidiary. £13k is invested in our finance company Optivo Finance Plc. The sum of equity investment in dormant companies, charities and registered providers is nominal at £3. We have one project specific company, Middlesex First Limited to which Southern Housing provides an equity loan of £7 million accounted for in intercompany debtors.

We've investments in three joint ventures ranging from a 33% to 50% holding. Two are for the provision of management and / or maintenance services including investment in social housing assets and one was for the development of affordable and open market residential homes in Kent. For the latter, all homes are sold and the joint venture will end when all retentions have been paid.

What we do

We work with residents, local authorities and partners to help meet housing need and to create safe, sustainable communities for our residents. Our core tenure is social rented housing. Through our work on social impact we aim to make a difference and work to support our residents and communities. We operate in some of the UK's poorest neighbourhoods and adapt our activities and projects to meet local need and priorities. Our work helps residents back into employment and we are supported in our efforts by our supply chain businesses to find jobs and opportunities to improve skills for our residents. Our Social Impact work helps residents build financial resilience, strengthen communities and improve places where our residents are proud to live, and where they have improved opportunities.

We use our existing housing portfolio to secure new funding to support our development ambitions. We started 127 new homes in 2024/25. The remainder of our new homes programme will see us build out schemes we already own to provide housing for rent (including affordable and social rent), low cost home ownership and open market sale. The majority will be 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 80% of our turnover in 2024/25 coming from rent and service charges and just 9% from the sale of first tranche (low cost home ownership) and market sales properties. Our operations generated £225 million in cash. This, together with net funding of £213 million, helped us to maintain a high level of investment back in to existing and new homes. We invested £286 million into existing homes in 2024/25. At year end we had committed £343 million in capital investments on developments already in contract.

Our Stakeholders and 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 AND SERVICE USERS

Residents are at the heart of Southern Housing. Through our resident governance model and strong resident engagement we ensure our residents work alongside us on strategic decision making to consider how to improve day to day services. They scrutinise performance and carry out deep dives into key activities. Their engagement and feedback are crucial to ensure we can be effective and meet the needs of our residents. Our Co-Creation Framework sets out how we effectively involve residents:

- Over 100 involved residents scrutinise our services and shape our policies
- Publishing policy documents and corporate reports on our website
- Offering volunteering opportunities
- Money and benefits guidance
- Providing employment and digital support
- Offering energy efficiency advice
- Commitment to safeguarding the wellbeing of all residents
- Carrying out satisfaction surveys
- Rent flex plan offering flexible rent payment options
- Regular resident magazine.

COLLEAGUES

Our colleagues are a truly valuable asset in enabling us to deliver our mission. We are committed to improving services as we come to the end of our integration programme and start to consider how to transform our processes. With a clear commitment to diversity and inclusion and having established strong values, we are building an organisation that empowers colleagues and provides the right learning opportunities and working environment whilst continuing to adapt to our hybrid way of working. Meaningful and regular engagement with our colleagues is critical to our ongoing success as are appropriate reward, honesty, dialogue and appraisal between employer and employee. Engagements include:

- Zoom into Executive Team presentations
- Colleague Forum
- Union recognition with regular engagement
- Colleague surveys
- Range of colleague communications including magazine, intranet and email bulletins
- Wellbeing commitment
- Culture calendar
- Whistle blowing process.

INVESTORS/FUNDERS

We're a not-for-profit organisation with charitable status. We access debt capital through lenders and investors to enable continued investment in our homes. Communicating effectively with stakeholders and providing them with relevant and timely information are essential for maintaining access to debt markets and competitive pricing. Engagements include:

- Quarterly financial covenant compliance reporting
- Half and full year trading statements
- Bilateral meetings with lenders
- Investor presentations
- Maintaining credit ratings.

SUPPLIERS

The new Procurement Act came into effect on 24 February 2025 impacting new spend, contracts and procurement activity. Its aim is to create a more effective, transparent and fair procurement system to benefit both the public sector and suppliers. We've redesigned our policies and processes to ensure we're able to meet the obligations of the new Act. Our numerous contractors and suppliers are an essential ingredient to enable us to deliver services and new homes. They also support our social purpose providing jobs and training opportunities for residents. Our policies and procedures ensure:

- Equal access to tendering opportunities
- Multi-year contracts with key suppliers
- Standard contract management processes and controls including monthly/quarterly meetings and annual reviews
- Standard approved supplier processes and controls
- Contractual mechanisms to extend contracts based upon performance
- Problem solving hierarchies and escalation processes set out in contracts
- Contract management and Key Performance Indicators (KPIs) in place.

NATIONAL AND LOCAL GOVERNMENT

We receive public money to support financing new homes and services. We therefore have an important role to play in:

- Regularly responding to housing enquiries from Members of Parliament and Local Authorities
- Being an active member of the National Housing Federation and the G15 group of London's leading Associations
- Engaging with national Government, City Hall and local authorities to influence policy priorities
- Making the case for funding for social housing delivery and associated services to be given high priority
- Championing the difference social housing delivery makes to the lives of our residents.

UNIVERSITY AND KEYWORKER NHS TRUST PARTNERS

- We work in partnership with our NHS Trust partners to provide key worker homes. Our student accommodation assets serve several universities, in many cases under explicit partnership arrangements. We have regular dialogue with partners on accommodation bookings and demand forecasting. We're subject to their scrutiny on the quality of our service and welcome feedback.

CARE AND SUPPORT ISLE OF WIGHT LOCAL AUTHORITY, CARE QUALITY COMMISSION (CQC) AND NHS TRUST PARTNERS

- We're regulated by the CQC, which carries out unannounced inspections to ensure we remain compliant with legislative requirements. We have five regulated services, four are rated 'Good' and one service 'Required Improvement'. Medication administration procedures and management oversight in this area was strengthened. The CQC has expressed satisfaction with the measures that have been enacted
- We have contracts with the Local Authority to deliver services, which outline specific performance indicators we're required to deliver and report on. The Local Authority regularly inspects services to ensure we remain compliant with the contract
- We have agreements with the Health Authority/Mental Health Team to provide specialist accommodation, and we regularly meet with our partners to ensure the services we provide meet the required outcomes.

COMMUNITIES AND ENVIRONMENT

Our work to support residents to save money on their bills, manage energy costs, improve their health and wellbeing and reduce environmental impact is even more essential during the ongoing economic challenges we all face. We have an important role to play to reduce our environmental impact to help manage our costs and be a more responsible business. We're investing in the quality, safety and environmental sustainability of our homes.

- Our Strategic Plan 2023-26 sets out our overarching ambitions supported by our Sustainability Strategy approved in 2023
- Our social impact statement makes a positive difference to our communities – one team working together
- We tackle antisocial behaviour, hate crime and domestic abuse.

CASE STUDY

FOUR COURTS REGENERATION

The Four Courts in St Leonards-on-Sea, East Sussex have been home to many of our residents for over 60 years. The four tower blocks provide almost 400 homes, but they are outdated and don't meet today's design and accessibility requirements or the standards expected in modern day living. Even with significant investment, the existing structures would still fall short of providing fully accessible, and efficient homes.

We have therefore taken the decision to regenerate this scheme. It is a once-in-a-generation opportunity to create modern homes and thriving neighbourhoods the people of St Leonards can be proud of. All the new homes will be social housing, providing a mix of home types to meet local housing needs. We will rebuild at least 400 new homes providing a much-needed injection of new social homes to an area where there are currently around 1,500 households waiting for homes via the local authority.

We know how tight knitted the community is at the Four Courts and change can be difficult, particularly for those who have lived in these homes for many years. We're working closely with all our residents at the Four Courts to provide ongoing support and assistance - from staff on the ground, to a dedicated web page and email address, regular newsletters and a dedicated resettlement officer for each resident when they move out of their current home into a new home.

We're in the very early stages of the regeneration and are committed to working closely with the affected residents and the wider community to shape our plans. This is one of the largest regeneration projects Hastings has seen in many years. The investment we're making will benefit generations to come, providing local homes for local families.

We are also working on the regeneration of the **Kennaway Estat**e in Stoke Newington, London which was originally built in the 1970s.This regeneration will reinvigorate the sense of place, which has been gradually eroded over the years, whilst increasing density, providing an additional 61 homes. Besides providing new, much-needed affordable homes, we're also improving the community amenity space and facilities for all. Our contractor is contributing to our food poverty work programme across our estates and community centres in Hackney as part of our mission to secure social value through regeneration.

We have involved residents and held several public consultation events to residents on the estate and those living nearby had the opportunity to shape our plans. Hackney Council have supported our investment plans through the provision of over £4.5 million of grant funding. Works started in December 2021 and are due to complete in May 2026.

Strategic Plan 2023–26

Our Vision

Our vision is to create communities where everyone has a safe home in a place where they're proud to live. Residents are at the heart of our services, and we use our size to influence positive change in the areas where we operate.

Our Social Purpose

Social Value
We seek to drive the most social impact in everything we do.

Not for profit
We reinvest surpluses into improving residents' homes, neighbourhoods, services, building new homes to reduce housing need.

Resident centred
We work with residents to shape services and we design service around residents.

Sustainable
We work hard to reduce the climate impact in all our work and services.

Inclusive
We recognise diversity as a strength and seek to harness this, creating workplaces and communities where everyone can thrive.

Fair and ethical
Value driven in the way the organisation works and what it expects from suppliers.

Our HEART Values

- Honest
- Efficient
- Accountable
- Respectful
- Trustworthy

2024/25 was the second year of our three-year strategic plan. We are using a suite of KPIs to track progress against our seven strategic objectives.

Our objectives 2023-6

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

From April 2023 all housing associations implemented the new regulatory Tenant Satisfaction Measures (TSMs) and these are included within our measures of success.

We've introduced new strategic KPIs in 2024/25 relating to complaints, compliance with the Decent Home Standard, financial performance and satisfaction for low cost home ownership (LCHO). Given our intensified focus on core housing management and maintenance services, we've removed two key performance indicators that are closely tracked by other TSM measures: 'New Starts' given our pause on new commitments, and the number of people into jobs and training to reflect changes to our social impact statement.

KPIs that align with TSMs in the following section will be denoted with this icon:

Objective 1
Great customer experience

KPI	Actual 2024/25	Target 2024/25	Actual 2023/24	Target 2025/26
% Satisfied with overall service	63%	75%	67%	67%
Satisfaction with overall service experience (LCHO)	33%	37%	NEW	37%

Overall satisfaction is a key indicator of customer service. Performance has dropped from the previous year. We know some of our services are not reaching the levels we, or our residents, expect. We recognise our repairs service has the biggest impact on resident satisfaction. Having completed an end-to-end review of the service we are implementing a number of actions to improve our offer during 2025/26. We have a Board member lead for complaints, and we are able to offer tailored support to residents with additional needs. Having recently fully integrated our legacy Housing Management Systems we now have information stored in one database, making it quicker and easier for colleagues to respond to residents and monitor actions promised to residents.

Objective 2
Listen and act on residents' views

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

We have more work to do to improve our communications with residents. Our Resident Scrutiny Group has reviewed several key areas including, damp and mould management and website effectiveness.

Objective 3

Safe sustainable homes in good repair

KPI	Actual 2024/25	Target 2024/25	Actual 2023/24	Target 2025/26
% Repairs complaints per repair ✽	2.9%	1.3%	NEW	<2%
% Satisfied with repairs service over the last 12 months ✽	65%	75%	68%	68%
% Homes meeting EPC C or above	75%	75%	74%	77%
% Homes meeting Decent Homes Standard	99.6%	100%	99.7%	100%

We need to offer an efficient and effective repairs service and our homes must be safe and energy efficient. We're on track to meet our EPC C target by 2030, where practical, cost effective and affordable, and have increased repairs and maintenance investment in our homes. We exited two underperforming contracts in London during 2024 and as a result have been bringing more repairs activities in house. We have also implemented changes to improve the diagnosis of repairs. In addition to our TSM reporting, we also carry out transactional surveys. Our customer satisfaction survey results indicate changes are starting to deliver improvements with repairs service satisfaction up from 71% in 2023/24 to 87% in 2024/25 and repair quality satisfaction up from 84% in 2023/24 to 91% in 2024/25. We anticipate the further actions arising from our end-to-end review of repairs will help to improve satisfaction from 2025/26.

Our programme to improve the energy efficiency of our homes continues, we've been awarded £14.6m grant funding for retrofit work via the Warm Homes: Social Housing Fund Wave 3 for delivery between 2025 and 2028. We're creating a retrofit plan for each home to get to Band C by 2030 where practical, cost effective and affordable.

We are adding four new KPIs for this strategic objective for 2025/26.

KPI	Target 2025/26
% Satisfaction with last repair (Transactional Survey)	90%
% Repairs completed within Service Level Agreement (SLA) (Emergency Repairs)	100%
% Repairs completed within SLA (Routine Repairs)	>90%
% Repairs completed within SLA (Communal Repairs)	>90%

These KPIs will help us to track implementation of our repairs transformation, and improvements to this service. The Transactional Survey data provides real-time data on customer satisfaction with repairs, and the SLA metrics indicate operational efficiency in the service. Our goal will be to make all emergency repairs safe within our 6-hour service level agreement.

Objective 4
Neighbourhoods where residents are proud to live

KPI	Actual 2024/25	Target 2024/25	Actual 2023/24	Target 2025/26
% Satisfied we keep communal areas clean and well maintained ✽	67%	69%	69%	69%
% Satisfied with our approach to handling anti-social behaviour ✽	63%	68%	68%	68%
% Vacant homes available for letting (General needs (GN) and Housing for older people (HOPS))	0.65%	0.75%	0.58%	0.7%

These KPIs help ensure we're supporting our resident neighbourhoods to thrive. Our percentage vacant homes available was within target. We've completed a team restructure and integrated the systems which we expect to translate into improved performance. We've appointed a new lead role for anti-social behaviour (ASB) to review and improve services and have created specialist regional ASB teams, increasing resources to provide an improved and local service. We'll launch an integrated ASB case management system in 2025/26. These changes should improve residents' lived experience and satisfaction when experiencing ASB. A transactional survey programme will help us measure and monitor the impact of these improvements. Following feedback from residents and frontline colleagues, we're adopting what we're calling a 'Local Link' operating framework to maintain our local touch and knowledge. This will help us better address local issues such as anti-social behaviour and neighbourhood improvements.

Objective 5
Build homes to meet housing need

KPI	Actual 2024/25	Target 2024/25	Actual 2023/24	Target 2025/26
Build completions	807	1,279	776	841
Sales receipts from new homes	£57.5m	£79.9m	£44.0m	£61.6m

Build completions were slightly higher than in 2023/24 but below our target set in January 2024. Performance has been impacted by contractor insolvencies, mainly during 2023/24 and new building safety registration requirements for high rise buildings. We achieved £57.5 million on 389 new sales, performance that was above our forecast of £51.7 million but below our original budget of £79.9 million. We have 232 unsold homes. We have no plans to start any uncommitted schemes during 2025/26.

Objective 6

Empower our people

KPI	Actual 2024/25	Target 2024/25	Actual 2023/24	Target 2025/26
% Colleagues satisfied overall with Southern as an employer	83%	75%	81%	82%
Average number of sickness days absent per employee	7 days	8 days	8 days	8 days
% Colleagues leaving for a voluntary reason	11%	15%	11%	12%
% Agree we treat residents fairly and with respect	80%	81%	81%	82%

Delivering against these KPIs ensures we remain a great place to work for our colleagues. We are particularly pleased with the fact that 83% of our colleagues confirm they are satisfied with Southern Housing as an employer. Our surveys indicate colleagues feel valued, are proud to work for Southern Housing, and value our focus on wellbeing.

Absence levels were below target with mental health being the main reason for absence. We remain committed to building a network of nationally accredited Mental Health First Aiders across the organisation, to equip colleagues to respond to those who need support to cope with and improve their mental health. Colleagues leaving for a voluntary reason was also below our benchmark. The main reason for leaving is due to new career opportunities or personal reasons including health. We offer a good benefits package and support colleagues to seek new career opportunities within the organisation.

Objective 7

Deliver efficiency

KPI	Actual 2024/25	Target 2024/25	Actual 2023/24	Target 2025/26
% Operating margin overall (excludes all sales)	13%	19%	14.1%	21%
% Current rent arrears (GN and HOPS)	4.3%	4.7%	4.7%	4.4%
Social Housing Cost per Home metric (£)	7,293	7,120	6,844	7,528
EBITDA-MRI Cash Interest Cover (Excl. Sales) (%)	27%	45.8%	38.7%	29%

Our integration programme is nearing completion just three years since merger. With our core housing management system now live, remaining asset management integration projects are progressing at pace. Since merger we have delivered £9 million efficiencies and have fully identified a further £14 million in cost efficiencies to be delivered in 2025/26. These efficiencies are principally coming from our back-office functions and are focused on staff costs, insurance and technology costs. We expect to deliver further efficiencies over the next three years as we complete integration and shift our focus to transformation. As at 31 March 2025 rent arrears stood at 4.3%, below the 4.7% target. This is the lowest level achieved since merger. This is particularly notable given the significant rise in Universal Credit (UC) claimants due to the ongoing planned migration which now affects circa 26,500 residents and the associated arrears that typically follow. With the continued migration to UC our action plan includes pro-active measures to ensure residents are well supported, informed of the help available and that arrears are actively managed.

CASE STUDY

Local link SERVICE MODEL

When we created Southern Housing in December 2022, we were very clear we wanted to deepen ties in our communities. Our two legacy organisations had similar geographies and part of our commitment to our residents was to be 'large but local' - providing a localised service is a priority for our residents. We are working with residents to ensure they influence decision making and hold us to account. We know being a large housing provider brings many benefits, such as increased financial resilience, but there are also potential pitfalls including the risk of becoming less accessible.

Our residents have told us they want support from people who know their area, the issues affecting them and are aware of the issues on their estate, in their block or neighbourhood. Following this feedback, we're adopting a 'Local Link' model. We'll have one dedicated colleague, a 'Local Link', who'll take ownership and responsibility for a given area to oversee our services in a region for a block, estate or scheme. They will work with teams across the organisation to co-ordinate and provide a tailored service and target resources to where they're needed most. The Local Link will manage a team of housing officers who work on a patchless basis. This approach combines the efficiency of patchless working (matching resources to demand) with local accountability and connection to a place.

Our Local Links will also draw upon various data sources including customer insight, repairs and customer service demand so they can identify areas of dissatisfaction and pinch points before they escalate into larger issues. Our new approach will enable greater collaboration with local agencies, including local authority partners and statutory and voluntary agencies. This will help us better address local issues such as long-standing repairs, anti-social behaviour or neighbourhood improvements. We've trialled the model within our Independent Living and Home Ownership services and the results are promising, with early signs of improved resident satisfaction.

In addition to these changes, our One Front Door, One Digital Approach means we'll have a single telephone number, customer portal, contact email address, live chat and website. Our front door teams will aim to complete 80% of contacts 'right first time'. An improved customer portal will enable residents to self-serve on simpler day to day tasks such as logging repairs and checking their rent account.

Once fully embedded we expect these changes will lead to tangible improvements in services and higher Tenant Satisfaction Measure (TSM) results.

Sustainability and Energy and Carbon Emissions

We have a responsibility to understand the impact our organisation has on the environment and ensure we contribute towards a sustainable world. We set out below Southern Housing's energy use and carbon emissions for 2024/25. This disclosure is in line with the Government's Streamlined Energy and Carbon Reporting (SECR) methodology and is disclosed voluntarily.

Analysing the reported figures, Southern Housing's total carbon emissions demonstrate a positive trend, decreasing from 137,850 tonnes CO2e in 2023/24 to 136,533 tonnes CO2e in 2024/25. This reduction is particularly encouraging, especially considering the number of homes managed has increased from 60,757 in 2023/24 to 61,032 in 2024/25.

