



Financial Statements 2024/25

for the year ended 31 March 2025

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Operating and Financial Review

Reflecting back on the last year, it's been far from a walk in the park. But despite 12 months of challenging financial decision making, regulatory change and political uncertainty, we've had another year of strong performance with lots of success stories to celebrate.

We began the year with a refresh of the group's Strong Foundations Strategy for 2024-2029, building on our successes whilst focusing on adapting to changes in legislation within the sector and realigning our priorities to address emerging challenges and opportunities.

Four cross-cutting themes underpin our refreshed strategy: inclusion and belonging, data, customer voice and collaboration. These themes will enable us to target specific challenges within our organisations, improve customer experience and maximise efficiencies and value for money.

We welcomed Leazes Homes to the group in June 2024, a Newcastle-based housing provider with 759 homes. Leazes has helped us strengthen our presence in the city, which in turn helps generate greater capacity to invest in our homes.

We also had a record year of developing new homes, with 707 completions making us the 26th biggest housing association builder in the UK. This achievement demonstrates our commitment to bringing more, much-needed affordable homes to the region and we have ambitious plans for the future.

However, with limits on our financial capacity, due to rising costs from inflationary pressure and regulatory compliance, we are going through the process of establishing a for-profit registered provider called Graphite Living, which will open up access to a wider variety of funding sources for new homes delivery.



As we came to the end of the financial year we received news of the retirement of our Karbon Group Board Chair, Sir David Bell. Sir David has been with Karbon since 2020 and has played a key role in shaping Karbon into the successful, high performing group it is today and I would like to express my sincerest thanks for his support over the last five years.

We're pleased to announce Alexis Cleveland as our new Group Chair, who has worked closely with Sir David as Vice Chair since 2020.

We would also like to thank Steve Secker, Karbon Group Board Member and Chair of the 54North Homes Board, who stepped down from his role after six years in post, and welcome Andy Gamble as the new 54North Homes Board Chair.

Paul Fiddaman
Chief Executive
Karbon Homes Group

Providing as many good quality homes as we can

It's been another challenging year for affordable housing delivery, however our commitment to developing more, much-needed homes across the North East and Yorkshire has seen us complete 707 new homes, across a range of tenures.

Work on our most ambitious scheme to date, 750 new affordable homes at Seaham Garden Village in County Durham, has made great progress over the last year and working alongside a number of key partners, we have formalised agreements for these new homes to be connected to a new, ultra-low carbon, mine water heat network.

Paired with boasting a range of energy efficiency technologies, like solar PV panels, these new homes will be well on the way to net zero. The first units are expected to complete in the autumn, offering a mix of affordable rent and affordable home ownership options for new residents.

Boosted by our Strategic Partnership with Homes England, which has provided us with £181million in funding to deliver more affordable homes across the region, we have also celebrated a big milestone in delivering more homes for people with additional support needs.

Working in partnership with South Tyneside Council, we've completed on 21 new supported living homes, across two schemes in the borough, designed to support residents with learning disabilities, autism and complex care needs to live more independently.

And down in Yorkshire, colleagues at 54North Homes celebrated the opening of its flagship Leonora House scheme, a block of 58 high-quality flats for social rent in Leeds.

Alongside developing new homes we've remained committed to investing in the quality, safety and energy efficiency of our existing homes, spending over £99.6m on planned and responsive investment.

Meeting the government's net zero targets remains front and centre in our investment plans and we successfully completed on a £3.6million energy improvement programme to bring 218 homes across Northumberland and County Durham up to the minimum requirement of an energy performance certificate C rating.

Part funded by a grant from the Social Housing Decarbonisation Fund, work has included external wall, cavity, loft, and underfloor insulation, new roofs, and solar PV panels.

In Hartlepool we've delivered £4.4million of investment work in 267 homes, with customers benefitting from a range of internal upgrades, including kitchen and bathroom replacements, electrical rewires and heating upgrades.

We also began a programme of investment to upgrade our retirement living schemes for over 55s. The first scheme, Park View at Lynemouth on the Northumberland coast, received a quarter of a million pounds worth of improvements, including redecoration, new flooring and communal furniture, upgraded fire doors and a digital telecare system.



Karbon Homes Financial Statements 2024/25

Delivering an excellent customer service



Our customer panels and committees have continued to grow from strength to strength, providing more ways for customers to get involved with our work. The Karbon residents' scrutiny panel for example, which gives customers the opportunity to check and challenge our services, and suggest positive ideas for improvement, has been valuable in guiding our approach to damp and mould and our consumer regulation self-assessment.

As the demand for digital access to information and services grows, we have continued to develop our digital offer. This year we have modernised our payment methods by introducing a suite of more straightforward and secure digital payment options from Access PaySuite, that make it easier for customers to 'self-serve'.

We have also implemented a variety of new digital software and tools to help improve performance and make efficiencies across the business. Implementing one AI-powered software within teams across Karbon has helped reduce colleague workload, reduce our rent arrears and increase access rates for gas servicing by 10%.

As the cost of living continues to impact our customers, our support in ensuring they are claiming all the entitlements they're eligible for has never been more important. Our Money Matters Team has provided a vital lifeline for thousands, generating over £6million of income gains for customers.

And in Yorkshire, to improve the repairs and maintenance service our 54North Homes customers receive, we have expanded Karbon Property Services to deliver responsive repairs and out of hours provision to our homes across the county.

After its initial launch in late 2023, the last year has seen us further embed our refreshed customer service delivery model, strengthening the teams and services in our nine geographic areas to improve our local presence and build stronger connections with our customers and communities. Feedback from customers to date has been really positive.

Our customers' voice matters, and we've continued to develop the ways in which they can engage with us to ensure that their voice is at the heart of our decision making, shaping services and implementing change.

We held our first ever in-person customer conference, bringing over 130 customers together from across the region to meet with our senior leadership team and a variety of our key partners to hear about what is going on in the world of housing, our approach to customer service and an overview of our finances. The event gave customers the opportunity to voice issues, suggest improvements and learn more about how their money is spent.

Shaping strong, sustainable places



Alongside investing in our customers and homes, we have continued to invest in place shaping activity to help our communities to thrive. Our Karbon Homes Community Investment Fund supported 158 community organisations and projects with grants totalling over £284,000, and we unlocked £2.8m of social value contributions from our suppliers and contractors to further the support we offer our communities. Examples include supporting our contractors to deliver educational sessions in local primary schools and connecting suppliers with local community centres to carry out vital internal upgrades free of charge.

Our Place Team have continued their intensive work in our two Karbon Impact Areas, Byker and Stanley, collaborating with colleagues, local residents and key stakeholders to understand how we can help facilitate long-lasting change.

In Byker, with funding support from Historic England, we engaged with the community on

a unique art project designed to explore and celebrate the hidden history of the iconic Byker Wall. The project worked with young people on the estate, engaging them through a series of workshops to develop three pieces of public art, which were unveiled this summer.

And in Stanley, we are continuing to work on ways to fuel a sense of pride in the town. Working in close partnership with our Stanley stakeholder reference group, we launched the Thriving Stanley Action Plan, designed to support regeneration of the town and improve the lives of residents.

As the Government outlined its Get Britain Working plan to tackle the current high levels of economic inactivity in the UK, we celebrated the success of our latest New Start programme.

Last year we supported 61 North East social housing residents through the programme which provides five-month work placements. We also partnered with Newcastle City Council to deliver Green Start, a variation of New Start that supported an additional 20 candidates into placements specifically within the green and low carbon sectors.

We also developed and launched an employability support programme designed to tackle issues with transport.

A partnership with Job Centre Plus and Stanley Travel, 'Step into Driving' supports residents through sitting their theory and practical driving test, and then puts them through the bus driver training programme with guaranteed employment at the end. The scheme not only helps people into employment but is also boosting the number of qualified bus drivers in the area.

Our commitment to community engagement and investment was recognised when we were named the North East Chamber of Commerce's Community Business of the Year 2024.

Creating enablers of our success

We're an ambitious organisation, with a commitment to continuously learning and improving. This year we launched Good to Great, a business transformation programme looking at how we can improve processes, systems and ways of working to ensure we're consistently delivering a great service and experience for customers, as well as achieving efficiency gains.

The last 12 months was our discovery phase, where we built our understanding of what we do well and where there are sticking points or inefficiencies. This coming year is the first phase of delivery, with project groups set up to cover key topics affecting teams across the organisation.

We have continued to invest in providing the right environment and a supportive culture to help colleagues thrive. Last year our annual colleague engagement survey achieved its highest response rate to date of 64% and for the year, our Employee Net Promoter Score (eNPS) sat at +43. Scores above +40 are considered outstanding.

We were also recognised for our commitment to equality, diversity and inclusion (ED&I), and named the 27th most inclusive place to work in The National Centre for Diversity's (NCFD) 100 Inclusive UK Employers 2024. We have been working closely with NCFD to help shape our ED&I action plans and have ambitions to achieve its formal accreditation in the coming year.

Our wellbeing offer is something that we are proud of and we were pleased to achieve the Maintaining Excellence level of the Better Health at Work Award. The assessors told us it was clear that wellbeing is deeply integrated and prioritised throughout the organisation.

Having accurate customer and asset data is vital for colleagues to be able to do the best job. To ensure the ongoing quality of our data, we launched our Karbon Data Quality Scorecard (KDQS), a purpose-built reporting tool that quantifies data accuracy across the Karbon Group.

Building the scorecard in-house saved in excess of £100,000 and this paired with the positive impact it's had on our overall data management saw us win the Best Use of Data category at the Housing Innovation Awards 2025.

To support our ambitious investment plans, we increased our loan book by agreeing £189m of new facilities with three lenders. This enhanced liquidity will play a key role in enabling us to deliver our key strategic ambitions.

We also received an affirmed credit rating of single 'A' outlook stable from Standard & Poors, which acknowledges the strength of our liquidity, as well as our operational flexibility to mitigate external pressures.



Overview of business

Since our formation in 2017, Karbon has focused on delivering our three strategic aims - to provide as many good quality homes as we can, to deliver excellent service to our customers, and to shape strong, sustainable places for our communities.

Our footprint covers the North East of England and Yorkshire, with around 34,000 homes across diverse communities, all facing different opportunities and challenges.

We believe that by focusing on our three strategic aims, combining a sound business head with a strong social heart and staying true to our values, we can build strong foundations for even more people.

The principal activity of Karbon Homes is the provision of affordable homes for rent and low-cost home ownership, together with housing for customers with additional support needs. Karbon Homes is registered with the Regulator of Social Housing (RSH) as a registered provider of affordable housing.

Karbon Homes is the parent association of 54North Homes Limited (54NH), formerly York Housing Association Limited (YHA), which is also registered with the RSH. It is also the parent association of Leazes Homes Limited, also registered with the RSH.

All associations are charitable and are registered as societies under the Co-operative and Community Benefit Societies Act 2014.

Karbon Homes Limited engages in commercial activities through its subsidiary companies: Prince Bishops Homes Limited (market rent and for-sale development), Karbon Solutions

Limited (cost sharing group), Enterprise Durham Partnership Limited (social enterprise), Next Level Developments Limited (residential development), Karbon Developments Limited (development services) and Karbon Land Ventures Limited (property development).

Following a robust due diligence process and consultation with customers, on 17 June 2024 Karbon Homes Limited acquired Leazes Homes Limited via a transfer of engagement. The aim of the partnership is for customers in Leazes Homes to benefit from the breadth of services that Karbon offers and to deliver excellent services to our customers now and into the future.

On 21 December 2023, Next Level Developments Limited entered into a limited liability partnership (LLP) with Homes by Carlton Limited to build 10 affordable and 38 open market sales properties in Staindrop Village, County Durham.

In the financial year 2024/25 a further investment was made in

a second joint venture with Homes by Carlton, Karbon Carlton Sadberge LLP, to develop 46 homes for private sale, including 10 at a discount to market value. In addition the company has purchased land in Merrybent, near Darlington and entered into agreements to develop eight detached houses for market sale.

Karbon Homes is responsible for establishing the group's overall policies and strategies, and for monitoring compliance with group values and performance against group targets, within a clearly defined framework of delegation and system of control.

The group's head office is based in Newcastle upon Tyne and its homes are primarily in the North East of England and Yorkshire.

More detail of the group's structure is provided in note 18.

Financial performance in the period

The detailed results for the year are set out in the group's Consolidated Statement of Comprehensive Income on page 42 and the notes to the financial statements on pages 50 to 109. The following table provides a summary of the group's results:

For the year ended 31 March	2025	2024	2023	2022	2021
				Restated	
	£'000s	£'000s	£'000s	£'000s	£'000s
Turnover	219,027	191,404	165,604	155,186	142,400
Operating surplus excluding goodwill	55,533	46,125	46,912	44,064	38,757
Deficit on sale of other fixed assets	(301)	(289)	(346)	(146)	-
Net interest payable, other finance costs	(22,304)	(18,432)	(17,799)	(19,608)	(19,190)
Unrealised gain on revaluation of housing properties	695	565	1,140	2,740	2,794
Share of operating deficit in associate	-	-	-	-	(67)
Surplus for the year excluding goodwill	33,623	27,969	29,907	27,050	22,294
Negative goodwill	2,152	4,529	53,483	8,561	-
Surplus for the year before tax	35,775	32,498	83,390	35,611	22,294

Turnover has increased year on year by 14%. This is a combination of the annual rent increase of 7.7%, rent from the development of new properties and from the transfer of engagement of Leazes Homes into the Karbon Group on 17 June 2024. This transfer of engagement resulted in a negative goodwill adjustment in 2025 (negative goodwill is a gain on the fair value of net assets due to the transfer of engagements). There was also a negative goodwill adjustment in 2024 from the merger of South Tyneside Homes Venture Trust. Operating surplus (excluding negative goodwill) has increased by £9.4m (20%), which includes a credit of £4.6m from the year end adjustment of pension schemes. Net interest payable has increased year on year due to an increase in debt of £58.4m, of which £23.3m transferred with Leazes Homes. As a housing association, our surplus will be re-invested in to the development of new homes and improvements to existing homes.

Statement of financial position

The detailed Consolidated Statement of Financial Position is provided on page 44 and supporting details can be found in the notes to the financial statements on pages 50 to 109.

For the year ended 31 March	2025	2024	2023	2022	2021
		Restated	Restated	Restated	
	£'000s	£'000s	£'000s	£'000s	£'000s
Fixed assets	1,581,122	1,378,672	1,232,785	1,054,319	974,766
Net current (liabilities)/assets	(35,543)	34,636	47,090	85,674	129,500
Total assets less current liabilities	1,545,579	1,413,308	1,279,875	1,139,993	1,104,266
Creditors falling due after more than one year	(660,118)	(618,418)	(530,176)	(486,419)	(501,669)
Deferred grants	(373,845)	(314,881)	(297,028)	(284,695)	(272,742)
Provision for liabilities and charges	(1,227)	(1,040)	(1,978)	(1,855)	(1,186)
Pension liability	(6,399)	(9,632)	(8,588)	(24,403)	(40,925)
Reserves	503,990	469,337	442,105	342,621	287,744

Operating and financial review (continued)...

Statement of financial position (continued)

The increase in fixed assets reflects the transfer of Leazes Homes into the Karbon Group in year, the investment in the development of new homes, and our continued investment in our existing homes. Net current assets is a negative £35.5m, mainly due to a reduction in cash of £30.4m (for working capital), plus an increase in creditors falling due within one year of £27.5m due to an increase of debt due in one year and increased accruals year on year. This is not a concern however, due to the undrawn facilities of £154.0m that we have available. The investment in new homes and in existing homes has been financed primarily by the £250.0m bond financing, which we have put in place over the last five years. The increase in creditors due after more than one year is primarily due to an increase in debt, partly due to debt of £23.3m transferred with Leazes Homes. The pension liability has reduced by £3.2m year on year, following a reduction in pension liabilities from the SHPS pension schemes.

Capital structure, treasury policy and activity

As at 31 March 2025 the group had £733.9m of committed debt funding of which £579.9m (excluding £8.6m STHVT fair value adjustment) is drawn. £154.0m remained undrawn and available to fund the group’s asset

management and ongoing new homes development programmes. During April 2025, Karbon Homes completed on £189m of additional funding increasing available funds to £343m. Debt is secured by specific charges on housing land and buildings. The group borrows, principally from banks, building societies and capital markets, at both fixed and floating rates of interest. The Group Treasury Management Policy includes a target of maintaining a portfolio of fixed rate borrowing of between 70% to 90%. The proportion of fixed rate borrowings at 31 March 2025 was 92% (2024: 91%). The group’s lending agreements require compliance with a number of financial and non-financial covenants. The group’s position is monitored on an ongoing basis and reported to the board each quarter. The group monitors cash flow forecasts closely to ensure that sufficient funds are available to meet liabilities when they fall due, whilst not incurring unnecessary finance costs, by only drawing on loan facilities when required. Recent reports confirmed that the group was in compliance with its loan covenants at the balance sheet date and the board expects to remain compliant in the foreseeable future. Our strong financial performance ensures we have ample headroom on interest cover requirements. The gearing ratio, which is a measure

of net debt (short and long term loans less cash) as a % of gross cost of housing properties, is currently 30% and remains well within our most restrictive covenant of 55%. This is based on covenants agreed with our lenders and differs from the calculation in the value for money (VFM) metric as required by the Regulator of Social Housing as shown on page 13. The group has cash balances of £15.4m at 31 March 2025 (2024: £45.9m) and cash investments of £1.6m (2024: £71m). The current assets to current liabilities ratio stands at 0.60 (2024: 1.62).

Strategic performance and value for money

We recognise that if we want to deliver our strategic aims we have to find the additional financial capacity through a combination of managed cost savings and income generation. We need to provide more for less and use any spare capacity that we have available in our business plan. Our aim in relation to value for money is to create **a balance of cost, quality and benefit** to our customers and the business. We aim to **“make the best use of our money, assets and people, to deliver our objectives and maximise quality and value for our customers and the business.”** By ensuring that everything we do is as effective and efficient as possible, any capacity within

our resources can be reinvested into our communities, either in terms of new homes or improved services. Continued growth, sensible asset management, the use of benchmarking, sustainable procurement, a rounded review of current performance and stretching targets for the future remain key, but we also plan to release the untapped capacity within our business plan to provide added value.

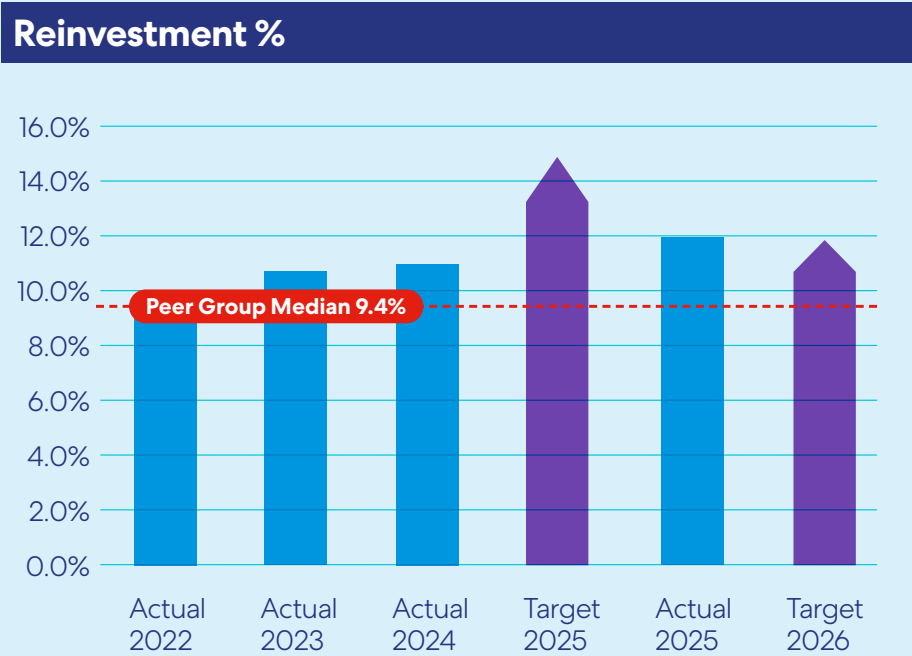
In achieving VFM we understand the balance between **economy, efficiency and effectiveness**. Targets for key performance measures are agreed with the board each financial year to aid continuous improvement. On a monthly basis, we review our key performance measures and how they compare with others, reporting quarterly to our customer committee and board.

Value for Money (VFM) VFM metrics and benchmarking

Benchmarking is important to any business. It provides key comparisons with similar organisations, enabling understanding of strengths and weaknesses and underpinning an evidence-based approach to resource allocation, cost reduction and target setting. The group’s operating costs and key financial indicators are benchmarked annually using a variety of sources, including data from the Regulator for Social Housing (RSH) Global Accounts. These are supplemented further through our operational key performance indicators, which we monitor against our peer group using the sector benchmarking club HouseMark. Benchmarking

ourselves with our peers, through HouseMark, enables us to better understand which areas of our business meet our ambition for top-quartile performance and where we have more work to do. In April 2018, a Value for Money Standard was introduced by the Regulator, along with a sector-wide set of metrics which aids direct comparison between housing providers. These metrics are included within our key performance indicators below.

Aim 1 – provide as many good quality homes as we can



2025 performance

Performance has increased from 11.0% in 2024 to 11.9% in 2025. Investment in the development of new properties and purchase of newly built properties is £136.0m (£115.7m in 2024) and works to existing properties is £44.9m (£29.4m in 2024). Our target for 2025 was 15.1%. This was not achieved due to the development of 120 fewer properties than target.

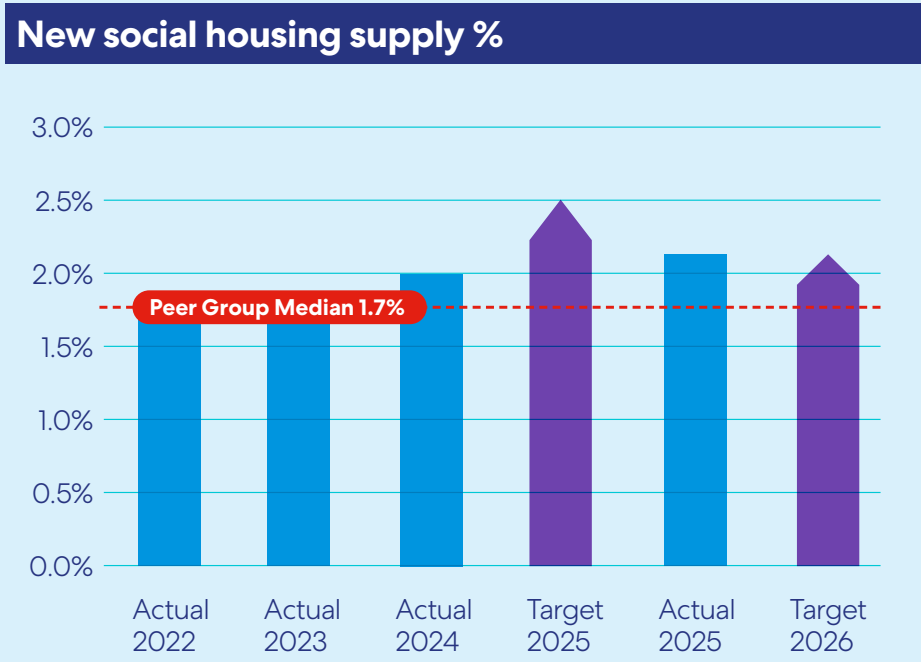
2026 performance

Our target for 2026 is 11.9% which assumes £134.2m investment in the development of new properties and £42.2m works to existing properties.

Operating and financial review
(continued)...