MEASURE	2024/25 tonnesCO_2e	2023/24[1] tonnesCO_2e
SCOPE 1 Combustion of fuels	13,173	12,453
Gas heating in homes[2]	11,702	11,266
Gas heating in offices	138	116
Combustion of fuel for Southern Housing owned vehicles	1,333	1,071
SCOPE 2 Indirect emissions from the electricity we purchase	5,596	6,134
Purchased electricity for our offices	373	390
Purchased electricity for our homes[3]	5,222	5,742
Purchased Electricity for Recharging EV Fleet	1	2
SCOPE 3 All other indirect emissions	117,764	119,263
Combustion of fuel from personal vehicles used for business purposes[4]	441	497
Transmission and Distribution losses	494	531
Estimated carbon emissions of social homes[5]	116,829	118,235
Total emissions (tonnesCO_2e) including scope 3 homes	136,533	137,850
CO_2 emissions per home managed (including scope 3 homes)	2.24	2.27
Total emissions (tonnesCO_2e) excluding scope 3 homes	19,704	19,615
CO_2 emissions per home managed (excluding scope 3 homes)	0.32	0.32
Number of homes managed (with asset investment liability)	61,032	60,757

ENERGY USAGE (KWH)	2024/25	2023/24
Gas (homes and offices)	64,734,046	62,223,512
Electricity (homes and offices)	27,021,090	29,614,748
Fleet	5,287,871	3,921,834
Business mileage	1,837,261	2,083,500

Methodology

The measures have 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 2024 have been used to convert electricity and gas consumption from kWh to tonnes CO_2e.

DEFRA conversion factors 2024 have been used to convert fleet fuel consumption and business mileage from litres of fuel to tonnes CO2e and to kWh.

[1] Revised figures based on **actual** energy usage 2024-25.

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

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

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

[5] Category 6 Business Travel based on colleague mileage claims. NB: Excludes business travel by public transport

[6] Category 13 Downstream Leased Assets. Carbon emissions are based on the calculated SAP score, using Portfolio software, adjusted using 2024 carbon conversion factors. NB: only includes rented homes owned by Southern Housing, excluding those already included in scope 1 or 2.

Actions on energy efficiency undertaken in the reporting period

- Completed retrofit works on 670 homes to bring these homes up to EPC Band C or better
- Upgraded heating in 3,325 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 253 roofs covering over 800 homes
- Achieved SHIFT Gold in December 2024. SHIFT is an independent assessment and accreditation scheme that measures progress towards delivering science based environmental targets.

Working towards a more sustainable supply chain

Decarbonisation is a top priority as we approach EPC C and net zero deadlines. As a leading housing association with over 80,000 homes, we have clear strategies for decarbonising our homes. Our extensive network of over 1,800 suppliers significantly impacts our environmental sustainability.

To reduce our environmental footprint, we're actively engaging our supply chain. By supporting our suppliers on their sustainability journey, we can achieve our carbon, plastic, waste, and chemical reduction goals and meet shared environmental targets.

Our Sustainable Procurement Principles guide how we ensure sustainable products and services. Our Procurement Team integrates sustainability into every stage, from planning to contract KPIs, enabling us to measure supplier sustainability and report on our Scope 3 carbon emissions. We also use a Sustainability Audit to benchmark suppliers and identify improvement areas.

Collaboration is essential. We're building relationships with key maintenance and construction suppliers, our highest carbon emission areas, to gather consistent data on carbon, materials, and waste. This data is then translated into carbon emissions with SHIFT's help and reported in our annual SHIFT submission and ESG report.

While building a greener supply chain presents challenges, engaging our suppliers has already yielded benefits. It has fostered shared learning, improved our understanding of supplier challenges and opportunities, and strengthened relationships. These partnerships have also enabled us to deliver social value through joint sustainability projects, such as a water harvesting system for a community orchard with Axis. Such projects enhance climate resilience, boost biodiversity, and improve resident well-being.

Financial Review

We concluded the year with a turnover of £674 million, an operating surplus of £123 million, an annual surplus after revaluations of £5 million and an operating margin of 12% (including first tranche and market sales but excluding property disposals). Our social housing activities generated an operating margin of 16%. Operating surplus includes £46 million surplus on housing property disposals (2024: £33 million). Results include a £13 million write-off of costs incurred in relation to the Centrium 1 block at Station Approach in Woking (Eastgate scheme). Following an independent structural engineer's assessment, we rehoused all residents and are working with the contractor, Barratt, to determine how to resolve the structural issues. We expect to recover our costs and anticipate this will be in 2025/26.

Sales performance was strong, particularly in the final quarter, however ongoing delays in completing schemes ahead of building registration and then handover have delayed the receipt of sales income and reduced our rental income.

Cost of sale includes an impairment write off of £7 million and other social housing impairment of £4 million (2024: £3 million) bringing the total write down on schemes to £39 million. The write off includes impairment on two land sites held ahead of development where values have fallen and a provision for schemes where sales values have been impacted by current market conditions and higher cost of sales due to contractor failures. Net interest costs increased by £11 million. Surplus before tax is £5 million (2024: deficit £28 million). At 31 March 2025 we had fixed assets of £6.6 billion (at cost) and reserves of £1.7 billion.

We have increased investment in housing management and repairs to help improve the services residents need and expect. This has contributed to higher operating costs this year. Spend on routine and planned maintenance to existing homes increased by £29 million to £201 million.

Investment property adverse fair value movements of £6 million were charged below operating surplus net of interest reduced our surplus before tax. The reduction is mainly due to increased build costs on recently completed commercial schemes.

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 £592 million in undrawn facilities and £100 million in cash and short-term investments, giving us significant cover and flexibility to meet our commitments.

RESULTS	2024/245 £m	2023/24 £m	2022/23 £m
Turnover	674	609	642
Cost of sales	(61)	(48)	(105)
Operating costs	(536)	(485)	(448)
Surplus on disposal of fixed assets and investments	46	32	47
Operating surplus	**123**	**108**	**136**
Surplus / (deficit) on commercial sales	1	(2)	-
Net interest payable	(114)	(103)	(96)
Surplus before fair value movements	**10**	**3**	**40**
Fair value property and investment movements	(5)	(30)	5
Derivative movement	-	(1)	35
Surplus / (deficit) for the year	**5**	**(28)**	**80**

Analysis of turnover

- Turnover of £615 million (excluding property sales) increased by £50 million compared with 2023/24. 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

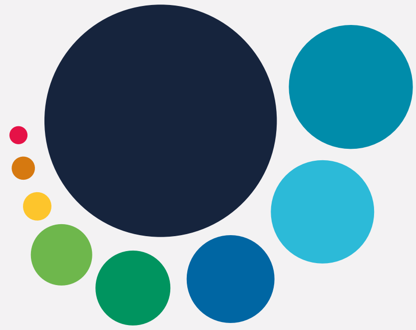
- First tranche sales turnover of £45 million increased by £5 million compared with 2023/24. Turnover from market sales was £14 million compared with £4 million in 2023/24

- Turnover from general needs activities increased by 9% to £436 million (2024: £401 million) and turnover from low cost homeownership activities increased by 21% to £75 million (2024: £62 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 £79 million exceeded our service charge receivables from residents of £66 million (2024: net deficit £12 million). Part of the shortfall is because service charge income from affordable rented homes is required to be included within rental income (approximately £4 million). The remainder is mainly due to timing differences on variable service charge cost recovery and some costs not fully recovered.

General needs	£436m
Low cost homeownership	£75m
Supported & HOPs	£66m
First tranche sales	£45m
Open market sales	£14m
Student accommodation	£13m
Other non social housing	£12m
Keyworker accommodation	£9m
Other social housing	£4m

Analysis of expenditure



Maintenance	£232m
Management	£99m
Services	£79m
Depreciation (housing properties)	£78m
Cost of sales: first tranche	£45m
Other social housing	£29m
Cost of sales: market sales	£16m
Student accommodation	£10m
Other non social housing	£8m

Operating costs (excluding cost of sales) increased by £51 million to £536 million. We increased revenue maintenance spend by £20 million and services spend by £5 million. This is driven by additional leasehold major works, an increase in complex repairs and building safety and compliance spend. Management costs increased by £5 million mainly due to increased technology transformation spend and annual pay award partly offset by efficiencies.

Interest and sales

- Interest and financing costs increased by £5 million to £119 million (2024: £114 million). This is due to cost of additional borrowing to fund investment needs. Interest receivable of £5 million was £5 million lower (2024: £10 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 £14 million to £46 million (2024: £32 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	2024/25 £m	2023/24 £m	2022/23 £m
Total fixed assets and investments	6,595	6,433	6,219
Net current assets	105	54	105
Total assets less current liabilities	6,700	6,487	6,324
Long term liabilities and provisions	(5,018)	(4,811)	(4,615)
Net assets	1,682	1,676	1,709
Reserves	1,682	1,676	1,709

Housing properties

Housing properties are mainly held at historical cost, unamortised grant is held in creditors. The movement in fixed asset carrying cost of £161 million includes £229 million investment in new homes and £102 million spend on improvements and component replacements to existing homes. To date we've received £1.7 billion social housing and capital grant to support our development programme.

Pensions

At 31 March 2025 we operate five funded schemes and one defined contribution scheme used for auto enrolment. One of the five funded schemes is in deficit and all are closed to new members. The liability on the funded scheme is £6 million, and the total unrecognised surplus is £32 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	2024/25 £bn	Funded by	2024/25 £bn
Property cost less depreciation and impairment	6.2	Loans and bonds net of cash and short-term investments	3.3
		Unamortised grant	1.7
		Revenue reserves	1.7
		Other balances	(0.5)

CASH FLOW	2024/25 £m	2023/24 £m	2022/23 £m
Cash generated from operations	225	219	319
CASHFLOW FROM INVESTING ACTIVITIES			
Purchase of assets	(313)	(369)	(436)
Investment in joint venture	-	-	3
Grant received	5	1	53
Interest received	5	10	4
CASHFLOW FROM FINANCING ACTIVITIES			
Net borrowings	213	226	136
Interest paid	(142)	(124)	(120)
NET CHANGE IN CASH	(9)	(37)	(41)

Total Group cash and short-term investment balances of £100 million include £36 million held in separate accounts for 'ring-fenced' sinking funds on behalf of leaseholders and restricted cash £17 million which is mainly collateral for our Pensions.

Social Housing Lettings performance

SOCIAL HOUSING LETTINGS PERFORMANCE	2024/25	2023/24	2022/23
Homes owned and/or managed	72,629	71,724	70,707
Revenue	£585m	£535m	£481m
Operating surplus	£92m	£83m	£90m
Operating margin	16%	16%	19%

Our core business is social housing lettings with our main tenures being general needs, supported housing, keyworkers and low cost home ownership. Despite turnover increasing by £50 million our operating margin remained at 16%, due to increases in maintenance spend, management costs, non-recovery of service charge costs and significantly higher depreciation.

Non social housing

STUDENT ACCOMMODATION – NON SOCIAL HOUSING	2024/25	2023/24	2022/23
Homes owned and/or managed	1,299	1,654	1,654
Revenue	£13m	£14m	£12m
Operating surplus	£3m	£3m	£2m
Operating margin	23%	23%	17%

The student direct let portfolio closed the financial year with 98% occupancy against a target of 99%. Voids were mainly driven by resident preference for single rooms over shared/twin options. We sold our student site at Eastbourne in October 2024.

SOCIAL IMPACT	2024/25 £m	2023/24 £m	2022/23 £m
Revenue	£1.4	£1.2	£1.6
Costs	£3.6	£5.6	£3.9
Southern Housing investment	£2.2	£4.4	£2.3

Contractors and businesses contributed towards a range of social impact activities, including providing training, donating staff hours, providing materials for community projects, making charity donations and providing job and placement opportunities.

Development and sales performance

DEVELOPMENT AND SALES PERFORMANCE	2024/25	2023/24	2022/23
Homes started	127	348	952
Homes completed	807	776	1,089
Homes in contract at 31 March	2,609	3,256	3,936
Homes available for sale – low cost home ownership	211	173	257
Homes available for sale – open market	21	27	40

We completed 807 homes in the year against a target of 1,279. A key challenge over the year has been being ready to secure registration with the Building Safety Regulator (BSR), this has been particularly difficult where contractors have gone into administration.

PROPERTY DISPOSALS WITHIN OPERATING SURPLUS	2024/25			2023/24			2022/23		
	Turnover (£m)	Surplus / (deficit) (£m)	Margin	Turnover (£m)	Surplus / (deficit) (£m)	Margin	Turnover (£m)	Surplus (£m)	Margin
Low cost homeownership first tranche	45	-	-	40	5	12%	60	9	16%
Market sales	14	(2)	-	4	(9)	-	67	12	18%
Staircasing / RTB	40	18	-	30	15	-	42	23	-
Other social housing properties	53	28	-	41	18	-	70	24	-

Sales performance was stronger than in 2024/25, particularly in the final quarter ahead of the anticipated Stamp Duty increase in April 2025. However, ongoing delays in being able to register and hand over new development schemes have pushed back the receipt of sales income on some schemes. Our stock impairment provision increased by £7 million during 2024/25. The movement is mainly due to increased scheme costs on properties for sale.

Other property sales outperformed our projections this year.

Liquidity and financing

At 31 March 2025 we had £84 million cash, £16 million short term investments and £2,055 million bonds in issue as well as £1,320 million of loans. None of these were retained bonds. Following the establishment of our new Euro Medium Term Note (EMTN) programme and the update of our Sustainable Finance Framework, we were able to bring a debut public benchmark bond issue to market in September 2024. We successfully issued £250 million of 30-year bonds to a strong reception by institutional real money asset managers across the UK, Europe and North America. Our total available liquidity reduced from £975 million in 2023/24 to £639 million at 31 March 2025, reflecting our reduced development commitments.

FUNDING SOURCES	2024/25 £m	2023/24 £m	2022/23 £m
Cash and short-term investments	100	109	146
Undrawn available bank facilities	592	866	1,239
Retained bonds held	-	-	119

METRICS	2024/25	2023/24	2022/23
INTEREST RATE PROFILE			
% of net debt fixed	92%	89%	88%
Weighted average debt cost	4.2%	4.2%	3.8%
Derivative mark-to-market	£13m	£13m	£14m

KEY FINANCIAL INDICATORS	2024/25	2023/24	2022/23
Number of homes in management excluding leaseholders	74,249	73,686	72,671
Social Housing cost per unit	£7,293	£6,844	£5,544
Cost per home increased by £449. Maintenance spend increased by £375 and service costs increased by £53. Management costs increased by £53, other costs decreased by £32.			
Interest cover (Association as per loan agreements)	194%	190%	203%
^ EBITDA per home (excluding impairment)	£2,595	£1,862	£3,554
^ EBITDA* - including impairment charge provision per home	£2,446	£1,817	£3,187
^ EBITDA - excluding fair value movements per home	£2,515	£2,243	£2,638
^^ EBITDA MRI per home	£1,076	£533	£2,387
^^ EBITDA MRI excluding fair value movements per home	£1,145	£961	£1,838
^EBITDA (Earnings before interest, tax, depreciation and amortisation) and ^^ EBITDA MRI (including major repair improvements capitalised) have increased due to the benefit of improved turnover partly offset by increased costs, including £13 million write down of a scheme with serious defects and an increase in impairment and repairs spend.			
Net debt to turnover (including sales)	4.8	5.0	4.3
Debt less cash and short-term investments increased by £209 million and turnover increased by £65 million.			
Operating margin (excluding all sales)	12.9%	14.1%	13.2%
Operating margin (excluding all sales) is below our target for the year of 19%. Write down of costs incurred on the Eastgate scheme in Woking of £13 million, increased net maintenance spend £20 million and £11 million impairment charge contributed to the reduction.			
Change in turnover	11%	(5)%	8%
Increase in turnover reflects increased rent and service charge income.			
Change in major repair improvements capitalised year on year	7%	63%	12%
Major repairs capitalised increased to £102 million from £95 million in 2023/24 (2023: £58 million)			
Effective interest rate	4.2%	4.2%	3.8%
We increased net borrowing by £210 million and were able to maintain a rate of 4.2%			

Value for Money

We use the Regulator of Social Housing's value for money metrics to review our performance and target actions. We measure these against our G15 peers. Although G15 comparisons are a year behind our financial reporting they provide an effective comparison of performance which is summarised below.

Regulator of Social Housing

Value for Money metrics

METRIC 1 REINVESTMENT	2024/25	2023/24	G15 Median 2023/24
Investment in property	5.3%	5.8%	6%

This measures our investment in new developments and existing homes as a percentage of the total value of properties held. We invested £331 million in new and existing homes in 2024/25 compared with £352 million in 2023/24. We were at the median for reinvestment % in 2023/24 in our peer group.

METRIC 2 NEW SUPPLY	2024/25	2023/24	G15 Median 2023/24
A. New supply delivered % (social housing)	1.2%	0.7%	1.1%
B. New supply delivered % (non social housing)	0.0%	0.0%	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 better than the prior year but below target due to handover delays.

METRIC 3 GEARING	2024/25	2023/24	G15 Median 2023/24
Gearing	52.0%	49.9%	47%

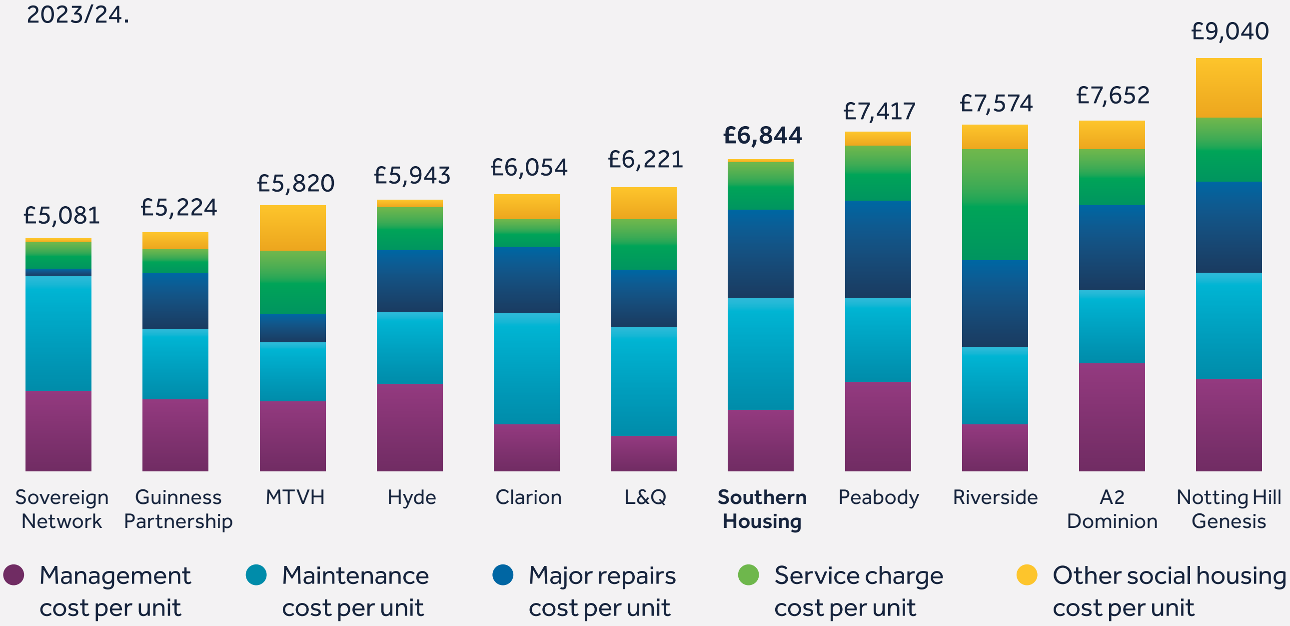
This metric assesses how much of the adjusted assets are made up of debt and the degree of reliance on debt finance. Net debt increased by £219 million and housing assets increased by £180 million. With the majority of our older homes held at historical cost the balance sheet doesn't reflect the true value of our assets. We're within our lender covenant of 70%.

METRIC 4 EBITDA MRI INTEREST COVER %	2024/25	2023/24	G15 Median 2023/24
EBITDA-MRI % (excluding disposals)	40.0%	38.7%	52%

This is a key indicator for liquidity and investment capacity. Our EBITDA - MRI percentage was the same as prior year, surplus used in the calculation (excluding property disposals) decreased by £2 million and total interest payments increased by £8 million. Capitalised major repairs spend increased by £7 million. EBITDA MRI for 2024/25 and 2023/24 have been updated in line with the latest Value for Money guidelines where capitalised major repairs grant received is recognised when calculating the EBITDA MRI Interest Cover metric.

METRIC 5 HEADLINE COST PER HOME (CPU)	2024/25	2023/24	G15 Median 2023/24
Social Housing CPU	£7,293	£6,844	£6,221

Our social housing cost per home has increased by £449. £375 is due to increased maintenance spend per home. Service charge costs increased by £53 and management costs increased by £53. Other costs decreased by £32. 2023/24 cost per home was above the median compared to the G15, we had the highest maintenance and major repairs cost per home at £4,357 compared to our peers. The chart below shows the headline social housing cost per unit for G15 members and proportional breakdown of each cost, for 2023/24.



METRIC 6 OPERATING MARGIN	2024/25	2023/24	G15 Median 2023/24
Overall	11.5%	12.4%	12%
Social Housing	15.6%	15.5%	23%

The operating margin demonstrates the profitability of operating assets. Our operating margin including market and first tranche sales is 12%. Excluding all sales it increases to 13% and for social housing activities it's at 16%. Operating margin overall is below our target of 18% reflecting several material adverse costs including £13 million write down at Woking (contingent asset as we expect to recover from the developer in the future), £10 million impairment charge and increase in maintenance costs due to higher costs and higher demand. In 2023/24 we had additional one off costs of £23 million, excluding these we'd have been close to the G15 median.

METRIC 7 RETURN ON CAPITAL EMPLOYED INTEREST COVER	2024/25	2023/24	G15 Median 2023/24
Return on Capital Employed (ROCE)	1.9%	1.7%	1.9%

ROCE is a measure of the efficient investment of our resources. Annual operating surplus is divided by capital employed (total assets minus current liabilities). Most of our housing stock is held on balance sheet at historical cost and does not reflect the true value of the assets we hold. Our ROCE increased, operating surplus (including sales) increased by £15 million and capital employed increased by £213 million. Compared with our peers we were below the median in 2023/24. Our ROCE is depressed due to development activity not generating a return until assets are completed.

DIRECTORS' REMUNERATION AND MANAGEMENT COSTS	2024/25 £	2023/24 £	G15 Median 2023/24 £
Remuneration payable to the highest paid Director relative to our size (remuneration to highest paid director/ social housing units)	5.6	4.1	N/A
Aggregate amount of remuneration paid to Directors relative to our size (total directors remuneration / social housing units)	36.3	28.5	N/A
Management costs relative to our size	1,369	1,289	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 Group Chief Operating Officer was the highest paid director in 2024/25 due to payments made for loss of office. The Group Chief Executive was the highest paid director in 2023/24.

OTHER	2024/25	2023/24	G15 Median 2023/24
Rent collected % general needs	98.8%	98.9%	99.2%
Overheads as a % of turnover	8.9%	9.4%	11.7%
Ratio of responsive repairs to planned maintenance	0.28	0.28	0.67
Total investment in community activities	£3.6m	£5.6m	£4.7m

Our ratio of planned and major repairs spend relative to responsive repairs spend is below G15 median. We increased spend on responsive and major repairs and our ratio remained the same. A decreasing ratio should indicate properties are well maintained, hence less spend is required on routine repairs.

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

The metrics set out below are calculated from our FFR submission. Our forecast performance for financial year 2025/26 (final year of our current strategic plan) compared to current year actuals are as follows:

METRIC 1 REINVESTMENT	2024/25	2025/26
Reinvestment	5.3%	7%

We plan to invest £451 million in 2025/26.

METRIC 2 NEW SUPPLY	2024/25	2025/26
A. New supply delivered % (social housing)	1.2%	1.6%
B. New supply delivered % (non social housing)	0.0%	1.6%

We're forecasting to complete 1,200 social housing homes and 86 non social housing homes in 2025/26.

METRIC 3 GEARING	2024/25	2025/26
Gearing	52.0%	52.6%

Gearing is forecast to remain stable in 2025/26 as we've scaled back our development programme. We remain well within our lender covenants and risk appetite set by Board.

METRIC 4 EBITDA MRI INTEREST COVER %	2024/25	2025/26
EBITDA-MRI %	40.0%	34%

Our forecast performance below 100% reflects the continuing need to invest in major works. We plan to spend £149 million in 2025/26.

METRIC 5 HEADLINE COST PER UNIT (CPU)	2024/25 £	2025/26 £
Social Housing CPU	£7,293	£7,528

Our cost per home is forecast to increase despite efficiencies of £14 million being realised, due to increasing our investment in existing properties.

METRIC 6 OPERATING MARGIN	2024/25	2025/26
Overall	11.5%	19%
Social Housing	15.6%	21%

In 2025/26 we forecast our operating margin both overall and for social housing lettings will have improved as we realise efficiencies from the merger and through growth.

METRIC 7 RETURN ON CAPITAL EMPLOYED	2024/25	2025/26
Return on Capital Employed (ROCE)	1.9%	2.8%

Our ROCE is forecast to increase reflecting investment in new homes generating improved surpluses through efficiencies.

CASE STUDY

Local link ORCHARD HOUSE

We're proud to share the success of a recent Local Link project at our Orchard House Independent Living Scheme in Fulham, a block with a series of long-standing issues that were significantly affecting residents' quality of life. Thanks to the collective efforts of multiple departments, we've not only tackled these challenges head-on, but we've also made lasting improvements to the building.

The building was in urgent need of extensive repairs. Persistent leaks throughout the structure had led to widespread damp and mould issues. Recognising the severity, we introduced a Local Link project in August 2024. This brought several teams, including the maintenance team, contract managers, surveyors, and our housing team, together.

Working as one team, we developed a detailed action plan to address each concern. The work was led and coordinated by the Local Link Team Manager with support from Housing Officers. Residents were kept informed throughout, helping to maintain transparency and build trust.

Residents have shared overwhelmingly positive feedback. By piloting the Local Link approach, working closely with other departments, the teams carried out the repairs but also helped to create a safer and improved place to live, installation of a new fob-access system for garden entry, has improved security, residents have reported feeling much safer. Work is ongoing to complete the final stages, including improvements to shower pump systems and water pressure, as well as new furniture for the communal areas.

Financial Planning and Treasury Management

Board uses the long-term financial plan to ensure long term covenant compliance, to establish financial risk appetite and to set an envelope for investment in new homes. We undertake a remodelling at least annually, most recently in May 2025. The plan reflects resources required to deliver our strategic objectives including the investment needed into technology, fire safety and decarbonisation.

The rising cost of maintaining and investing in our existing homes has been the central theme running through our financial planning over recent years. Between 2022/23 and 2023/24 we budgeted a 16% increase in these costs, and a further 15% increase between 2023/24 and 2024/25. The rate of increase has slowed to 4.1% between 2024/25 and 2025/26, but that is still above our social housing rent increase of 2.7%. Inflation remains a concern as most of our social housing rental income increase for 2025/26 is based on a low 1.7% September 2024 CPI, but inflation rates have increased since then.

We are a long-term property business that owns and invests in illiquid assets funded by long-term liabilities. As such our financial investment capacity is highly exposed to global financial market conditions. We've undertaken multivariant stress testing on the financial plan. Adverse stress testing including exploring scenarios such as: a disruption in the property sector, a lack of government support, legislative and regulatory changes, and macroeconomic disruptions.

Board considered the mitigating actions they would take in an adverse scenario, including selling assets and investments, tenure conversions, headcount and pay freezes, deferring major works, mothballing development sites and extended façade remediation timetables. These are levers the Board has available to recover the financial performance of the business. Board is committed to managing adverse risk and is prepared to make the necessary decisions to mitigate these risks. This commitment is evidenced by the decisions taken since merger:

- The focus on existing construction rather than entering new development contracts
- The increase in disposal activity
- Increasing efficiency expectations.

We remain financially resilient and operationally strong with a financial plan that supports our corporate strategy, balancing our charitable objectives and delivery of new social homes against our obligation not to put social housing assets at undue risk.

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.

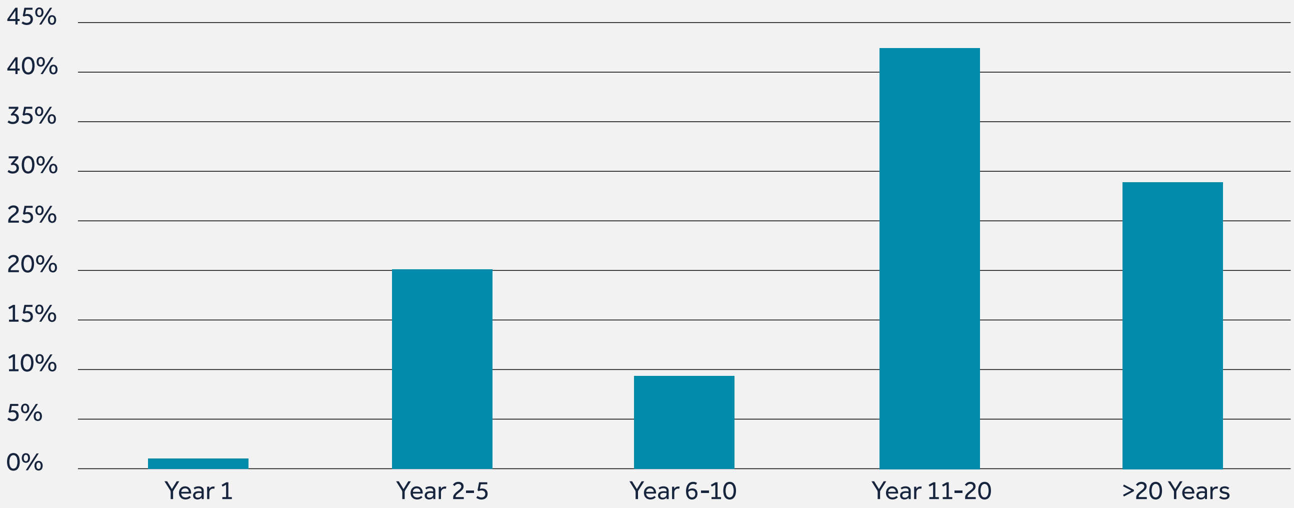
Oversight of our financial planning and treasury management activities is provided by Treasury Committee, ensuring robust governance, risk management, and alignment with our strategic objectives.

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 2025, 42,947 homes (2024: 42,273) were charged as security to lenders (including derivative counterparties). We also held 30,293 unencumbered properties valued at £4.0 billion (2024: 35,633 at £3.9 billion including zero value, 31,035 with value) with value of which 26,108 are chargeable (2024: 27,101).

At 31 March 2025 borrowings for the Group totalled £3.4 billion from available facilities of £4 billion. All undrawn facilities are short-term revolving credit facilities and are fully secured and available to be drawn. We maintain diversification of drawings from funding sources with 40% coming from seven banks and 60% from capital markets, and Local Authority funding. The Group has limited near-term re-financing risk with 79% 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 75% 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 2025 91% of net debt was fixed. The weighted average cost of debt was 4.2% (2024: 4.2%).

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 2025, MTM fair value of interest rate swaps equalled £12.7 million (2024: £12.7 million). Thresholds and property security cover the full market exposure. A 1% fall in rates would increase our MTM exposure by £5.8 million out of the money. Our policy of over collateralisation with property security means this would not trigger a cash margin call.

Liquidity

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

1. Cash of £35 million to be always available, allowing for a drop to £25 million for unexpected invoices for up to five working days
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 banks.

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 2025 and the long-term financial plan indicates we will continue to do so for at least the next twelve months and into the future.

Risk Management

We define risk as the effect of uncertainty on achieving our objectives. Everything we do involves a certain amount of risk, and although we plan carefully, 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 to 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 likely impact, and how we can manage or mitigate this. When we understand the risks we face we can make properly informed decisions and find efficiencies through avoiding 'surprises'.

Whilst Board delegates oversight responsibility of risk to the Audit and Risk Committee, Board remains ultimately responsible for risk management. Both the Audit and Risk Committee and Board provide review, oversight, and challenge of both our risk approach and strategic risks.

Our Risk and Assurance Framework sets out our goals 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. It should be based on the best available information – drawing on data, expert judgement, and stakeholder feedback to inform evidence-based decisions.

Strategic risks

We define strategic risks as threats which, if they were to occur, could materially impact the achievement of our strategic objectives. Typically, these risks are influenced by changes within the sector, availability of funding, the political environment, legal and regulatory changes, and issues impacting our reputation. These risks tend to reflect cross-cutting themes. Strategic risks are owned by the Executive Team and are reported regularly to Board and Audit and Risk Committee.

Operational risks

Operational risks are significant in the context of our business. These are typically owned by the Leadership Team, who report to the Executive Team, and are reviewed at least quarterly. This structure ensures clear risk ownership and comprehensive risk assessment across the entire business. Operational risk registers are also subject to review by their respective Committees. Risks can be 'escalated' from Operational Risk Registers to the Strategic Risk Register where appropriate to do so.

Risk appetite

We recognise it may not be possible to deliver our strategic objectives unless the business takes risks, but we have 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 'Statement of Risk Appetite' is an expression of the level of risk we're willing to accept in pursuing our objectives. It varies dependent on the business area to which it relates, it changes over time and is also dependent on the opportunities or benefits gained through the activity weighed against the risk exposure. We set the risk appetite for each strategic risk at least annually but it is also presented and reviewed regularly at both Board and Audit and Risk Committee meetings.

Strategic Risks at May 2025

We currently have 12 strategic risks reflecting those factors representing the greatest potential exposure to the Southern Housing 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	Medium	High	Very high
Very likely				
Likely	4	1		3, 9
Unlikely	11	2, 6	7, 8, 12	5, 10
Very unlikely				

STRATEGIC RISK

Risks

1. Our people
2. Integration programme
3. Goverment policy development
4. Governance & regulatory compliance
5. Financial health
6. Cyber security
7. Efficiency
8. Date quality
9. Development
10. Building & fire safety
11. Environmental sustainability
12. Repairs services

EMPOWER OUR PEOPLE

RISK	TIME SPAN	SUMMARY OF ACTIVITIES UNDERTAKEN TO MONITOR AND MANAGE STRATEGIC RISKS
Failure to attract, recruit, and retain people with key skills and experience to deliver strategic objectives, cultural expectations and effectively manage capacity and performance.	Long	Any merger can be unsettling for a business and its colleagues whether because of managing the impact of combining teams or having to operate with legacy systems until the businesses are fully integrated. Knowing that our colleagues are a critical asset to the business, we ensure we are investing in our people through offering professional qualifications and personal development training, providing a competitive reward package, and operating hybrid working. We also have an open and constructive relationship with our recognised union and encourage feedback from colleagues to ensure there is a strong employee voice.
We do not deliver our integration programme as planned, making business as usual more challenging and failure to deliver ongoing benefits.	Short	We are making good progress integrating the two legacy organisations. People integration was completed in late 2024. Despite some slippage in the programme we are on track to complete systems integration by mid 2025. We will also have delivered the efficiency targets during 2025/26. The programme has been supported by a strong governance framework that has been overseen by the Integration & Transformation Committee.

DELIVER EFFICIENCY

RISK	TIME SPAN	COMMENT AND RISK MITIGATIONS
Business negatively impacted by changes to Government policy.	Long	We have taken the opportunity over the last year with a relatively new Government to influence housing policy. We are engaged in a number of sector wide groups and maintain an extensive network of external relationships with MPs, local authorities, senior civil servants, and politicians allowing a greater level of insight and influence. We also work closely with other key stakeholders including CASE, the NHF and G15. We stress test potential and new policies through the long term financial plan.

DELIVER EFFICIENCY

RISK	TIME SPAN	COMMENT AND RISK MITIGATIONS
Ineffective governance and regulatory compliance and / or poorly controlled business.	Long	We operate in a heavily regulated sector, we therefore operate robust mechanisms to ensure we meet our regulatory obligations. Annual assessments are performed against the RSH's regulatory standards and the assessments are reviewed by our Quality Assurance function. This provides Audit and Risk Committee and Board assurance to publicly confirm our compliance with the Standards. Board also reviews the skills required and their effectiveness annually with action plans developed where required. Our governance framework sets out the principles of good governance that underpin our operations. Since merger we have inherited a complex corporate structure but have been working to simplify it through closing down those entities that are no longer required. The framework is also supported by comprehensive business continuity arrangements that are regularly reviewed and tested to ensure our preparedness in the event of a business disruption. We are reassured by receiving a G1 governance rating from the Regulator in August 2024, following our Regulatory Inspection.
Financial health is not fully protected in line with risk appetite.	Long	We recognise that the need to increase investment in our existing homes including to manage fire remediation and building safety work has meant we've paused investment in new development commitments. Board taking this decision is clear demonstration of ensuring we operate within our appetite and financial capacity. Treasury Committee and Board maintain a strong financial control framework, and associated oversight of financial performance including covenant compliance monitoring. Whilst we are not currently operating within our cash interest cover internal golden rule, we have an action plan to recover performance. In the meantime we have strong liquidity and have a significant portfolio of uncharged assets ready to charge should the need arise. The annual review of the financial plan by Board allows us to flex our approach as necessary. Board sets the acceptable risk limits via the financial golden rules.

DELIVER EFFICIENCY

RISK	TIME SPAN	COMMENT AND RISK MITIGATIONS
Significant cyber security breach resulting in loss of IT systems and / or loss of data.	Long	We recognise the extreme impact the loss of IT would have on our ability to provide effective services for our residents. Audit and Risk Committee provides strong governance and oversight of this risk. Members carried out a deep dive into this risk during 2023/24. We have a number of good practices in place that have been assessed by internal audit and good awareness of key cyber integration risks. We are implementing a number of recommendations raised by both internal and external audit of IT general controls. As part of systems integration work we are phasing out on-site servers and limiting external access to corporate systems and are working on the implementation of a Data Loss Prevention plan.
Failure to deliver efficiency targets.	Long	The changing perception of the risk profile of the sector resulting in the reduction of the risk appetite to continue to provide services to the sector by some businesses. We recognise this risk particularly in relation to insurance. We are working hard to ensure we have all necessary documents in place e.g. for fire remediation work to support our insurance. While we recognise there is a very limited insurance market available we will be reviewing our insurance provision during 2024/25.
Poor data quality.	Long	The efficiency target for 2023/24 was achieved and the efficiency target for 2024/25 has been fully identified in the annual budget. We maintain strong financial control and oversight of our financial performance including delivery against the efficiency targets.

BUILD HOMES TO MEET HOUSING NEED

RISK		COMMENT AND RISK MITIGATIONS
Development activity fails to deliver against the financial plan.	Long	This risk is influenced by a notable shift in macro contracting, changes in high-rise building regulations, and cost of debt environment, as well as the investment need for existing assets. In 2023/24 Board took the decision to remove any uncommitted development from the financial plan. Risk Appraisal Group and Development & Assets Committee keep the development programme and related risks under review. Their work is supported by a financial assessment matrix to monitor contractors working on active development schemes. We employ a robust contract management process which includes ongoing quality assurance checks on live developments.

SAFE SUSTAINABLE HOMES IN GOOD REPAIR

RISK	TIME SPAN	COMMENT AND RISK MITIGATIONS
Failure to implement the new legal and regulatory requirements for building safety and fire safety.	Long	We have a comprehensive remediation programme in place to ensure we meet the requirements of the Building Safety Act 2022 and the Fire Safety Act 2021 and related secondary legislation. The Building Safety Programme Board, chaired by the Executive Director of Assets & Sustainability, oversees the programme with progress being regularly reported to the Executive Team and Board. Our work is supported by a Building and Fire Safety Policy and management plans. Our work on the PAS9980 programme of surveys is supported by external experts who also risk rate and prioritise the remediation programme. Our Internal Audit function supports our focus on compliance with fire and building safety regulations. We secured £12.9 million grant funding from the building safety fund to support remediation work required on leasehold homes.