Value for money (VFM) (continued)

Aim 1 – provide as many good quality homes as we can (continued)

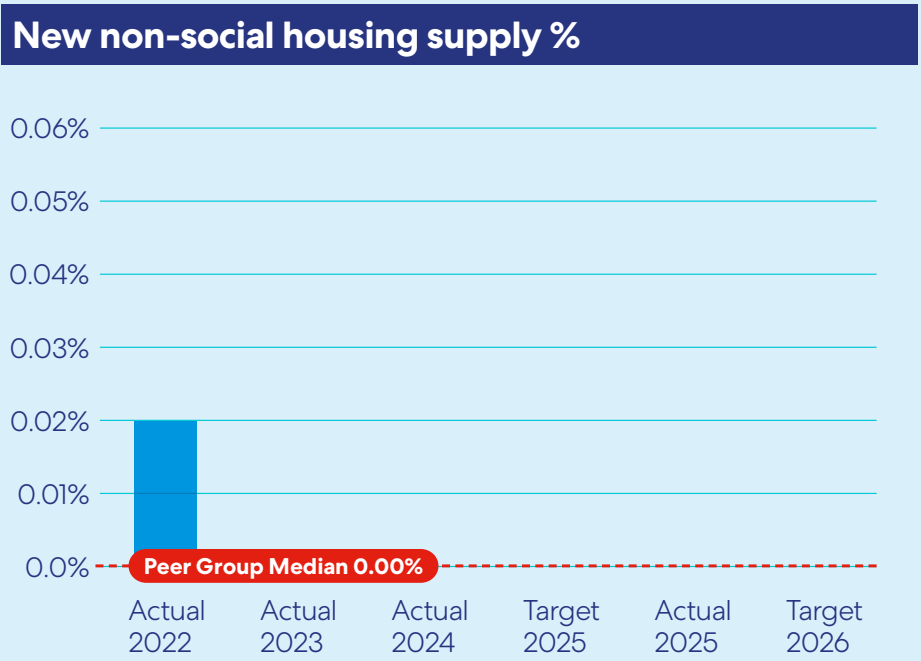


2025 performance

In 2025 the total number of social housing units developed was 707 which equates to 2.1% of social housing units owned. In 2024 a total of 644 social housing units were developed which equates to 2.0% of social housing units owned. Our target for 2025 was 2.5% which was not achieved due to 120 fewer properties being developed, mainly due to construction delays and material and labour shortages.

2026 performance

Our target for 2026 is 2.1% which equates to the development of 703 social housing units.



2025 performance

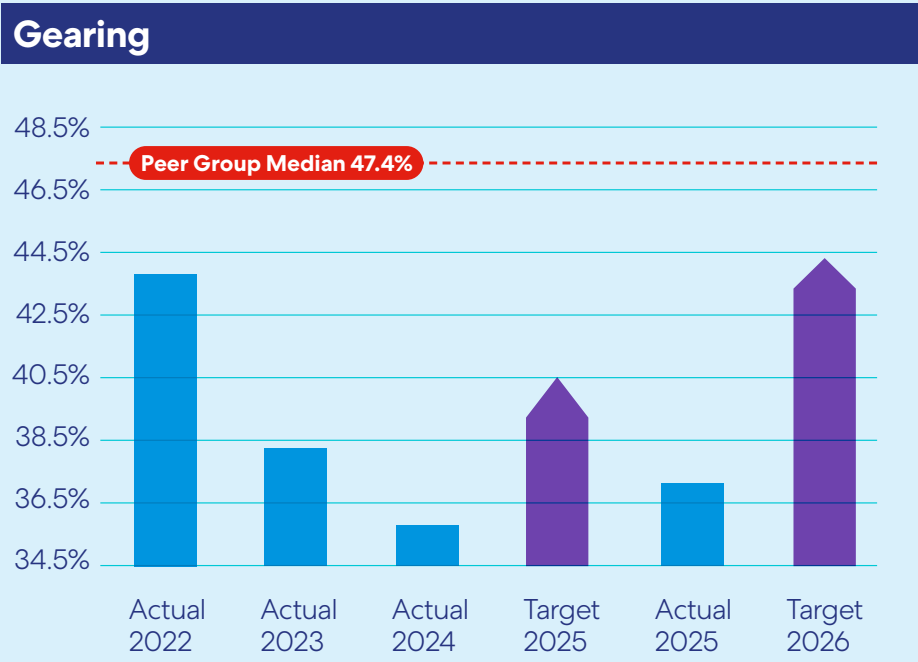
In 2025 we developed zero non-social housing properties which was the same in 2024.

2026 performance

We have no plans to develop non-social housing properties.

Value for money (VFM) (continued)

Aim 1 – provide as many good quality homes as we can (continued)

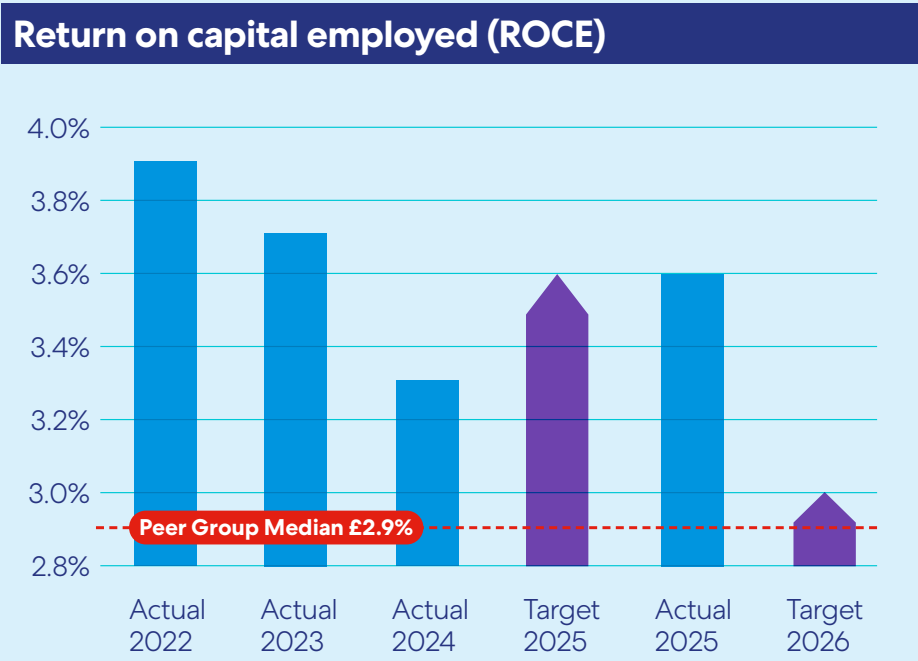


2025 performance

Our 2025 actual performance was 36.7% compared to 35.7% in 2024. Loans less cash has increased by £86.6m from 2024, however this is lower than expected due to development programme expenditure being lower than target.

2026 performance

Our target for 2026 is 44.3%.



2025 performance

In 2025 return on capital employed (ROCE) was 3.6% compared to 3.3% in 2024, and a target of 3.6%.

2026 performance

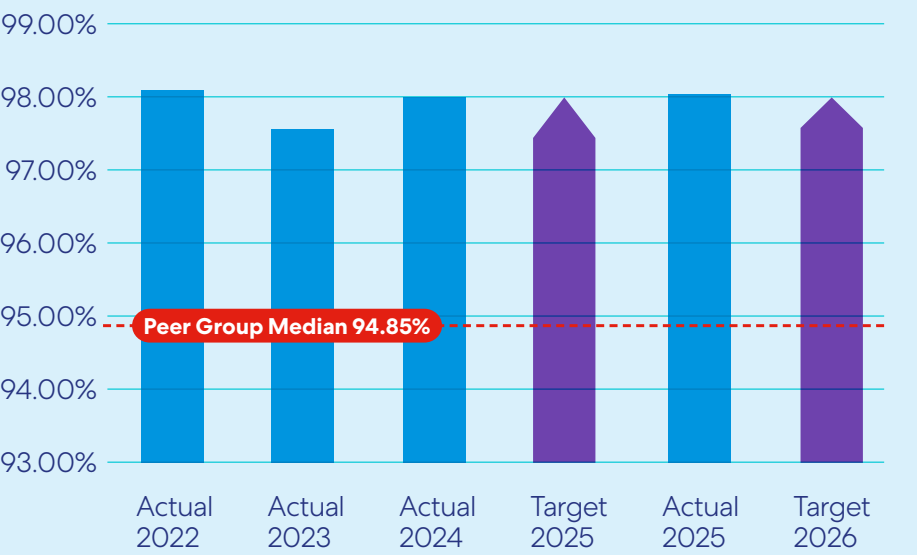
Our target for 2025 is 3.0%.

Operating and financial review
(continued)...

Value for money (VFM) (continued)

Aim 2 – deliver excellent customer service

Repairs appointments made and kept
(Karbon Association only)



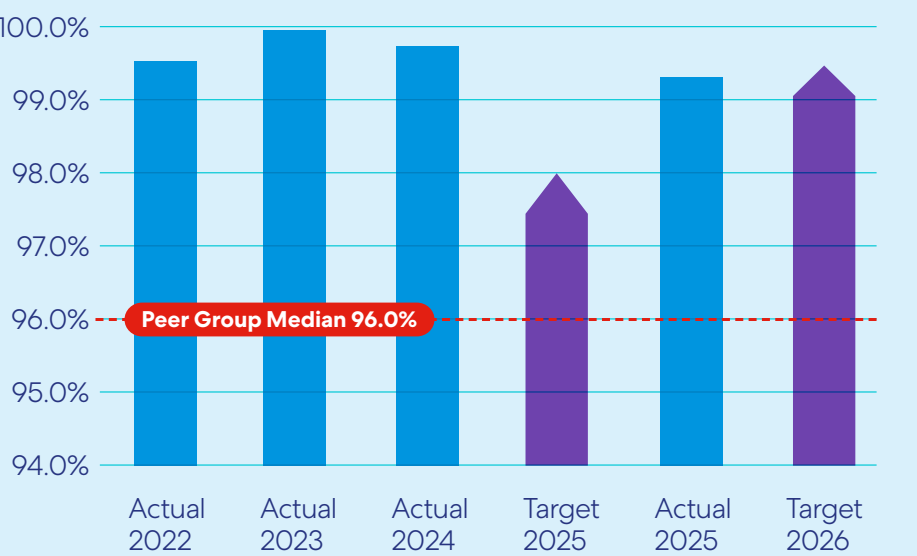
2025 performance

In 2025 our repairs appointments made and kept has remained stable at 98.04% from 98.03% in 2024. This compares favourably to the median performance of our peer group which is 94.85% and correlates with low numbers of complaints due to missed appointments.

2026 performance

Our target for 2026 is 98.00%.

Percentage of emergency works completed on time



2025 performance

Emergency works completed on time has declined slightly from 99.75% in 2024 and is at 99.32% in 2025. However, this performance remains favourable to the target of 98.00% and exceeds the performance of our peer group.

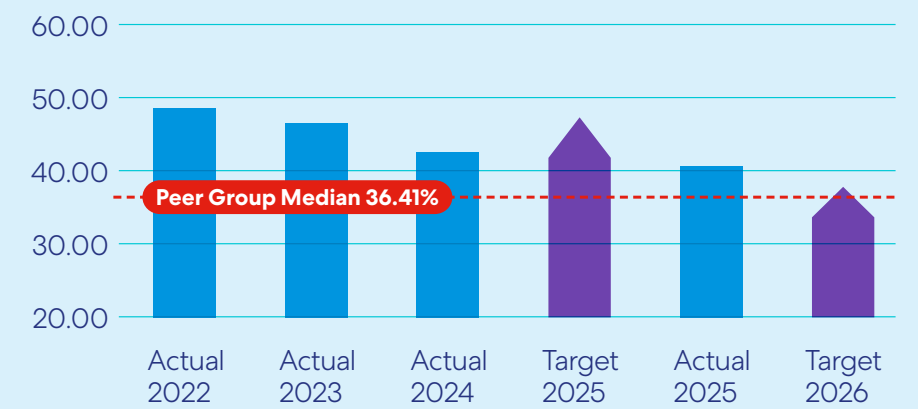
2026 performance

Our target for 2026 is 99.53%.

Value for money (VFM) (continued)

Aim 3 – shape strong, sustainable places

Average re-let time



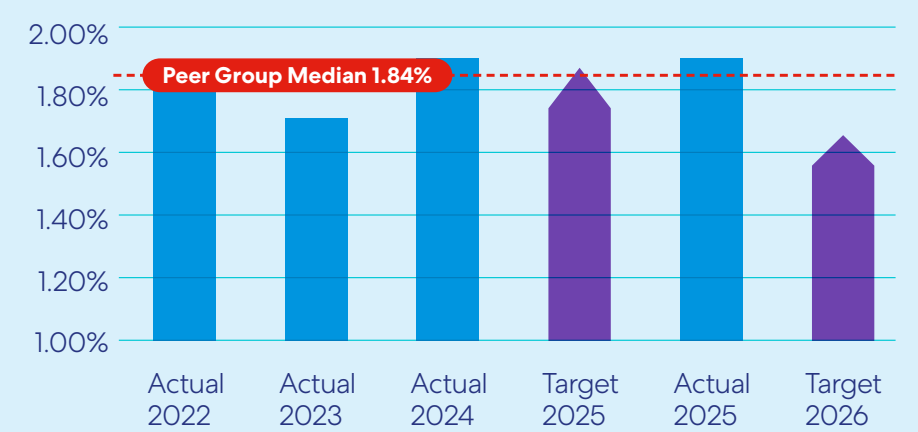
2025 performance

Average re-let time is the average time taken (in days) to re-let standard voids. It excludes voids that underwent major works, and is generally considered to be an indication of voids and lettings performance. In 2025 our performance has improved to an average of 40.39 days from 42.58 days in 2024 and there is a year-on-year positive trajectory since 2021. This KPI is a major focus for the operational teams and we are confident that our local delivery model, which is area based, will continue to bring benefits to the timescales to re-let empty homes.

2026 performance

Our target for 2026 is 37.33 days.

Void rent loss as percentage of annual rent debit



2025 performance

Void rent loss performance has remained fairly stable at 1.91%, from 1.89% in 2024 (and is marginally higher than target). We continue to implement a number of incremental improvements to reduce the number of homes that are empty, the average days to let a home and the amount of rent lost as a result. This includes joint working between housing, property services and asset to focus on difficult to let properties and longer-term voids, with a view to speedier lettings or finding an alternative solution where appropriate.

2026 performance

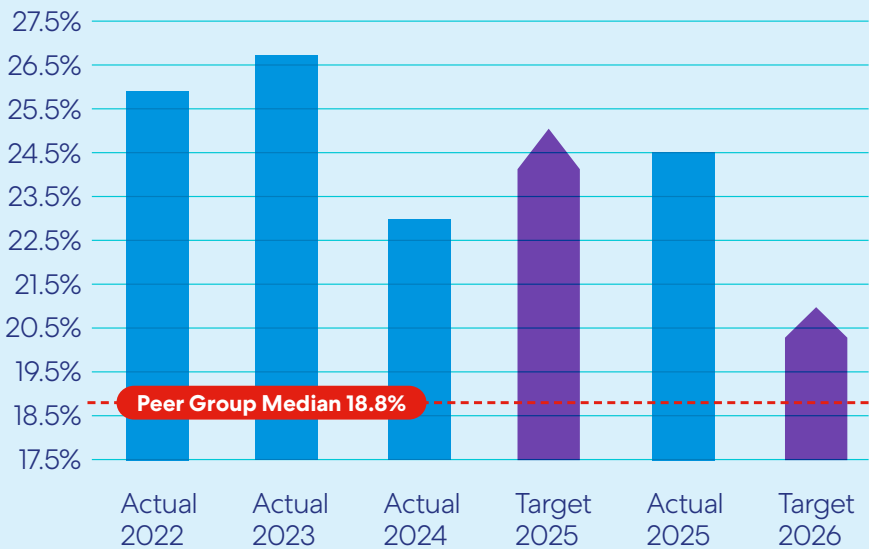
Our target for 2026 is 1.67%.

Operating and financial review (continued)...

Value for money (VFM) (continued)

Aim 3 – shape strong, sustainable places (continued)

Operating margin overall



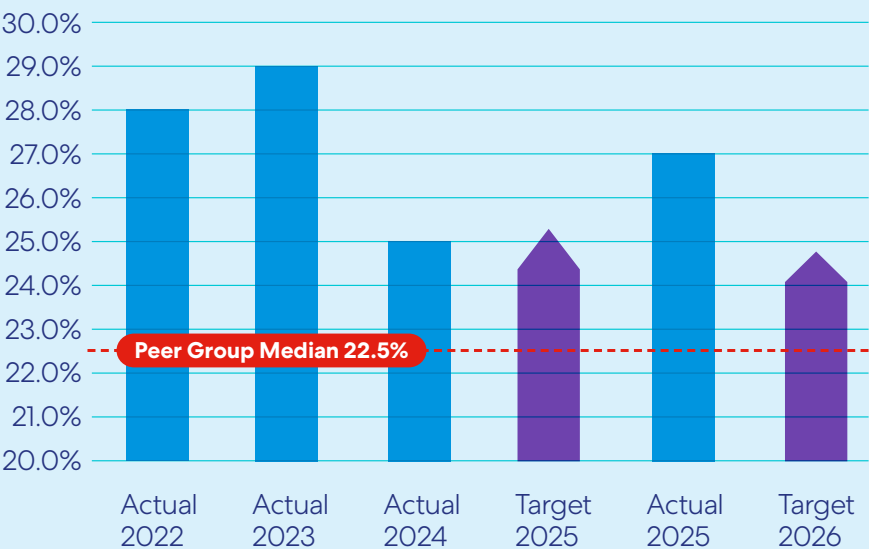
2025 performance

Operating margin is 24.4% in 2025 compared to 23.0% in 2024. It is lower than the target set, mainly due to additional repairs costs than budgeted as an additional 5,607 repairs were carried out compared to budget in the financial year. Undertaking more repairs has meant having to rely more on sub-contractors and agency staff. We have also seen higher overhead costs than budget on IT licences, legal fees and disrepair claims. These costs were partly offset by a credit of £4.6m in operating costs from the year end pension statement adjustments which was unbudgeted. Negative goodwill has been excluded from the operating surplus.

2026 performance

Our target for 2026 is 21.0%.

Operating margin social housing lettings



2025 performance

Around 95% of our operating surplus relates to social housing lettings. Our performance is 27.0% in 2025 which compares favourably to our peer group median which is 22.5%. It is higher than the target set and prior year.

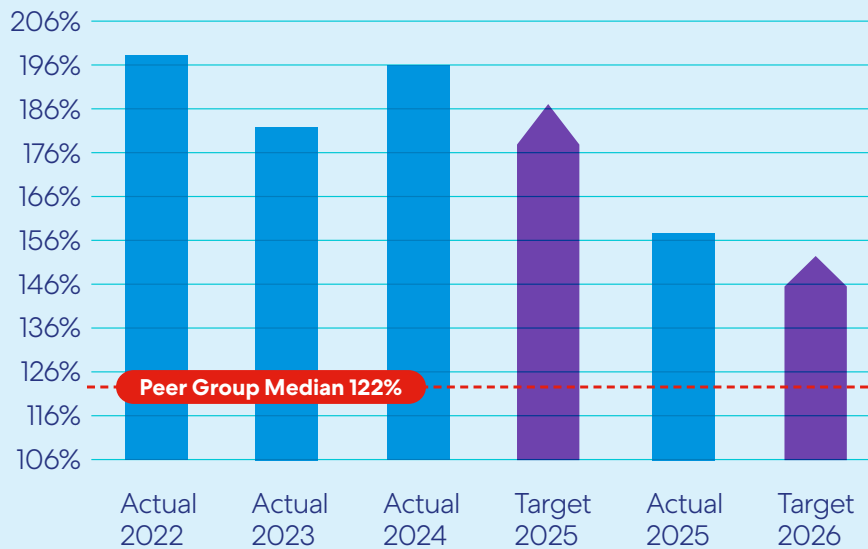
2026 performance

Our target for 2026 is 24.8%.

Value for money (VFM) (continued)

Aim 3 – shape strong, sustainable places (continued)

EBITDA MRI Interest Cover



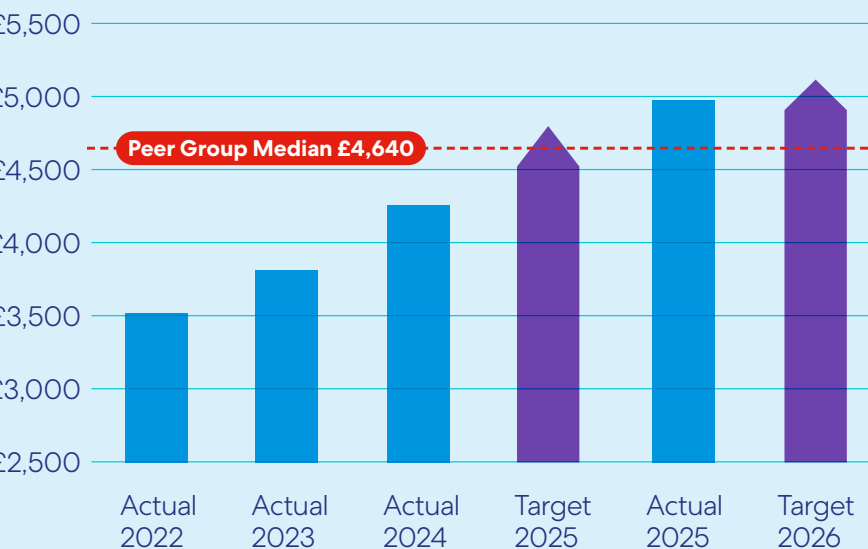
2025 performance

Our performance is 158% in 2025 compared to 196% in 2024 due to an increase in routine maintenance of £5.6m (16%) and capitalised planned maintenance of £15.4m (52%) on the prior year, due to a higher volume of repairs completed due to demand, higher than planned replacement of components and a higher cost (due to delayed inflation). Interest payable is also £2.9m (14%) higher in 2025 due to increased debt of £58.4m. Negative goodwill has been excluded from the operating surplus. We did not achieve the target set due to a higher number of repairs and higher capitalised planned maintenance being carried out including additional component replacements.

2026 performance

Our target for 2026 is 153%.

Headline social housing cost per unit



2025 performance

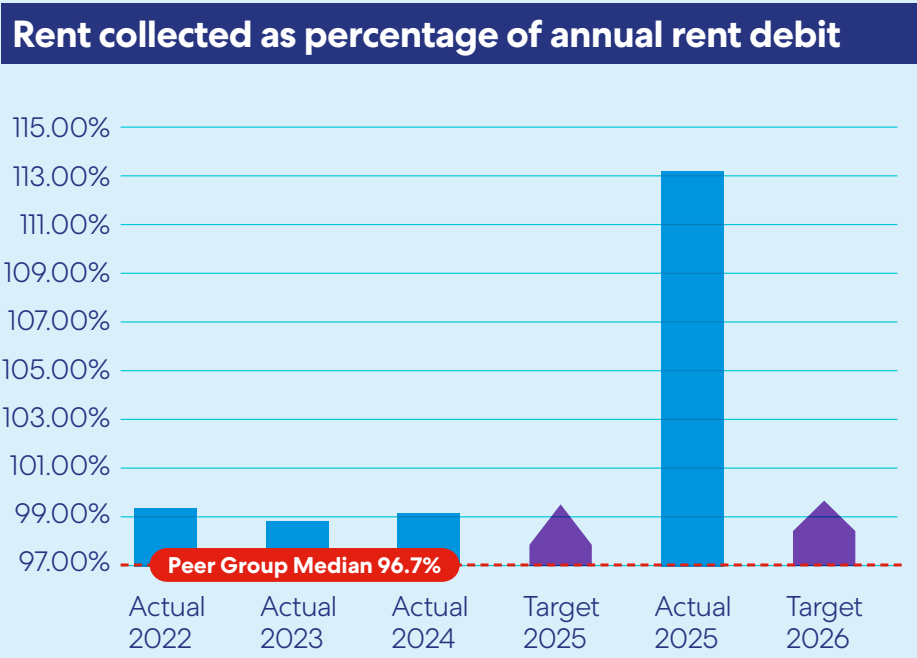
Our social housing cost per unit has increased from £4,242 in 2024 to £4,971 in 2025, mainly due to an increase in both routine maintenance of £5.6m (16%) and capitalised planned maintenance of £15.4m (52%) on the prior year, due to a higher volume of repairs demand, higher than planned replacement of components and a higher cost (due to delayed inflation). These costs also resulted in the target not being achieved.

2026 performance

Our target for 2026 is £5,104.

Value for money (VFM) (continued)

Aim 3 – shape strong, sustainable places (continued)



2025 performance

Rent collected as a percentage of the annual rent debit significantly exceeded target in 2025, due to the way in which the rent year fell with 1 April in both 2024 and 2025 being included. We remain above our peer group median and rent collection improved on 2024's performance of 99.17% to 113.21% (which means we collected rent due in year plus reduced outstanding arrears).

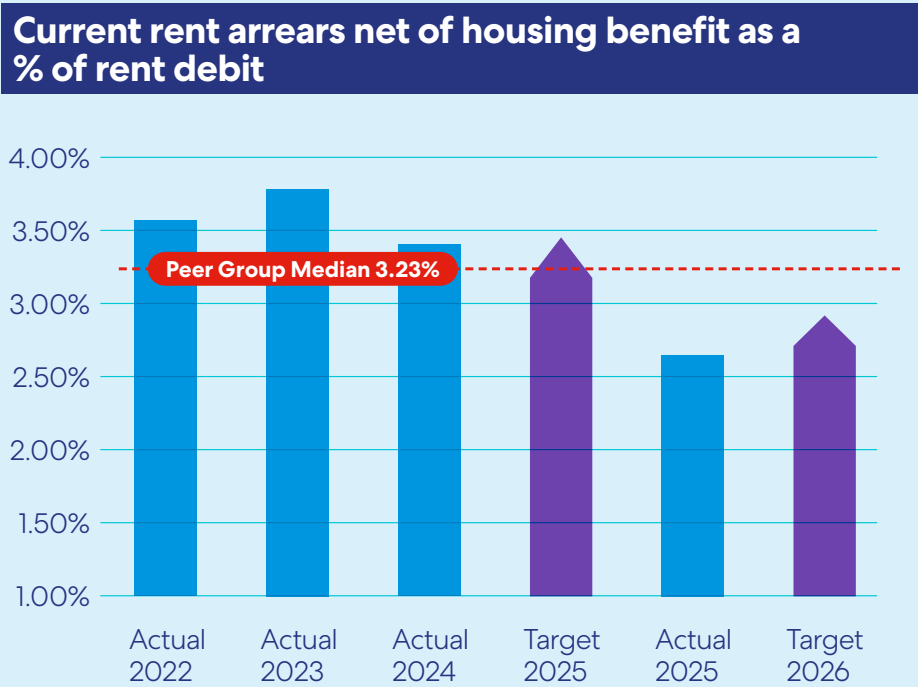
During 2024 new technology was implemented to automate elements of customer contact, removing manual processes to dial out to customers and connecting successful calls directly with our Customer Accounts Team. During 2024/25 over 23,000 calls were made using this technology, freeing up colleague time to manage their caseloads and engage with customers about their rent arrears. A net saving of £86k was realised over this period in reduced postage costs and efficiency in managing arrears cases. This technology was enhanced further in 2024/25 through integration with our payments system to ease the customer journey in making their rent payments.

2026 performance

Our target for 2026 is 99.73%.

Value for money (VFM) (continued)

Aim 3 – shape strong, sustainable places (continued)



2025 performance

Current rent arrears net of housing benefit as a percentage of rent debit decreased from 3.42% to 2.65% in 2025. This fall brings arrears below target and lower than seen for five years. Reinvestment of colleague time, realised from efficiencies in processes and new technology, into caseload management has allowed colleagues to spend more time engaging with customers and negotiating repayment arrangements. A reorganisation of our Customer Accounts Team from April 2024 provided a greater focus on our high level arrears accounts and we expect to deliver further arrears reductions.

2026 performance

Our target for 2026 is 2.93%.

Risk management

Effective risk management runs through everything that we do. We recognise that managing our risks and opportunities is a normal, day-to-day part of running our business in an ever-changing environment, enabling us to deliver our services, improve and grow. Stress testing and resilience planning form a cornerstone of our approach to risk management, particularly in the light of continued economic volatility.

Effective financial and legal due diligence forms a key element of growth and acquisition decisions. Our Group Board oversees our risk management approach, set out in our risk management framework. Once a year, the Group Board takes a close look at the sector risk profile and reviews our risk appetite statement, to make sure that this remains current and fit-for-purpose. Our Group Board also receives regular updates on key risk areas,

including health and safety, financial resilience, regulatory changes and specific risks that might affect the continuity of the business. Risk is an integrated strand of our corporate and resource planning processes. Our Group Audit and Risk Committee is responsible for ensuring that all of our risks are well managed, that there are risk registers in place to monitor principal risks and operational risks and that there is a regular and

Operating and financial review (continued)...

effective system of assurance. Our assurance framework includes our externally provided internal audit programme, but also links with our customer scrutiny programme and other pieces of specially commissioned assurance work that may be carried out from time to time. Group Audit and Risk Committee is responsible for informing quarterly risk management updates to Group Board.

All of our committees are involved in the scrutiny of our risks, with each committee taking responsibility for a selection of risks from the strategic risk register. This

then forms part of our reporting to Group Audit and Risk Committee.

Our risk management approach

We have adopted a risk management approach that ensures that risks are identified in a consistent way and, once accepted, are evaluated, controlled, monitored and managed. Risks can be identified in a number of ways, which includes strategic planning events, horizon scanning and sector monitoring, and through our own internal management processes.

Assurance

We follow the three lines approach to assurance, which ensures separation of risk and control ownership (first line), oversight, support and challenge (second line), and audit assurance (third line).

Operational teams use the risk management frameworks to help them manage risks in line with our defined risk appetite and through operational risk registers. Assurance is provided by the first line through its managerial and supervisory activities.

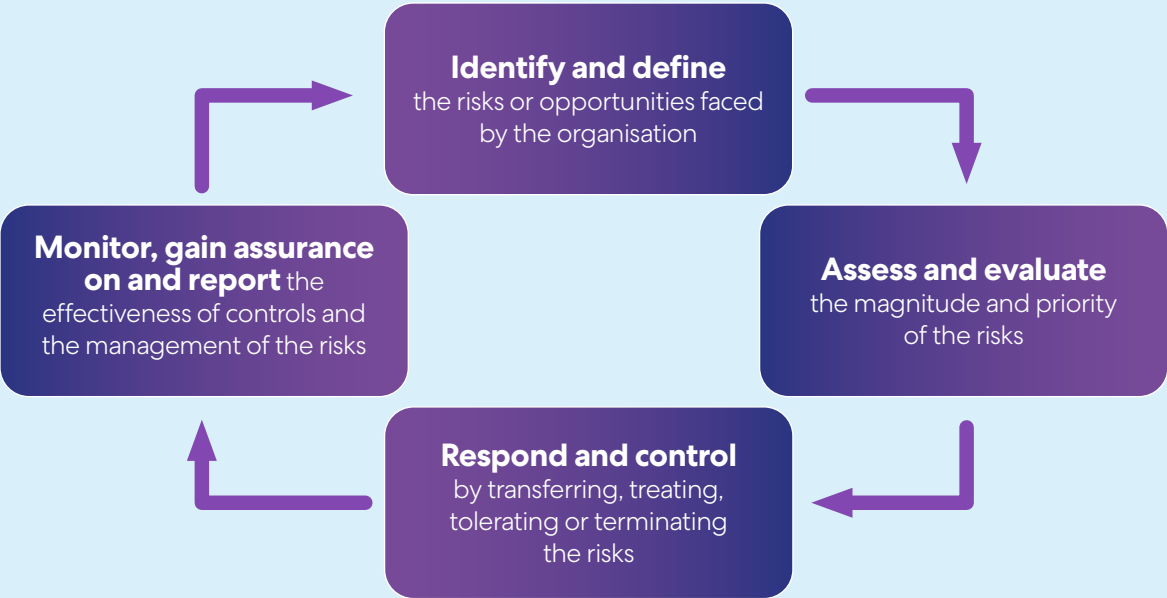
Our second line functions set the frameworks for managing risk, overseeing compliance, and provide guidance and challenge to the first line. A governance and risk business partnering model supports operational teams in managing risks and internal audit responses. This is further supported by risk and compliance deep dives and reporting, which gives assurance that risks are being managed in line with our risk appetite.

Internal audit provides independent, objective assurance

to management and the board over the effectiveness of the first and second lines, and is independent of our executive management function. An agreed programme of reviews highlights areas where risks are not being managed within our appetite or where we may need to recalibrate our appetite in the context of internal and external changes.

Additional assurance is provided from external sources, such as external audit, technical specialists, and regulatory checks. We now

consider customer scrutiny reviews as part of our assurance process – customers carry out detailed pieces of work, which have included reviews of building safety, allocations and lettings processes and damp and mould processes.



Risk appetite

Our Group Board has agreed risk appetite statements for each of our key risk themes. These describe the type and amount

of risk that we are prepared to accept or take as we deliver our strategy and plans, and run day-to-day operations. Overall, our approach is balanced, ensuring that we carefully evaluate risks

and opportunities, and that this evaluation guides our decisions accordingly. Our risk appetite is clearly stated in each of our board and committee reports.



Our principal risks

In addition to the principal risks set out below, we monitor operational

and escalating risks and report these through the governance structures. Group Audit and Risk Committee receives reports on

risks that are on the 'watch' list and receive updates on sector risks from the internal auditor.

Risk	Response
Health and safety risks	
Failure to meet compliance thresholds and to take an approach that maintains the health and safety of residents, colleagues and partners.	<ul style="list-style-type: none">• We carry out regular health and safety risk assessments and undertake an annual review of our health and safety policies.• Our corporate Health and Safety Group continues to meet regularly.• We employ health and safety specialists to provide advice and guidance, and we have an ongoing, robust training plan.• There is specialist building and customer safety capacity within our structure.• Health and safety performance measures are monitored at executive and committee level. Updates are received at each Group Board meeting.
Cyber security risks	
Failure to maintain our cyber resilience and to secure and manage data in accordance with relevant regulations, particularly in light of data protection legislation .	<ul style="list-style-type: none">• We have implemented a 24/7 Security Operations Centre Service.• We carry out regular security maintenance of our systems and have a 'patch' management policy to implement security updates in a timely manner.• We have an ICT Disaster Recovery Plan, actively manage our recovery systems, and have tested our disaster recovery capability for key systems.• We have achieved the Cyber Essentials Plus accreditation, and we have regular internal audits on cyber resilience.• Regular cyber security and data protection training is mandatory for all colleagues.• We have robust data protection policies and procedures in place, and have a key focus on data quality and information management.

Operating and financial review (continued)...

Our principal risks (continued)

Risk	Response
Asset management risks	
Failure to ensure our homes are safe, comfortable places to live for a broad range of customers, across a range of tenures, and to manage assets effectively to ensure they are sustainable , meet decarbonisation requirements and offer value for money .	<ul style="list-style-type: none">• We have an Asset Management Strategic Plan in place, based on robust stock condition data, which is regularly monitored by the Group Development Committee.• A five-year rolling cyclical stock condition programme is in place, with third party validation of stock condition survey data.• Controls are in place to ensure compliance with all legal and regulatory requirements, including the Decent Homes Standard, the Housing Health and Safety Rating System, decarbonisation targets and building safety requirements.
Financial resilience risks	
Failure to adhere to financial golden rules or to comply with loan agreements, within the context of current budget and economic conditions. Failure to maintain the resilience of our income streams , and risk that existing pension schemes may become unaffordable. Failure to use resources economically, efficiently and effectively in the best interests of our stakeholders.	<ul style="list-style-type: none">• We have a financial resilience framework and carry out regular stress testing sessions on the financial plan with the Group Board.• We have early warning indicators for financial golden rules compliance.• We regularly monitor changes in our environment (such as higher than expected inflation) that might impact our golden rules and we carefully evaluate our investment decisions.• We continually monitor arrears and have an active management process. We work with our customers to help them access support and benefits. Our community-based teams actively support customers to seek and find employment opportunities.• We continually monitor our pensions position and options.• We have implemented Value for Money and Procurement Strategic Plans, with metrics to monitor progress, which are reported to board level.• The Group Board in its strategic planning makes trade-off decisions to prioritise use of available financial resources, prioritising the needs of our customers, and statutory and regulatory compliance.

Risk	Response
Development risks	
Failure to meet the housing needs of a broad range of customers, across a range of tenures.	<ul style="list-style-type: none">• Development is overseen by our Group Development Committee, and we have established governance, approval and risk management arrangements in place for all development projects.• We have controls in place to mitigate programme, funding and market risks. Controls include a governance framework, access to sufficient funding and commercial skills at executive and board level.• Contractor financial health is monitored, and any warning signals are identified through established contractor relationship management.• We are a Strategic Partner of Homes England.
Legal and regulatory compliance risks	
Failure to comply with all statutory compliance and the Regulator of Social Housing's Regulatory Framework .	<ul style="list-style-type: none">• We have a process of governance and compliance for the Regulatory Standards, supported by external advice where necessary.• An overview of statutory and regulatory requirements is maintained, with responsible colleagues identified. Regular horizon scanning and monitoring of emerging legislation and regulation is undertaken.• Internal assurance processes, supported by internal audit, provide the Group Board with assurance, and the Group Board also receives an annual report on compliance with the regulatory standards.
Customer reputation risks	
Failure to provide consistently high levels of service delivery or deal with complaints, compliments or suggestions effectively, leading to damage to our reputation with our customers.	<ul style="list-style-type: none">• Customer experience is scrutinised by our Group Customer Committee, supported by the Karbon Residents' Committee, and regular scrutiny reviews undertaken by customers.• We survey our customers on the Tenant Satisfaction Measures, and regularly monitor and report on the results.• We have a Complaints, Compliments and Suggestions Policy and Procedure in place, supported by specialist customer experience colleagues.• We learn lessons and implement changes from findings from complaints, compliments and suggestions, TSMs and involved customers' feedback.

Our principal risks (continued)

Risk	Response
Counterparty risks	
Failure to effectively manage contractors and supply chains , particularly in relation to our development programme and management of our assets.	<ul style="list-style-type: none">• We regularly monitor our exposure to contractors and aim to spread risk across a range of different contractors.• We have regular partnership review meetings with contractors and monitor our programme completions carefully for quality and cost.• We have a due diligence process in place for engagement of contractors on large schemes and have been reviewing our procurement processes.• We have business continuity arrangements in place to mitigate impacts.
People risks	
Risk that we are unable to recruit, retain and develop Karbon Group colleagues to ensure delivery of strategic objectives	<ul style="list-style-type: none">• We have a People Strategic Plan in place, which is monitored and regularly reported on to the Group Remuneration, Nominations and People Committee.• We regularly benchmark our salaries to ensure that we have a competitive remuneration strategy.• We have a Colleague Engagement Plan and carry out regular surveys using the Hive platform.• We have a Learning and Development Plan in place and an online learning platform, which can be accessed by all colleagues.• We have a colleague forum and engage with our trade union representatives through the Joint Consultative Committee.
Diversification and innovation risks	
Failure to manage business growth and development effectively, whilst protecting assets .	<ul style="list-style-type: none">• We have a clearly defined strategic approach and criteria for appraising new opportunities and innovation, and have skills and processes in place to ensure the effectiveness of business cases.• There is strong Group Board involvement in the process, and a robust legal and financial process of due diligence.
The Group Board and Committee structure also oversees governance and control risks, technology risks, reputational risks, environmental sustainability risks and community sustainability risks.	

Statement of compliance

In preparing this Operating and Financial Review, the board has followed the principles set out in Part 3 of the Statement of Recommended Practice 2018.

The board is pleased to present its report together with the audited financial statements of Karbon Homes Limited (the association) and Karbon Group for the year ended 31 March 2025.

Report of the board

Board members, executive directors, advisors and bankers

Board	
Chair	Alexis Cleveland (appointed 1 July 2025) David Bell (resigned 30 June 2025)
Vice Chair	Vacant
Other Members	Paul Fiddaman Michael Mullaney Sarah Salter Hanif Malik Amanda Swann Gillian Moy Neil Revely Fiona Creighton David Murtagh (appointed 1 April 2025) Rachel Turnbull (appointed 1 June 2025) Raman Sanghera (appointed 1 July 2025) Stephen Spill (resigned 31 March 2025) Stephen Secker (resigned 31 May 2025)
Executive Directors	
Group Chief Executive	Paul Fiddaman
Executive Director of Resources	Scott Martin
Executive Director of Growth and Business Development	Charlotte Carpenter (resigned 28 February 2025)
Executive Director of Development and Asset Management	Sarah Robson (appointed 1 January 2025)
Executive Director of Customer Services	Ian Johnson
Managing Director 54North Homes	Mark Pearson
Registered office	Number Five, Gosforth Park Avenue, Gosforth Business Park, Newcastle upon Tyne, NE12 8EG
Registered number	A Registered Society under Co-operative and Community Benefits Societies Act 2014; No: 7529 Registered with the Regulator of Social Housing; No. 4846
Auditors	Beever and Struthers One Express, 1 George Leigh Street, Manchester, M4 5DL
Solicitors	Womble Bond Dickinson (UK) LLP The Spark, Draymans Way, Newcastle Helix, Newcastle upon Tyne, NE4 5DE
Principal bankers	NatWest (Part of Royal Bank of Scotland Group) 2nd Floor, 1 Trinity Gardens, Broadchare, Newcastle upon Tyne, NE1 2HF

Report of the board (continued)...

Principal activity

Details of the group's principal activities, its performance during the year and factors likely to affect its future developments, are contained within the Operating and Financial Review, which precedes this report.

The board of Karbon Homes Limited

The present board members and executive directors in place during the financial year are set out on page 27. They served throughout the year unless where indicated.

During the year payments made to board members were £200.9k (2024: £190.1k), which were 0.10% (2024: 0.10%) of the annual turnover. The payment of Group Chair and group board members is calculated by taking into account the size of the group and independent benchmarking, last undertaken in 2022. The board carries out an annual appraisal of its performance and an annual appraisal of individual board members. The last appraisal took place between November 2024 and February 2025, which included an appraisal of the Chair, carried out by the Vice Chair following feedback from the other board members.

Executive directors

Whilst the group board is responsible for the group's overall policy and strategy, management is delegated to the Group Chief Executive. The executive directors are the senior management team and act as executives within the authority delegated by the board. They meet formally under the chairmanship of the Group Chief Executive, to consider all major management issues.

This meeting is a key decision-making forum for the management of the group, reviewing all proposed policy changes and performance. The executive directors hold no interest in the share capital of any member of the Karbon Group. The executive directors are employed on service contracts with the same terms as other staff, except for their notice periods which are six months. The executive directors are members of the Social Housing Pension Scheme. They participate in the scheme on the same terms as all other eligible staff and the group contributes to the scheme on behalf of its employees. The executive directors are entitled to other benefits such as the provision of a cash equivalent car allowance and health care insurance. Details of their remuneration are included in note 10 to the audited financial statements.

Corporate governance

The Group Board is committed to integrity and accountability in the stewardship of the group's affairs. During the year, the Karbon Group has complied with the NHF's Code of Governance 2020 which it adopted because it is tailored to the housing sector and it is a widely recognised example of best practice. The Group Board received self-assessments against the code in July 2025 demonstrating full compliance.

The group regularly reviews its governance arrangements including its committee and subsidiary structures. It also undertakes an annual review of governance, including roles, responsibilities and accountabilities of the Group Board, Chair and Group Chief Executive, and is satisfied that its arrangements are clear and effective.

Assurance was provided to the Group Board, and to the boards of the group's registered provider subsidiaries in July 2025, that the group continues to meet the Regulatory Standards. The Regulator confirmed our rating of G1/V1 following Karbon's second, in-depth assessment in June 2022, and this was also re-confirmed in December 2024 following the annual stability check. We maintain the highest rating of financial viability and

governance. We have not yet received an inspection on compliance with the Consumer Standards.

Karbon has adopted and complied with the NHF Code on Mergers, Group Structures and Partnerships (2015). Following a full legal and financial due diligence exercise, Leazes Homes Limited joined the group as a subsidiary of Karbon Homes in June 2024.

The Group Audit and Risk Committee has agreed a protocol with the external auditors, which sets out policies for determining what non-audit work can be undertaken by the external auditors and procedures for periodic review and selection of external auditors. The level of fees paid for this work is set out in note 5 to the financial statements.

Corporate role of the board

For the financial year 2024/25 the Group Board comprised 12 board members including the Group Chief Executive. Terms of reference for the Group Board are part of the group's framework of delegations. Board members act in the interest of the Karbon Group and not on behalf of any other interest group.

The Group Board is drawn from a wide range of backgrounds and its members are selected to ensure that they bring relevant experience, skills and understanding to the discussions and decision-making process of the board.

Each subsidiary has a board of directors chosen for their specific area of expertise.

The Group Board met formally six times during the year. These meetings were complemented by regular strategy sessions that considered financial planning and stress testing, the road to net zero, business plan pressures and opportunities, customer conference feedback, consumer regulation, stakeholder perceptions research, operational business transformation activity, partnership and growth opportunities, and reflection on performance against strategy. The executive directors also attended Group Board meetings.

Reporting to the Group Board were the Group Remuneration, Nominations and People Committee, the Group Audit and Risk Committee, the Group Development Committee, the Group Customer Committee, the Byker Community Trust Committee and the Karbon Treasury Committee.

The summary terms of reference for the committees, and membership of committees throughout the year, is shown below. Membership of group committees is drawn from group, 54North Homes and Leazes Homes board membership, along with customer and independent committee members.

Board member profiles are available on the Karbon Homes website at www.karbonhomes.co.uk within the about us, who we are, our board section.

Report of
the board
(continued)...

Corporate role of the board (continued)

Group Remuneration, Nominations and People Committee	Group Audit and Risk Committee	Group Development Committee	Group Customer Committee	Byker Community Trust Committee	Treasury Committee	54N Customer Experience Committee
Sarah Salter (C)	Stephen Spill (C) (to March 2025)	Michael Mullaney (C)	Hanif Malik (C)	Neil Revely (C)	Michael Mullaney (C)	Juanita Crawford (C)(54NH)**
Sir David Bell KCB DL (to June 2025)	David Murtagh (C) (from April 2025)	Neil Revely	Sarah Salter	Lisa French**	Alexis Cleveland	Kevin Newton **
Alexis Cleveland	Alexis Cleveland	Amanda Swann	Alexis Cleveland	Caroline Prince (ICM)	Stephen Secker	Linda Janicwicz **
Stephen Spill (to March 2025)	Gillian Moy	Fiona Creighton	Gillian Moy	Nicola Snowdon**	Stephen Spill (to March 2025)	Carla Makepeace **
Jeremy Earnshaw (54NH)	Stephen Secker	Carol McTaggart (54NH/ICM) (to September 2024)	Juanita Crawford (54NH)**	Stephen Sheraton (ICM)**		Jennifer Gilliard ** (from February 2025)
David Hern (Leazes from September 2024)	Michael Mullaney	Brian Ham (ICM)	Michael Lisle (ICM)**	Neil Cawson (ICM) (to November 2024)		Magnus Gwatidzo ** (from February 2025)
	Matt Edgar (54NH)	Damon Kent (ICM)	Ann Potts (ICM)**	Simon Aldred (ICM)		Michael Brown ** (to April 2024)
	Ged Walsh (Leazes) (from September 2024)	David Richmond (54N from May 2024)		Md Mominul Hamid ** (from February 2025)		
		Daniel Gibson (Leazes) (from September 2024)		Silvie Fisch (ICM) (from February 2025)		
				Veronica Dunn (NCC) (to May 2024)		
				Claire Sowerby (NCC)		
				Hayder Qureshi (NCC) (from September 2024)		
				Ian Johnson*		

C – chair; 54NH – 54North Homes Limited; ICM – Independent Committee Member; NCC – Newcastle City Council

*Executive Director; **customer/resident committee member

Board member profiles are available on the Karbon Homes website at www.karbonhomes.co.uk within the About Us, Who we are, Our Board section.

Group Remuneration, Nominations and People Committee

This is a non-executive committee. It has the responsibility for overseeing the Group’s remuneration and people policies and recommends the annual colleague pay award to the Group Board. It ensures the group has a transparent approach to the appointment of board members and advises the board on the remuneration and terms and conditions of the Group Chief Executive and other executive directors after taking external advice. It also scrutinises the implementation of the group’s People Strategic Plan, including the embedding of the group’s culture, values and behaviours, employee health and safety, and employee inclusion and belonging. The executive directors are not present at the meeting when their salaries are determined. The committee met five times during the year.

Group Audit and Risk Committee

The Group Audit and Risk Committee is a non-executive committee, ensuring appointment of independent internal and external auditors, addressing internal and external audit issues, scrutinising areas of risk and assurance and advising the board on risk management policies and processes. It also considers

the financial statements and recommends their approval by board. The committee met eight times during the year.

Group Development Committee

The Group Development Committee is a non-executive committee that advises the group board on the group’s development and asset management strategies, ensuring that the group’s approach to capital investment is co-ordinated, challenging and dynamic. It also considers, approves and oversees the group’s development programme in accordance with the framework set out by the Group Board. The committee met five times during the year.