SAFE SUSTAINABLE HOMES IN GOOD REPAIR

RISK	TIME SPAN	COMMENT AND RISK MITIGATIONS
Failure to plan and deliver environmental sustainability targets including road map to Net Zero Carbon.	Long	The Long-Term Financial Plan has been updated to reflect our latest estimates to achieve Net Zero Carbon. KPIs are also in place to monitor performance against the 2030 target. We have published our Environmental and Sustainability strategy that also sets out plans for improving energy efficiency of existing and new homes. We access external grant funding to support our work wherever possible.

GREAT CUSTOMER EXPERIENCE

RISK	TIME SPAN	COMMENT AND RISK MITIGATIONS
Fail to effectively manage repairs service.	Medium	Performance in this area has been below expectations in the last year. Board recognises how vital this is to our residents and has therefore ensured it is a top strategic priority over the next year. In the short term two non-performing contractors have been replaced with many of the services being brought in house. An end-to-end review has been completed and a comprehensive action plan put in place to address immediate issues and to clear the repairs backlog. We are working with residents to establish a longer-term plan to transform the service.

02
STRATEGIC REPORT

03
LEADERSHIP AND GOVERNANCE

04
FINANCIAL STATEMENTS

Southern Housing is led by the Board which sets the strategy for the business. Our Executive Team is responsible for day-to-day management. We actively encourage and involve residents to work alongside us, ensuring their voice is heard at all levels and to help us govern, improve services and drive up performance and customer satisfaction.

The Board

The Southern Housing Board as at 30 July 2025 has thirteen members; twelve are independent Non-Executive Directors (NEDs), of which four are Southern Housing 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 Southern Housing has 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, achieving our objectives, service delivery and financial viability
- Continuing to remain viable and sustainable for the long term.

Sir Peter Dixon
Chair of Southern Housing Board

Peter is an experienced non-executive Director and is currently Chair of Flint Housing Ltd. He has also held various Board level roles including:

- Former Chair of the Housing Corporation
- Former Vice-Chair of the Broads Authority
- Former Chair of UCL NHS Foundation Trust.

Janet Collier
Vice-Chair of Southern Housing Board
Chair of People Committee

Janet is a CIPFA qualified accountant with over 30 years' public sector experience. She has worked at a number of local authorities in both housing and corporate finance and was previously Deputy Chief Executive and Director of Finance at CityWest Homes. She has also worked as a consultant providing financial consultancy and training for public sector organisations, especially on social housing finance and value for money.

She is an experienced non-executive having been a board member and Chair of Audit Committee within the housing sector.

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 RICS, the Chartered Institute of Building, the Chartered Institute of Housing and an Academician of the Academy of Urbanism.

Daisy Armstrong

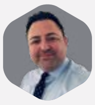
Daisy has lifelong experience of living in social housing and knows the benefits it can bring from her great-grandfathers housed in 'Homes for Heroes' in West London. She is a qualified teacher, specialising in IT and design and technology, with 17 years experience of school governance; eight years as Chair of Governors. Daisy is involved in raising the resident and disabled person's voice as resident board member with Southern Housing, and additional roles as EDI lead, Residents Services Committee member and link board member on a regional resident's panel. As Chair of the G15 Residents' Group, Daisy leads the forum in informing, influencing, and celebrating the socially housed residents voice at leadership policy level and with central government.

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

Geanna has over 20 years' experience working in the social housing sector in executive and senior management roles. She is the Board member responsible for complaints.



Billy Brown

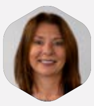
Chair of Resident Strategy Group

Billy has been a Southern Housing resident for 12 years and joined us as an involved resident in 2020. He's Chair of our Resident Strategy Group and he sits on TPAS' (England's leading tenant engagement experts) Board of Directors.

Robert Clark

Chair of Development and Assets Committee

Robert has been a qualified member of Royal Institution of Chartered Surveyors (RICS) since 1974 and retired as CEO of Durkan Ltd in 2016. As Managing Director and CEO, he was responsible for the management of all construction projects, business planning and HR management. His board and committee experience has included joint venture companies, housing associations, construction skills training, The Housing Forum and The Hertfordshire Housing Conference. Robert is currently on the BPHA Board and Chair of its Development & Assets Committee.



Michelle Dovey

Chair of Treasury Committee

Michelle is an experienced financial risk management executive and Director of MJD Treasury Solutions Ltd. She is former Chair of Board at Kairos Women Working Together.

Mark Everard

Mark has experience of working at CEO, Director, Executive and Board level across a number of organisations that he has been involved in. He retired from full time working in 2024 after almost 40 years work in the Housing Sector. Mark is a Non-Executive Director of HTS Group Ltd and a Trustee of World Child Cancer.

Damien Régent

Chair of Audit & Risk Committee

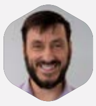
Damien is a financial analyst by background with significant expertise in credit markets and financial institutions. He is an experienced non-executive Director and holds board level roles across different sectors including:

- Vice-Chair at Amplius
- Deputy Chair at Kingston and Richmond NHS Foundation Trust
- NED at Oxleas NHS Foundation Trust
- Independent Member of the Audit and Risk Committee of the Chartered Insurance Institute
- Trustee-treasurer at PBE (Pro Bono Economics)
- Independent Panel Member for Board recruitment at the Greater London Authority.

Eugenie Turton CB

Chair of Residents' Services Committee

Eugenie is a former civil servant whose last government role was Director General for Housing, Planning and Regeneration. She is an experienced non-executive Director and has held various non executive Board roles. She currently advises Nuclear Waste Management Services on community engagement, is Chair of Dulwich Arts Society and volunteers as a local infant school reader.



Ian Wilson

Ian is a resident board member. He is currently Head of Residential Fund Management at Knight Frank Investment Management and has worked in the real estate industry for over 25 years. He has been a Member of Royal Institution of Chartered Surveyors (RICS) since 2000. Previously he worked at CBRE Investment Management where he launched the CBRE UK Affordable Housing Fund in 2018. He has worked in real estate fund management since 2006 undertaking a variety of asset management, fund management and development roles. Prior to this Ian worked as both a residential and commercial property valuer.

Committees

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

Audit and Risk Committee

The Audit and Risk Committee (ARC) has five members; three 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 (annually), 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.

People Committee

The People Committee has four members; two are Board members and two are independent committee members. The Committee's role is to support the Board to achieve strategic objectives relating to our people, our culture and our governance. The Committee also maintains oversight of equality, diversity and inclusion as well as modern slavery and human trafficking.

Integration & Transformation Committee

This Committee had six members, five were Board members. The Committee's role was to support the Board to achieve strategic objectives in relation to post merger integration, achievement of efficiencies, use of technology and transformation. The Committee's work ended in May 2025.

Development & Assets Committee

This Committee has six members, four are Board members and two are independent committee members. This Committee supports delivery of our development programme, development strategy, asset management strategy and sustainability strategy. The Committee recommends the development, asset management and sustainability strategies to the Board, monitors delivery programmes and advises the Board on development and asset management issues and new initiatives.

Treasury Committee

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

Pensions Group

The Pensions Group is chaired by a Board member and has four members, three of which are independent members. The Group's role is to oversee the pensions strategy for the organisation.

Chairs' Group

The Chairs' Group comprises the Chairs of the Board and Committees. The Group's role is to consider specific issues requiring consideration/attention ahead of a Board meeting. The Group does not have any delegated powers.

Residents' Services Committee

The Committee provides strategic oversight for activities relating to customer experience in all business areas including housing management, commercial housing portfolio, financial inclusion, resident involvement, social impact and property services. The Committee drives innovation to improve the customer journey and experience. The Committee has seven members, five are Board members (three residents) and two independents (one resident).

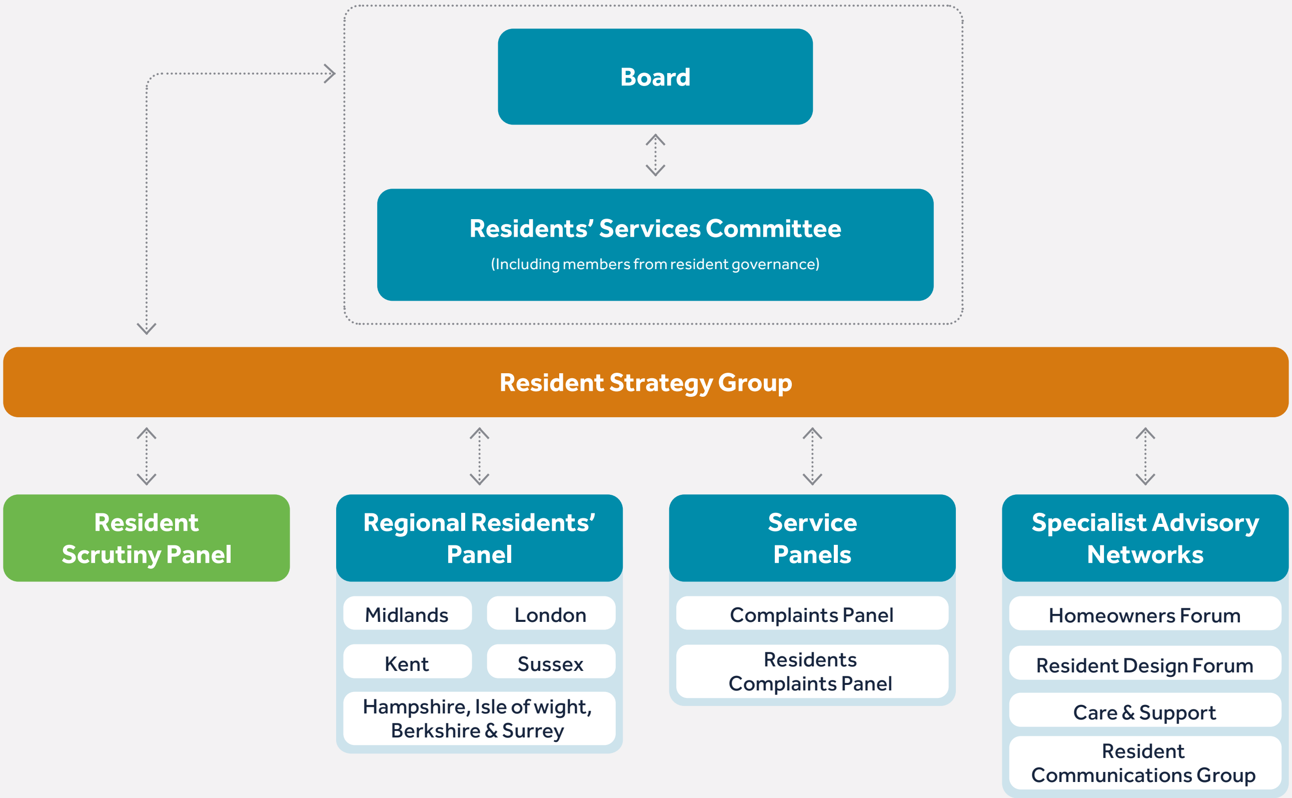
Residents

Residents are involved at every level of our organisation, from resident action groups addressing the needs of their communities through to membership of the Board. The resident governance structure was designed by residents to strengthen resident voice and accountability, to review performance and seek improvements.

Our involved residents work with 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. Resident Governance Members support the panels to be effective and have a positive impact on services. They attend quarterly meetings and aim to:

- Constructively scrutinise
- Challenge poor performance
- Contribute new ideas
- Influence service delivery.

This diagram explains how our wide range of Panels and Groups work together to help influence decisions at Board level:



Most Panels within the resident governance structure have up to 12 resident members. The Resident Strategy Group has 14 resident members.

Resident Strategy Group

The panel works in partnership with Board and Executive Team to develop strategy and influence budgets and strategic performance targets. The group scrutinises and monitors our performance and challenges decisions related to service provision. It is led by a resident Chair.

Resident Scrutiny Panel

This panel is made up of residents from across our regions. Their role is to carry out in-depth scrutiny reviews of our service areas. A report of findings and recommendations is then presented to the Resident Strategy Group, Executive Team and Board. Panel members are not able to join our other resident panels so ensuring they take an independent view of our services.

Regional Residents' Panels

These panels provide resident oversight and scrutiny of local regional services and performance. To deliver this, each panel within their region will:

1. Help shape the priorities for Southern Housing services
2. Scrutinise regional performance
3. Be consulted on any significant proposed changes
4. Contribute to the continuous improvement of services by providing a resident perspective to regional teams
5. Help shape the focus of resident involvement teams.

Service Panels

The Complaints Panel provides resident oversight of Southern Housing's approach to dealing with resident complaints and makes recommendations on how the complaints service can be improved. They're responsible for monitoring and scrutinising complaints performance, value for money and service delivery. The Panel is not involved in day-to-day resident complaints. The Policy Panel scrutinises resident facing policies.

Specialist Advisory Networks

These groups ensure residents with a particular lived experience have their voices heard within Southern Housing and the resident governance structure. The networks act as sounding boards for staff, Resident Strategy Group and resident governance networks who need to understand the views of residents with a particular lived experience. They provide feedback on how draft policies and strategies may affect them and provide advice to the organisation on how it can better serve residents from the groups they represent.

CASE STUDY

SAMUEL LEWIS ESTATE MURAL

Residents have been supported in bringing new vibrancy to a historic space in Islington through a transformation thanks to a vibrant mural. The park, at our Samuel Lewis Estate in Liverpool Road, is now blossoming with a colourful mural featuring artwork designed and painted by residents themselves.

Rich in Southern Housing heritage, this location was established through the Samuel Lewis Housing Trust in 1901, following the death of English philanthropist and money-lender Samuel Lewis. His legacy funded a trust dedicated to providing housing solutions.

The playpark started its colourful transformation when fresh new flooring was installed by one of our contractors Chas Berger in summer 2024, and the area began to come to life. The Community also wanted to create a new community mural.

With support from our partners Ovia, Niblock and Arbor projects, the space was made ready and could begin its artistic transformation.

Workshops with residents took place from January 2025 and focussed on capturing the community's spirit and vision for a tranquil outdoor space. The colourful mural features a river flowing from one side of the mural to the other, passing butterflies, dragonflies and flowers across the 30ft yellow wall with an eye-catching sun beaming from the centre.

This resident-led project aims to create a beautiful, tranquil outdoor space for everyone to enjoy while strengthening community bonds and neighbourhood pride. It improves wellbeing with access to pleasant outdoor areas and provides creative outlets for residents to express themselves.

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 CBE
Chief Executive

Prior to the launch of Southern Housing, Paul held the same positions at Optivo from 2017 and AmicusHorizon from 2012. Paul has worked in the housing association sector since 1989. Before joining AmicusHorizon, Paul was Executive Director, Development and New Business with Moat. Between 2017 to 2019 Paul was Chair of G15 and a member of the Homes for Londoners Board. During his two-year term, Paul focused on building stronger relationships with the public sector and making the economic case for higher grant rates and longer-term funding. He was also a high-profile advocate of rebalancing the landlord tenant relationship. Paul is a Fellow of the RICS, CIOB and CIH. In 2021 Paul was awarded a CBE for services to social housing.

Yvette Carter
Executive Director of Contract Services

Yvette was previously Group Director of Property Services at Southern Housing Group after joining as Executive Director Commercial in 2019.

Yvette is a qualified accountant who previously worked at Mears Group plc as well as Serco Ltd in senior roles. She has many years' senior strategic and commercial experience across a range of sectors including outsourced service industries, logistics and mobile technology. Yvette is directly responsible for all day-to-day repairs and estate services at Southern Housing. In a completely resident focussed role, Yvette is focused on ensuring the team delivers great customer service which is efficient and provides good value for money. She will be leading the repairs service through a transformation programme to deliver practical solutions to complex problems across her remit.

Tom Paul
Chief Financial Officer

Tom was appointed the Chief Financial Officer from June 2025. Tom's professional background is in corporate finance. After a brief stint working in politics, Tom joined KPMG's infrastructure finance team in the mid-2000s, advising central government on the delivery of major infrastructure and other procurement. He moved into social housing in 2011 as a treasury advisor to housing associations. During his time at our predecessors, AmicusHorizon and Optivo, Tom has been responsible for a wide range of functions including our student accommodation and NHS key worker operations, business intelligence, risk management and insurance. More recently as Executive Director of Strategy and Change he has been responsible for strategy, corporate finance and financial planning, business transformation, data and technology. He's an economist by background and a member of the Chartered Institute of Securities and Investments. He's a member of the British Property Federation's Affordable Housing Committee.

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 Southern Housing's legacy organisations and prior to that at two London boroughs, Hounslow and Brent where he was instrumental in delivering significant business change programme. Troy was previously the Corporate Director of Operations at Southern Housing, he has been instrumental in integrating services and improving housing management. He is passionate about delivering excellent services for Southern Housing residents and is leading the transformation of housing operations.

Wam Dawson
Executive Director of People and Culture

Wam joined Southern Housing in September 2024 and brings over 20 years of experience in HR across construction and facilities management. Before joining us, Wam was the People and Culture Director at ISS UK Ltd, where she led initiatives to boost employee engagement and streamline HR functions. Her achievements include creating a career framework that increased engagement and improved performance management. She also played a pivotal role in key transformation projects, including overhauling UK payroll operations to achieve significant cost efficiencies and building a new function of 100 specialists to support long-term growth. With a people-first approach, Wam is passionate about creating supportive workplaces where employees enjoy coming to work and are enabled to deliver results. As a dedicated community advocate, Wam also serves as a school governor, contributing her expertise to Staff and Finance and Appeals Committees, showing her commitment to fostering inclusive, growth-focused environments. She is a strong ambassador for diversity, inclusion and belonging, actively promoting these values in her leadership and workplace culture and sponsors our Equality, Diversity, and Inclusion Steering Group.

Karin Stockerl
Executive Director of Assets and Sustainability

Karin has over 20 years' experience working in property management and construction with roles in academia, private, public and housing association sector. She's responsible for devising and implementing our asset management and environmental sustainability strategies. Karin is chair of the G15 asset group and she's also 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.

CASE STUDY

THE FRONT DOOR MODEL

Giving our residents first contact resolution means changing the way we work. With comprehensive training and improved knowledge tools we're empowering our front-line teams to provide answers and decisions up front. We're working hard to improve communication channels between our front door teams and the rest of the business to ensure our advisers can access all the information they need to handle resident's enquiries. This extensive collaboration is being refined into **handshake agreements** which set out the actions and decisions that the Front Door teams will take responsibility for.

Of course, we do recognise that our services can be complex and that there will be times when residents need direct access to an expert to resolve their enquiry. Our handshake agreements also set out how calls and enquiries can be seamlessly handed on to specialists. We're at the start of the journey, and our goal is to achieve first contact resolution for **80%** of all enquires.

From Summer 2025 we'll operate from a Single Omnichannel Contact Centre Platform. This will give us consistency and efficiency across the board. It will enhance our ability to manage customer interactions across multiple channels and departments. It will also help us to track and monitor our success rate for first contact resolution.

Listening to our residents was the inspiration for this model. And it's not a one-off process – we'll continue to listen and seek feedback as we embed this approach.

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 Customer Obsession 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 strive to adopt the highest available environmental standards in all areas of our operations and investment decisions and we expect similar environmental standards from our partners. We are committed to achieving net-zero carbon emissions by 2050 and are on track to ensure our homes achieve EPC A - C by 2030, where practical, cost effective and affordable. We're improving the energy efficiency of our homes which, in turn helps residents to reduce their fuel bills and to live more comfortably. We also help residents to manage their energy bills by delivering energy advice. By reducing emissions from our offices and business travel, we're reducing our environmental impact and improving value for money. We hold a SHIFT Gold rating. SHIFT is an independent assessment and accreditation scheme that measures progress towards delivering science based environmental targets. It provides us with an external framework, the tools and methodology to consistently assess and benchmark our Environmental Sustainability Strategy and measure our progress towards a more sustainable organisation.

Our Development and Asset Committee monitors delivery of our energy and environment strategy. The ESG group puts together and signs off the ESG report which features key outcomes delivered annually, from the environmental sustainability strategy and wider social and governance achievements. We have published our 2025 ESG report alongside the Annual Report, prepared in accordance with the Sustainability Reporting Standard for Social Housing version 2.0. This reflects our commitment to stay aligned with ESG reporting expectations and best practice in the housing sector.