Group Customer Committee

The Group Customer Committee is a non-executive committee and is responsible for overseeing customer experience and customer engagement. The committee has a responsibility to ensure that customers have their voice heard, that the needs and safety of customers are at the heart of the board’s decision making and that the group’s performance is monitored. The committee has two members who are Karbon customers. From March 2024 it also has a 54North Homes board representative who is also a 54North Homes

customer. The committee met four times during the year.

Informal board members meeting

The informal board members meeting comprises the Group Chair, the Chair of 54North Homes Board, the Chair of Leazes Homes Board and the chairs of the committees outlined above. The informal board assists with the effective communication and co-ordination of the group’s various committees. All non-executive directors of the Karbon Group Board may choose to attend the meetings of this committee. The committee met four times during the year.

Byker Community Trust Committee

The Byker Community Trust (BCT) Committee includes Karbon non-executive and executive members, as well as independent members, customers and residents from the Byker Estate and representatives from Newcastle City Council. It has the responsibility of overseeing the delivery of the Community Pledge and Business Case agreed between Karbon and Byker and monitoring the level and quality of services provided to the residents of the Byker Estate, the investment programme and community initiatives. The committee met four times during the year with an additional strategy session.

Treasury Committee

The Karbon Treasury Committee was formed in January 2025, replacing a previous Treasury Task and Finish Group. The committee has responsibility for designing the Group Treasury Strategy, the consideration and execution of financing options for Karbon Homes and recommending proposals to the Group Board. The committee met once during the year.

54N Customer Experience Committee

The Customer Experience Committee is a committee of the 54North Homes Board and is made up of 54NH customers and 54NH board members. The committee holds 54NH to account on customer-related matters and provides feedback and insight to the 54NH Board to ensure that services are developed in partnership with customers. The committee met four times during the year.

Internal controls assurance

The Group Board is the ultimate governing body and is responsible for establishing and maintaining the whole system of internal control and for reviewing its effectiveness across the group. The Group Board is supported by the Group Audit and Risk Committee in this work.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating, and managing the significant risks faced by the group is continuous and has been in place throughout the period commencing 1 April 2024 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- Group board approved terms of reference and delegated authorities for the Group Audit and Risk Committee
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks, within a well-defined risk management framework
- Robust strategic, financial planning, stress testing and resilience planning processes, with detailed financial budgets and forecasts
- Formal recruitment, retention, training and development policies for all colleagues
- Established authorisation and appraisal procedures for all significant new initiatives and commitments, with a tried and tested due diligence process

- A sophisticated approach to treasury management
- Regular reporting on covenant compliance, financial golden rules and compliance with regulatory requirements associated with listed status
- Regular reporting to the board or committees on key business objectives, targets and outcomes
- Reporting to board on significant incidents that may affect the continuity of the business and an annual update on business continuity and incident management to the Group Audit and Risk Committee
- Board-approved whistleblowing (speak out), anti-money-laundering and anti-theft, corruption, bribery and fraud policies
- Reporting of company registers to the Group Audit and Risk Committee, with regular reporting of specific items of note within the registers
- Standing reports to the Group Audit and Risk Committee on the progress of action plans developed to remedy any weaknesses and to implement recommendations from both the internal and external auditors

- Fraud register reviewed quarterly at the Group Audit and Risk Committee meeting and new entries reported separately
- Annual self-assessments against the Regulatory Standards and Code of Governance, reported to Group Board

The Regulator of Social Housing requires incidents of fraud and loss to be reported on an annual basis, by September of each year for the previous financial year. There were no instances of fraud or theft recorded for the group in the 2024/25 financial year.

The Group Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Group Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Group Board receives regular reports from the Group Audit and Risk Committee together with minutes of the Group Audit and Risk Committee meetings.

The Group Audit and Risk Committee has received the Group Chief Executive's annual review of the effectiveness of the system of internal control for the association and its subsidiaries, the annual report of the internal auditors. It has reported its findings to the Group Board.

Statement of the responsibilities of the board for the report and financial statements

The Group Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 requires the board to prepare financial statements for each financial year. Under the legislation, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Co-operative and Community Benefit Societies Act 2014 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the group for that period.

In preparing those financial statements the board is required to:

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

- State whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice 2018, have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis, unless it is appropriate to presume that the group will not continue in business.

The board is responsible for keeping and maintaining proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the group and association and enable it to ensure that the financial statements comply with 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. It is also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Post balance sheet events

When approving the financial statements, the board is required to make an assessment of the group's ability to continue as a going concern. In doing this the board is required to consider all available information about the future, which is at least but not limited to, 12 months from the date when the financial statements are approved and signed.

During their annual assessment of Karbon Homes' credit rating, Standard & Poors affirmed our 'A' rating with a revision from a positive to stable outlook. Their feedback noted "While the group contends with pressure from higher repairs, management will contain costs to support gradual recovery of adjusted EBITDA margins". 'The Board' is pleased to retain the A credit rating during a difficult operating environment for housing associations.

On 1st July 2025, Prince Bishops Homes Limited (PBH) sold its housing units for £31.32m to the parent, Karbon Homes Limited. In anticipation of the sale, the Charity Bank loan was repaid on 20th June 2025. PBH intends to use the sales receipt to repay the loan to Karbon Homes and settle other obligations.

Graphite Living Limited was incorporated on 15th May 2025. This company is intended to be a for profit registered provider

and is awaiting registration with the Regulator of Social Housing. During April 2025, Karbon Homes Limited completed on £189m of additional funding increasing available funds to £343m. Debt is secured by specific charges on housing land and buildings.

Going concern

After making enquiries, the Karbon Homes Group Board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Future developments

A key influence on the timing of borrowings is the rate at which development activity takes place. The Karbon Board has approved plans to spend £134.1m during the next financial year developing and acquiring additional homes and £101.2m will be spent on planned and responsive maintenance. £108.5m of this investment will be funded through new borrowings, £19.6m through social housing and other grant, and the balance from existing cash and operational cash flows.

The group's entities have bilateral or ring-fenced loan facilities in place with their respective funders. As at 31 March 2025 the group had total loan facilities of £733.9m, of which £154.0m remained undrawn, and a cash balance including liquid investments of £17.0m.

The group has sufficient funds to meet its requirements for the next 12 months from the date of this report.

External auditors

Beever and Struthers are willing to remain in office and a resolution to re-appoint them as auditors to the group was approved by the board on 23 July 2025. During the forthcoming year a procurement exercise will be undertaken (due to the length of the current contract).

Approval

The Report of the Board was approved by the board on 23 July 2025 and signed on its behalf by:



R Hall
Company Secretary

Independent Auditor's report to the members of Karbon Homes Limited

Opinion

We have audited the financial statements of Karbon Homes Limited (the association) and its subsidiaries (the group) for the year ended 31 March 2025 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the Consolidated and Association Statement of Changes in Reserves, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 income and expenditure and the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Cooperative 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.

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 are independent of the group and 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Group Audit and Risk Committee.

Independent Auditor's report to the members of Karbon Homes Limited (continued)...

Independence

We were first appointed as auditor of Karbon Homes Limited by the board for the period ending 31 March 2015. The period of total uninterrupted engagement for the group is for eleven financial years ending 31 March 2025. We have fulfilled our ethical responsibilities under, and we remain independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

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's and parent association's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the assumptions used in the budget for the financial year 2025-26.
- Reviewing the long-term business plan and assessed the reasonableness of the assumptions used within it,

along with reviewing the results of the various stress testing scenarios on loan covenants, and the reasonableness of mitigating actions identified by the Group.

- Considered the facilities and loans in place against capital commitments and expected loan repayment dates.
- Reviewed the disclosures around going concern within the financial statements.

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 association's or group'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.

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) 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. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address these matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Investment Properties – Karbon Homes Limited and Prince Bishops Homes Limited

The risk – significant risk medium value

At 31 March 2025, the group held £50.8m of investment properties (2024: £50.5m). Refer to pages 51 and 55 (accounting policies) and page 92 (financial disclosures).

Investment properties are required to be stated at fair value at each reporting date. The group instructs independent valuers to assist in this exercise, which involves a degree of judgement and estimation. The group instructs different valuers to review the Karbon Homes Limited and Prince Bishops Homes Limited's investment property portfolios. Therefore, we have determined that this area has a high degree of estimation uncertainty.

Our response

Our procedures included the following:

- **Instructions:** We reviewed the instructions provided by the Group to the respective valuers.
- **Assessing the credentials of the investment property valuers:** We reviewed the credentials of the respective valuers to assess that they are sufficiently experienced and qualified to undertake the valuation.
- **Categorisation:** We confirmed the properties were categorised correctly as Investment Properties.
- **Methodology:** We reviewed a paper from management explaining their choice of valuer, their specific instructions to each valuer, their assessment of the different valuation methodologies applied by the valuers to the respective investment property portfolios and the key assumptions applied, and why appropriate.
- **Methodology:** We liaised directly with valuers to better understand their methodology and key assumptions.

- **Controls:** We documented our assessment and testing of management controls where the valuation is considered a significant risk.
- **Confirmation of value:** We agreed the year end valuations to reports from independent valuers, which included an assessment of key assumptions used in the valuations. We considered and challenged the overall movement from the prior year versus the movement in available market indices, to assess reasonableness, along with direct comparison of recent sales, where appropriate.
- **Confirmation of reporting:** We agreed the relevant accounting entries and reviewed the disclosures and the notes to the accounts to ensure they comply with Section 16 of FRS 102.

Our results

We noted no material exceptions through performing these procedures.

Independent Auditor’s report to the members of Karbon Homes Limited (continued)...

Our Application of Materiality and an overview of the scope of the audit

The materiality applied to the group for the year ending 31 March 2025 is based on 1.5% of turnover, being £3.3m (2024: 1.5% of turnover, being £2.9m).

We consider turnover to be the most appropriate benchmark, and more appropriate than a profit-based benchmark, as Karbon Homes Limited is a not-for-profit organisation that reinvests any surpluses generated from its activities within the group and does not make any distributions of profit to external parties.

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. We used 75% as the performance materiality threshold, being £2.5m (2024: £2.15m) for the group.

We agreed to report to the Group Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £164k (2024: £144k) for the group, in addition to other identified misstatements that warranted reporting on qualitative grounds.

We set materiality for each component of the group based on a percentage of turnover or of net assets, dependent on our assessment of the risk of material misstatement of that component.

Materiality for the parent association financial statements was set at £3m (2024: £2.5m), determined with reference to the benchmark of Association Turnover (of which it represents 1.5%) and we ensured it was at a level to ensure that the risk of errors exceeding group materiality was appropriately mitigated. Parent association performance materiality was set at 75%, being £2.2m (2024: £1.9m).

Of the group’s reporting components, we subjected all to full scope audits for group purposes, except for Agnes Marsden Trust, Emily Bentley Homes and Marsden Memorial Homes to which we provide Independent Examination Reports (and are not consolidated into group financial statements on the grounds of immateriality). The work on all components, including the audit of the parent association, was performed by the Group Audit Team.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The board is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

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

Responsibilities of the board

As explained more fully in the Statement of the Responsibilities of the Board for the Report and Financial Statements set out on page 33, 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 determines 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 is responsible for assessing the group’s 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 intends 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Independent Auditor's report to the members of Karbon Homes Limited (continued)...

Extent to which the audit was considered 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:

- We obtained an understanding of laws and regulations that affect the group and association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act

2008, the Accounting Direction for Private Registered Providers of Social Housing 2022 and health and safety legislation.

- We enquired of the board and reviewed correspondence and board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the association's activities.

- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example,

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

Use of our report

This report is made solely to the association's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association'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 association's members as a body for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Beever and Struthers
Statutory Auditor
One Express
1 George Leigh Street
Manchester
M4 5DL
Date: 1 August 2025

Financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2025

	Note	2025 £ '000	2024 £ '000
Turnover	3	219,027	191,404
Cost of sales	3	(15,165)	(11,235)
Operating expenditure	3	(150,829)	(136,488)
Negative goodwill	3/30	2,152	4,529
Surplus on sale of housing properties	6	2,500	2,444
Operating surplus	5	57,685	50,654
Deficit on sale of property, plant and equipment – other fixed assets		(301)	(289)
Interest receivable and other income	7	1,656	2,309
Interest payable and similar charges	8	(23,566)	(20,629)
Other finance costs	9	(394)	(112)
Unrealised gain on revaluation of investment properties	14	695	565
Surplus before taxation		35,775	32,498
Tax on surplus on ordinary activities	11	(59)	(90)
Surplus for the financial year	31	35,716	32,408
Actuarial loss in respect of pension schemes	9	(934)	(5,176)
Movement in fair value of cash flow hedged financial instruments	27	(129)	-
Total comprehensive income for the year		34,653	27,232

The consolidated results relate to continuing and acquired activities.
The notes on pages 50 to 111 form part of these financial statements.
The financial statements were authorised for issue and approved by the Karbon Homes Board on 23 July 2025 and signed on its behalf by:


Alexis Cleveland
Chair


David Murtagh
Board member


Russell Hall
Company Secretary

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2025

	Note	2025 £ '000	2024 £ '000
Turnover	3	196,558	177,821
Cost of sales	3	(16,078)	(14,495)
Operating expenditure	3	(135,486)	(124,612)
Negative goodwill	3/30	-	4,529
Surplus on sale of housing properties	6	2,203	1,758
Operating surplus	5	47,197	45,001
Deficit on sale of property, plant and equipment – other fixed assets		(18)	(17)
Interest receivable and other income	7	3,275	3,361
Interest payable and similar charges	8	(18,970)	(18,055)
Other finance costs	9	(294)	(14)
Unrealised gain on revaluation of investment properties	14	21	12
Surplus before taxation		31,211	30,288
Tax on surplus on ordinary activities	11	-	-
Surplus for the financial year	31	31,211	30,288
Actuarial loss in respect of pension schemes	9	(1,084)	(4,754)
Total comprehensive income for the year		30,127	25,534

The association's results relate to continuing activities.
The notes on pages 50 to 111 form part of these financial statements.
The financial statements were authorised for issue and approved by the Karbon Homes Board on 23 July 2025 and signed on its behalf by:


Alexis Cleveland
Chair


David Murtagh
Board member


Russell Hall
Company Secretary

Financial statements (continued)...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2025

	Note	2025 £ '000	2024 Restated £ '000
Fixed assets			
Tangible fixed assets			
Housing properties at cost less depreciation	12	1,514,633	1,316,214
Other tangible fixed assets	13	15,472	11,830
Investment properties	14	50,845	50,462
HomeBuy loans receivable	15	172	156
Fixed asset investment	16	-	10
Investment in joint venture	17	-	-
		1,581,122	1,378,672
Current assets			
Properties for sale	19	9,231	8,283
Consumable stock		1,296	1,252
Debtors due within one year	20	17,136	30,812
Debtors due after one year	21	7,714	1,803
Investments	22	1,594	7,098
Cash and cash equivalents		15,447	45,872
		52,418	95,120
Creditors: Amounts falling due within one year	23	(87,961)	(60,484)
Net current (liabilities)/assets		(35,543)	34,636
Total assets less current liabilities		1,545,579	1,413,308
Creditors: Amounts falling due after more than one year	24	(660,118)	(618,418)
Deferred grants	26	(373,845)	(314,881)
Provision for liabilities and charges	28	(1,227)	(1,040)
Pension liability	9	(6,399)	(9,632)
		(1,041,589)	(943,971)
Total net assets		503,990	469,337
Capital and reserves			
Non-equity share capital	29	-	-
Restricted reserve	31	450	450
Revenue reserve	31	503,669	468,887
Cash flow hedge reserve	27	(129)	-
Consolidated funds	31	503,990	469,337

The notes on pages 50 to 111 form part of these financial statements.
The financial statements were authorised for issue and approved by the Karbon Homes Board on 23 July 2025 and signed on its behalf by:


Alexis Cleveland
Chair


David Murtagh
Board memeber


Russell Hall
Company Secretary

ASSOCIATION STATEMENT OF FINANCIAL POSITION

At 31 March 2025

	Note	2025 £ '000	2024 Restated £ '000
Fixed assets			
Tangible fixed assets			
Housing properties at cost less depreciation	12	1,265,203	1,144,347
Other tangible fixed assets	13	12,208	9,493
Investment properties	14	17,877	17,892
HomeBuy loans receivable	15	172	156
Investment in joint venture	17	-	-
		1,295,460	1,171,888
Current assets			
Properties for sale	19	7,563	7,778
Consumable stock		1,295	1,252
Debtors due within one year	20	16,515	32,700
Debtors due after one year	21	48,289	28,248
Investments	22	995	6,478
Cash and cash equivalents		7,945	40,858
		82,602	117,314
Creditors: Amounts falling due within one year	23	(76,557)	(49,891)
Net current assets		6,045	67,423
Total assets less current liabilities		1,301,505	1,239,311
Creditors: Amounts falling due after more than one year	24	(574,344)	(563,950)
Deferred grants	26	(314,563)	(290,217)
Provision for liabilities and charges	28	(896)	(872)
Pension liability	9	(4,915)	(7,612)
		(894,718)	(862,651)
Total net assets		406,787	376,660
Capital and reserves			
Non-equity share capital	29	-	-
Restricted reserve	31	450	450
Revenue reserve	31	406,337	376,210
Cash flow hedge reserve		-	-
Consolidated funds	31	406,787	376,660

The notes on pages 50 to 111 form part of these financial statements.
The financial statements were authorised for issue and approved by the Karbon Homes Board on 23 July 2025 and signed on its behalf by:


Alexis Cleveland
Chair


David Murtagh
Board memeber


Russell Hall
Company Secretary

Financial statements (continued)...

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

	Income and expenditure reserve £ '000	Restricted reserve £ '000	Cash flow hedge reserve £ '000	Total £ '000
Balance at 1 April 2023	441,655	450	-	442,105
Surplus for the year	32,408	-	-	32,408
Actuarial loss on pension scheme	(5,176)	-	-	(5,176)
Balance at 31 March 2024	468,887	450	-	469,337
Surplus for the year	35,716	-	-	35,716
Movement in cash flow hedge reserve	-	-	(129)	(129)
Actuarial loss on pension scheme	(934)	-	-	(934)
Balance at 31 March 2025	503,669	450	(129)	503,990

ASSOCIATION STATEMENT OF CHANGES IN RESERVES

	Income and expenditure reserve £ '000	Restricted reserve £ '000	Cash flow hedge reserve £ '000	Total £ '000
Balance at 1 April 2023	350,676	450	-	351,126
Surplus for the year	30,288	-	-	30,288
Movement in cash flow hedge	-	-	-	-
Actuarial loss on pension scheme	(4,754)	-	-	(4,754)
Balance at 31 March 2024	376,210	450	-	376,660
Surplus for the year	31,211	-	-	31,211
Actuarial loss on pension scheme	(1,084)	-	-	(1,084)
Balance at 31 March 2025	406,337	450	-	406,787

The notes on pages 50 to 111 form part of these financial statements.

The notes on pages 50 to 111 form part of these financial statements.

Financial statements (continued)...

CONSOLIDATED STATEMENT OF CASH FLOWS

	2025 £ '000	2024 £ '000
Net cash generated from operating activities (See Note 34)	<u>82,458</u>	<u>58,029</u>
Cash flow from investing activities		
Purchase and construction of housing properties	(129,255)	(111,983)
Works to existing properties capitalised	(44,852)	(29,437)
Purchase of other fixed assets	(7,858)	(1,580)
Sale of housing properties	6,076	4,480
Payments to local authorities re sale of properties	(97)	(284)
Sale of other fixed assets	18	12
Social housing grant received	50,518	84,339
Investment in joint venture	(5,911)	(1,803)
Interest received	<u>1,822</u>	<u>2,297</u>
	<u>(129,539)</u>	<u>(53,959)</u>
Cash flow from financing activities		
Interest paid	(26,187)	(21,823)
New secured loans	49,650	4,000
Repayment of HomeBuy loan	(16)	28
Repayment of borrowings	(13,641)	(5,064)
Payment of breakage costs	(179)	-
Acquisition - cash and investments	1,525	882
Money market and investment movements	<u>5,504</u>	<u>10,019</u>
	<u>16,656</u>	<u>(11,958)</u>
Net change in cash and cash equivalents	(30,425)	(7,888)
Cash and cash equivalents at beginning of the year	45,872	53,760
Cash and cash equivalents at end of the year	<u>15,447</u>	<u>45,872</u>

The notes on pages 50 to 111 form part of these financial statements.



Notes to the financial statements

1. Legal status

The association is a Registered Society in England under the Co-operative and Community Benefit Societies Act 2014 and is registered as a housing provider with the Regulator for Social Housing (RSH). The registered office is Number Five, Gosforth Park Avenue, Gosforth Business Park, Newcastle upon Tyne, NE12 8EG.

2. Accounting policies

Basis of accounting

The financial statements of the group and association are prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Regulations) 1969, the Housing and Regeneration Act 2008, the Statement of Recommended Practice 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022. Details of the group structure can be found in note 18.

The accounts are prepared on the historical cost basis of accounting modified to include certain items at fair value and are presented in sterling £000s for the year ended 31 March 2025.

The group's financial statements have been prepared in compliance with FRS 102. The group meets the definition of a Public Benefit Entity.

The financial statements of the group and association include prior year restatements for:

- Note 10: aggregate remuneration of key management personnel restated for the omission of some key management personnel.
- Note 20, 21, 24 and 27: restated for the change in disclosure of bond discount and loan breakage costs from debtors and creditors to debt analysis.

Going concern

The group's business activities, its current financial position, and factors likely to affect its future development are set out within the Operating and Financial Review. In 2025 the Group has net current liabilities however this is a timing issue as the group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day-to-day operations. The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with its lenders' covenants.

Basis of consolidation

The group accounts consolidate the accounts of the association and its subsidiaries at 31 March each year.

54North Homes Limited is the Corporate Trustee of three almshouse charities: Emily Bentley Homes (EBH), Marsden Memorial Homes (MMH) and Agnes Marsden Trust (AMT). These three charities own 14 homes in total and exist to provide homes to people in need in their specific localities in West Yorkshire. The three entities are registered charities and EBH and MMH are registered with the RSH. The financial performance of these subsidiary charities is not consolidated into either the financial performance of 54N or Karbon Group on the basis that the impact is not material.

The financial statements of these almshouses can be obtained from the Charity Commissioners for England and Wales.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the Statement of Financial Position and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following

judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

a. Development

expenditure:- The group capitalises development expenditure in accordance with the accounting policy described on page 54. Initial capitalisation of costs is based on management's judgement when a development scheme is confirmed, usually when board approval has taken place. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

b. Categorisation of housing properties:-

The group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the group has considered if the asset is held for social benefit or to earn commercial rentals.

c. Impairment:-

Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge

to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

d. Pensions:-

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 9.

e. Revaluation of investment properties:-

The group carries its investment properties at market values, with changes in market value being recognised in the Statement of Comprehensive Income. The group engages independent valuation specialists to determine market value at the

reporting period date. FRS102 requires a fair value measurement to assume that the transaction to sell the assets would take place either in the principal market for the assets or the most advantageous market but that the market in which an entity would normally transact is resumed to be that market. The assumption of the market for certain properties would therefore be sales to prospective owner-occupiers and these properties are valued by applying a market approach, using prices and other relevant information generated by market transactions involving comparable assets and applying a discount to the vacant possession value to arrive at a fair value with a tenant in situ.

For other properties the assumption is that the market would be such that the portfolio should be valued as a single lot for sale to an investor and these properties have been valued using an income approach reflecting expectations of future performance with a calculation based on net rental income and yield expectations.

Notes to the financial statements (continued)...

2. Accounting policies (continued)

The Group’s judgement is that these approaches to the valuations are justifiable and correct, given the differences in the portfolios, because they reasonably reflect how the market could be expected to price the assets. Further details are given in note 14.

A sensitivity analysis is provided for the group:-

	Change in valuation	Change in value (£’000s)
Investment properties	Increase/decrease of 5%	2,542

Other key sources of estimation and assumption:

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

- b. Amortisation of gap funding:-** Gap funding is amortised over the useful economic life of the components. Gap funding is funding that was provided to Large Scale Voluntary Transfers (LSVT) to enable them to meet the Decent Homes Standard.
- c. Amortisation of social housing and other government grants:-** Social housing and other government grants are amortised over the useful economic life of the structure of the housing properties.

Turnover and revenue recognition

Turnover comprises rental income receivable in the year, amortised capital grant, revenue grants receivable in the year, income from low-cost home ownership first tranche sales, other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with administering authorities. Turnover in respect of construction contracts is recognised in proportion to the physical completion of the underlying construction works.

Sales of properties developed for outright sale are included in turnover and cost of sales.

Service charges

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

Where periodic expenditure is required, a provision may be built up over the years in consultation with the residents. Until these costs are incurred this liability is held in the Statement of Financial Position.

Taxation

The parent company became an exempt charity on 3 April 2017 and, from this date, any surpluses or deficits arising from its charitable activities will be exempt from corporation tax. Any activity relating to non-charitable activity will be subject to corporation tax.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the incremental liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

Deferred tax is not provided for on timing differences arising from:

- a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date; and
- b) gains on the sale of non-monetary assets if the taxable gain will probably be rolled over.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on

tax rates and law enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Value added tax

The group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the group and not recoverable from HM Revenue and Customs. The group has three VAT Shelter Agreements in place; as a result, the VAT incurred on first time works on the social housing properties stock improvement programme is recoverable. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Loan interest costs

Interest payable is charged to the Statement of Comprehensive Income in the year. No interest is capitalised.

Pensions

The group participates in three funded multi-employer defined benefit schemes: the Social Housing Pension Scheme (‘SHPS’), the Tyne and Wear Pension Fund (‘TWPF’) and the Durham County Council Pension Scheme

(‘DCCPF’) and one defined contribution scheme with SHPS for employees of Karbon Homes Limited and 54North Homes Limited.

For the SHPS, TWPF and DCCPF defined benefit schemes, the net scheme liability is recognised in the Statement of Financial Position whereas the net scheme asset is restricted to £nil where the group is unable to either request a refund or reduce employer contributions. The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in the fair value of the assets and liabilities are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the Statement of Comprehensive Income along with any other changes in fair value of assets and liabilities.

Supporting People

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with administering authorities.

Notes to the financial statements

(continued)...

2. Accounting policies

(continued)

Business combinations

A combination in which the controlling parties of the combining entities have come together in a partnership for the mutual sharing of risks and benefits and in which no party to the combination in substance obtained control over any other, or has been otherwise seen to be dominant, is accounted for as a merger.

Acquisitions of other entities in the social housing sector that are in substance a gift are treated as non-reciprocal transfers where the substance of the transaction is gifting control of one entity to another. These are also known as non-exchange transactions. In this case the fair value of the gifted assets and liabilities are recognised as a gain or loss in the Statement of Comprehensive Income in the year of the transaction.

Positive and negative goodwill

On acquisition, the recognised assets and liabilities of the acquired asset or entity will be measured at a fair value that reflects the conditions at the date of the acquisition. Positive or negative goodwill that arises will be treated as a gain or loss to the Statement of Comprehensive Income in the year the transaction occurs.

Consultancy and professional fees directly attributable to the business combination are offset against the gain or loss in the Statement of Comprehensive Income.

Joint ventures and associates

An entity is treated as a joint venture where the group holds an interest and shares control under a contractual arrangement with one or more parties external to the group.

An entity is treated as an associated undertaking where the group has a participating interest and exercises significant influence over its operating and financial policies.

In the group financial statements, joint ventures are accounted for using the equity method. 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 indicates the group's share of the joint venture's turnover, and includes the group's share of the operating results, interest, pre-tax results, and attributable taxation of such undertakings based on audited financial statements. In

the Consolidated Statement of Financial Position, the group's share of the identifiable net assets or liabilities (including any amortised premium paid on acquisition) attributable to its joint venture are shown separately.

Where the equity treatment is not appropriate due to the nature of the members' agreement, we have accorded the shareholding as an investment.

Housing properties

Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation. Cost includes the cost of acquiring land and buildings, development costs and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Such capital expenditure is subsequently subject to the application of the depreciation policy whereby the accumulated cost (less any residual values) of the capital asset is reduced over the useful life of the asset.

All other expenditure incurred in respect of general repairs to the housing stock is charged to the Statement of Comprehensive Income in the year in which it is incurred.

Low-cost home ownership properties are split proportionally 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, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Social housing grant

Social housing grant (SHG) is receivable from Homes England and is used to reduce the capital costs of housing properties, including land costs. Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in turnover over the estimated useful life of

the associated asset structure (not land), under the accruals model. SHG acquired by either an acquisition or transfer of engagement is recorded as a contingent liability. SHG received for items of cost written off in the Statement of Comprehensive Income is included as part of turnover.

SHG must be recycled by the group under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, SHG is credited to Recycled Capital Grant Fund in creditors in the Statement of Financial Position and can be used for projects approved by Homes England.

However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as turnover. In certain circumstances, SHG may be repayable and, in that event, is a subordinated unsecured repayable debt.

Recycling of capital grant

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

Stock transactions

Where an agreement is entered into with another social landlord to purchase housing properties from one another in return for non-monetary assets or a combination of non-monetary assets and monetary assets, the outgoing stock is treated as a disposal with a gain/loss recorded in profit or loss. The incoming stock is measured at fair value.

Where there is a government grant associated with the housing properties that are part of the stock transaction, the fair value of the obligation to repay or recycle the government grant is reflected in the fair value of the housing properties and therefore no additional value should be attributable to the government grant transferred.

Donated land

Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation.

Investment properties

Housing properties held as investments are stated at valuation in the Statement of Financial Position. The aggregate surplus or deficit arising on the valuation is accounted for through the Statement of Comprehensive Income.

Notes to the financial statements (continued)...

2. Accounting policies (continued)

Each property is subject to a year-end valuation to establish the fair value. Permanent deficits on individual investment properties are charged to the Statement of Comprehensive Income.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost and accrued at the balance sheet date.

Other grants

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

Grants received from government sources are classified as grant relating to revenue or grant relating to assets and accounted for under the accruals model with income recognised on a systematic basis over the same period as the related costs or the expected useful life of the asset.

Other grants include gap funding received from Homes England and have been used to reduce the capital costs of works to housing properties.

Depreciation of housing properties

The group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight-line basis, over its estimated useful economic life.

Where a housing property comprises two or more major components with substantially different useful lives (UEs), each component is accounted for separately and depreciated over its UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred. Depreciation charges are part of the group's running costs and are recognised in the Statement of Comprehensive Income over the useful life of the asset.

The group depreciates the major components of its housing properties held for letting at the following lifespan and annual rates:

	Years
Structure	30 - 125
Roofs	30 - 65
Flat roofs	20 - 30
External works	2 - 50
Kitchens	15 - 25
Bathrooms	25 - 33
Windows	25 - 30
Doors internal/external	20 - 30
Garages/outbuildings	22 - 50
Rewires	25 - 40
Cloakrooms	33
Loft insulation	30
Under floor insulation	30
Internal wall insulation	30
Environmentals	30
Solar panels	25
Heating systems	15 - 30
Heating control panels	15
Disabled adaptations	15
Boiler systems	12 - 15
Communal lifts	25
Communal boilers	20
Communal doors	30
Communal windows	30
Communal lighting	40
Communal roof	60
Communal stairwell flooring	5
Communal door entry	15

Communal flat roof	20
Positive ventilation systems	15
Electric vehicle charger	15
Fire risk works	10
Embankment wall	105
Fencing	28 - 30
Smoke alarms	10
Byker environmentals	20

Freehold land is not depreciated. Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Impairment

Assets are reviewed for impairment if there is an indication that impairment may have occurred. Indicators considered include external sources of information such as market value, actual or proposed changes to technological, economic or legal environment, obsolescence or damage to the asset, operational changes or internal reporting indicates that the asset is performing worse than expected. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. Any such write down is charged to operating surplus.

Current asset investments

Current asset investments include cash and cash equivalents invested for more than three months. They are recognised at cost without any further adjustment.

Other tangible fixed assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

The principal annual rates used for other assets are:

	Years
Disabled adaptations	10
Freehold buildings	10 - 100
Long leasehold property	Over life of lease
Furniture, fixtures, and fittings	5 - 10
Fire alarm upgrades	15
Computers and office equipment	3 - 7
Motor vehicles	4
Plant and equipment	4 - 10
Plant – heating system	20
Commercial premises	30 - 45

Leased assets

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Properties held for sale

Properties developed for outright sale, low-cost home ownership first tranche sales and properties under construction are included in current assets as they are intended to be sold at the lower of cost or estimated selling price less costs to complete and sell. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Short-term debtors and creditors

Debtors and creditors 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.

Notes to the financial statements

(continued)...

2. Accounting policies

(continued)

Liquid resources

Liquid resources are readily disposable current asset investments. They include investments held for more than 24 hours, which can only be withdrawn without penalty on maturity or by giving notice of more than one working day. These are shown as cash within the Statement of Financial Position.

Provisions

The group provides for contractual liabilities and constructive liabilities, where a past event has created valid expectations in other parties that the group will discharge and where the obligation can be reliably estimated.

Financial instruments

Financial assets measured at amortised cost comprise cash and cash equivalents, investments, trade debtors, other debtors, accrued income and amounts owed by association undertakings.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors and other creditors.

Hedging accounting

The group designates certain interest rate swaps as cash flow hedges. Cash flow hedges hedge a particular risk associated with the cash flows of recognised assets and

liabilities and highly probable forecast transactions, which could affect surplus or deficit.

At the inception of the hedge relationship, the group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge, and on an ongoing basis, the group documents whether a hedging relationship meets the hedge effectiveness requirements under FRS 102 and whether there continues to be an economic relationship between the hedged item, and the hedging instrument.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income and accumulated under the heading of cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately within the Statement of Comprehensive Income.

Amounts previously recognised in Other Comprehensive Income are reclassified to earning in

the periods when the hedged item is recognised in the Statement of Comprehensive Income. These earnings are included within the same line of the Consolidated Income Statement as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in Other Comprehensive Income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. Any gain or loss recognised in the cash flow hedge reserve remains in equity and is recognised in the Statement of Comprehensive Income when the forecast transaction is ultimately recognised in the Statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the Statement of Comprehensive Income.

Loan finance issue costs

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income in the year in which the redemption took place.

Loan breakage costs

Any breakage costs which are not cash settled when first incurred are included in lenders' future margins and are therefore paid over the remaining life of the loan. The breakage costs are provided in the Statement of Comprehensive Income when first incurred and released over the life of the loan with the effect of reducing future year interest payable charges accordingly.

Loan prepayment

The group's debt has been treated as "basic" in accordance with paragraphs 11.8 and 11.9 of FRS 102. The group has some fixed rate loans which have a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid

where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). The group has treated these loans as basic in accordance with paragraph 11.9 (c).

Restricted reserve

The group holds a restricted reserve which has been utilised in accordance with the wishes of the benefactor. Movements in reserves are shown in the Consolidated Statement of Changes in Equity.

Revenue reserves

There are several reasons why the group needs to generate reserves:

- To provide a cushion against risk and uncertainty of future operations.
- To finance future major repairs and improvements.
- To provide internal subsidy for new homes and property development.

Due to the reduction in social housing grant (SHG) and other capital grants available to the sector over recent years, the group needs to commit more of its reserves to financing investment in new homes and larger maintenance programmes. This approach not only enables greater

investment, but it also reduces interest costs as further loans can be kept to a minimum.

Segmental reporting

For the purpose of segmental reporting, the chief operating decision maker (CODM) is considered to be the board.

In line with the segments reported to the CODM, the presentation of these financial statements and accompanied notes are in accordance with the Accounting Direction for Private Registered Providers of Social Housing from April 2022 and is considered appropriate. 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.

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 and the nature of the regulatory environment across all of the geographical locations in which the group operates. The CODM do not review disaggregated financial information of assets and liabilities at this level of operating segment. Refer to note 3(a) for further disclosed information.

Notes to the financial statements (continued)...

3. Turnover, cost of sales, operating expenditure and operating surplus

GROUP

	2025 Group			
	Turnover	Cost of sales	Operating expenditure	Operating surplus
	£ '000	£ '000	£ '000	£ '000
Social housing lettings Note 3(a)	191,008	-	(139,429)	51,579
Other social housing activities				
Development services	988	(84)	(1,839)	(935)
Support services	2,030	-	(2,188)	(158)
Community investment	920	-	(4,015)	(3,095)
First tranche low-cost home ownership sales	8,046	(6,963)	(484)	599
Provision of furniture	2,369	-	(921)	1,448
Other	1,516	-	(680)	836
	15,869	(7,047)	(10,127)	(1,305)
Non-social housing activities				
Other rental income	647	-	(444)	203
Properties developed for outright sale	-	-	-	-
Investment property sale	637	(592)	(5)	40
Market rentals	3,454	(489)	(364)	2,601
External services	7,328	(7,037)	(332)	(41)
Other	84	-	(128)	(44)
	12,150	(8,118)	(1,273)	2,759
Total before sale of housing properties	219,027	(15,165)	(150,829)	53,033
Negative goodwill arising on transfer of engagement (Note 30)	-	-	2,152	2,152
Sale of housing properties	6,068	(3,492)	(76)	2,500
	225,095	(18,657)	(148,753)	57,685

3. Turnover, cost of sales, operating expenditure and operating surplus (continued)

GROUP

	2024 Group			
	Turnover	Cost of sales	Operating expenditure	Operating surplus
	£ '000	£ '000	£ '000	£ '000
Social housing lettings Note 3(a)	168,415	-	(126,368)	42,047
Other social housing activities				
Development services	2,675	(2,340)	(1,268)	(933)
Support services	2,040	-	(2,175)	(135)
Community investment	306	-	(3,328)	(3,022)
First tranche low-cost home ownership sales	7,163	(5,224)	(381)	1,558
Provision of furniture	2,039	-	(886)	1,153
Other	1,109	-	(1,051)	58
	15,332	(7,564)	(9,089)	(1,321)
Non-social housing activities				
Other rental income	554	-	(223)	331
Properties developed for outright sale	-	-	-	-
Investment property sale	511	(404)	-	107
Market rentals	3,356	(372)	(495)	2,489
External services	3,155	(2,895)	(289)	(29)
Other	81	-	(24)	57
	7,657	(3,671)	(1,031)	2,955
Total before sale of housing properties	191,404	(11,235)	(136,488)	43,681
Negative goodwill arising on transfer of engagement (Note 30)	4,713	-	(184)	4,529
Sale of housing properties	4,196	(1,689)	(63)	2,444
	200,313	(12,924)	(136,735)	50,654

Notes to the financial statements (continued)...

3. Turnover, cost of sales, operating expenditure and operating surplus (continued)

ASSOCIATION

	2025 Association			
	Turnover	Cost of sales	Operating expenditure	Operating surplus
	£ '000	£ '000	£ '000	£ '000
Social housing lettings Note 3(a)	168,412	-	(121,642)	46,770
Other social housing activities				
Development services	904	-	(1,755)	(851)
Support services	1,989	-	(2,188)	(199)
Community investment	920	-	(4,015)	(3,095)
First tranche low-cost home ownership sales	6,042	(5,707)	(484)	(149)
Provision of furniture	2,369	-	(2,079)	290
Other	3,631	-	(2,740)	891
	15,855	(5,707)	(13,261)	(3,113)
Non-social housing activities				
Other rental income	388	-	(391)	(3)
Properties developed for outright sale	-	-	-	-
Investment property sale	220	(187)	-	33
Market rentals	1,379	-	26	1,405
External services	10,220	(10,184)	(210)	(174)
Other	84	-	(8)	76
	12,291	(10,371)	(583)	1,337
Total before sale of housing properties	196,558	(16,078)	(135,486)	44,994
Negative goodwill arising on transfer of engagement (Note 30)	-	-	-	-
Sale of housing properties	5,573	(3,302)	(68)	2,203
	202,131	(19,380)	(135,554)	47,197

3. Turnover, cost of sales, operating expenditure and operating surplus (continued)

ASSOCIATION

	2024 Association			
	Turnover	Cost of sales	Operating expenditure	Operating surplus
	£ '000	£ '000	£ '000	£ '000
Social housing lettings Note 3(a)	153,086	-	(114,301)	38,785
Other social housing activities				
Development services	318	-	(1,194)	(876)
Support services	2,001	-	(2,175)	(174)
Community investment	306	-	(3,328)	(3,022)
First tranche low-cost home ownership sales	6,756	(5,005)	(381)	1,370
Provision of furniture	2,039	-	(1,752)	287
Other	1,776	-	(1,011)	765
	13,196	(5,005)	(9,841)	(1,650)
Non-social housing activities				
Other rental income	316	-	(106)	210
Properties developed for outright sale	-	-	-	-
Investment property sale	214	(160)	-	54
Market rentals	1,392	-	(166)	1,226
External services	9,536	(9,330)	(190)	16
Other	81	-	(8)	73
	11,539	(9,490)	(470)	1,579
Total before sale of housing properties	177,821	(14,495)	(124,612)	38,714
Negative goodwill arising on transfer of engagement (Note 30)	4,713	-	(184)	4,529
Sale of housing properties	3,251	(1,430)	(63)	1,758
	185,785	(15,925)	(124,859)	45,001

Notes to the financial statements (continued)...

3. (a) Turnover, cost of sales, operating expenditure and operating surplus (continued)

GROUP - Particulars of income and expenditure from social housing lettings

	2025 Group			2024	
	General housing	Supported and sheltered housing	Low-cost home ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000
Turnover from social housing lettings					
Rent receivable net of identifiable service charges and net of voids	150,263	12,491	2,814	165,568	145,945
Service charges income	11,175	6,252	712	18,139	15,254
Net rental income	161,438	18,743	3,526	183,707	161,199
Revenue grants	8	79	-	87	95
Amortised government grants	4,831	243	26	5,100	5,267
Other income	1,975	119	20	2,114	1,854
Turnover from social housing lettings	168,252	19,184	3,572	191,008	168,415
Management	(23,023)	(3,878)	(620)	(27,521)	(23,097)
Service charge costs	(17,574)	(5,455)	(508)	(23,537)	(21,038)
Routine maintenance	(37,664)	(2,722)	(141)	(40,527)	(34,960)
Planned maintenance	(11,701)	(2,401)	(117)	(14,219)	(14,438)
Major repairs	-	-	-	-	-
Bad debts	981	52	(1)	1,032	(1,720)
Depreciation of housing properties	(32,178)	(932)	(41)	(33,151)	(29,644)
Impairment of housing properties	(870)	-	-	(870)	(1,471)
Release of impairment on freehold property	(500)	-	-	(500)	-
Write off - housing properties demolished	(136)	-	-	(136)	-
Operating expenditure on social housing lettings	(122,665)	(15,336)	(1,428)	(139,429)	(126,368)
Operating surplus on social housing lettings	45,587	3,848	2,144	51,579	42,047
Void losses	2,567	847	108	3,522	3,157

3. (a) Turnover, cost of sales, operating expenditure and operating surplus (continued)

ASSOCIATION - Particulars of income and expenditure from social housing lettings

	2025 Association			2024	
	General housing	Supported and sheltered housing	Low-cost home ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000
Turnover from social housing lettings					
Rent receivable net of identifiable service charges and net of voids	136,302	8,552	2,483	147,337	132,733
Service charges income	10,385	3,439	629	14,453	13,485
Net rental income	146,687	11,991	3,112	161,790	146,218
Revenue grants	3	-	-	3	-
Amortised government grants	4,536	-	-	4,536	5,017
Other income	1,946	117	20	2,083	1,851
Turnover from social housing lettings	153,172	12,108	3,132	168,412	153,086
Management	(20,042)	(2,661)	(499)	(23,202)	(19,753)
Service charge costs	(16,535)	(3,222)	(461)	(20,218)	(19,750)
Routine maintenance	(34,526)	(1,705)	(44)	(36,275)	(32,083)
Planned maintenance	(10,803)	(2,116)	(94)	(13,013)	(13,051)
Major repairs	-	-	-	-	-
Bad debts	1,087	71	-	1,158	(1,657)
Depreciation of housing properties	(28,586)	-	-	(28,586)	(26,536)
Impairment of housing properties	(870)	-	-	(870)	(1,471)
Impairment of freehold property	(500)	-	-	(500)	-
Write off - housing properties demolished	(136)	-	-	(136)	-
Operating expenditure on social housing lettings	(110,911)	(9,633)	(1,098)	(121,642)	(114,301)
Operating surplus on social housing lettings	42,261	2,475	2,034	46,770	38,785
Void losses	2,199	435	80	2,714	2,769

Notes to the financial statements (continued)...

4. Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

GROUP	2024	New units	Units	Transfers	Other	2025
	No.	developed	sold or	from/(to)	No.	No.
		or acquired	demolished	other RPs		
	No.	No.	No.	No.	No.	No.
Owned and managed						
Social housing						
General housing - social rent	23,557	160	(102)	192	3	23,810
General housing - affordable rent	4,856	399	(10)	235	(7)	5,473
Supported and housing for older people - social rent	1,478	-	(4)	56	(8)	1,522
Supported and housing for older people - affordable rent	324	21	-	264	1	610
Low cost home ownership	1,037	127	(15)	9	(1)	1,157
	31,252	707	(131)	756	(12)	32,572
Non-social						
Market rented	458	-	(5)	-	-	453
Student housing	27	-	-	-	-	27
Temporary accommodation	24	-	-	-	-	24
	509	-	(5)	-	-	504
Owned and managed by others						
General housing - social rent	6	-	-	-	-	6
General housing - affordable rent	-	-	-	-	-	-
Supported and housing for older people - social rent	140	-	-	-	(10)	130
Supported and housing for older people - affordable rent	1	-	-	-	10	11
Low-cost home ownership	-	-	-	-	-	-
Care home	14	-	-	-	-	14
	161	-	-	-	-	161
Total owned	31,922	707	(136)	756	(12)	33,237
Managed on behalf of others						
Social housing						
General housing - social rent	1	-	-	-	-	1
General housing - affordable rent	4	-	-	-	(3)	1
Supported and housing for older people - social rent	68	-	-	-	-	68
Supported and housing for older people - affordable rent	-	-	-	-	-	-
Low-cost home ownership	-	-	-	-	-	-
	73	-	-	-	(3)	70
Other						
Accommodation managed for others - non-social	1	-	-	-	(1)	-
Accommodation managed for others - leasehold	6	-	-	3	(6)	3
Total managed for others	80	-	-	3	(10)	73
Total owned and managed	32,002	707	(136)	759	(22)	33,310
Leasehold units	662	-	(1)	-	8	669
Total	32,664	707	(137)	759	(14)	33,979

4. Accommodation in management and development (continued)

At the end of the year accommodation in management for each class of accommodation was as follows:

ASSOCIATION	2024	New units	Units	Transfers	Other	2025
	No.	developed	sold or	from/(to)	No.	No.
		or acquired	demolished	other RPs		
	No.	No.	No.	No.	No.	No.
Owned and managed						
Social housing						
General housing - social rent	21,876	-	(100)	-	1	21,777
General housing - affordable rent	3,638	174	(10)	-	(5)	3,797
Supported and housing for older people - social rent	1,108	-	(4)	-	(5)	1,099
Supported and housing for older people - affordable rent	321	21	-	-	1	343
Low cost home ownership	685	28	(12)	-	(1)	700
	27,628	223	(126)	-	(9)	27,716
Non-social						
Market rented	188	-	(2)	-	-	186
Student housing	-	-	-	-	-	-
Temporary accommodation	-	-	-	-	-	-
	188	-	(2)	-	-	186
Owned and managed by others						
General housing - social rent	192	30	-	-	-	222
General housing - affordable rent	664	223	-	-	(1)	886
Supported and housing for older people - social rent	140	-	-	-	(10)	130
Supported and housing for older people - affordable rent	1	-	-	-	10	11
Low-cost home ownership	215	73	(2)	-	-	286
Care home	14	-	-	-	-	14
	1,226	326	(2)	-	(1)	1,549
Total owned	29,042	549	(130)	-	(10)	29,451
Managed on behalf of others						
Social housing						
General housing - social rent	1	-	-	192	-	193
General housing - affordable rent	4	-	-	235	(3)	236
Supported and housing for older people - social rent	-	-	-	56	-	56
Supported and housing for older people - affordable rent	-	-	-	264	-	264
Low-cost home ownership	-	-	-	9	-	9
	5	-	-	756	(3)	758
Other						
Accommodation managed for others - non-social	1	-	-	-	(1)	-
Accommodation managed for others - leasehold	-	-	-	3	-	3
Total managed for others	6	-	-	759	(4)	761
Total owned and managed	29,048	549	(130)	759	(14)	30,212
Leasehold units	652	-	(1)	-	8	659
Total	29,700	549	(131)	759	(6)	30,871

Notes to the financial statements (continued)...