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.

The government introduced new Consumer Standards for social housing providers with effect from 1 April 2024. They are designed to ensure associations provide a safe, secure and well-maintained home and to improve the services residents receive. The RSH now also regulates landlords against these standards.

The Audit and Risk Committee reviewed the annual assurance report from the CEO on 16 July 2025. Compliance with the Regulator's Governance and Financial Viability Standard was reviewed by the Board on 30 July 2025 which covers the compliance from 1 April 2024 until signing of the financial statements on 30 July 2025.

For 2024/25 we report compliance with the regulatory standards and the Data Protection Act 2018. The Board adopted the National Housing Federation Code of Governance 2020 from Southern Housing's inception on 22 December 2022. Southern Housing complies with this Code except for one area as reported to the Board at its meeting on 30 July 2025. This relates to the size of the Board to be between five and 12 members. Southern Housing's Board comprises 13 members. This is based on an assessment of the skills and experience needed for the organisation and a need to ensure that people with direct lived experience of, and insight into, the communities served by the organisation are meaningfully engaged in its governance at the highest level.

Effects of material estimates and judgements upon performance

The following are the material judgements and estimates affecting performance.

Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue and allowing capitalisation of associated development costs requires judgement.

Impairment

Management assesses housing properties for indicators of impairment at each balance sheet date. Where indicators exist, 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. Judgements in assessing the level of cash generating units and the recoverable amounts could lead to increases or decreases in the impairment provision.

Development contractors in administration

Since 2023 the construction industry has seen a large number of contractors going into administration and some of our schemes in construction have been impacted albeit we've only seen one new case during 2024/25. We apply our judgement when assessing the potential cost to complete impacted schemes.

Commercial elements of schemes under construction

We judge that we are not able to reliably measure the fair value of commercial elements of schemes under construction and are therefore stated at cost. Upon practical completion when we are able to reliably measure the fair value the commercial elements of schemes, the changes in fair value is recognised in profit and loss.

Fire remediation works

The SORP requires there to be incremental future benefits (increase in the rental income over the life of the housing property, a reduction in future maintenance costs or a significant extension of the life of the property) for costs to be capitalised. We have determined some costs we incur for remediation work do not meet these recognition criteria. These costs are charged as expenditure in the Statement of Comprehensive Income unless we've demonstrated future benefits by carrying out enhancement works at the same time.

We've considered the point at which provision should be made for future fire remediation costs on low cost home ownership and leasehold properties. A provision is required when there is an obligation (legal or constructive) at the reporting date as a result of a past event, or there could be a legal obligation that can be enforced by law and the amount of the obligation can be estimated reliably. We could avoid the legal obligation by for example disposing of the properties however, it is probable we would be expected to reflect the obligation in settlement so impacting the economic benefit of disposal. We have a comprehensive fire-safety remediation works programme already drawn up for 2025/26 and have set aside funds in the budget to allow for anticipated programme spend up to £33 million covering 16 sites. The spend is divided between remediating defects at the time of original construction e.g. missing cavity barriers and enhancement works required if the blocks were built today. We've determined our constructive obligation to carry out future works is at the point when we formally notify residents of the start date for remediation works to commence. This is after we have completed a PAS9980 survey which has then been used to inform the works required and have determined the cost of those works. We apply this policy to both rented homes and low cost home ownership / leasehold homes. For rented and low cost home ownership homes remediation works are charged to the Statement of Comprehensive Income (SOCI), enhancement works are capitalised. For leasehold homes all costs are charged to the SOCI.

Defined benefit pension scheme obligations

At 31 March 2025 we had five defined benefit pension schemes, all closed to new members. Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. We draw advice from scheme actuaries and our retained advisors. Variations in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses (as analysed in note 32). Where schemes are in surplus, having regard to the accounting standards and trust deeds, we have taken a judgement not to include the surpluses as assets. The net liability at 31 March 2025 was £6 million.

Fair value

Investment properties and some financial instruments are held at fair value, differing valuation approaches may have an impact on the surplus reported. We have explained our approach to valuation in the related accounting policy and note.

Bad debt provision

We make a provision for the likelihood of debtors failing to pay. Our assumptions bandings are based on the type of debt (including customer analysis) and length of time the debt remains unpaid.

Useful lives of depreciable assets

We set out the expected useful lives of our assets in notes 13 and 14. Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and ICT equipment, changes to decent homes standards which may require more frequent replacement of key components and changes to the ability to let the property which may reduce the economic life of the property. Accumulated depreciation at 31 March 2025 was £974 million, with the total charge in year being £85 million.

Going concern

After reviewing Southern Housing's budget for 2025/26, cashflow forecasts through to August 2026 and the long-term financial plan 2025/56, the Board has a reasonable expectation Southern Housing has adequate resources to continue in operational existence for the foreseeable future. For this reason, Board continues to adopt the going concern basis in preparing the financial statements.

The general UK economic environment and outlook has continued to improve in the past year and this is factored into our macroeconomic assumptions. Board has considered the risks from the current operating environment noting confirmation from Government of a ten-year rent settlement. The stress testing of our financial plan shows the business to be robust even in extreme downside scenarios. 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 2026. For these reasons, Board continues to adopt a going concern basis for the preparation of the financial statements.

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 the business is operating in a period of heightened risk while work is underway to integrate systems 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 2025 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 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 and Executive Officers of the subsidiaries are shown in those entities' financial statements.

Each Southern Housing Non-Executive Board member holds one fully paid £1 share in Southern Housing. The Executive Officers hold no interest in Southern Housing's 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 2024/25. 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 Southern Housing 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 the Southern Housing Board meeting on 24 September 2025.

Approval

This Report of the Board and Strategic Report were approved by order of the Southern Housing Board on 30 July 2025 and authorised for issue on 13 August 2025.

Sir Peter Dixon
Chair of Southern Housing Board

30 July 2025

Puneet Rajput
Director of Governance and Regulation

30 July 2025

04
FINANCIAL STATEMENTS

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's and of the Association's affairs as at 31 March 2025 and of the Group's and the Association's surplus 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 properly 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 2025 which comprise the Group and Association statement of comprehensive income, the Group and Association statement of financial position (balance sheet), the Group and Association statement of changes in reserves, the consolidated statement of cash flows, analysis of change in net debt and notes 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. Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

Independence

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 four subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 12 years, covering the years ending 2014 to 2025.

We remain independent of the Group and the Parent 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 Parent Association.

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 Parent 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 2027 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 Parent 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.

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

Overview

		2025	2024
KEY AUDIT MATTER	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 £90.6m (2024: £88.8m) based on 1.3% of total assets (2024: 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. On the basis of this, 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 21 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.

Based on our risk assessment we identified one component that required full scope audit of their complete financial information due to the extent to which these components contribute to the identified Group risks of material misstatement. We identified a further four components that required audit procedures over specific financial statement areas due to the extent to which certain financial statement areas within these components contributed to the identified Group risks of material misstatement.

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 analytical review procedures performed by the Group audit team. All work was performed by the Group audit team.

Procedures performed centrally

We considered there to be high degree of centralisation of financial reporting and similarity of the group's activities in relation to going concern, building safety and impairment. We therefore designed and performed procedures centrally in these areas.

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 £163.1m.

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 (compared to specific materiality) 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 2024 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. This was also performed for completed units to confirm completeness of cost and the 'completed' status. • assessed the accuracy of cost forecasting by looking at outturn costs compared with budget and 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

The recoverable amount of housing property is materially misstated

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, and whether management have considered all relevant impairment indicators
- 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.
- considered the completeness of the schemes that were identified using our knowledge obtained through other procedures performed in our audit
- 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		PARENT ASSOCIATION FINANCIAL STATEMENTS	
	2025	2024	2025	2024
FINANCIAL STATEMENT MATERIALITY				
Materiality	£90.6m	£88.8m	£86.1m	£87.5m
Basis for determining materiality	1.3% of total assets	1.3% of total assets	1.2% of total assets	1.3% of total assets
Performance materiality	£63.4m	£62.2m	£60.2m	£61.3m
Basis for determining performance materiality	70% of materiality	70% of materiality	70% of materiality	70% of materiality
SPECIFIC MATERIALITY				
Specific materiality	£12.1m	£10.9m	£11.5m	£10.5m
Basis for determining specific materiality	1.8% of revenue	1.8% of revenue	1.8% of revenue	1.8% of revenue
Specific performance materiality	£8.5m	£7.7m	£8m	£7.3m
Basis for determining specific performance materiality	70% of materiality	71% of materiality	70% 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 70% 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.

Performance materiality

For the purposes of our Group audit opinion, we set performance materiality for each component of the Group, apart from the Parent Association whose materiality and performance materiality are set out above, based on a percentage of between 0.1% and 18% (2024: 0.1% and 16%) 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 £720 to £11.2m (2024: £24 to £11.9m).

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £1.8m (2024: £1.7m) in relation to financial statement materiality and £241k in relation to specific materiality (2024: £219k). 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.

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 and 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 Regulator of Social Housing's Regulatory Standards, employment law, Financial Conduct Authority ("FCA") regulations, data protection, fire safety legislation and health and safety legislation.

Our procedures in respect of the above included:

- 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;
- Discussions with relevant individuals responsible for those areas, such as the Executive Director of Assets & Sustainability;
- 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, 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 a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Testing a sample of journal entries throughout the year that do not meet a defined risk criteria (ie non risky journals);
- Challenging assumptions made by management in their significant accounting estimates, 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 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.

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.

DocuSigned by:
BDO LLP
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BDO LLP
Statutory Auditor
London, UK

Date 13 August 2025

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 2025

		GROUP		ASSOCIATION	
	NOTES	2025 £m	2024 £m	2025 £m	2024 £m
TURNOVER	3A	673.7	609.0	640.8	582.3
Cost of sales	3A	(60.6)	(48.0)	(30.7)	(18.4)
Operating expenditure	3A	(535.9)	(485.3)	(539.7)	(488.4)
Surplus on disposal of housing properties	3C	46.0	32.7	44.0	31.9
Operating surplus		123.2	108.4	114.4	107.4
Surplus / (deficit) on disposal of commercial properties and other fixed assets	9	0.8	(2.3)	0.8	(2.3)
Interest receivable	10	4.9	10.3	35.6	38.6
Interest and financing costs	11	(119.0)	(113.6)	(128.7)	(122.3)
Surplus before fair value movements		9.9	2.8	22.1	21.4
Movement in fair value of financial instruments	11	(0.1)	(1.1)	(0.1)	(1.3)
Movement in fair value of investment properties	15	(6.4)	(31.7)	(4.8)	(20.3)
Movement in fair value of investments	16	1.4	1.4	-	-
Surplus / (deficit) before taxation		4.8	(28.6)	17.2	(0.2)
Taxation	12	-	0.4	-	(0.6)
Surplus / (deficit) for the year		4.8	(28.2)	17.2	(0.8)
Actuarial gain/(loss) in respect of defined benefit pension schemes	32	0.4	(3.7)	0.4	(3.7)
Total comprehensive income / (deficit) for the year		5.2	(31.9)	17.6	(4.5)

All activities relate to continuing operations.

Statement of Financial Position (Balance Sheet)

at 31 March 2025

		GROUP		ASSOCIATION	
	NOTES	2025 £m	2024 £m	2025 £m	2024 £m
FIXED ASSETS					
Tangible fixed assets - Housing properties	13	6,235.4	6,055.1	5,969.4	5,713.7
Tangible fixed assets - other	14	44.7	50.1	44.7	49.7
Investment properties	15	279.1	290.7	231.3	219.5
Other investments	16	16.9	15.7	12.5	12.4
Derivatives	16	18.6	21.7	18.7	21.7
Total fixed assets		6,594.7	6,433.3	6,276.6	6,017.0
CURRENT ASSETS					
Properties held for sale	17	163.1	150.1	57.2	64.6
Debtors: amounts falling due within one year	18	67.8	76.3	65.7	72.7
Debtors: amounts falling due after one year	18	41.5	34.3	410.6	466.2
Short term investments	19	15.5	-	15.5	-
Cash and cash equivalents	20	84.4	109.0	72.6	98.4
Total current assets		372.3	369.7	621.6	701.9
Creditors: amounts falling due within one year	21	(267.2)	(316.2)	(258.7)	(307.1)
Net current assets		105.1	53.5	362.9	394.8
Total assets less current liabilities		6,699.8	6,486.8	6,639.5	6,411.8
Creditors: amounts falling due after more than one year	22	(5,012.4)	(4,796.5)	(5,026.0)	(4,799.9)
Provisions and other liabilities	26	(0.2)	(1.4)	(0.2)	(9.3)
Pension liability	32	(5.7)	(12.6)	(5.7)	(12.6)
Net assets		1,681.5	1,676.3	1,607.6	1,590.0
CAPITAL AND RESERVES					
Share capital - non equity	28	-	-	-	-
General reserve		1,680.4	1,674.8	1,606.8	1,588.8
Designated reserve		0.8	1.0	0.8	1.0
Restricted reserve		-	0.2	-	0.2
Revaluation reserve		0.3	0.3	-	-
Total reserves		1,681.5	1,676.3	1,607.6	1,590.0

The financial statements were approved by the Board on 30 July 2025, authorised for issue on 13 August 2025 and were signed on its behalf by:

Sir Peter Dixon
Chair

Janet Collier
Vice Chair

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 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

For the year ended 31 March 2024

GROUP	General reserve £m	Designated reserve £m	Restricted reserve £m	Revaluation reserve £m	Total £m
Balance as at 1 April 2023	1,706.7	1.3	0.4	0.4	1,708.8
Reclassification	(0.6)				(0.6)
Deficit for the year	(28.2)	-	-	-	(28.2)
Actuarial loss on defined					
Benefit pension schemes	(3.7)	-	-	-	(3.7)
Total comprehensive income for the year	(31.9)	-	-	-	(31.9)
Reserves transfers	0.6	(0.3)	(0.2)	(0.1)	-
Balance as at 31 March 2024	1,674.8	1.0	0.2	0.3	1,676.3

ASSOCIATION	General reserve £m	Designated reserve £m	Restricted reserve £m	Total £m
Balance as at 1 April 2023	1,593.0	1.1	0.4	1,594.5
Deficit for the year	(0.8)	-	-	(0.8)
Actuarial loss on defined				
Benefit pension schemes	(3.7)	-	-	(3.7)
Total comprehensive income for the year	(4.5)	-	-	(4.5)
Reserves transfers	0.3	(0.1)	(0.2)	-
Balance as at 31 March 2024	1,588.8	1.0	0.2	1,590.0

Consolidated Statement of Cash Flows
for the year ended 31 March 2025

	GROUP	
	2025 £m	2024 £m
CASHFLOWS FROM OPERATING ACTIVITIES		
Surplus / (deficit) for the year	4.8	(28.2)
ADJUSTMENTS		
Interest payable	119.0	113.6
Interest receivable	(4.9)	(10.3)
(Surplus) / deficit on disposal of commercial properties and other fixed assets	(0.8)	2.3
Tax	-	(0.4)
Movement in fair value of investments	(1.4)	(1.4)
Net fair value movement recognised in profit or loss	6.5	32.8
Depreciation and amortisation	69.6	59.2
Impairment	8.8	3.3
Cost of properties disposed of in the year	59.8	25.1
Difference between net pension expense and cash contribution	(6.5)	(7.1)
(Increase) /decrease in stocks	(3.4)	35.4
Decrease / (increase) in trade and other debtors	1.3	(8.0)
Decrease in trade and other creditors	(26.3)	(8.8)
Decrease in provisions	(1.2)	(0.2)
Net cash from operating activities	225.3	207.3
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(312.9)	(344.7)
Purchase of investment property	(3.1)	(7.3)
Investment in joint ventures	0.3	(0.3)
Interest received	4.8	10.3
Net capital grant	5.2	(4.0)
Net cash used in investing activities	(305.7)	(346.0)
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings (loans)	332.0	136.0
Proceeds from long term borrowings (bonds)	248.8	270.5
Interest paid	(141.5)	(124.4)
Bond buy backs / repurchases	(13.7)	(47.0)
Repayment of borrowings (loans)	(354.3)	(133.5)
Net cash generated by financing activities	71.3	101.6
NET CHANGE IN CASH AND CASH EQUIVALENTS	(9.1)	(37.1)
Cash and cash equivalents at start of year	109.0	146.1
Cash and cash equivalents at end of year	99.9	109.0

Analysis of Change in Net Debt

	At 1 April 2024 £m	Cashflows £m	Other non cash changes £m	At 31 March 2025 £m
CASH, CASH EQUIVALENT AND SHORT-TERM INVESTMENTS				
Short-term investments	-	15.5	-	15.5
Cash	52.1	(5.6)	-	46.5
Cash equivalents	56.9	(19.0)	-	37.9
Total cash, cash equivalent and short-term investments	109.0	(9.1)	-	99.9
BORROWINGS				
Debt due within one year	(35.2)	12.3	-	(22.9)
Debt due after one year	(1,307.3)	10.0	-	(1,297.3)
Bonds	(1,825.0)	(235.0)	5.0	(2,055.0)
	(3,167.5)	(212.7)	5.0	(3,375.2)
DERIVATIVES	12.7	-	-	12.7
Total	(3,045.8)	(221.8)	5.0	(3,262.6)

The 2024 cash and cash equivalent balance included an amount of £15.5 million, in the current year this has been reclassified as short term investments.

Notes to the Financial Statements for the year ended 31 March 2025

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 2025/26, cashflow forecasts to August 2026 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.

The general UK economic environment and outlook has continued to improve in the past year and this is factored into our macroeconomic assumptions. Board has considered the risks from the current operating environment noting confirmation from Government of a ten-year rent settlement. The stress testing of our financial plan shows the business to be robust even in extreme downside scenarios.

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 2026. 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.

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.

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. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the Group's tangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit. Board have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH (existing use value social housing) or depreciated replacement cost. Board have also considered impairment based on their assumptions to define cash or asset generating units, and the impact of contractors having gone in to administration. Where there is evidence of impairment, the assets are written down to the recoverable amount and any impairment losses are charged to the operating surplus
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review and the impact this would have on the value of the impairment provision. We define cash generating units as schemes except where schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. 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 income and expenditure
- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of that asset and therefore whether they are held at cost or fair value
- Determining the appropriate accounting treatment of fire remediation works. We've determined the costs we incur will not meet the recognition criteria for capitalisation set out in the SORP which requires there to be incremental future benefits (increase in the rental income over the life of the housing property, a reduction in future maintenance costs or a significant extension of the life of the property). The costs incurred are charged as expenditure in the Statement of Comprehensive Income
- Recognition criteria and measurement of provisions, including identification of constructive obligations and the impact of this on the amount to provide
- Determining the appropriate point to begin and cease capitalisation of development overheads and interest costs for a development scheme. For the majority of our schemes we begin capitalisation of these costs when we start on site. We cease capitalisation at practical completion of individual units
- The categorisation of financial instruments as basic or other and therefore whether they are held at cost or fair value
- Determining if the net pension asset is not recoverable and therefore whether to recognise the asset or not. We have not recognised the asset, recognising the asset would increase surplus by £32.4 million.

Other key sources of estimation uncertainty

Tangible fixed assets (notes 13 and 14)

- Tangible fixed assets other than investment properties are depreciated over their useful economic lives taking into account residual values where appropriate. The actual lives of these assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as economic conditions are taken into account. Residual value assessments consider future market conditions, the remaining useful life of the asset and projected disposal values
- For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components
- For impairment purpose, determining the anticipated costs to complete a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. We then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This is based on our best estimate of current sales and economic conditions prevailing at the time.

Investment properties (note 15)

- Our market rent, commercial rent and student accommodation properties are professionally valued. For market rent and commercial properties a rent capitalisation model is adopted coupled with an assessment of what an owner-occupier might pay with reference to respective rental and capital value markets. For student accommodation properties a discounted cash flow methodology is used with discount rates between 20% and 22%. Rates used are higher than current market discount rates due to onerous restrictions imposed under the project agreement with Middlesex First Limited.