5. Operating surplus

This is arrived at after charging/(crediting):

	Group		Association	
	2025 £ '000	2024 £ '000	2025 £ '000	2024 £ '000
Depreciation of housing properties	31,007	27,744	27,229	25,186
Depreciation of housing properties - write off fair value	665	469	-	-
Depreciation of housing properties - write off on replacement	1,531	1,403	1,357	1,350
Amortisation of deferred capital grant	(5,470)	(5,118)	(4,906)	(4,868)
Amortisation of deferred grant - write off on replacement	(58)	(272)	(58)	(272)
Impairment of housing properties	870	1,471	870	1,471
Depreciation of other tangible fixed assets	2,091	1,588	966	935
Operating lease rentals:				
- land and buildings	305	394	179	260
- office equipment, computers and motor vehicles	1,660	1,361	1,660	1,361
Auditors' remuneration (excluding VAT):				
- audit of the group financial statements	90	70	90	70
- audit of subsidiaries	69	41	-	-
Fees payable to the company's auditor and its associates for other services				
- service charge certification	14	14	14	14
- other	8	8	8	8

6. Surplus on sale of fixed assets – housing properties

	Group		Association	
	2025 £ '000	2024 £ '000	2025 £ '000	2024 £ '000
Proceeds from sale of properties	5,639	4,196	5,144	3,251
Less:				
Net book value of properties	(2,690)	(1,420)	(2,493)	(1,197)
Proceeds to be returned to local authorities	(195)	(98)	(195)	(98)
Contingent liability on disposal	(68)	(19)	(68)	(19)
Grant written off on disposal	141	127	104	127
Recyclable grants on disposal	(150)	(168)	(120)	(161)
Administration charges	(177)	(174)	(169)	(145)
Net surplus from sale of properties	2,500	2,444	2,203	1,758

7. Interest receivable and other income

	Group		Association	
	2025 £ '000	2024 £ '000	2025 £ '000	2024 £ '000
Interest receivable and other income	1,656	2,309	3,275	3,361

8. Interest payable and similar charges

	Group		Association	
	2025 £ '000	2024 £ '000	2025 £ '000	2024 £ '000
On bank loans and other loans	22,045	19,759	17,686	17,349
Loan breakage costs	192	(51)	192	(51)
Loan non-utilisation fees	626	618	519	530
Interest on RCGF	73	88	73	88
Other interest	322	207	192	131
Release of STHVT fair value	308	8	308	8
	23,566	20,629	18,970	18,055

9. Employees

Average monthly number of employees expressed in full time equivalents (calculated based on a standard working week of 37 hours):

	Group		Association	
	2025 No.	2024 No.	2025 No.	2024 No.
Housing management, repairs and asset management	863	800	810	749
Administration, finance and other	177	165	168	153
Development	27	24	23	20
Housing support and care	38	38	34	34
	1,105	1,027	1,035	956

Notes to the financial statements (continued)...

9. Employees (continued)

Employee costs:	Group		Association	
	2025 £ '000	2024 £ '000	2025 £ '000	2024 £ '000
Wages and salaries	42,924	37,453	40,118	34,651
Social security costs	4,795	4,119	4,487	3,818
Other pension costs	7,810	7,305	7,159	6,669
	55,529	48,877	51,764	45,138
Redundancy costs	43	87	42	72
	55,572	48,964	51,806	45,210

At March 2025 £412.2k (2024: £587.4k) was outstanding in respect of unpaid pension contributions.

Pension obligations

The group participates in the following pension schemes:

- The Social Housing Pension Scheme (SHPS): a multi-employer defined benefit pension scheme
- The Social Housing Pension Fund (SHPS): a defined contribution scheme
- The Tyne and Wear Pension Fund (TWPF): a Local Government multi-employer defined benefit scheme
- The Durham County Council Pension Fund (DCCPF): a multi-employer defined benefit scheme

The nature of each defined benefit scheme is detailed below.

Guaranteed Minimum Pension equalisation and indexation ruling

The schemes are required to pay a Guaranteed Minimum Pension (GMP) to members who accrued benefits in the schemes between 6 April 1978 and 5 April 1997, when the scheme was 'contracted-out' of the state

second pension on a salary-related basis.

The GMP was intended to approximately replace the state pension, which members were giving up, however the payment terms of GMP are different between men and women, which was a consequence of the state pension itself being unequal at that time.

A High Court ruling on 26 October 2018 clarified that an obligation exists to adjust benefits for the effect of inequalities caused by GMP earned between 17 May 1990 and 5 April 1997. A subsequent ruling on 20 November 2020 confirmed trustees also have an obligation to revisit and equalise statutory transfer value payments paid between 17 May 1990 and 26 October 2020 to address GMP inequalities.

Both the SHPS and Local Government Pension Schemes (LGPS) allowed for the initial impact of GMP equalisation on current members in previous years. However, whilst no allowance has been made in the

LGPS schemes for compensating members who took a transfer payment from the fund since May 1990, SHPS included an additional allowance in the March 2021 liability values to account for the estimated impact of this.

McCloud/Sargeant judgement

On 27 June 2019, the Supreme Court ruled against the Government in the 'McCloud/ Sargeant' judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory. The ruling potentially had implications for all public sector schemes, which were reformed around the same time and could lead to members who were discriminated against being compensated.

In summary, it is assumed that the remedy applies to all members in service on 1 April 2012, on retirement or prior withdrawal, and with extension to benefits payable to the dependants of those members.

Legislation requires HM Treasury (HMT) and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS, to ensure it remains sustainable and affordable. The outcomes of both reviews relating to the 2016 valuations recommended no changes to the provisions of the scheme. The legality of Government's decision to include McCloud costs as a member cost within the 2016 HMT process was challenged by a judicial review in 2023 brought by the trades unions. The judicial review was unsuccessful and subsequent application to appeal was denied. Therefore, the 2016 HMT process will not be re-run, members' benefits will not be retrospectively improved, and no allowance for additional costs is needed.

Social Housing Pension Schemes

Karbon Homes Limited (KHL), the association and 54North Homes Limited (54NH), formerly York Housing Association (YHA) and Leeds & Yorkshire Housing Association (LYHA), participate in the SHPS Pension Scheme (the scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

Of the four KHL pension schemes only the SHPS 1/60th CARE and the SHPS defined contribution schemes are open to new entrants.

The former YHA has both a defined benefit and defined contribution scheme, however, only the defined contribution scheme is active. Effective from

1 August 2025 the defined benefit 1/60th CARE scheme will be open to colleagues at 54North Homes.

The former YHA defined benefit scheme is not open to new members and the benefits accruing to its members were frozen in 2016 and accordingly there are no ongoing salary-based contributions. The former Leeds & Yorkshire Housing Association has a defined benefit scheme which is not open to new members and the benefits accruing to its members were frozen in 2019. At 31 March 2024, a decision was made to report the SHPS pension schemes of 54N, formerly YHA and the former LYHA, as one entity.

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

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2023. This valuation revealed a deficit of £693.0m. The recovery plan originally put in place will continue with the aim of removing this deficit by 31 March 2028.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers'

obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2024. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2025 to 28 February 2026 inclusive.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the scheme's total assets to calculate the company's net deficit or surplus.

Karbon Homes was notified in 2021 by the trustee of the scheme that it had performed a review of the changes made to the scheme's benefits over the years and the result was that there was uncertainty surrounding some of these changes. The trustee has been seeking clarification from the court on these items and the court hearing concluded in March 2025 with the court's determination expected in the summer of 2025. After this the trustee and its advisors will consider the outcome and

Notes to the financial statements (continued)...

9. Employees (continued)

Pension obligations (continued)

Social Housing Pension Schemes (LGPS) (continued)

communicate next steps to employers. It is estimated that this could potentially increase the value of the entire scheme liabilities for all employers by £155m. It is noted that this estimate has been calculated as at 30 September 2022 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.

Employers’ contributions to SHPS for the period ended 31 March 2025 from Karbon Homes Limited and 54North Homes Limited were £4.0m (2024: £4.7m) and £486.3k (2024: £699.3k) respectively. The contributions include past service deficits and defined contribution scheme payments.

These amounts have been charged to operating costs.

Local Government Pension Schemes (LGPS)

The association participates in two Local Government Pension Schemes, the Tyne and Wear Pension Fund (TWPF) and the Durham County Council Pension Fund (DCCPF). Both schemes are multi-employer defined benefit schemes which are administered by South Tyneside Council and Durham County Council respectively, under the regulations governing the Local Government Pension Scheme (the LGPS).

The most recent formal actuarial valuation of the scheme was at 31 March 2022 which was rolled forward to 31 March 2025 by a qualified independent actuary.

The pension asset of £38.7m has been restricted to £nil (2024:

£24.7m) as the recoverability of this asset would require a right to reduce employer contributions or to request a refund from the fund. This restriction does not impact the group’s underlying operating performance or financial position as financial covenants continue to be met.

Employers’ contributions to TWPF and DCCPF for the period ended 31 March 2025 were £190.3k (2024: £154.3k) and £1.7m (2024: £1.7m) respectively. The contributions include past service deficits and defined contribution scheme payments.

Estimated employers’ contributions to the TWPF and DCCPF for the accounting period commencing 1 April 2025 are estimated at £195.3k and £1.7m respectively. This includes past service deficit payments.

Scheme disclosures

Net liabilities recognised in the Statement of Financial Position are as follows:

	Group		Association	
	2025 £’000	2024 £’000	2025 £’000	2024 £’000
Social Housing Pension Scheme	6,399	9,632	4,915	7,612
Tyne and Wear Pension Fund	-	-	-	-
Durham County Council Pension Fund	-	-	-	-
Deficit	6,399	9,632	4,915	7,612

9. Employees (continued)

Pension obligations (continued)

Employers’ contribution rates

	2025 %	2024 %
LGPS - TWPF:		
Former Isos	33.80	33.80
Former Byker Community Trust	17.20	17.20
LGPS - DCCPF:		
Former Cestria	27.80	27.00
Former Derwentside	27.80	27.00
SHPS - KHL:		
CARE 1/120th	8.40	8.40
CARE 1/60th	16.50	16.50
Final Salary	20.60	20.60
Defined contribution - minimum	4.00	4.00
Defined contribution - maximum	8.00	8.00
SHPS - 54North:		
Former YHA - minimum	4.00	4.00
Former YHA - maximum	10.00	10.00
Former LYHA - minimum	4.00	4.00
Former LYHA - maximum	8.00	8.00

Scheme disclosures for the year ended 2025

Assumptions

The assumed life expectations (in years) on retirement at age 65 are:

	TWPF 2025	DCCPF 2025	SHPS 2025
Retiring today:			
Males	20.9	21.6	20.5
Females	24.1	22.5	23.0
Retiring in 20 years:			
Males	21.8	23.9	21.7
Females	25.2	24.7	24.5

The financial assumptions used to calculate the defined benefit section liabilities under FRS 102 are:

	TWPF KHL 2025 %	DCCPF KHL 2025 %	SHPS KHL 2025 %	SHPS 54N 2025 %
Discount rate	5.80	5.80	5.90	5.77
Inflation (RPI)	NA	NA	3.06	3.11
Inflation (CPI)	2.50	2.50	2.80	2.78
Pension increases	2.50	2.50	NA	NA
Pension accounts revaluation rate	2.50	2.50	NA	NA
Salary growth	4.00	3.50	3.80	3.78

Notes to the financial statements (continued)...

9. Employees (continued)

Pension obligations (continued)
Scheme disclosures for the year ended 2025 (continued)
Amounts recognised in the SOCI

	TWPF KHL 2025 £'000	DCCPF KHL 2025 £'000	SHPS KHL 2025 £'000	SHPS 54N 2025 £'000	Total 2025 £'000
Current service cost	(70)	(1,040)	(776)	-	(1,886)
Contributions by employer	130	1,750	4,081	486	6,447
Amounts credited to operating expenditure	60	710	3,305	486	4,561
Interest income on assets	900	4,310	1,617	429	7,256
Interest on pension scheme liabilities	(620)	(3,370)	(1,911)	(516)	(6,417)
Interest on unrecognised asset	(280)	(900)	-	-	(1,180)
Expenses	-	-	(40)	(13)	(53)
Amounts credited/(charged) to interest payable and financing costs	-	40	(334)	(100)	(394)
Actuarial losses on scheme assets	(20)	(120)	(1,282)	(276)	(1,698)
Actuarial losses on liabilities	(130)	(2,680)	(4,820)	(663)	(8,293)
Changes in assumptions underlying the present value of scheme liabilities	1,890	13,030	5,828	1,089	21,837
Movement in restriction of pension asset	(1,800)	(10,980)	-	-	(12,780)
Actuarial (losses)/gains recognised in other comprehensive income	(60)	(750)	(274)	150	(934)
Amounts recognised in the SoFP					
	TWPF KHL 2025 £'000	DCCPF KHL 2025 £'000	SHPS KHL 2025 £'000	SHPS 54N 2025 £'000	Total 2025 £'000
Fair value of scheme assets	19,350	91,300	31,329	8,486	150,465
Present value of scheme liabilities	(11,340)	(60,650)	(36,244)	(9,970)	(118,204)
Restriction of pension asset	(8,010)	(30,650)	-	-	(38,660)
Deficit	-	-	(4,915)	(1,484)	(6,399)

9. Employees (continued)

Pension obligations (continued)
Scheme disclosures for the year ended 2025 (continued)
Amounts recognised in the SoFP (continued)

	TWPF KHL 2025 £'000	DCCPF KHL 2025 £'000	SHPS KHL 2025 £'000	SHPS 54N 2025 £'000	Total 2025 £'000
Opening scheme liabilities	13,150	71,090	38,902	10,855	133,997
Current service cost	70	1,040	776	-	1,886
Interest cost	620	3,370	1,911	516	6,417
Contributions by participants	30	420	507	-	957
Actuarial losses on liabilities	20	120	1,282	276	1,698
Actuarial gains due to changes in assumptions	(1,890)	(13,030)	(5,828)	(1,089)	(21,837)
Net benefits paid out	(660)	(2,360)	(1,346)	(601)	(4,967)
Expenses	-	-	40	13	53
Closing scheme liabilities	11,340	60,650	36,244	9,970	118,204
Amounts recognised in the SoFP					
	TWPF KHL 2025 £'000	DCCPF KHL 2025 £'000	SHPS KHL 2025 £'000	SHPS 54N 2025 £'000	Total 2025 £'000
Opening fair value of assets	19,080	89,860	31,290	8,835	149,065
Interest income on assets	900	4,310	1,617	429	7,256
Remeasurement losses on assets	(130)	(2,680)	(4,820)	(663)	(8,293)
Contributions by the employer	130	1,750	4,081	486	6,447
Contributions by participants	30	420	507	-	957
Net benefits paid out	(660)	(2,360)	(1,346)	(601)	(4,967)
Closing fair value of scheme assets	19,350	91,300	31,329	8,486	150,465
Actual return on scheme assets	770	1,630	(3,203)	(234)	(1,037)

Notes to the financial statements (continued)...

9. Employees (continued)

Pension obligations (continued)
Scheme disclosures for the year ended 2025 (continued)
Amounts recognised in the SoFP (continued)
Movement in pension liability

	TWPF KHL 2025 £'000	DCCPF KHL 2025 £'000	SHPS KHL 2025 £'000	SHPS 54N 2025 £'000	Total 2025 £'000
Group share of scheme liabilities at beginning of period	-	-	(7,612)	(2,020)	(9,632)
Contributions paid	130	1,750	4,081	486	6,447
Current service cost	(70)	(1,040)	(776)	-	(1,886)
Interest income on assets	900	4,310	1,617	429	7,256
Interest on pension scheme liabilities	(620)	(3,370)	(1,911)	(516)	(6,417)
Interest on unrecognised asset	(280)	(900)	-	-	(1,180)
Other expenses	-	-	(40)	(13)	(53)
Actuarial gain/(loss)	1,740	10,230	(274)	150	11,846
Movement in restriction of pension asset	(1,800)	(10,980)	-	-	(12,780)
Net deficit at 31 March	-	-	(4,915)	(1,484)	(6,399)

9. Employees (continued)

Pension obligations (continued)
Scheme disclosures for the year ended 2025 (continued)
Amounts recognised in the SoFP (continued)
The fair value of plan assets at the reporting date was as follows:

	TWPF KHL 2025 £'000	DCCPF KHL 2025 £'000	SHPS KHL 2025 £'000	SHPS 54N 2025 £'000	Total 2025 £'000
Global equity	-	-	3,510	951	4,461
Insurance-linked securities	-	-	97	26	123
Property	2,150	6,030	1,569	425	10,174
Infrastructure	-	-	5	1	6
Private equity	-	-	28	8	36
Cash	350	2,010	425	115	2,900
Corporate bond fund	3,500	8,130	-	-	11,630
Long lease property	-	-	9	2	11
Secured income	-	-	523	142	665
Liability driven investment	-	-	9,488	2,570	12,058
Currency hedging	-	-	50	14	64
Net current assets	-	-	68	18	86
Equities	9,310	50,030	-	-	59,340
Government bonds	210	9,950	-	-	10,160
Multi asset credit	870	14,150	-	-	15,020
Liquid alternatives			5,809	1,573	7,382
Private credit			3,834	1,039	4,873
Real assets			3,751	1,016	4,767
Credit			1,198	325	1,523
Investment grade credit			965	261	1,226
Other	2,960	1,000	-	-	3,960
Total assets	19,350	91,300	31,329	8,486	150,465

Notes to the financial statements (continued)...

9. Employees (continued)

Pension obligations (continued)

Scheme disclosures for the year ended 2024

Assumptions

The assumed life expectations (in years) on retirement at age 65 are:

	TWPF 2024	DCCPF 2024	SHPS 2024
Retiring today:			
Males	21.0	21.7	20.5
Females	24.2	23.0	23
Retiring in 20 years:			
Males	22.3	24.0	21.8
Females	25.6	25.1	24.4

The financial assumptions used to calculate the defined benefit section liabilities under FRS 102 were:

	TWPF KHL 2024 %	DCCPF KHL 2024 %	SHPS KHL 2024 %	SHPS 54N 2024 %
Discount rate	4.80	4.80	4.92	4.89
Inflation (RPI)	NA	NA	3.11	3.17
Inflation (CPI)	2.60	2.60	2.79	2.77
Pension increases	2.60	2.60	NA	NA
Pension accounts revaluation rate	2.60	2.60	NA	NA
Salary growth	4.10	3.60	3.79	3.77

9. Employees (continued)

Pension obligations (continued)

Scheme disclosures for the year ended 2024 (continued)

Amounts recognised in the SOCI

	TWPF KHL 2024 £'000	DCCPF KHL 2024 £'000	SHPS KHL 2024 £'000	SHPS 54N 2024 £'000	Total 2024 £'000
Current service cost	(100)	(1,160)	(785)	-	(2,045)
Contributions by employer	150	1,710	3,968	461	6,289
Amounts credited to operating expenditure	50	550	3,183	461	4,244
Interest income on assets	850	3,920	1,580	430	6,780
Interest on pension scheme liabilities	(620)	(3,320)	(1,825)	(515)	(6,280)
Interest on unrecognised asset		(560)			(560)
Expenses			(39)	(13)	(52)

Amounts credited/(charged) to interest payable and financing costs	230	40	(284)	(98)	(112)
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Actuarial losses on scheme assets	(140)	(890)	(423)	(110)	(1,563)
Actuarial (gains)/losses on liabilities	260	2,830	(4,387)	(436)	(1,733)
Changes in assumptions underlying the present value of scheme liabilities	580	3,720	926	124	5,350
Restriction of pension asset	(980)	(6,250)	-	-	(7,230)
Actuarial losses recognised in other comprehensive income	(280)	(590)	(3,884)	(422)	(5,176)

Amounts recognised in the SoFP

	TWPF KHL 2024 £'000	DCCPF KHL 2024 £'000	SHPS KHL 2024 £'000	SHPS 54N 2024 £'000	Total 2024 £'000
Fair value of scheme assets	19,080	89,860	31,290	8,835	149,065
Present value of scheme liabilities	(13,150)	(71,090)	(38,902)	(10,855)	(133,997)
Restriction of pension asset	(5,930)	(18,770)	-	-	(24,700)
Deficit	-	-	(7,612)	(2,020)	(9,632)

Notes to the financial statements (continued)...

9. Employees (continued)

Pension obligations (continued)

Scheme disclosures for the year ended 2024 (continued)

Amounts recognised in the SoFP

	TWPF KHL 2024 £'000	DCCPF KHL 2024 £'000	SHPS KHL 2024 £'000	SHPS 54N 2024 £'000	Total 2024 £'000
Opening scheme liabilities	13,430	71,600	37,711	10,700	133,441
Acquisition pension liabilities	-	-	-	-	-
Current service cost	100	1,160	785	-	2,045
Interest cost	620	3,320	1,825	515	6,280
Contributions by participants	40	420	500	-	960
Actuarial losses on liabilities	140	890	423	110	1,563
Actuarial gains due to changes in assumptions	(580)	(3,720)	(926)	(124)	(5,350)
Net benefits paid out	(600)	(2,580)	(1,455)	(359)	(4,994)
Expenses	-	-	39	13	52
Closing scheme liabilities	13,150	71,090	38,902	10,855	133,997
	TWPF KHL 2024 £'000	DCCPF KHL 2024 £'000	SHPS KHL 2024 £'000	SHPS 54N 2024 £'000	Total 2024 £'000
Opening fair value of assets	18,380	83,560	31,084	8,739	141,763
Acquisition pension assets	-	-	-	-	-
Interest income on assets	850	3,920	1,580	430	6,780
Remeasurement gains/(losses) on assets	260	2,830	(4,387)	(436)	(1,733)
Contributions by the employer	150	1,710	3,968	461	6,289
Contributions by participants	40	420	500	-	960
Net benefits paid out	(600)	(2,580)	(1,455)	(359)	(4,994)
Closing fair value of scheme assets	19,080	89,860	31,290	8,835	149,065
Actual return on scheme assets	1,110	6,750	(2,807)	(6)	5,047

9. Employees (continued)

Pension obligations (continued)

Scheme disclosures for the year ended 2024 (continued)

Amounts recognised in the SoFP (continued)

Movement in pension liability

	TWPF KHL 2024 £'000	DCCPF KHL 2024 £'000	SHPS KHL 2024 £'000	SHPS 54N 2024 £'000	Total 2024 £'000
Group share of scheme liabilities at beginning of period	-	-	(6,627)	(1,961)	(8,588)
Acquistion - business combination	-	-	-	-	-
Contributions paid	150	1,710	3,968	461	6,289
Current service cost	(100)	(1,160)	(785)	-	(2,045)
Interest income on assets	850	3,920	1,580	430	6,780
Interest on pension scheme liabilities	(620)	(3,320)	(1,825)	(515)	(6,280)
Interest on unrecognised asset	-	(560)	-	-	(560)
Other expenses	-	-	(39)	(13)	(52)
Actuarial gain/(loss)	700	5,660	(3,884)	(422)	2,054
Restriction of pension asset	(980)	(6,250)	-	-	(7,230)
Net deficit at 31 March	-	-	(7,612)	(2,020)	(9,632)

Notes to the financial statements (continued)...