Recovery of properties developed for sale (note 17)

- Properties developed for sale are carried on the statement of financial position at the lower of cost and net realisable value. Net realisable value is based on estimated sale proceeds after allowing for further costs to completion and selling costs.

Fair value measurement of derivatives (note 11)

- These instruments are measured at fair value (mark-to-market) at each reporting date. Each instrument's mark-to-market value is calculated with reference to mid-market rates.

Defined benefit pension schemes (note 32)

- The defined benefit liabilities are calculated based on actuarial assumptions which have been chosen following advice from our retained actuarial advisors. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

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 estimated spend. Where variable service charges are used, a reconciliation of actual to estimated costs is completed at the end of each financial year; any surplus is returned to the resident and any deficit is recovered.

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 plus actual year-end recovery from previous years.

Charges made to leaseholders for the replacement of equipment and major works 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. These arrangements are effectively loans granted at nil interest rate.

Schemes managed by agents

Income represents rent receivable. Management fees payable to agents are included in operating costs.

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. 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.

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

Group

	2025 Turnover £m	2025 Cost of sales £m	2025 Operating costs £m	2025 Housing properties disposals £m	2025 Operating surplus £m	2024 Turnover £m	2024 Cost of sales £m	2024 Operating costs £m	2024 Housing properties disposals £m	2024 Operating surplus £m
SOCIAL HOUSING LETTINGS (NOTE 3b)	585.5	-	(494.0)	-	91.5	534.5	-	(451.9)	-	82.6
OTHER SOCIAL HOUSING ACTIVITIES										
First tranche sales	45.0	(42.0)	-	-	3.0	40.3	(39.8)	-	-	0.5
Supported housing	4.7	-	(4.4)	-	0.3	4.1	-	(3.9)	-	0.2
Eastgate scheme write down*	-	-	(13.0)	-	(13.0)	-	-	-	-	-
Abortive & other development costs	-	-	(3.0)	-	(3.0)	-	-	(5.2)	-	(5.2)
Impairment housing properties	-	-	(3.8)	-	(3.8)	-	-	(2.1)	-	(2.1)
Impairment first tranche sales stock	-	(2.7)	-	-	(2.7)	-	4.4	-	-	4.4
	49.7	(44.7)	(24.2)	-	(19.2)	44.4	(35.4)	(11.2)	-	(2.2)
SURPLUS ON HOUSING PROPERTIES DISPOSAL (NOTE 3c)	-	-	-	46.0	46.0	-	-	-	32.7	32.7
NON SOCIAL HOUSING ACTIVITIES										
Community activities	1.4	-	(3.6)	-	(2.2)	1.2	-	(5.6)	-	(4.4)
Market & sub-market renting	6.0	-	(1.9)	-	4.1	5.8	-	(1.8)	-	4.0
Student accommodation	13.1	-	(9.9)	-	3.2	13.8	-	(10.7)	-	3.1
Commercial renting	3.2	-	(1.4)	-	1.8	3.2	-	(1.7)	-	1.5
Market sales	13.5	(11.3)	-	-	2.2	3.7	(7.1)	-	-	(3.4)
Impairment market sales stock	-	(4.6)	-	-	(4.6)	-	(5.5)	-	-	(5.5)
Other (includes South East Consortium)	1.3	-	(0.9)	-	0.4	2.4	-	(2.4)	-	-
	38.5	(15.9)	(17.7)	-	4.9	30.1	(12.6)	(22.2)	-	(4.7)
TOTAL	673.7	(60.6)	(535.9)	46.0	123.2	609.0	(48.0)	(485.3)	32.7	108.4

* Eastgate costs relate to a scheme decommissioned for safety reasons. 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 the Big Local Trust (Heart of Sidley) of £50k (2024: £50k) and related expenditure of £68k (2024: £66k); Medway Council £100k (2024: £100k) and related expenditure of £100k (2024: £100k); Rother District Council £2k (2024: £Nil) and related expenditure of £2k (2024: £Nil); Hasting Borough Council £84k (2024: £Nil) and related expenditure of £84k (2024: £Nil); East Sussex County Council £3k (2024: £Nil) and related expenditure of £1k (2024: £Nil) and Lambeth Council £Nil (2024: £10k) and related expenditure of £Nil (2024: £4k). Unspent grant is carried forward to spend in 2025/26.

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

Association

	2025					2024				
	Turnover £m	Cost of sales £m	Operating costs £m	Housing properties disposals £m	Operating surplus £m	Turnover £m	Cost of sales £m	Operating costs £m	Housing properties disposals £m	Operating surplus £m
SOCIAL HOUSING ACTIVITIES (NOTE 3b)	578.3	-	(493.3)	-	85.0	525.0	-	(450.0)	-	75.0
OTHER SOCIAL HOUSING ACTIVITIES										
First tranche sales	31.6	(27.7)	-	-	3.9	19.5	(22.3)	-	-	(2.8)
Supported housing	4.7	-	(4.4)	-	0.3	4.1	-	(3.9)	-	0.2
Services to Group companies	1.0	-	-	-	1.0	2.5	-	-	-	2.5
Qualifying charitable donation	5.7	-	-	-	5.7	9.6	-	-	-	9.6
Eastgate scheme write down*	-	-	(13.0)	-	(13.0)	-	-	-	-	-
Abortive & other development costs	-	-	(2.8)	-	(2.8)	-	-	(4.6)	-	(4.6)
Impairment housing properties	-	-	(3.8)	-	(3.8)	-	-	(2.1)	-	(2.1)
Impairment first tranche sales stock	-	(3.0)	-	-	(3.0)	-	3.9	-	-	3.9
	43.0	(30.7)	(24.0)	-	(11.7)	35.7	(18.4)	(10.6)	-	6.7
SURPLUS ON HOUSING PROPERTIES DISPOSAL (NOTE 3c)	-	-	-	44.0	44.0	-	-	-	31.9	31.9
NON SOCIAL HOUSING ACTIVITIES										
Community activities	0.8	-	(2.8)	-	(2.0)	0.7	-	(4.9)	-	(4.2)
Market & sub-market renting	4.4	-	(0.8)	-	3.6	4.3	-	(0.9)	-	3.4
Student accommodation	10.1	-	(9.6)	-	0.5	10.8	-	(10.2)	-	0.6
Commercial renting	3.2	-	(1.4)	-	1.8	3.2	-	(1.7)	-	1.5
Intercompany loan write off provision	-	-	(6.8)		(6.8)	-	-	(8.0)		(8.0)
Other (includes South East Consortium)	1.0	-	(1.0)	-	-	2.6	-	(2.1)	-	0.5
	19.5	-	(22.4)	-	(2.9)	21.6	-	(27.8)	-	(6.2)
TOTAL	640.8	(30.7)	(539.7)	44.0	114.4	582.3	(18.4)	(488.4)	31.9	107.4

* Eastgate costs relate to a scheme decommissioned for safety reasons. 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	2025 Actual £m	2024 Actual £m
Rents receivable net of identifiable service charges	380.6	39.4	8.3	-	45.4	0.7	474.4	440.1
Service charges receivable	20.7	18.8	-	-	26.0	0.2	65.7	61.8
NET RENTAL INCOME	401.3	58.2	8.3	-	71.4	0.9	540.1	501.9
Amortised government grant	13.7	2.4	-	-	3.2	0.1	19.4	18.9
Other revenue income	6.6	0.3	1.1	2.5	0.8	0.5	11.8	12.3
Government grant	14.2	-	-	-	-	-	14.2	1.4
TURNOVER FROM SOCIAL HOUSING LETTINGS	435.8	60.9	9.4	2.5	75.4	1.5	585.5	534.5
EXPENDITURE ON LETTINGS ACTIVITIES								
Management	64.1	13.8	4.8	0.6	15.5	0.8	99.6	95.0
Bad debts	4.5	0.7	0.1	-	-	0.1	5.4	2.4
Service charge costs	46.6	13.3	-	-	19.0	0.1	79.0	74.2
Routine maintenance	93.9	7.2	1.4	-	-	-	102.5	84.8
Planned maintenance	93.1	3.8	1.7	-	-	-	98.6	87.6
Major repairs	31.1	0.1	-	-	-	-	31.2	40.0
Depreciation of housing properties	68.5	8.0	1.1	-	-	0.1	77.7	67.9
OPERATING COSTS ON SOCIAL HOUSING	401.8	46.9	9.1	0.6	34.5	1.1	494.0	451.9
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	34.0	14.0	0.3	1.9	40.9	0.4	91.5	82.6
Void loss	(4.9)	(2.0)	(0.2)	-	-	(0.2)	(7.3)	(6.6)

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	2025 Actual £m	2024 Actual £m
Rents receivable net of identifiable service charges	378.4	39.3	8.3	-	41.7	0.7	468.4	431.3
Service charges receivable	20.6	18.6	-	-	25.1	0.2	64.5	60.5
NET RENTAL INCOME	399.0	57.9	8.3	-	66.8	0.9	532.9	491.8
Amortised government grant	13.7	2.4	-	-	3.2	0.1	19.4	19.1
	6.3	0.3	1.1	2.5	1.1	0.5	11.8	12.7
Other revenue income	14.2	-	-	-	-	-	14.2	1.4
TURNOVER FROM SOCIAL HOUSING LETTINGS	433.2	60.6	9.4	2.5	71.1	1.5	578.3	525.0
EXPENDITURE ON LETTING ACTIVITIES								
Management	64.3	13.9	4.8	0.6	15.0	0.8	99.4	95.3
Bad debts	4.5	0.7	0.1	-	-	0.1	5.4	2.3
Service charge costs	46.5	13.2	-	-	18.5	0.1	78.3	72.7
Routine maintenance	85.8	7.2	1.5	-	-	-	94.5	84.5
Planned maintenance	96.8	3.9	1.7	-	-	-	102.4	87.4
Major repairs	35.4	-	-	-	-	-	35.4	40.1
Depreciation of housing properties	68.7	8.0	1.1	-	-	0.1	77.9	67.7
OPERATING COSTS ON SOCIAL HOUSING	402.0	46.9	9.2	0.6	33.5	1.1	493.3	450.0
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	31.2	13.7	0.2	1.9	37.6	0.4	85.0	75.0
Void loss	(4.8)	(1.9)	(0.2)	-	-	(0.2)	(7.1)	(6.4)

3(c). Surplus on disposal of housing properties

GROUP	Staircasing and lease extensions £m	Right to buy £m	Other properties £m	2025 Total £m	2024 Total £m
Disposal proceeds	38.5	2.0	52.5	93.0	70.7
Cost of disposals	(21.6)	(0.7)	(24.7)	(47.0)	(38.0)
Surplus on disposal of housing properties	16.9	1.3	27.8	46.0	32.7

ASSOCIATION	Staircasing and lease extensions £m	Right to buy £m	Other properties £m	2025 Total £m	2024 Total £m
Disposal proceeds	36.3	2.0	52.5	90.8	68.7
Cost of disposals	(20.7)	(0.7)	(25.4)	(46.8)	(36.8)
Surplus on disposal of housing properties	15.6	1.3	27.1	44.0	31.9

4. Units of housing stock
Group

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.

	1 April 2024	Additions	Disposals	Tenure change	Other	31 March 2025
SOCIAL HOUSING HOMES						
General needs rent	45,813	166	(131)	150	(11)	45,987
General needs affordable rent	6,043	568	(74)	(22)	-	6,515
Supported housing rent	1,447	10	(22)	309	-	1,744
Supported housing affordable rent	27	-	-	-	-	27
Housing for Older People rent	5,827	-	-	(398)	-	5,429
Housing for Older People affordable rent	100	-	-	-	-	100
Key workers	1,204	-	-	(8)	11	1,207
Low cost home ownership	9,330	627	(126)	(95)	-	9,736
Temporary & intermediate rent	1,809	-	(16)	(2)	5	1,796
Care homes	124	-	(6)	(30)	-	88
Total social housing homes owned and or managed	71,724	1,371	(375)	(96)	5	72,629
Total social housing homes owned but not managed	645	1	(42)	6	(12)	598
Total social housing homes managed but not owned	1,557	519	(146)	-	54	1,984
NON SOCIAL HOUSING						
Market rent	308	-	-	-	13	321
Student accommodation	1,654	-	(355)	-	-	1,299
Total non social housing homes owned and or managed	1,962	-	(355)	-	13	1,620
Total owned and managed	73,686	1,371	(730)	(96)	18	74,249
Leaseholders	6,134	-	(78)	122	-	6,178
Total	79,820	1,371	(808)	26	18	80,427

We own an average 59% equity in shared ownership properties. Included in low cost homeownership of 9,736 are 186 homes where a less than 100% equity share has been disposed of but no rent is charged on the remaining portion.

Other movements include transfers between tenures and stock swaps with other social housing providers.

4. Units of housing stock

Association

	1 April 2024	Additions	Disposals	Tenure change	Other	31 March 2025
SOCIAL HOUSING HOMES						
General needs rent	45,813	166	(131)	150	(11)	45,987
General needs affordable rent	6,043	568	(74)	(22)	-	6,515
Supported housing rent	1,447	10	(22)	309	-	1,744
Supported housing affordable rent	27	-	-	-	-	27
Housing for Older People rent	5,827	-	-	(398)	-	5,429
Housing for Older People affordable rent	100	-	-	-	-	100
Key workers	1,204	-	-	(8)	11	1,207
Low cost home ownership	9,330	627	(126)	(95)	-	9,736
Temporary & intermediate rent	1,809	-	(16)	(2)	5	1,796
Care homes	124	-	(6)	(30)	-	88
Total social housing homes owned and or managed	71,724	1,371	(375)	(96)	5	72,629
Total social housing homes owned but not managed	645	1	(42)	6	(12)	598
Total social housing homes managed but not owned	3,771	603	(163)	(11)	(395)	3,805
NON SOCIAL HOUSING						
Market rent	308	-	-	-	13	321
Student accommodation	1,654	-	(355)	-	-	1,299
Total non social housing homes owned and managed	1,962	-	(355)	-	13	1,620
Total non social housing homes managed but not owned	204	-	-	-	-	204
Total owned and managed	73,686	1,371	(730)	(96)	18	74,249
Leaseholders	5,740	-	(61)	163	-	5,842
Total	79,426	1,371	(791)	67	18	80,091

We own an average 59% equity in shared ownership properties. Included in low cost homeownership of 9,736 are 186 homes where a less than 100% equity share has been disposed of but no rent is charged on the remaining portion.

5. Surplus for the year

	GROUP		ASSOCIATION	
	2025 £m	2024 £m	2025 £m	2024 £m
OPERATING SURPLUS IS STATED AFTER CHARGING/(CREDITING)				
Grant amortised	(19.4)	(18.9)	(19.4)	(19.0)
Depreciation – housing properties	65.6	65.4	66.3	64.9
Depreciation – other fixed assets	7.4	9.7	7.4	10.1
Accelerated depreciation	12.1	2.8	11.6	2.8
Impairment housing properties and stock	11.1	3.2	6.8	(1.8)
OPERATING LEASE CHARGES				
- Land & building	2.4	1.6	2.4	1.6
- Other	0.6	0.8	0.6	0.8
AUDITORS' REMUNERATION				
- in respect of audit services	0.7	0.7	0.6	0.6
- in respect of other non-audit services	-	0.1	-	0.1
Defined benefit scheme total operating charge (note 32)	1.1	5.8	1.1	5.8
Defined contribution scheme pension cost	7.4	11.0	7.4	11.0

Accelerated depreciation includes net book value of components replaced in year and an additional (£3 million) for group and (£2.5 million) for association for fire remediation related depreciation.

6. Employees

	GROUP		ASSOCIATION	
	2025 £m	2024 £m	2025 £m	2024 £m
STAFF COSTS (INCLUDING DIRECTORS) CONSIST OF				
Wages & salaries	118.1	100.0	117.6	99.5
Social security costs	11.9	9.8	11.9	9.8
Pension costs	8.5	11.8	8.5	11.8
Redundancy costs	1.8	1.6	1.8	1.6
	140.3	123.2	139.8	122.7

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	
	2025 FTE	2024 FTE	2025 FTE	2024 FTE
FTE ANALYSIS				
Administration	443	436	443	436
Development	92	96	92	96
Housing, Support and Care	2,056	1,892	2,056	1,892
	2,591	2,424	2,591	2,424

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	2025 £m	2024 £m
Executive directors' emoluments (excluding pension)	2.0	1.9
Pension contributions	0.2	0.2
Total compensation paid for loss of office to Directors and Senior Executives	0.1	-

The Group Chief Operating Officer was the highest paid director in 2024/25 due to payments made for loss of office. The Group Chief Executive was the highest paid director in 2023/24.

Total remuneration paid to the highest paid director (excluding pension contributions, including compensation for the loss of office) for the year	0.4	0.3

The Group Chief Executive has been a member of Southern Housing's defined contribution scheme with Aviva from January 2025. Prior to that, he was a member of a previous Southern Housing defined contribution scheme managed by TPT Retirement Solutions. A contribution of £33.0k (2024: £31.4k) 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	2025 Employees	2024 Employees
£60,000 - £70,000	198	160
£70,001 - £80,000	108	75
£80,001 - £90,000	44	40
£90,001 - £100,000	39	28
£100,001 - £110,000	25	17
£110,001 - £120,000	18	14
£120,001 - £130,000	7	8
£130,001 - £140,000	8	8
£140,001 - £150,000	6	12
£150,001 - £160,000	9	5
£160,001 - £170,000	8	4
£170,001 - £180,000	3	1

	GROUP AND ASSOCIATION	
BAND	2025 Employees	2024 Employees
£220,001 - £230,000	-	3
£240,001 - £250,000	1	-
£250,001 - £260,000	1	1
£260,001 - £270,000	1	-
£270,001 - £280,000	-	1
£280,001 - £290,000	-	2
£290,001 - £300,000	2	-
£330,001 - £340,000	-	1
£360,001 - £370,001	1	-
£420,001 - £430,000	1*	-
TOTAL	480	380

*Includes payments for loss of office

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 2024/25:

	2025 Remuneration £	2025 Expenses £	2025 Total £	2024 Total £
Sir Peter Dixon	33,600	-	33,600	33,080
Janet Collier	23,513	-	23,513	18,000
Robert Clark	21,925	-	21,925	16,000
Michelle Dovey	19,425	872	20,297	18,622
Damien Regent	19,425	75	19,500	18,531
Eugenie Turton	19,425	40	19,465	18,538
Howard Cresswell	19,425	-	19,425	18,500
Philip Blume	14,929	196	15,125	13,384
Ian Wilson	14,929	40	14,969	13,000
Geanna Bray	14,305	462	14,767	13,878
Charles Joseland	10,500	64	10,564	10,000
Darrell Porter	10,500	-	10,500	10,000
Daisy Donovan	9,542	207	9,749	8,684
Billy Brown	6,825	360	7,185	6,679
Ben Broad	5,250	115	5,365	4,475
Sara Jane Ensor	5,250	46	5,296	5,000
Judith Harding	5,250	22	5,272	4,649
Candice McCausland	5,250	-	5,250	5,000
Karen Moscrop	5,250	-	5,250	5,000
Kathryn Smith	5,250	-	5,250	5,000
Matthew Abbott	5,250	-	5,250	5,000
Maureen Nicholas	5,250	-	5,250	5,000
Anita Hockin	5,250	-	5,250	2,779
Liz Curran	4,375	38	4,413	5,000
Sarah Morgan	4,091	-	4,091	-
Malcolm Groves	3,750	574	4,324	5,412
Carolyn Porretta	3,679	-	3,679	5,000
Charles Pears	3,000	309	3,309	3,342
Mark Everard	2,540	-	2,540	-
Justin Chittock	2,250	-	2,250	3,000
Carol Rosati	1,875	-	1,875	12,000
Grace Alaneme	-	-	-	8,873
Abi Gray	-	-	-	5,000
Benjamin Carlton-Jones	-	-	-	3,000
Claire Gemma Virginie	-	-	-	3,000
	311,078	3,420	314,498	312,426

The Fresh Visions People Limited Trustees are unpaid. The total payments to Board and Committee members in 2024/25 is less than 0.1% of our turnover. The amount paid to Board and Committee members is reviewed annually. Remuneration is based on sector benchmarking data for comparable sized associations.

9. Surplus / (deficit) on disposal of commercial properties and other fixed assets

	GROUP		ASSOCIATION	
	2025 £m	2024 £m	2025 £m	2024 £m
Disposal proceeds	8.6	-	8.6	-
Disposals cost of sales	(7.8)	(2.3)	(7.8)	(2.3)
	0.8	(2.3)	0.8	(2.3)

Disposals cost of sale includes write off £0.6 million (2024: £2.3 million).

10. Interest receivable and income from investments

	GROUP		ASSOCIATION	
	2025 £m	2024 £m	2025 £m	2024 £m
Bank and deposit interest	1.8	1.9	1.5	1.5
Interest rate swap	-	5.9	-	5.9
Investment income	3.1	2.5	3.1	2.5
Intercompany interest receivable	-	-	31.0	28.7
	4.9	10.3	35.6	38.6

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. Amounts payable and receivable in respect of these agreements are recognised as adjustments to interest payable over the period of the agreement. 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 4.21% per annum (2024: 4.20% per annum).

	GROUP		ASSOCIATION	
	2025 £m	2024 £m	2025 £m	2024 £m
Bank loans	143.3	129.1	143.2	128.9
Interest rate swaps	(6.1)	-	(6.1)	-
Recycled capital grant fund	2.0	2.4	1.9	2.3
Other interest payable	3.5	3.5	3.5	4.1
Net interest on pension funds	0.4	0.5	0.4	0.5
	143.1	135.5	142.9	135.8
Interest capitalised on construction of housing properties	(24.1)	(21.9)	(14.2)	(13.5)
	119.0	113.6	128.7	122.3
OTHER FINANCING COSTS THROUGH INCOME AND EXPENDITURE				
Loss on basic swap derivative instruments	(0.1)	(1.1)	(0.1)	(1.3)

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, Optivo 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	
	2025 £m	2024 £m	2025 £m	2024 £m
CURRENT TAX				
Current tax on surplus for the period	-	0.6	-	0.1
Adjustment in respect of previous periods	-	0.4	-	0.6
Total current tax	-	1.0	-	0.7
Deferred tax expense	-	(0.6)	-	(0.1)
Adjustment in respect of previous periods	-	(0.8)	-	-
	-	(0.4)	-	0.6

	GROUP		ASSOCIATION	
	2025 £m	2024 £m	2025 £m	2024 £m
CURRENT TAX RECONCILIATION				
Surplus / (deficit) on ordinary activities before taxation	23.6	12.8	17.2	(0.2)
Less surplus from charitable activities	(19.5)	(7.3)	(17.2)	0.2
Taxable surplus on ordinary activities before tax	4.1	5.5	-	-
Corporation tax charged at 25% (2024: 25%)	1.0	1.4	-	-
EFFECTS OF				
Qualifying charitable donations paid or to be paid within 9 months of the year end	(1.0)	(1.2)	-	-
Share of taxable profits in Triathlon Homes LLP	0.3	0.4	-	-
Group losses relief	(0.3)	-	-	-
Adjustment in respect of prior periods	-	(1.0)	-	0.6
Total tax (see above)	-	(0.4)	-	0.6

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 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
External storage	10
External staircase	60
Aerials /CCTV	10
Flooring	15
Windows	25-30
Roofs	20-80
Fire alarms	15-20
Doors	15-30
Boilers & heating	15-25
Emergency lighting	15-20
Electrical wiring	5-30
Warden call / door entry	15

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 up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

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 2024	5,262.5	449.9	985.8	214.3	6,912.5
Reclassify other fixed assets	0.4	-	-	-	0.4
Reclassification	7.8	2.8	(10.6)	-	-
Additions during year	1.6	126.3	2.5	98.4	228.8
Replaced components	98.9	-	2.8	-	101.7
Transfer (to)/from investment property (note 15)	(6.5)	7.6	-	-	1.1
Transfer to current assets	-	-	(1.4)	(13.7)	(15.1)
Tenure change	(0.2)	0.6	0.2	(0.6)	-
Transfer on completion	136.7	(136.7)	110.8	(110.8)	-
Disposals - property	(21.7)	-	(33.1)	-	(54.8)
Disposals - components	(28.9)	-	-	-	(28.9)
Transfer to I&E (write off)	(4.4)	-	(1.6)	-	(6.0)
At 31 March 2025	**5,446.2**	**450.5**	**1,055.4**	**187.6**	**7,139.7**
DEPRECIATION					
At 1 April 2024	804.7	-	31.1	-	835.8
Reclassification	7.2	-	-	-	7.2
Depreciation charge for the year	65.6	-	-	-	65.6
Reversal of depreciation provision	(2.4)	-	-	-	(2.4)
Disposals - property	(3.9)	-	(0.7)	-	(4.6)
Disposals - components	(20.3)	-	-	-	(20.3)
Transfer to I&E (write off)	(0.3)	-	-	-	(0.3)
At 31 March 2025	**850.6**	**-**	**30.4**	**-**	**881.0**
IMPAIRMENT					
At 1 April 2024	-	20.4	-	1.2	21.6
Impairment charge for the year	-	1.7	-	-	1.7
At 31 March 2025	**-**	**22.1**	**-**	**1.2**	**23.3**
NET BOOK VALUE					
At 31 March 2025	**4,595.6**	**428.4**	**1,025.0**	**186.4**	**6,235.4**
At 31 March 2024	4,457.8	429.5	954.7	213.1	6,055.1

In 2024/25 assets impaired include:

- Land purchased ahead of a scheme being identified or planning permission granted, but where the land value has fallen since it was acquired or estimated disposal value. The value has been assessed based on the anticipated level of affordable housing for which planning permission is expected to be given.

The cost of land included in the above which is not subject to depreciation is £1,840 million (2024: £1,989 million). Additions to housing properties in the course of construction during the year included capitalised interest of £24.1 million (2024: £21.9 million) at an average interest rate during the year of in the region of 4.2% (2024: 4.2%).

Major works expenditure in the year was £117.8 million (2024: £91.0 million), of which £101.6 million was capitalised as component replacements.

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 2024	5,189.5	389.4	852.8	140.5	6,572.2
Reclassification	7.8	2.8	(10.6)	-	-
Additions during year	0.3	110.9	1.9	69.4	182.5
Replaced components	98.5	-	2.7	-	101.2
Acquired housing properties	39.5	-	69.6	-	109.1
Transfer to investment property (note 15)	(6.5)	(3.4)	-	-	(9.9)
Transfer from current assets	-	-	1.7	0.2	1.9
Tenure change	(0.2)	0.6	0.2	(0.6)	-
Transfer on completion	113.4	(113.4)	95.4	(95.4)	-
Disposals - property	(21.7)	-	(32.2)	-	(53.9)
Disposals - components	(28.8)	-	-	-	(28.8)
Transfer to I&E (Write off)	(4.2)	-	(1.6)	-	(5.8)
At 31 March 2025	**5,387.6**	**386.9**	**979.9**	**114.1**	**6,868.5**
DEPRECIATION					
At 1 April 2024	809.1	-	29.8	-	838.9
Reclassification	1.7	-	(1.7)	-	-
Depreciation charge for the year	66.3	-	-	-	66.3
Reversal of depreciation provision	(2.4)	-	-	-	(2.4)
Disposals - property	(3.9)	-	(0.7)	-	(4.6)
Disposals - components	(20.2)	-	-	-	(20.2)
Transfer to I&E (Write off)	(0.3)	-	-	-	(0.3)
At 31 March 2025	**850.3**	**-**	**27.4**	**-**	**877.7**
IMPAIRMENT					
At 1 April 2024	-	19.6	-	-	19.6
Impairment charge for the year	-	1.8	-	-	1.8
At 31 March 2025	**-**	**21.4**	**-**	**-**	**21.4**
NET BOOK VALUE					
At 31 March 2025	**4,537.3**	**365.5**	**952.5**	**114.1**	**5,969.4**
At 31 March 2024	4,380.4	369.8	823.0	140.5	5,713.7

The cost of land included in the above which is not subject to depreciation is £1,835 million (2024: £1,986 million). Additions to housing properties in the course of construction during the year included capitalised interest of £15.0 million (2024: £13.5 million) at an average interest rate during the year of in the region of 4.2% (2024: 4.2%).

Major works expenditure in the year was £117.7 million (2024: £90.8 million), of which £101.3 million was capitalised as component replacements.

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:

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 2024	43.1	51.7	40.2	0.7	135.7
Reclassification from housing properties	-	(0.4)	-	-	(0.4)
Additions during year	0.5	0.3	0.4	0.9	2.1
Transfer from Investment properties (note 15)	0.3	-	-	-	0.3
At 31 March 2025	43.9	51.6	40.6	1.6	137.7
DEPRECIATION					
At 1 April 2024	18.2	31.6	35.4	0.4	85.6
Charge for the year	2.3	2.7	2.3	0.1	7.4
At 31 March 2025	20.5	34.3	37.7	0.5	93.0
NET BOOK VALUE					
At 31 March 2025	23.4	17.3	2.9	1.1	44.7
At 31 March 2024	24.9	20.1	4.8	0.3	50.1

The net book value of freehold land and buildings included in the above is £19.7 million (2024: £21.3 million).

The net book value of leasehold buildings included in the above is £2.8 million (2024: £2.6 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 2024	43.6	50.9	40.2	0.7	135.4
Additions during year	0.5	0.3	0.4	0.9	2.1
Transfer from Investment properties (note 15)	0.3	-	-	-	0.3
At 31 March 2025	44.4	51.2	40.6	1.6	137.8
DEPRECIATION					
At 1 April 2024	18.6	31.3	35.4	0.4	85.7
Charge for the year	2.3	2.7	2.3	0.1	7.4
At 31 March 2025	20.9	34.0	37.7	0.5	93.1
NET BOOK VALUE					
At 31 March 2025	23.5	17.2	2.9	1.1	44.7
At 31 March 2024	25.0	19.6	4.8	0.3	49.7

The net book value of freehold land and buildings included in the above is £19.7 million (2024: £21.3 million).

The net book value of leasehold buildings included in the above is £2.8 million (2024: £2.6 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 at cost £m	2025 Total £m
GROUP					
At 1 April 2024	92.1	96.8	56.6	45.2	290.7
Additions	-	-	-	3.1	3.1
Schemes completed	-	-	13.7	(13.7)	-
Transfer from /(to) fixed assets (note 13)	-	-	6.5	(7.6)	(1.1)
Transfer to other fixed assets (note 14)	-	-	(0.3)	-	(0.3)
Disposals	(6.6)	-	(0.3)	-	(6.9)
Revaluation in year	0.9	1.1	(8.4)	-	(6.4)
At 31 March 2025	**86.4**	**97.9**	**67.8**	**27.0**	**279.1**
ASSOCIATION					
At 1 April 2024	75.4	87.7	56.4	-	219.5
Schemes completed	-	-	13.9	-	13.9
Transferred from fixed assets (note 13)	-	-	6.5	3.4	9.9
Transfer to other fixed assets (note 14)	-	-	(0.3)	-	(0.3)
Disposals	(6.6)	-	(0.3)	-	(6.9)
Revaluation in year	2.3	1.4	(8.5)	-	(4.8)
At 31 March 2025	**71.1**	**89.1**	**67.7**	**3.4**	**231.3**

We are not able to reliably measure the fair value of the commercial elements of schemes under construction and are therefore stated at cost. Upon practical completion when we are able to reliably measure the fair value the commercial elements of schemes, the changes in fair value is recognised in profit and loss.

The Group's completed investment properties are valued annually on 31 March at fair value. The Group engaged Jones Lang LaSalle Limited (JLL) and RES Property Surveyors 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 2025/26 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 20% and 22%. 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%).

Other student sites are valued at estimated selling price as we expect to sell during the coming year.

Market rent valuation assumes management costs at 9.0%, bad debts and voids at 6% and total repair costs of £4,375 per annum per unit with a discount rate of 7.25%.

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.

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	
	2025 £m	2024 £m
LINDEN (RAINHAM) LLP		
At 1 April	0.2	0.1
Cumulative share of joint venture profit	-	0.1
At 31 March	0.2	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	
	2025 £m	2024 £m	2025 £m	2024 £m
AFFINITY AND TRIATHLON				
At 1 April	8.5	6.9	3.8	3.6
Distribution received	(0.3)	-	-	-
Additional loan	0.3	0.3	0.3	0.2
Cumulative share of joint venture profit	1.4	1.3	-	-
At 31 March	9.9	8.5	4.1	3.8

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	
	2025 £m	2024 £m	2025 £m	2024 £m
Investment in subsidiary	-	-	1.8	1.8
Investment in social HomeBuy	6.6	6.8	6.6	6.8
	6.6	6.8	8.4	8.6

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	
	2025 £m	2024 £m	2025 £m	2024 £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	
	2025 £m	2024 £m	2025 £m	2024 £m
MARK TO MARKET DERIVATIVES				
Asset	18.6	21.7	18.7	21.7
Liability	(5.9)	(9.0)	(5.9)	(8.9)
	12.7	12.7	12.8	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	
	2025 £m	2024 £m	2025 £m	2024 £m
Open market sale: completed properties	14.3	16.7	-	-
Open market sale: under construction properties	45.9	45.5	-	-
Shared ownership: completed properties	33.7	33.7	25.0	20.7
Shared owenership: under construction properties	69.2	54.2	32.2	43.9
	163.1	150.1	57.2	64.6

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.

	GROUP		ASSOCIATION	
	2025 £m	2024 £m	2025 £m	2024 £m
DUE WITHIN ONE YEAR				
Rental and service charge arrears	36.1	43.5	35.6	42.5
Provision for doubtful debts	(9.7)	(7.6)	(9.6)	(7.5)
	26.4	35.9	26.0	35.0
Social housing grant receivable	-	0.2	-	0.2
Trade debtors	14.7	19.3	12.6	17.8
Other debtors	3.7	5.3	2.9	4.4
Amounts owed by subsidiary undertakings	-	-	2.8	2.2
Prepayments and accrued income	22.6	15.3	21.4	13.1
VAT	0.4	0.3	-	-
	67.8	76.3	65.7	72.7
DUE AFTER MORE THAN ONE YEAR				
Leaseback schemes	1.1	1.4	1.1	1.4
Service charge debtor	28.1	19.3	28.0	19.3
Liquidity fund	12.3	13.6	12.3	13.6
Amounts owed by subsidiary undertakings	-	-	369.2	431.9
	41.5	34.3	410.6	466.2
TOTAL DEBTORS	109.3	110.6	476.3	538.9

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. In our cashflow statements, short term investments, which are 95 day notice accounts, are classed as cash equivalents.

	GROUP		ASSOCIATION	
	2025 £m	2024 £m	2025 £m	2024 £m
Short term investments	15.5	-	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	
	2025 £m	2024 £m	2025 £m	2024 £m
Cash and cash equivalents	84.4	109.0	72.6	98.4

Total Group cash and short-term investment balances of £99.9 million (2024: £109.0 million) include £36.3 million (2024: £33.0 million) held in separate accounts for 'ring-fenced' sinking funds on behalf of leaseholders, £0 held for South East Consortium (2024: £7.7 million) and restricted cash £17.1 million (2024: £16.4 million) which is mainly collateral for our Pensions.

The 2024 cash and cash equivalent balance included an amount of £15.5 million, in the current year this has been reclassified as short term investments.

21. Creditors: amounts falling due within one year

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

	GROUP		ASSOCIATION	
	2025 £m	2024 £m	2025 £m	2024 £m
Loans and borrowings (note 25)	22.9	35.2	22.9	35.2
Social housing grant (note 23)	19.7	19.5	19.7	19.5
Interest payable	26.8	24.1	26.8	23.4
Taxation and social security	2.2	3.0	2.2	2.9
Rent & service charge in advance	51.6	49.6	50.2	48.3
Accruals and deferred income	137.9	154.4	125.1	146.4
Amounts due to subsidiary undertakings	-	-	6.3	1.2
Other creditors	5.6	3.3	5.5	3.3
Recycled capital grant fund (note 24)	0.5	27.1	-	26.9
	267.2	316.2	258.7	307.1

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

	GROUP		ASSOCIATION	
	2025 £m	2024 £m	2025 £m	2024 £m
Loans and borrowings (note 25)	3,317.6	3,095.8	3,365.0	3,144.6
Social housing grant (note 23)	1,670.7	1,655.4	1,637.4	1,611.0
Derivative financial instruments	5.9	9.0	5.9	8.9
Lease premium grant subsidy	0.1	0.1	0.1	0.1
Service charge creditor	1.2	2.0	1.1	2.0
Recycled capital grant fund (note 24)	14.9	20.0	14.5	19.3
Other creditors	2.0	14.2	2.0	14.0
	5,012.4	4,796.5	5,026.0	4,799.9

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	
	2025 £m	2024 £m	2025 £m	2024 £m
TOTAL SOCIAL HOUSING GRANT RECEIVED OR RECEIVABLE TO DATE				
Capital grant - housing properties	1,690.4	1,674.9	1,657.1	1,630.5
Recycled capital grant fund (note 24)	15.4	47.1	14.5	46.2
Cumulative amount amortised	407.3	390.9	405.0	388.6
	2,113.1	2,112.9	2,076.6	2,065.3
At 1 April	1,674.9	1,709.9	1,630.5	1,660.7
Grants received during the year	14.8	1.1	14.3	0.6
Grants repaid during the year	-	(5.1)	-	-
Grant recycled from RCGF	31.6	-	31.6	-
Intra group transfers	-	-	10.9	0.5
Disposals	(11.5)	(12.1)	(10.8)	(12.3)
Grants amortised during the year	(19.4)	(18.9)	(19.4)	(19.0)
At 31 March	1,690.4	1,674.9	1,657.1	1,630.5
Cumulative amount amortised	407.3	390.9	405.0	388.6

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	2025 Homes England £m	2025 GLA £m	2024 Homes England £m	2024 GLA £m
Balance at 1 April	20.1	27.0	15.5	27.5
Grants recycled	3.0	4.6	3.8	4.8
Interest accrued	0.8	1.2	0.8	1.6
New development and repairs to existing properties	(16.4)	(15.3)	-	-
Grant repaid	-	(9.6)	-	(6.9)
At 31 March	7.5	7.9	20.1	27.0
AMOUNT DUE FOR REPAYMENT TO HOMES ENGLAND/GLA				
Within one year	-	0.5	12.4	14.7
Within 2 to 3 years	7.5	7.4	7.7	12.3
	7.5	7.9	20.1	27.0

ASSOCIATION	2025 Homes England £m	2025 GLA £m	2024 Homes England £m	2024 GLA £m
Balance at 1 April	20.1	26.1	15.4	26.6
Grants recycled	3.0	4.4	3.8	4.7
Transfers	-	0.2	0.1	0.2
Interest accrued	0.8	1.1	0.8	1.5
New development and repairs to existing properties	(16.4)	(15.2)	-	-
Grant repaid	-	(9.6)	-	(6.9)
At 31 March	7.5	7.0	20.1	26.1
AMOUNT DUE FOR REPAYMENT TO HOMES ENGLAND/GLA				
Within one year	-	-	12.3	14.6
Within 2 to 3 years	7.5	7.0	7.8	11.5
	7.5	7.0	20.1	26.1

25. Loans and borrowings

	GROUP		ASSOCIATION	
	2025 £m	2024 £m	2025 £m	2024 £m
HOUSING LOANS REPAYABLE				
Loans and debentures	1,320.2	1,342.5	1,320.1	1,342.3
Bond	2,055.0	1,825.0	925.0	675.0
Total housing loans	3,375.2	3,167.5	2,245.1	2,017.3
Inter-company loan	-	-	1,172.9	1,198.9
Other loan/ bond costs	(18.7)	(19.6)	(14.1)	(19.5)
Deferred financing & set-up costs	(16.0)	(16.9)	(16.0)	(16.9)
Net borrowings	3,340.5	3,131.0	3,387.9	3,179.8
HOUSING LOANS REPAYABLE				
Within one year	22.9	35.2	22.9	35.2
One to two years	102.3	27.3	102.3	27.3
Two to five years	570.8	587.2	570.8	587.2
More than five years	2,679.2	2,517.8	1,549.1	1,367.6
Total housing loans	3,375.2	3,167.5	2,245.1	2,017.3

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

At 31 March 2025 the Group facilities were as below. During the year drawn facilities increased by £207.7 million.