9. Employees (continued)

Pension obligations (continued)
Scheme disclosures for the year ended 2024 (continued)
Amounts recognised in the SoFP (continued)

The fair value of plan assets at the reporting date was as follows:

	TWPF KHL 2024 £'000	DCCPF KHL 2024 £'000	SHPS KHL 2024 £'000	SHPS 54N 2024 £'000	Total 2024 £'000
Global equity	-	-	3,118	881	3,999
Absolute return	-	-	1,222	345	1,567
Distressed opportunities	-	-	1,103	311	1,414
Credit relative value	-	-	1,025	290	1,315
Alternative risk premia	-	-	993	280	1,273
Emerging markets debt	-	-	405	114	519
Risk sharing	-	-	1,831	517	2,348
Insurance-linked securities	-	-	162	46	208
Property	1,980	5,930	1,256	355	9,521
Infrastructure	-	-	3,161	893	4,054
Private debt	-	-	26	7	33
Opportunistic illiquid credit	-	-	1,231	348	1,579
High yield	-	-	1,223	345	1,568
Opportunistic credit	-	-	5	1	6
Cash	130	1,620	617	174	2,541
Corporate bond fund	3,720	8,630	-	-	12,350
Long lease property	-	-	202	57	259
Secured income	-	-	934	264	1,198
Liability driven investment	-	-	12,734	3,596	16,330
Currency hedging	-	-	(12)	(4)	(16)
Net current assets	-	-	54	15	69
Equities	9,660	48,780	-	-	58,440
Government bonds	250	9,260	-	-	9,510
Multi asset credit	880	13,660	-	-	14,540
Other	2,460	1,980	-	-	4,440
Total assets	19,080	89,860	31,290	8,835	149,065

10. Board members, executive directors and key management personnel

The emoluments of the non-executive and executive directors (including pension contributions), who served during the year were as follows:

Non-executive board members' emoluments		2025 Fee £'000	2024 Fee £'000
Sir David Bell KCB DL	(to 30 June 2025)	26.5	26.5
Alexis Cleveland		17.0	17.0
Fiona Creighton		11.4	6.0
Paul Fiddaman		-	-
Hanif Malik		12.5	12.5
Michael Mullaney		14.0	14.0
Anne Mulroy	(to 21 Septembr 2023)	-	6.3
David Murtagh	(from 1 April 2025)	-	-
Mark Pearson		-	-
Neil Revely		12.5	12.5
Sarah Salter		12.5	12.5
Raman Sanghera	(from 1 July 2025)		
Stephen Secker	(to 31 May 2025)	19.8	19.8
Stephen Spill	(to 31 March 2025)	14.0	14.0
Adrian Stanley		0.0	2.4
Amanda Swann		11.4	7.6
Rachel Turnbull	(from 1 June 2025)	-	-
Andrew Gamble	(from 1 June 2025)	-	-
Dave Richmond		4.5	1.0
Natasha Babar-Evans		3.0	1.0
Shahida Beswick		3.0	3.0
Oliver Boundy	(from 1 June 2025)	-	-
Juanita Crawford		4.5	4.5
Jeremy Earnshaw		3.0	3.0
Matt Edgar		3.0	3.0
Simon Edwards		-	2.0
Ulfat Hussain		3.0	3.0
Gillian Moy		11.4	11.4
Mike Gaskell		-	3.0
Carole McTaggart	(to 2 May 2024)	-	-
Jon Prashar	(to 29 February 2024)	-	4.1
Dawn Keightley		3.2	-
Ged Walsh		2.3	-
Daniel Gibson		2.4	-
Kathryn Heathcote	(to 6 November 2024)	1.2	-
David Hern		2.4	-
Pip Hughes		2.4	-
Celia Weldon	(from 1 June 2025)	-	-
		200.9	190.1

Notes to the financial statements (continued)...

10. Board members, executive directors and key management personnel (continued)

The Group Chief Executive, Paul Fiddaman, who is also a member of the board, is remunerated as an executive director of Karbon Homes Limited. Mark Pearson, who is also a member of the board, is remunerated as the Managing Director of 54North Homes Limited.

Executive directors

The aggregate remuneration of the executive directors for the year amounted to £1,065,556 (2024: £985,489) including pension contributions of £230,047 (2024: £213,077). The remuneration of the highest paid director, who is the Group Chief Executive, excluding pension contributions, was £231,723 (2024: £220,674).

During the year, compensation paid or payable to directors for loss of office was £nil (2024: £nil).

The Group Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of the pension scheme, and no enhanced or special terms apply. The association does not make any further contribution to an individual pension arrangement for the Group Chief Executive.

Key management personnel

The aggregate remuneration of key management personnel for the year amounted to £2.6m (2024: £2.5m restated).

2024 has been restated for the omission of some key management personnel.

The full-time equivalent number of key management personnel whose remuneration is £60,000 or more (including pension contributions) is:

	2025 No.	2024 No.
£60,001 to £70,000	-	-
£70,001 to £80,000	2	-
£80,001 to £90,000	1	1
£90,001 to £100,000	1	3
£100,001 to £110,000	4	10
£110,001 to £120,000	9	4
£120,001 to £130,000	2	1
£130,001 to £140,000	-	1
£140,001 to £150,000	-	3
£150,001 to £160,000	2	1
£160,001 to £170,000	2	-
£170,001 to £180,000	-	-
£180,001 to £190,000	2	1
£190,001 to £200,000	-	1
£200,001 to £210,000	-	1
£210,001 to £220,000	1	-
£220,001 to £230,000	-	-
£230,001 to £240,000	-	-
£240,001 to £250,000	-	-
£250,001 to £260,000	-	1
£260,001 to £270,000	1	-

The full-time equivalent number of key management personnel includes the salaries of seven 54North Homes Limited employees.

11. Tax on surplus on ordinary activities

	Group		Association	
	2025 £ '000	2024 £ '000	2025 £ '000	2024 £ '000
Analysis of tax charge/(credit) for the period				
Current tax:				
UK corporation tax on surplus for the year at 25% (2024:25%)	-	-	-	-
Adjustments in respect of prior years	-	-	-	-
	-	-	-	-
Deferred tax:				
Origination and reversal of timing differences	59	113	-	-
Effect of rate change on opening balance	-	23	-	-
	59	90	-	-
Tax on profits on ordinary activities				
Provision for deferred tax				
Movement in provision:				
Provision at start of period	168	78	-	-
Deferred tax charged in the Statement of Comprehensive Income for the period	59	90	-	-
	228	168	-	-
Provision at end of period				
	547	701	-	-
Deferred tax liability not recognised				

The deferred tax liability not recognised includes £782.9k in respect of potential future capital gains and losses on the disposal of Prince Bishops Homes Limited investment properties.

Notes to the financial statements (continued)...

11. Tax on surplus on ordinary activities (continued)

	Group		Association	
	2025 £ '000	2024 £ '000	2025 £ '000	2024 £ '000
Reconciliation of tax charge				
Surplus on ordinary activities before tax	35,755	32,498	31,211	30,288
Theoretical tax at UK corporation tax rate 25% (2024:25%)				
Effects of:	8,944	8,125	7,803	7,572
Surplus relating to charitable income	(8,637)	(7,939)	(7,803)	(7,564)
Income not taxable for tax purposes	(181)	(148)	-	-
Fixed asset differences	(2)	(14)	-	-
Expenses not deductible for tax purposes	31	12	-	-
Chargeable gains	184	154	-	-
Group relief surrendered	-	-	-	(8)
Adjustment to tax charge in respect of prior periods	-	(22)	-	-
Remeasurement of deferred tax for changes in tax rate	-	-	-	-
Deferred tax not recognised	(119)	(78)	-	-
Impact of Gift Aid	(161)	-	-	-
Current tax charge	59	90	-	-

12. Tangible fixed assets – housing properties

GROUP	Social housing properties held for letting	Social housing properties under construction	Low-cost home ownership properties held for letting	Low-cost home ownership properties under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2024	1,427,561	90,510	55,523	19,539	1,593,133
Additions	763	112,358	230	16,402	129,753
Additions - newly built properties acquired	5,805	-	472	-	6,277
Properties acquired at fair value (note 30)	56,035	15	560	-	56,610
Re-classification adjustment	(922)	-	922	-	-
Transfer to other fixed assets	(1,782)	(865)	(4)	-	(2,651)
Transferred to investment properties	(30)	-	-	-	(30)
Capitalised planned maintenance	44,852	-	-	-	44,852
Schemes completed	106,637	(106,637)	21,157	(21,157)	-
Abortive costs	-	(15)	-	-	(15)
Disposals - properties	(2,367)	-	(1,366)	-	(3,733)
Demolitions	(795)	-	-	-	(795)
Disposals - write off on replacement	(5,007)	-	-	-	(5,007)
At 31 March 2025	1,630,750	95,366	77,494	14,784	1,818,394
Depreciation and impairment					
At 1 April 2024	273,706	-	3,213	-	276,919
Charged in year	30,458	-	549	-	31,007
Impairment released in year	710	-	-	-	710
Re-classification adjustment	(37)	-	37	-	-
Released on transfer to investment properties	(5)	-	-	-	(5)
Transfer to other fixed assets	(978)	-	(2)	-	(980)
Released on disposal - properties	(478)	-	(104)	-	(582)
Released on demolition	(497)	-	-	-	(497)
Released on disposal - replacements	(3,476)	-	-	-	(3,476)
Write down of fair value	680	-	(15)	-	665
At 31 March 2025	300,083	-	3,678	-	303,761
Net book value					
At 31 March 2025	1,330,667	95,366	73,816	14,784	1,514,633
At 31 March 2024	1,153,855	90,510	52,310	19,539	1,316,214

The write down of fair value £665k relates to the property assets excess of fair value over historic cost which is written off over the remaining life of the property.

Notes to the financial statements (continued)...

12. Tangible fixed assets – housing properties (continued)

ASSOCIATION

	Social housing properties held for letting £'000	Social housing properties under construction £'000	Low-cost home ownership properties held for letting £'000	Low-cost home ownership properties under construction £'000	Total £'000
Cost					
At 1 April 2024	1,290,056	68,219	47,399	18,626	1,424,300
Additions	763	99,095	230	10,737	110,825
Additions - newly built properties acquired	5,805	-	472	-	6,277
Re-classification adjustment	(922)	-	922	-	-
Transfer to other fixed assets	(534)	(865)	-	-	(1,399)
Transferred to investment properties	(30)	-	-	-	(30)
Capitalised planned maintenance	37,645	-	-	-	37,645
Schemes completed	84,467	(84,467)	17,147	(17,147)	-
Abortive costs	-	(15)	-	-	(15)
Disposals - properties	(2,193)	-	(1,324)	-	(3,517)
Demolitions	(795)	-	-	-	(795)
Disposals - write off on replacement	(4,335)	-	-	-	(4,335)
At 31 March 2025	1,409,927	81,967	64,846	12,216	1,568,956
Depreciation and impairment					
At 1 April 2024	276,903	-	3,050	-	279,953
Charged in year	26,769	-	460	-	27,229
Impairment released in year	710	-	-	-	710
Re-classification adjustment	(37)	-	37	-	-
Transfer to other fixed assets	(95)	-	-	-	(95)
Released on transfer to investment properties	(5)	-	-	-	(5)
Released on disposal - properties	(462)	-	(102)	-	(564)
Released on demolition	(497)	-	-	-	(497)
Released on disposal - replacements	(2,978)	-	-	-	(2,978)
At 31 March 2025	300,308	-	3,445	-	303,753
Net book value					
At 31 March 2025	1,109,619	81,967	61,401	12,216	1,265,203
At 31 March 2024	1,013,153	68,219	44,349	18,626	1,144,347

12. Tangible fixed assets – housing properties (continued)

Impairment

Housing properties have been impaired where the properties are of non-traditional construction and therefore have a limited life, have a high void rate, or it is probable that a plan to regenerate existing properties by demolishing them will go ahead.

	Group		Association	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
At 1 April	3,885	2,414	3,885	2,414
Provided during the year	1,116	1,484	1,116	1,484
Released during the year	(406)	(13)	(406)	(13)
At 31 March	<u>4,595</u>	<u>3,885</u>	<u>4,595</u>	<u>3,885</u>

The total number of housing units impaired is 248 (2024: 243). The carrying value of the housing properties pre-impairment was £7,189k.

Improvements to existing properties:

	Group		Association	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Capitalised planned maintenance	44,852	29,437	37,645	27,348
Planned maintenance	14,219	14,438	13,013	13,051
	<u>59,071</u>	<u>43,875</u>	<u>50,658</u>	<u>40,399</u>

Housing properties book value, net of depreciation and offices net book value (note 13) comprises:

	Group		Association	
Housing properties	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Freehold land and buildings	1,479,043	1,280,712	1,233,593	1,112,737
Long leasehold land and buildings	33,212	33,117	29,502	29,502
Short leasehold land and buildings	2,378	2,385	2,108	2,108
	<u>1,514,633</u>	<u>1,316,214</u>	<u>1,265,203</u>	<u>1,144,347</u>
Offices				
Freehold land and buildings	<u>8,339</u>	<u>8,593</u>	<u>7,341</u>	<u>7,546</u>

Notes to the financial statements (continued)...

13. Tangible fixed assets – other

GROUP	Freehold offices	Furniture fixtures and fittings	Computers and office equipment	Motor vehicles	Leasehold improve- ments	Commercial premises	Plant and equipment	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£'000
Cost								
At 1 April 2024	11,847	3,256	5,466	47	1,282	175	329	22,402
Additions	9	1,613	1,914	-	72	-	46	3,654
Acquisition of subsidiary	-	621	48	-	-	-	-	669
Work in progress	500	413	(44)	-	-	-	34	903
Disposals	-	(614)	(537)	-	-	-	-	(1,151)
Transferred from property assets	-	1,221	(9)	-	-	1,303	-	2,515
At 31 March 2025	12,356	6,510	6,838	47	1,354	1,478	409	28,992
Depreciation								
At 1 April 2024	3,254	1,525	4,531	13	959	67	223	10,572
Acquisition of subsidiary	-	252	52	-	-	-	-	304
Transferred from property assets	-	883	2	-	-	-	-	885
Charged in year	263	1,204	451	12	82	37	42	2,091
Impairment	500	-	-	-	-	-	-	500
Released on disposal	-	(313)	(519)	-	-	-	-	(832)
At 31 March 2025	4,017	3,551	4,517	25	1,041	104	265	13,520
Net book value								
At 31 March 2025	8,339	2,959	2,321	22	313	1,374	144	15,472
At 31 March 2024	8,593	1,731	935	34	323	108	106	11,830

13. Tangible fixed assets – other

ASSOCIATION	Freehold offices	Furniture fixtures and fittings	Computers and office equipment	Motor vehicles	Leasehold improve- ments	Commercial premises	Plant and equipment	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£'000
Cost								
At 1 April 2024	10,529	813	5,427	47	1,282	175	327	18,600
Additions	9	9	1,857	-	72	-	46	1,993
Work in progress	500	413	(44)	-	-	-	34	903
Disposals	-	-	(537)	-	-	-	-	(537)
Transferred to property assets	-	-	-	-	-	1,303	-	1,303
At 31 March 2025	11,038	1,235	6,703	47	1,354	1,478	407	22,262
Depreciation								
At 1 April 2024	2,983	356	4,507	13	959	67	222	9,107
Charged in year	214	117	462	12	82	37	42	966
Impairment	500	-	-	-	-	-	-	500
Released on disposal	-	-	(519)	-	-	-	-	(519)
At 31 March 2025	3,697	473	4,450	25	1,041	104	264	10,054
Net book value								
At 31 March 2025	7,341	762	2,253	22	313	1,374	143	12,208
At 31 March 2024	7,546	457	920	34	323	108	105	9,493

Notes to the financial statements (continued)...

14. Investment properties non-social housing properties held for letting

GROUP	2025		2024	
	£ '000		£ '000	
Valuation				
At 1 April	50,462		49,904	
Additions	254		313	
Reclassification to housing properties	25		82	
Disposals	(591)		(402)	
Increase in value	695		565	
At 31 March	50,845		50,462	

ASSOCIATION	2025		2024	
	£ '000		£ '000	
Valuation				
At 1 April	17,892		17,653	
Additions	125		305	
Reclassification to housing properties	25		82	
Disposals	(186)		(160)	
Increase in value	21		12	
At 31 March	17,877		17,892	

The valuation of investment properties in Karbon Homes was carried out in February 2025 whereas the valuations of the 54North Homes and Prince Bishops Homes properties were carried out in March 2025. All the valuations were based on the properties’ market values at these dates but, for those valued in February 2025, the valuations were expected to be materially unchanged at the year end.

The valuations across the group were carried out by Savills (UK) Limited, RMS Estate Agents Limited and Tapp Chartered Surveyors, firms of RICS registered valuers in accordance with Royal Institute of Chartered Surveyors (‘RICS’) Valuation – Global Standards 2022 (incorporating the IVSC International Valuation Standards) using qualified chartered surveyors who had sufficient current local and national knowledge of the particular market, and skills and understanding to undertake the valuation competently. The companies have adopted the provisions under sections 16.1 and 16.2 of FRS 102 in relation to the revaluation of their investment properties (fair value movements being taken to the Statement of Comprehensive Income). On consolidation of the group’s housing property values, any unrealised surpluses derived from inter-group property sales are removed.

It has been assumed that the market in which a transaction to sell some properties would take place would be sales to prospective owner-occupiers and RMS Estate Agents have valued certain of these properties on an individual basis subject to any existing tenancy agreements, Tapp Chartered Surveyors have provided a desktop valuation on the individual properties. These properties are valued by applying a market approach, using prices and other relevant information generated by market transactions, using comparable assets.

For other properties the assumption is that the portfolio should be valued as a single lot for sale to an investor and these properties have been valued using an income approach reflecting expectations of future performance with a calculation on net rental income and yield expectations and Savills (UK) Limited has valued the properties subject to any existing tenancy agreements.

15. Investments

HomeBuy loans receivable	Group and Association	
	2025 £ '000	2024 £ '000
At 1 April	156	184
Movement in year	16	(28)
At 31 March	172	156

The loans are repayable when the properties against which the loans are charged, are sold. No interest is charged; however, the association takes the proportion of the sale proceeds as agreed at the commencement of the loan and any associated grants are recycled.

16. Fixed asset investment

	Group		Association	
	2025 £ '000	2024 £ '000	2025 £ '000	2024 £ '000
10,000 £1 ordinary shares in Leeds & Yorkshire Property Services Limited	-	10	-	-

Leeds & Yorkshire Property Services Limited was a wholly owned subsidiary of 54North Homes Limited. The company was dissolved on 16 July 2024.

17. Investment in joint venture

On 21 December 2023, Next Level Developments Limited entered into a joint venture arrangement with Homes by Carlton Limited, with the aim of building 48 properties.

Next Level Developments Limited has loaned the joint venture, Karbon Carlton Staindrop LLP, £5m which is disclosed in debtors.

On 23 June 2024, Next Level Developments Limited entered into a joint venture arrangement with Homes by Carlton Limited, to build 46 properties.

Next Level Developments Limited has loaned the joint venture, Karbon Carlton Sadberge LLP, £2.3m which is disclosed in debtors.

Next Level Developments Limited holds 50% of the equity and 50% of the control in the two joint ventures.

Share of retained profits	Group		Association	
	2025 £'s	2024 £'s	2025 £'s	2024 £'s
At 1 April	-	-	-	-
Share of deficit	(653)	(82)	-	-
Written down during the year	653	82	-	-
At 31 March	-	-	-	-

Notes to the financial statements (continued)...

18. Interests in subsidiaries and joint venture

At 31 March 2025 the Karbon Group comprised the parent, Karbon Homes Limited, together with the following organisations each of which are either subsidiaries or a joint venture of the association within the meaning of the Co-operative and Community Benefit Societies Act 2014:

Subsidiary name	Registered number	Class and percentage of issued shares held	Nature of business
54North Homes Limited	Co-operative and Community Benefit Societies Act -16826R	Ordinary - 100%	Registered social landlord
Prince Bishops Homes Limited	Registrar of Companies – 06712466	Ordinary - 100%	Market rent and for sale development
Enterprise Durham Partnership Limited	Registrar of Companies – 09077819	Limited by guarantee	Social enterprise
Next Level Developments Limited	Registrar of Companies – 1645896	Ordinary - 100%	Residential development
Karbon Developments Limited	Registrar of Companies – 04895180	Ordinary - 100%	Property development
Karbon Solutions Limited	Registrar of Companies – 09475120	Ordinary - 93%	Non-profit making cost sharing vehicle
Karbon Land Ventures Limited	Registrar of Companies – 13846737	Ordinary - 100%	Property development
Leazes Homes Limited	Co-operative and Community Benefit Societies Act -8692	Ordinary - 100%	Registered social landlord

Joint venture name	Registered number	Percentage held	Nature of business
Karbon Carlton Staindrop LLP	Registrar of Companies - OC450405	50%	Property construction
Karbon Carlton Sadberge LLP	Registrar of Companies - OC452782	50%	Property construction

54North Homes Limited is the managing trustee of three almshouse charities, Emily Bentley Homes, Marsden Memorial Homes and Agnes Marsden Trust these entities are not consolidated into the Karbon Group on the basis of materiality.

All the companies are registered in England and Wales.

The registered address for all entities is Number Five, Gosforth Park Avenue, Gosforth Business Park, Newcastle upon Tyne NE12 8EG except for 54North Homes Limited which is registered at 2 Alpha Court, Monks Cross Drive, Huntington, York, YO32 9WN and Karbon Carlton Staindrop LLP and Karbon Carlton Sadberge LLP which are registered at Carlton House, 15 Parsons Court, Aycliffe Business Park, Newton Aycliffe DL5 6ZE.

19. Properties for sale

	Group		Association	
	2025 £ '000	2024 £ '000	2025 £ '000	2024 £ '000
Completed low-cost home ownership properties	1,986	1,123	1,637	629
Low-cost home ownership properties under construction	6,051	7,152	5,711	7,149
Completed properties for outright sale	224	8	215	-
Properties for outright sale under construction	970	-	-	-
	9,231	8,283	7,563	7,778

20. Debtors: amounts falling due within one year

	Group		Association	
	2025 £ '000	2024 Restated £ '000	2025 £ '000	2024 Restated £ '000
Due within one year				
Rent and service charges receivable	9,331	8,683	8,040	7,919
Less: provision for bad and doubtful debts	(4,805)	(6,589)	(4,325)	(6,302)
	4,526	2,094	3,715	1,617
Social housing grant receivable	-	18,694	-	18,694
Loan breakage asset	-	-	-	-
Other debtors	7,676	6,663	5,861	5,681
Amounts due from group undertakings	-	-	3,759	4,398
Amounts due from joint venture	249	208	-	-
Prepayments and accrued income	4,685	3,153	3,180	2,310
	17,136	30,812	16,515	32,700

Prior year restated for the change in disclosure of bond discount of £117.0k to debt analysis. This has nil impact on reserves.

Notes to the financial statements (continued)...

21. Debtors: amounts falling due after more than one year

	Group		Association	
	2025	2024	2025	2024
	£ '000	Restated £ '000	£ '000	Restated £ '000
Due over one year				
Amounts due from group undertakings	-	-	48,289	28,248
Amounts due from joint venture	7,714	1,803	-	-
	<u>7,714</u>	<u>1,803</u>	<u>48,289</u>	<u>28,248</u>

Prior year restated for the change in disclosure of bond discount of £2.6m to debt analysis. This has nil impact on reserves.

The amount owed by the subsidiary companies of £48.3m (2024: £28.2m), relates to intercompany loans between Karbon Homes Limited and Prince Bishops Homes Limited (PBH), Enterprise Durham Partnership Limited (EDP), Next Level Developments Limited (NLD), Karbon Land Ventures Limited (KLV) and a payment on account of £5.4m in respect of Seaham Garden Village development. £7.7m of loans to NLD has been used to fund joint ventures with interest charged at 7%.

The loan to PBH is secured on the assets of PBH, and interest is charged on the full loan balance at 5.25%. Following the sale of PBH housing units to KHL in July 2025, the intention is for the intercompany loan to be repaid before the end of July 2025.

The loan to EDP is repayable by March 2033, interest is charged on the first £350.0k at 5.25%; borrowings over £350.0k are charged at 8%.

On 26 May 2022 Karbon Homes Limited provided a secured loan facility of £10.0m to KLV. Interest is charged at the average Sterling Overnight Interbank Average Rate (SONIA) plus a 5% margin. The loan facility is available until 26 May 2032.

On 16 January 2024 NLD provided a loan facility for up to £7.5m to Karbon Carlton Staindrop LLP, interest is charged at 7%. The loan is repayable by 16 April 2028.

On 7 August 2024 NLD provided a loan facility for up to £8.25m to Karbon Carlton Sadberge LLP, interest is charged at 7%. The loan is repayable by 7 February 2029.

22. Investments

	Group		Association	
	2025	2024	2025	2024
	£ '000	Restated £ '000	£ '000	Restated £ '000
Liquidity Investment Reserve	1,593	1,701	995	1,082
Santander UK	1	5,397	-	5,396
	<u>1,594</u>	<u>7,098</u>	<u>995</u>	<u>6,478</u>

Investment products used and the levels with individual counterparties, were in line with the group's approved treasury policies.

23. Creditors: amounts falling due within one year

	Group		Association	
	2025	2024	2025	2024
	£ '000	Restated £ '000	£ '000	Restated £ '000
Debt (note 27)	22,308	7,570	11,373	3,675
Trade creditors	5,263	2,240	3,241	1,142
Rent and service charges received in advance	4,279	3,211	3,505	2,545
Amounts due to contractors for certified work	6,157	4,445	6,157	4,445
Amounts due to local authorities for Right to Buy sales	195	97	195	97
Amounts due to group undertakings	-	-	20,425	7,189
Recycled capital grant fund (note 25)	131	8	-	1
Other taxation and social security	1,136	1,021	1,012	909
Other creditors	5,790	5,566	5,482	5,263
Accruals and deferred income	36,053	30,295	19,206	18,844
Service charge creditor	1,008	828	1,008	828
Deferred capital grant (note 26)	5,641	5,203	4,953	4,953
	<u>87,961</u>	<u>60,484</u>	<u>76,557</u>	<u>49,891</u>

Notes to the financial statements (continued)...