GROUP	2025 £m	2024 £m
TOTAL FACILITIES	3,967.2	4,033.3
of which own name bonds	2,055.0	1,825.0
of which banks and other lenders	1,912.2	2,208.3
TOTAL FACILITIES	3,967.2	4,033.3
of which drawn	3,375.2	3,167.5
of which available to draw	592.0	865.8

GROUP	2025 £m	2024 £m
DRAWN FACILITIES	3,375.2	3,167.5
of which fixed rate	3,090.1	2,792.2
of which floating rate	275.1	365.3
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 (2024: £225.5 million), fixed to floating swaps of £125.0 million (2024: £0) amortising swaps of £160.0 million notional value (2024: £160.0 million), as well as forward starting swaps of £30.0 million notional value (2024: £30.0 million).

The mark to market of the swaps is £12.7 million (2024: £12.7 million). Our swaps have a maturity range of 2026-2038 and a pay fixed rate range of 1.69% to 5.19%. The average rate, weighted by notional value of swaps active at year end, was 3.64% (2024: 3.48%). During 2024/25, the Association entered into £422.5 million of vanilla floating to fixed rate swaps and £125.0 million of fixed to floating rate swaps.

Our bonds are summarised here.

BOND MATURITY	October 2035	October 2036	February 2039	March 2043	October 2047	March 2048	October 2054
Coupon	2.86%	2.38%	4.50%	5.25%	3.50%	3.28%	5.63%
Issue size (£m)	350	300	75	400	300	380	250
Remaining retained (£m)	-	-	-	-	-	-	-
Valuation date	May 2024	Jun 2024	Jun 2024	Jul 2024	Jun 2024	May 2024	Feb 2025
Valuation before asset cover (£m)	488	399	100	461	399	514	332
Valuation after asset cover (£m)	431	353	88	404	353	449	295
Company issuing* *SH is Southern Housing and OFP is Optivo Finance PLC	OFP	SH	SH	OFP	SH	OFP	SH

At 31 March 2025 we had £2,055.0 million bonds in issue (2024: £1,825.0 million). None of these were retained bonds (2024: £0). In June 2024, we launched our £1 billion European Medium-Term Note programme. We issued a £250.0 million bond maturing in 2054 in October 2024; this was the first issue under the programme.

At 31 March 2025, 42,947 (2024: 42,273) homes are charged as security to lenders valued at £6.2 billion (2024: £6.3 billion) (based on a mix of existing use value – social housing (EUV-SH) and market values subject to tenancies (MV-T). Homes are charged to derivative counterparties to meet our mark to market exposure to the extent that this exceeds a threshold agreed between the counterparties.

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.

We have a comprehensive fire works programme with spend divided between remediating defects at the time of original construction and enhancement works required if the blocks were built today. We've determined our constructive obligation to carry out future works is at the point when we formally notify residents of the start date for remediation works to commence. This is after we have completed a PAS9980 survey which has then been used to inform the works required and have determined the cost of those works. We apply this policy to both rented homes and shared ownership / leasehold homes. For rented and shared ownership homes remediation works are charged to the Statement of Comprehensive Income (SOCI), enhancement works are capitalised. For leasehold homes all costs are charged to the SOCI.

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.

The Group has recognised provisions as follows:

	GROUP		ASSOCIATION	
	2025 £m	2024 £m	2025 £m	2024 £m
THE GROUP HAS RECOGNISED				
Fire safety provisions	-	1.0	-	1.0
Hand back provisions	0.2	0.4	0.2	0.3
Loan loss provision	-	-	-	8.0
	0.2	1.4	0.2	9.3

27. Contingent liabilities and assets

Contingent liability

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 £161.6 million of grant (2024: £161.3 million) relating to stock swaps which would be repayable to the grant provider in the event that this stock is disposed.

A contingent liability exists in relation to defects in external wall construction and cladding of existing blocks of flats.

Southern Housing uses PAS9980 assessments which provide the methodology for the fire risk appraisal of external wall construction and cladding of existing multi-storey and multi-occupied residential buildings. There is a possible, but uncertain obligation in relation to buildings where a PAS9980 assessment has not yet been performed. We have a comprehensive external façade remediation programme already drawn up for 2025/26 and have set aside funds in the budget to allow for anticipated programme spend up to £33 million covering 16 sites. The spend is divided between remediating defects at the time of original construction e.g. missing cavity barriers and enhancement works required if the blocks were built today. We've determined our constructive obligation to carry out future works is at the point when we formally notify residents of the start date for remediation works to commence. This is after we have completed a PAS9980 survey which has then been used to inform the works required and have determined the cost of those works. The Board has approved that Southern Housing will not recharge leaseholders for remediation works identified by our PAS9980 assessments.

Contingent asset

A contingent asset is a possible asset which arises from past events and whose existence will only be confirmed by the occurrence of uncertain future events.

We have spent £13.0 million decanting residents from a defective scheme, write down of the scheme and buy backs. We intend to claim these costs from the developer but currently do not meet the conditions of FRS102 to account for these costs as a debtor.

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	2025 £	2024 £
At 1 April	29	31
Issued in year	4	-
Cancelled in year	-	(2)
At 31 March	33	29

29. Capital commitments

The amount contracted for at 31 March 2025 will be funded from grants approved by Homes England / GLA 6% (2024: 3%) or will be financed from property sales 68% (2024: 49%) and private loans / cash generated from the business 26% (2024: 47%). Under regulations approved by Board, expenditure to certain levels may be authorised by appropriate officers, and such authorised expenditure is included above.

	GROUP		ASSOCIATION	
	2025 £m	2024 £m	2025 £m	2024 £m
EXPENDITURE ON DEVELOPMENTS				
Capital expenditure contracted for but not provided for in the financial statement	343.2	530.9	246.8	153.8
Capital expenditure which has been authorised by the Board but not yet contracted for	126.9	31.9	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	
	2025 £m	2024 £m	2025 £m	2024 £m
LAND AND BUILDINGS				
Leases expiring within one year	2.3	1.1	2.3	1.1
One to five years	8.9	3.3	8.9	3.3
Over five years	17.9	3.9	17.9	3.9
	29.1	8.3	29.1	8.3
OTHER				
Leases expiring within one year	2.3	1.4	2.3	1.4
One to five years	2.4	1.1	2.4	1.1
	4.7	2.5	4.7	2.5
	33.8	10.8	33.8	10.8

Operating leases with tenants

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	2025 £m	2024 £m
OPERATING LEASE INCOME DUE		
Expiring within one year	2.6	2.5
One to five years	6.1	6.2
Over five years	7.6	5.8
	16.3	14.5

Sales and 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 five 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 Ltd	UK RPSH	Registered social housing provider
Optivo Finance Plc	UK PLC	Bond issuing vehicle
Crystal Palace Housing Association Ltd	UK RPSH	Registered social housing provider
Eason Gruaz Homes	UK Charity	Social housing provider
The Fresh Visions People Ltd	UK Charity	Registered Charity
Charity of Julia Spicer for Almshouse	UK RPSH	Registered social housing provider
Lamborn Estates Ltd	UK	Property development
Middlesex First Ltd	UK	Manages student accommodation
Optivo Homes Ltd	UK	Holding company
Optivo Enterprise Ltd	UK	Dormant
Southern Home Ownership Limited	UK RPSH	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
The Fellowship Houses Trust	UK RPSH	Registered social housing provider
Hewitt Homes	UK RPSH	Registered social housing provider
Samuel Lewis Foundation	UK Charity	Provision of housing

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 Abri Group
Triathlon Homes LLP	UK	33% partnership via Southern Space Limited. Joint venture entity with First Base 4 Stratford LLP and East Place Limited
Linden (Rainham) LLP	UK	50% Joint Venture with Galliford Try Homes Limited (now Vistry Linden Ltd) and Optivo Homes (Southern Housing subsidiary)

Investments

	2025 £m	2024 £m
AMOUNTS OWED BY RELATED PARTIES AT YEAR END		
Joint venture with Linden Homes	0.2	0.2
Loan due from Affinity Reading (Holdings) Limited	3.0	2.6
Debtors due from Triathlon Homes LLP	6.5	5.1

The Association received £0.3 million interest on the loan to Affinity Reading (Holdings) Limited.

Linden (Rainham) LLP

Optivo Homes Limited, a subsidiary of the Group, is a member of Linden (Rainham) LLP, a 50:50 joint venture established with Galliford Try Homes Limited (now Vistry Linden Ltd) to develop a scheme. The Group received £Nil (2024: £Nil) from the joint venture in the year and made no contributions (2024: £Nil).

Ink Development Company Limited

The Association is a member of Ink Development Company Limited, a vehicle set up with West Kent Housing Association to jointly acquire sites and develop schemes. The following transactions took place during the year:

	2025 £m	2024 £m
Debtors due to Ink Development Company Limited	-	1.0
Creditor due from Ink Development Company Limited	-	1.1

Management services

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

	2025 £m	2024 £m
Optivo Development Services Ltd	2.6	2.9
Crystal Palace Housing Association Ltd	0.2	0.2
Southern Home Ownership Limited	0.3	0.5
Spruce Homes Limited	0.2	0.2
The Fellowship Houses Trust	0.1	0.1
	3.4	3.9

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

Name of undertaking	Intercompany loan balances	2025 £m	2024 £m
Optivo Finance Plc	Inter-company loan to Southern Housing - bond issue	(1,130.0)	(1,150.0)
Lamborn Estates Limited	Inter-company loan	18.4	26.3
Optivo Development Services	Inter-company loan	9.0	28.4
Southern Housing Construction Limited	Inter-company loan	1.7	1.0
Spruce Homes Limited	Inter-company loan	1.3	0.9
Southern Space Limited	Inter-company loan	0.1	0.1
Middlesex First Limited	Inter-company loan	7.0	7.8

Name of undertaking	Transactions in the year	2025 £m	2024 £m
Optivo Development Services Ltd	Development cash flow	(107.8)	(117.7)
Southern Housing Construction Limited	Development cash flow	(2.7)	(6.5)
Triathlon Homes LLP	Provision of administrative services	0.7	0.7
Optivo Finance Plc	Inter- company loan - bond issue	20.0	(318.5)
Lamborn Estates Limited	Inter-company loan	(7.9)	0.9
Optivo Development Services Ltd	Inter-company loan	(19.4)	(6.6)
Southern Housing Construction Ltd	Inter-company loan	0.7	2.0
Spruce Homes Limited	Inter-company loan	0.4	(0.3)
Southern Space Limited	Inter-company loan	0.2	0.2
Middlesex First Limited	Inter-company loan	(0.7)	1.1

Interest on the Optivo Finance plc loan is £43.9 million (2024: £38.1 million) and is charged at the same equivalent rate of the external loans with no mark up by Optivo Finance plc.

Interest on the Lamborn Estates Ltd loan is charged at SONIA plus 5%. Interest charged in the year was £2.9 million (2024: £2.7 million). £14.1 million of loan from Southern Housing to Lamborn Estates was written off in 2024/25, which leaves the loan balance at £17.7 million.

Samuel Lewis Foundation

The Samuel Lewis Foundation is a separate charity with Southern Housing as its trustee. Permanent endowment funds comprise the following resources which have been made available and which the trustees are legally required to retain or invest for specific charitable purposes. As these are permanent funds the trustees have no power to convert them into income and apply them as such. The fund balances include funds transferred from The Women's Housing Trust. These balances are included in the parent association, Southern Housing. This disclosure is given for reporting purposes to the Charity Commission. Expenditure on letting activities comprises certain specific identifiable costs and overheads which have been apportioned on a consistent basis to the endowed properties. Dalmeny Avenue was regenerated in 2018 with all sales proceeds being ring fenced for the specific charitable purposes of the Samuel Lewis Foundation.

	Date of acquisition	Original cost £m	Number of units
Liverpool Road	1910	0.3	247
Jubilee Cottages	1935	0.7	28
Palliser Road	1927	1.0	57
Beech House	1936	0.7	10

Fund balances are represented by:

	2025 £m	2024 £m
Property, plant & equipment	33.4	18.9
Stock	3.9	5.1
Cash	15.3	15.3
Total assets less current liabilities	**52.6**	**39.3**
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Social housing and other grants	(6.7)	(6.7)
Total net assets	**45.9**	**32.6**
NET INCOME FROM PERMANENT ENDOWED ASSETS		
Income from lettings	2.2	1.8
Less expenditure on letting activities	(0.5)	(0.3)
Surplus on letting activities	**1.7**	**1.5**

32. Pension commitments

The Group operates five funded schemes and a defined contribution scheme is used for auto enrolment. Southern Housing exited from a sixth funding scheme during 2023/24.

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.

Funding schemes

Southern Housing participated in five 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 two Local Government Pension Schemes: East Sussex County Council Pension Fund (ESCC) and the Isle of Wight Pension Fund (IOW). 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 2023, 31 March 2024 and 31 March 2022 for the two Local Government Pension Schemes respectively.

During the prior year, 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 year. 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 £33 million.

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 2025. 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.

We are also aware of the potential implications of the Virgin Media ruling in June 2023 alongside the further uncertainties in this area (which may be addressed in upcoming cases this year and beyond) which makes it difficult to reach a full conclusion on this issue at this time. We are currently working with the respective Trustees and their legal advisers to carry out an assessment of the possible implications for the HHGPS and SHGPP, which remains in progress as at the end of the current accounting period. There are no fundamental doubts at this stage, as such there is insufficient evidence that any adjustment would need to be recognised within the year end liabilities at this stage and therefore no allowance has been made. Similarly the impact if any of this ruling on the OPS is uncertain and may be addressed by the Court ruling mentioned in the previous paragraph.

The following disclosures are the aggregate for OPS, HHGPS, SHGPP, ESCC, IOW 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 HHGPS, SHGPP, ESCC and IOW.

FUNDING POSITION AT 31 MARCH	GROUP 2025 £m	GROUP 2024 £m
Share of assets	226.3	235.6
Estimated liabilities	(199.7)	(221.2)
Net surplus	**26.6**	**14.4**
Unrecognised surplus (asset ceiling)	(32.3)	(27.0)
Net deficit	**(5.7)**	**(12.6)**

AMOUNTS CHARGED TO INTEREST AND FINANCING COST FOR YEAR TO 31 MARCH	2025 £m	2024 £m
Net interest income on assets and liabilities	(0.9)	(0.3)
Interest expense on irrecoverable surplus	1.3	0.8
Total net interest cost	**0.4**	**0.5**

AMOUNT RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME FOR YEAR TO 31 MARCH	2025 £m	2024 £m
Actual return less expected return on assets	(18.8)	(7.9)
Experience losses	(5.4)	(0.9)
Change in financial and demographic assumptions	28.6	12.7
Actuarial gain	**4.4**	**3.9**
Change in unrecognised surplus	(4.0)	(7.6)
Total actuarial gain / (loss)	**0.4**	**(3.7)**

ANALYSIS OF MOVEMENT IN SURPLUS IN YEAR TO 31 MARCH	2025 £m	2024 £m
Surplus at beginning of the year	14.4	2.6
Total contributions	8.0	13.4
Current service cost	(0.7)	(0.8)
Past service costs	-	(0.2)
Settlement	-	(4.4)
Other finance income	0.9	0.3
Administration expense	(0.4)	(0.4)
Actuarial gain	4.4	3.9
Surplus in the schemes at the end of the year	**26.6**	**14.4**
Unrecognised surplus	(32.3)	(27.0)
Net deficit	**(5.7)**	**(12.6)**

AMOUNTS CHARGED TO OPERATING SURPLUS FOR YEAR TO 31 MARCH	GROUP 2025 £m	GROUP 2024 £m
Current service cost	0.7	0.8
Administration expenses	0.4	0.4
Settlement	-	4.4
Past service costs	-	0.2
Total operating charge	**1.1**	**5.8**

CHANGE IN UNRECOGNISED SURPLUS IN YEAR TO 31 MARCH	2025 £m	2024 £m
Unrecognised surplus at beginning of the year	27.0	18.6
Interest on unrecognised surplus	1.3	0.8
Change in unrecognised surplus (excluding interest)	4.0	7.6
Unrecognised surplus at end of the year	**32.3**	**27.0**

RECONCILIATION OF OPENING AND CLOSING BALANCES OF FAIR VALUE OF ASSETS AS AT 31 MARCH	2025 £m	2024 £m
Opening fair value of assets	235.6	244.4
Expected return on assets	11.3	11.3
Actuarial losses on assets	(18.8)	(8.0)
Other losses	-	0.1
Contributions by the employer	8.0	13.4
Contributions by the participants	0.3	0.3
Administration expense	(0.4)	(0.4)
Settlement	-	(15.4)
Net benefits paid out	(9.7)	(10.1)
Closing fair value of assets	**226.3**	**235.6**

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE PRESENT VALUE OF SCHEME LIABILITIES AS AT 31 MARCH	2025 £m	2024 £m
Opening present value of liabilities	221.2	241.8
Service costs	0.7	0.8
Change in assumptions	(28.6)	(12.7)
Interest costs	10.4	11.0
Contributions by participants	0.3	0.3
Actuarial gains on liabilities	5.4	0.9
Net benefits paid out	(9.7)	(10.1)
Settlement	-	(11.0)
Past service costs	-	0.2
Closing present value of liabilities	**199.7**	**221.2**

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	2025	2024
Equities	0% - 7%	0% - 8%
Bonds	53% - 97%	50% - 97%
Property	0% - 4%	0% - 4%
Absolute return funds	0% - 0%	0% - 0%
Cash	2% - 3%	1% - 8%
Other	0% - 33%	0% - 29%
LOCAL GOVERNMENT PENSION SCHEMES		
Equities	59% - 65%	69% - 69%
Bonds	18% - 18%	15% - 15%
Property	5% - 15%	15% - 15%
Absolute return funds	0% - 0%	0% - 0%
Cash	3% - 3%	1% - 12%
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:

	2025 years	2024 years
Current male pensioners	20.5 – 22.1	20.5 - 22.1
Current female pensioners	23.0 - 24.3	23.0 - 24.4
Future male pensioners	21.4 - 23.2	21.7 - 23.2
Future female pensioners	24.1 - 25.4	24.4 - 25.4

Financial assumptions

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

	2025	2024
Rate of general long term increase in salaries	2.7% - 2.8%	2.8% - 2.9%
Rate of increase in pension payment	1.9% - 2.9%	2.0% - 3.0%
Discount rate	5.6% - 5.7%	4.7% - 4.8%
Inflation assumption (CPI)	2.7% - 2.8%	2.8% - 2.9%
Inflation assumption (RPI)	3.1% - 3.2%	3.2% - 3.3%

Southern Housing Board Members, Executive Officers and Advisors

Board

Sir Peter Dixon
Chair

Janet Collier
Vice Chair
Chair of People Committee
Chair of Pensions Group

Paul Hackett CBE
Chief Executive

Daisy Armstrong
Resident Board member

Phil Blume
Resident Board member

Geanna Bray
Vice-Chair of Residents' Services Committee

Billy Brown
Appointed 26 March 2025
Resident Board member
Chair of Resident Strategy Group

Robert Clark
Chair of Developments and Assets Committee

Howard Cresswell
Retired 7 May 2025

Michelle Dovey
Chair of Treasury Committee

Mark Everard
Appointed 29 January 2025

Damien Régent
Chair of Audit and Risk Committee

Eugenie Turton CB
Chair of Residents' Services Committee

Ian Wilson
Resident Board member

Executive Team

Paul Hackett CBE
Group Chief Executive

Tom Paul
Chief Financial Officer

Troy Francis
Executive Director Operations

Wam Dawson
Executive Director People and Culture

Yvette Carter
Executive Director Contract Services

Richard White
Executive Director Development

Karin Stockerl
Executive Director of Assets and Sustainability

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Registered society number:
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Regulator of Social Housing
number: 5171

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SOUTHERN
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