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

	Group		Association	
	2025	2024	2025	2024
	£ '000	Restated £ '000	£ '000	Restated £ '000
Debt (note 27)	540,933	497,251	459,517	447,233
Loan premium	32,180	33,712	28,022	29,366
Total debt	573,113	530,963	487,539	476,599
Recycled capital grant fund (note 25)	2,879	1,860	2,792	1,756
HomeBuy grant	172	172	172	172
Social housing grant received in advance	83,841	85,423	83,841	85,423
Fair value of financial instrument	113	-	-	-
	<u>660,118</u>	<u>618,418</u>	<u>574,344</u>	<u>563,950</u>

Prior year restated for the change in disclosure of loan breakage costs of £560.0k to debt analysis. This has nil impact on reserves.

A loan premium creditor balance is created when there is a difference, at the time of pricing a deal on the capital markets, that results in the underlying interest rate (coupon rate) being higher than the market standard coupon price. The premium balance is amortised to the income and expenditure account over the remaining life of the loan product. The majority of the premium balance was created when Karbon Homes (association) released £100.0m in retained UK listed 2047 bonds in June 2020 but received physical cash receipts of £130.3m from the trade.

25. Recycled capital grant fund

Funds pertaining to activities within areas covered by Homes England:

	Group		Association	
	2025	2024	2025	2024
	£ '000	£ '000	£ '000	£ '000
At 1 April	1,868	1,387	1,757	1,304
Acquisition - business combination	46	22	-	22
Grants recycled	1,974	1,460	1,915	1,432
Interest accrued	74	88	72	88
Withdrawal for development of properties	(952)	(1,089)	(952)	(1,089)
Balance at 31 March	<u>3,010</u>	<u>1,868</u>	<u>2,792</u>	<u>1,757</u>

Further analysed as:

Grant remaining:

- in the fund for three years at 31 March	34	-	-	-
- in the fund for two years but fewer than three	97	8	-	1
- in the fund for one year but fewer than two	804	244	776	168
- in the fund less than one year	2,075	1,616	2,016	1,588
Balance at 31 March	<u>3,010</u>	<u>1,868</u>	<u>2,792</u>	<u>1,757</u>

26. Deferred capital grant

	Group		Association	
	2025	2024	2025	2024
	£ '000	£ '000	£ '000	£ '000
At 1 April	398,540	376,274	366,782	349,695
Grant received in the year	33,406	25,299	29,553	20,092
Acquisition - business combination	35,962	-	-	-
Transferred to recycle capital grant fund	(578)	(236)	(517)	(208)
Reclassification	-	(2,000)	-	(2,000)
Grant write off on disposal	(504)	(278)	(487)	(278)
Grant write off on replacement	(126)	(519)	(126)	(519)
At 31 March	<u>466,700</u>	<u>398,540</u>	<u>395,205</u>	<u>366,782</u>

Grant amortisation

At 1 April	78,456	73,996	71,612	67,395
Acquisition - business combination	4,125	-	-	-
Amortisation in year	5,470	5,118	4,906	4,868
Released on disposal - properties	(353)	(288)	(345)	(281)
Released on disposal - replacements	(68)	(247)	(68)	(247)
Released on change of property use	(416)	(123)	(416)	(123)
At 31 March	<u>87,214</u>	<u>78,456</u>	<u>75,689</u>	<u>71,612</u>

Deferred capital grant

At 31 March	<u>379,486</u>	<u>320,084</u>	<u>319,516</u>	<u>295,170</u>
At 1 April	<u>320,084</u>	<u>302,278</u>	<u>295,170</u>	<u>282,300</u>

Further analysed as:

Amount due to be released:

- within one year	5,641	5,203	4,953	4,953
- after one year	373,845	314,881	314,563	290,217
	<u>379,486</u>	<u>320,084</u>	<u>319,516</u>	<u>295,170</u>

Karbon Homes Limited, the association, has received grant funding from the Social Housing Decarbonisation Fund. The grant will be used to deliver housing retrofit measures to improve the energy efficiency of social homes to EPC C or below.

Notes to the financial statements (continued)...

27. Debt analysis

	Group		Association	
	2025	2024	2025	2024
	£ '000	Restated £ '000	£ '000	Restated £ '000
Due within one year				
Bank loans	20,784	7,358	11,411	3,713
Local authority loan	1,312	-	-	-
STHVT loan fair value	(38)	(38)	(38)	(38)
The Housing Finance Corporation debt	250	250	-	-
	22,308	7,570	11,373	3,675
Due after more than one year				
Bank loans	219,941	211,929	189,610	174,078
Local authority loan	20,827	-	-	-
STHVT loan fair value	(8,241)	(8,549)	(8,241)	(8,549)
The Housing Finance Corporation debt	12,500	12,750	-	-
Affordable Housing Finance debt	34,400	34,400	34,400	34,400
Affordable Homes Guarantee Scheme	20,000	-	-	-
Bond	250,000	250,000	250,000	250,000
Loan issue costs	(1,476)	(1,075)	(789)	(492)
Bond discount	(4,202)	(2,764)	(2,647)	(2,764)
Breakage costs	(2,816)	560	(2,816)	560
	540,933	497,251	459,517	447,233
	563,241	504,821	470,890	450,908

	Group		Association	
	2025	2024	2025	2024
	£ '000	Restated £ '000	£ '000	Restated £ '000
Due within one year	22,308	7,570	11,373	3,675
Between one and two years	7,770	21,955	5,874	13,684
Between two and five years	70,863	51,495	45,047	33,338
After five years	470,794	427,080	414,848	402,907
Loan issue costs	(1,476)	(1,075)	(789)	(492)
Bond discount	(4,202)	(2,764)	(2,647)	(2,764)
Breakage costs	(2,816)	560	(2,816)	560
	563,241	504,821	470,890	450,908

Prior year restated for the change in disclosure of bond discount and breakage costs from debtors and creditors respectively.

Breakage costs

	Group		Association	
	2025	2024	2025	2024
	£ '000	£ '000	£ '000	£ '000
Opening breakage cost	560	611	560	611
Breakage cost incurred in year	(3,568)	-	(3,568)	-
Amortised to interest payable	192	(51)	192	(51)
	(2,816)	560	(2,816)	560

27. Debt analysis (continued)

At 31 March 2025 the group had undrawn loan facilities of £154.0m (2024: £176.7m).

Bank debt is secured by specific charges on the group’s housing, land and buildings, and is repayable at rates of interest varying between 3.77% and 10.9% in instalments due as detailed above.

The Housing Finance Corporation loans are at fixed rates of between 1.41% and 6.12%.

The Affordable Housing Finance loan is at a fixed rate of 2.89% but the net effect of amortising the premium received with these loans reduces the effective rate to 1.99%. The loans are repayable by bullet instalments in the year 2043.

The bond financing is at a fixed rate of 3.375% repayable by bullet instalments in 2047.

Affordable Homes Guarantee Scheme (AHGS) financing is at a fixed rate of 5.12% repayable as a bullet payment in 2053.

There are two bond discounts, one in Karbon Homes Limited (KHL) and one in 54North Homes Limited (54NH).

The KHL bond discount is amortised over the life of the 29-year £150.0m tranche of Karbon Homes’ UK publicly listed bond, originally released in November 2018. A bond discount debtor balance is created when there is a difference, at the time of pricing the deal on the capital markets, that results in the underlying interest rate (coupon rate) being lower than the market standard coupon price. In this case, Karbon then received actual funds to the value of £146.2m based on a coupon of 3.375% and was able to pay a reduced level of interest over the life of the bond in comparison to paying a yearly coupon of 3.5% which would have generated physical cash receipts of exactly £150.0m.

The 54NH bond discount is amortised over the life of the 28-year £20m tranche of the AHGS loan funded by bond issuances by Saltaire Finance PLC, released December 2024. In this case, 54NH received actual funds to the value of £18.4m based on a coupon of 4.809% and was able to pay a reduced level of interest over the life of the bond in comparison to paying a yearly coupon of 4.815% which would have generated cash receipts of exactly £20m.

Opening breakage costs consist of a provision recognised at the start of the RBS loan and released over the life of that loan to 2033. In July 2024 a restructuring of loans with RBS and Lloyds resulted in a breakage cost asset of £3.39m and £0.18m respectively which are amortised over the life of the loan (2034 and 2030).

Notes to the financial statements (continued)...

27. Debt analysis (continued)

Financial instruments

The group and association had the following financial instruments:

	Group		Association	
	2025	2024	2025	2024
	£ '000	Restated £ '000	£ '000	Restated £ '000
Financial assets that are debt instruments measured at amortised cost:				
Cash and cash equivalents	15,447	45,872	7,945	40,858
Investments	1,594	7,098	995	6,478
HomeBuy loans	172	156	172	156
Rental and service charge debtors	9,331	8,683	8,040	7,919
Other debtors	7,676	6,663	5,861	5,681
Social housing grant receivable	-	18,694	-	18,694
Accrued income	2,102	1,669	884	1,029
Amounts due from subsidiaries	-	-	52,048	32,646
Amounts due from joint venture	7,963	2,011	-	-
	Group		Association	
	2025	2024	2025	2024
	£ '000	Restated £ '000	£ '000	Restated £ '000
Financial liabilities measured at amortised cost:				
Loan debt	(563,241)	(504,821)	(470,890)	(450,908)
Trade creditors	(5,263)	(2,240)	(3,241)	(1,142)
Recycled capital grant fund	(3,010)	(1,868)	(2,792)	(1,757)
Deferred capital grant fund	(466,700)	(398,540)	(395,205)	(366,782)
HomeBuy grants	(172)	(172)	(172)	(172)
Social housing grant received in advance	(83,841)	(85,423)	(83,841)	(85,423)
Amounts due to subsidiary undertakings	-	-	(20,425)	(7,189)
Other creditors and accruals	(41,292)	(32,541)	(30,423)	(28,251)
Financial liabilities measured at fair value:				
Financial instruments designated as hedges of variable interest rate	(129)	-	-	-

The group uses various financial instruments, including loans and cash, and other items such as rental arrears and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group’s operations.

The existence of these financial instruments exposes the group to a number of financial risks. The main risks arising from the group’s financial instruments are considered by the board to be the interest rate risk, liquidity risk and credit rate risk.

27. Debt analysis (continued)

The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The group finances its operations through a mixture of retained surpluses and bank borrowings. The group’s exposure to interest fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities.

The group also enters into standalone hedging agreements in its subsidiary 54N, which manage exposure to variable interest rate risk. Interest rate swaps relate to fixing variable rate interest and therefore designated as cash flow hedges. They are measured at fair value at each reporting date.

Gains and losses on cash flow hedges which are highly effective are recognised in Other Comprehensive Income. Any ineffective portion of a gain or loss on cash flow hedges is recognised in the Statement of Comprehensive Income.

Interest rate swaps are held for the purpose of managing exposure to interest rate risk only.

Derivative financial instruments

	Cashflow hedge reserve 2025 £ '000	Statement of Comprehensive Income 2025 £ '000	Cashflow hedge reserve 2024 £ '000	Statement of Comprehensive Income 2024 £ '000
Subject to cash flow hedging	129	129	-	-

Cash flow hedges

Interest rate swaps relate to fixing variable rate interest and are therefore designed as cash flow hedges. They are measured at fair value at each reporting date.

Gains and losses on cash flow hedges which are highly effective are recognised in the cash flow hedge reserve. The balance is then recycled to the Statement of Comprehensive Income to offset the impact of the hedged item at the date this occurs. Any ineffective portion of a gain or loss on cash flow hedges is recognised in the Statement of Comprehensive Income.

All interest rate swaps constituted an effective cash flow hedge at 31 March 2025. At 31 March 2025 the fair value of interest rate swaps held by the group is £129k (2024: £0k).

£129k has been recognised in the cash flow hedge reserves.

The group holds the following interest rate swaps at 31 March 2025.

Group entity	Type of swap	Notional amount £'000	Fixed interest rate %	Start date	End date
54North Homes	SONIA Hedge	15,220	4.304	29 Oct 2024	29 Oct 2027

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invest cash assets safely and profitably. In addition to drawn borrowings, cash balances of £15.4m and investments of £1.6m, the group has £154.0m of undrawn committed facilities.

Credit risk

The group’s principal credit risk relates to tenant arrears. This risk is managed by early intervention when tenants go into arrears, provision of Money Matters support and by close monitoring of the arrears of self-funding tenants. We continuously engage with our tenants to ensure that this risk is minimised and rental flows are maintained.

Notes to the financial statements (continued)...

28. Provisions for liabilities and charges

GROUP	Dilap- idations £ '000	Site demolition £ '000	Land rectification £'000	Other £'000	Deferred tax £'000	Total 2025 £'000	Total 2024 £'000
At 1 April	325	194	353	-	168	1,040	1,978
Acquisition of subsidiary	-	-	-	108	-	108	-
Utilised in the year	-	(194)	(353)	(4)	-	(551)	(1,028)
Released in the year	-	-	-	-	-	-	-
Provided in the year	71	500	-	-	59	630	90
At 31 March	396	500	-	104	227	1,227	1,040
ASSOCIATION	Dilap- idations £ '000	Site demolition £ '000	Land rectification £'000	Other £'000	Deferred tax £'000	Total 2025 £'000	Total 2024 £'000
At 1 April	325	194	353	-	-	872	1,900
Utilised in the year	-	(194)	(353)	-	-	(547)	(1,028)
Released in the year	-	-	-	-	-	-	-
Provided in the year	71	500	-	-	-	571	-
At 31 March	396	500	-	-	-	896	872

Dilapidations

The provision for dilapidations relates to properties rented by the association which could result in payments for dilapidations to landlords when leases end.

Site demolition

The provision for site demolition relates to costs of clearing a site.

Land rectification

The provision for land rectification relates to the cost of reinstating an embankment following a landslip.

Deferred tax

	Group		Association	
	2025 £ '000	2024 £ '000	2025 £ '000	2024 £ '000
At 1 April	168	78	-	-
Deferred tax charged to Statement of Comprehensive Income	59	90	-	-
At 31 March	227	168	-	-
Summarised:				
Accelerated capital allowances	227	260	-	-
Losses and other deductions	-	(92)	-	-
	227	168	-	-

The group has not recognised £546.8k of deferred tax. Unused tax losses totalled £955.8k (2024: £1,036.3k).

29. Share capital

	2025 £'s	2024 £'s
Allotted and issued		
At 1 April	11	11
Issued during the year	-	2
Surrendered during the year	(1)	(2)
At 31 March	10	11

The nominal value of each share is £1. The shares do not have a right to any dividend or distribution in a winding up and are not redeemable. Each share has full voting rights.

30. Acquisitions

In the year ended 31 March 2025

On 17 June 2024 Karbon Homes Limited (KHL) acquired Leazes Homes Limited via a transfer of engagement. No consideration was paid by KHL for the fair value of assets and liabilities as detailed below.

The Leazes Homes Limited transfer of engagement is considered to be an acquisition; hence acquisition accounting was followed and Section 19 (Business Combinations and Goodwill) of FRS 102 has been applied such that housing properties are included in the Statement of Financial Position at the fair value at the date of acquisition; however other assets and liabilities remain at unadjusted book value.

The difference between the fair value of the net identifiable assets and the purchase consideration is considered negative goodwill. This was deemed to be a non-exchange transaction as it is in substance a gift of one business to another and therefore under FRS 102 the negative goodwill arising on the fair value of the assets has been recognised as a gain in the Statement of Comprehensive Income.

An external EUV-SH valuation provided by JLL Limited has been used to establish the fair value of Leazes Homes Limited stock that transferred on 17 June 2024.

The valuation was made in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) 2022.

The assets and liabilities of Leazes Homes Limited at 17 June 2024 were:

	Book value £ '000	Fair value adjustments £ '000	Fair value to the group £ '000
Fixed assets			
Housing properties	58,075	(1,465)	56,610
Other fixed assets	365	-	365
Current assets			
Debtors	253	-	253
Cash at bank and in hand	1,525	-	1,525
Liabilities			
Creditors < 1 year	(3,231)	-	(3,231)
Creditors > 1 year	(21,857)	-	(21,857)
Grants	(31,405)	-	(31,405)
Provision for liabilities and charges	(108)	-	(108)
Net assets acquired	3,617	(1,465)	2,152

Notes to the financial statements (continued)...

30. Acquisitions (continued)

The pre-acquisition results of Leazes Homes Limited for the period 1 April 2024 to 16 June 2024 are shown below. The Group’s surplus includes the £0.7m post acquisition surplus.

Summary Income and Expenditure Account		
	17 June 2024 to 31 March 2025 £ '000	1 April 2024 to 16 June 2024 £ '000
Turnover	5,837	1,699
Operating Costs	(4,344)	(1,325)
Surplus on sale of housing property	15	-
Operating surplus	1,508	374
Net interest payable	(854)	(226)
Surplus for the financial year before taxation	654	148

31. Reserves

At 31 March 2025 the revenue reserve included £6.4m defined benefit pension liability (2024: £9.6m).

GROUP	Revenue reserves £ '000	Restricted reserves £ '000	Cash flow Hedge reserves £ '000	Total reserves £ '000
At 1 April 2024	468,887	450	-	469,337
Surplus for the year	35,716	-	-	35,716
Movement in fair value of cash flow hedged financial instruments	-	-	(129)	(129)
Actuarial loss relating to pension scheme	(934)	-	-	(934)
At 31 March 2025	503,669	450	(129)	503,990

ASSOCIATION	Revenue reserves £ '000	Restricted reserves £ '000	Total reserves £ '000
At 1 April 2024	376,210	450	376,660
Surplus for the year	31,211	-	31,211
Actuarial loss relating to pension scheme	(1,084)	-	(1,084)
At 31 March 2025	406,337	450	406,787

Restricted reserves

Mr. JS Charlton died in 2005 leaving a legacy of £449,684 for the building of six affordable housing units for older people in the Newbrough and Warden parishes on the condition that the gift be disclosed as a restricted reserve for 25 years, up to and including 2045. At the end of the 25 years the restricted reserve will transfer into general reserves.

32. Financial commitments

Capital expenditure commitments were as follows:

	Group		Association	
	2025 £ '000	2024 £ '000	2025 £ '000	2024 £ '000
Expenditure contracted for but not provided in the accounts	233,087	207,889	216,428	182,957
Expenditure authorised by the board, but not contracted	202,417	305,381	184,306	284,008
	435,504	513,270	400,734	466,965
The group expects these commitments to be contracted within the next year and financed with:				
Social housing grant	20,226	56,804	17,070	48,820
Proceeds from the sales of properties	22,536	13,465	21,326	11,250
Committed loan facilities	147,498	176,650	126,000	150,000
Loans under negotiation	245,244	266,351	236,338	256,895
	435,504	513,270	400,734	466,965

Expenditure either contracted or authorised by the board of £435m relates to commitments for projects over multiple years in the future. Karbon expects that these will be funded from a combination of forthcoming grant receipts, proceeds from property sales, future operating surpluses and future additional borrowings. Any future borrowings will be negotiated in line with our policies around having sufficient liquidity in advance of it being needed.

Operating leases payable

The future minimum lease payments which the group is committed to make under operating leases are as follows:

	Group		Association	
	2025 £ '000	2024 £ '000	2025 £ '000	2024 £ '000
Land and buildings:				
Within one year	196	201	194	157
Two to five years	109	218	109	218
Five years or more	-	-	-	-
	305	419	303	375
Vehicles and office equipment:				
Within one year	1,117	1,743	1,117	1,743
Two to five years	522	1,635	522	1,635
Five years or more	-	-	-	-
	1,639	3,378	1,639	3,378

Notes to the financial statements (continued)...

32. Financial commitments (continued)

Operating leases receivable

The future minimum lease receivables which the group is expecting to receive under operating leases are as follows:

	Group		Association	
	2024	2023	2024	2023
	£ '000	£ '000	£ '000	£ '000
Land and buildings:				
Within one year	174	139	174	139
Two to five years	512	658	512	658
Five years or more	566	586	566	586
	1,252	1,383	1,252	1,383

33. Contingent liabilities

The group had contingent liabilities at 31 March 2025 of £49.1m (2024: £49.1m) which is the original government funding relating to the acquisition of properties from the Guinness Partnership in 2019, Byker Community Trust in 2021, Leeds & Yorkshire Housing Association in 2022 and South Tyneside Housing Ventures Trust Limited in 2023. Karbon Homes Limited is responsible for the recycling of the grant in the event of the disposal of the properties.

34. Net cash flow from operating activities

Cash flow from operating activities	2025 £ '000	2024 £ '000
Surplus for the year	35,716	32,408
Adjustments for non-cash items:		
Revaluation gain in year	(695)	(565)
Negative goodwill arising on acquisition - business combination	(2,152)	(4,713)
Depreciation of tangible fixed assets	33,334	31,204
Release of deferred grant income	(6,378)	(6,203)
Impairment	1,508	1,471
Increase in provisions	20	(1,028)
Pension operating charge	2,280	2,157
Pension contributions paid	(6,447)	(6,289)
Share of operating deficit in joint venture	-	-
Taxation	59	90
Working capital movements:		
Increase in stock	(44)	(279)
Increase in properties for sale	(948)	(4,456)
Increase in trade and other debtors	(4,931)	(1,024)
Increase in trade and other creditors	12,377	25
	27,983	10,390
Adjustments for investing or financing activities:		
Gain from sale of tangible fixed assets	(2,199)	(2,155)
Grants utilised in the year	(952)	(1,089)
Interest payable	23,566	20,629
Interest receivable	(1,656)	(2,309)
	18,759	15,076
Taxation		
Corporation tax paid	-	155
Net cash generated from operating activities	82,458	58,029

Notes to the financial statements (continued)...

35. Reconciliation of net cash flow to movement in net debt

GROUP	2025 £ '000	2024 £ '000
Decrease in cash	(30,425)	(7,888)
Cash inflow from decrease in liquid resources	(5,504)	(10,460)
Cash inflow from increased debt and lease finance	(62,926)	(36,974)
Increase in net debt from cash flows	(98,855)	(55,322)
Net debt at 1 April	(462,642)	(407,320)
Net debt at 31 March	(561,497)	(462,642)

36. Analysis of net debt

GROUP	1 April 2024 £ '000	Non-cash movements £ '000	Cash flow £ '000	31 March 2025 £ '000
Cash and cash equivalents	45,872	1,525	(31,950)	15,447
Changes in cash	45,872	1,525	(31,950)	15,447
Current asset investments	7,098	-	(5,504)	1,594
Housing loans due in one year	(7,608)	(1,368)	(13,370)	(22,346)
Housing loans after one year	(508,004)	(21,838)	(26,350)	(556,192)
Changes in debt	(515,612)	(23,206)	(39,720)	(578,538)
Changes in net debt	(462,642)	(21,681)	(77,174)	(561,497)

In June 2024, KHL acquired Leazes Homes Limited (LHL) for no consideration, the non-cash items represent the cash and the loan on LHL's Statement of Financial Position at the point of acquisition.

37. Related parties

Notes 17 and 18 – Investment in subsidiaries and joint venture – provides details of the relationship between parent, registered subsidiaries, unregistered subsidiaries and the joint venture.

During the year the Association had the following income transactions with non-regulated members of the group.

- Charges for management services to KSL, KDL, KLV, EDP and PBH totalling £1.3m, based on allocations of central services costs or staff cost involved in service provision.
- Provision of heating, maintenance and business services to KSL totalling £9.2m, based on actual cost.
- Provision of repair services totalling £0.2m to PBH, at cost.
- Interest receivable of £2.1m from inter co loans totalling £42.9m with PBH, KLV, NLD and EDP.

During the year the Association had the following expenditure transactions with non-regulated members of the group.

- Development of new properties through KLV and KDL totalling £54.2m.
- Furniture packs from EDP and PBH at £2.1m.

The amount owed by unregistered subsidiaries at 31/3/25 was £50.6m including loans of £42.9m. The amount owed to unregistered subsidiaries at 31/3/25 was £20.4m.

The amounts owed to and from all subsidiaries is disclosed in notes 20, 21, and 23.

The group has taken advantage of the exemptions within FRS 102 'related party transactions' not to disclose transactions with other wholly owned group companies.

