karbon homes

Providing a strong foundation for life.

Financial Statements 2025/26

for the year ended 31 March 2026

Contents

About us

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 over 34,000 homes across diverse communities, all facing different opportunities and challenges.

Some customers just need an affordable home, or a way onto the property ladder. Others might need more – financial advice, community services, sheltered accommodation or training that can lead to a new job. Whatever people need to feel more secure, confident and happy with their lives, we work hard to provide it.

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.

Operating and Financial Review

Another year of strong performance with lots of success stories

Over the last year we have made great progress against our strategic aims and I'm proud of the positive impact we are continuing to have across our communities.

We have continued to put customers at the centre of our decision making, working with them to understand their wants and needs. An example of this is our continued investment in our digital offer. Working with customers, we have improved the functionality of our customer portal, MyKarbon, to help them self-serve at a time that suits them. We have also introduced WhatsApp and a webchat function on our websites, providing alternative ways for them to get in touch.

Despite the challenging operating environment we have experienced over the last year, we have remained committed to our new homes delivery programme, completing 478 new homes across the North East and Yorkshire. This is lower than our completion number for 24/25, largely due to the increased investment we have made in our non-urgent repairs service, to meet the ever-increasing demand we are experiencing. It takes our completion of affordable homes funded through our Strategic Partnership with Homes England to 1,115.

And through the North East Housing Partnership (NEHP), we have developed a number of collaborative partnerships to help achieve economies of scale for our planned investment programmes. In April, we launched our joint kitchen planned investment partnership, where NEHP members are pooling their kitchen replacement programmes to achieve savings in the region of £10million over the next ten years.

We are passionate about shaping strong sustainable places for our communities, and have continued to invest in our two Karbon key impact areas, Stanley in North Durham and Byker in Newcastle. This investment includes continuing our successful street food markets in Stanley, boosting footfall on the high street and supporting local businesses, and renovating hobby rooms on the Byker Estate for community use, providing skills and training, and creative opportunities.

We have reached the final stages in the development of our charitable arm within the Group, Karbon Foundation. The foundation will focus on improving social and financial wellbeing and delivering community investment, and will ensure we provide a consistent and inclusive approach to our charitable delivery across the North East and Yorkshire.

We have also continued with the setup of Graphite Living, which we are in the process of registering as an institutionally backed registered provider.

Graphite Living will enable us to access a wider variety of funding sources for new affordable homes delivery going forward. At the start of the year we appointed the Graphite board, who are supporting us through the registration process with the Regulator of Social Housing.

We also welcomed three new members to the Karbon Group board this year, alongside board member changes for both 54North Homes and Leazes Homes. Big thanks to Andy Gamble, Chair of the 54North Homes board, and Alexis Cleveland, Chair of the Karbon board, who both stepped into Chair roles at the beginning of the year.

Alexis will be stepping down in September as her term comes to an end, so I would like to take this opportunity to thank her for her support over the last six years. Her unwavering dedication to our mission over the years has been truly inspiring.

As we head into the new financial year, faced with financial, regulatory and political environments changing at pace, we'll remain committed to the delivery of our key strategic priorities and building strong foundations for even more people.

Paul Fiddaman
Chief Executive
Karbon Homes Group

Group key highlights

84.9%
overall customers satisfaction

+42
customer Net Promoter Score

85.2%
satisfaction with the condition of their home

99.28%
homes occupied

83.8%
satisfaction with repairs

99.9%
of health and safety compliance

478
new homes built

80.8%
satisfaction that the landlord makes a positive contribution to neighbourhoods

83.4%
of homes rated at EPC C or above

+44
employee Net Promoter Score

22.8%
operating margin overall

£5,190
Social housing cost per unit

Providing as many good quality homes as we can

As of March 2026, we added 478 new homes to the Group, completing 1,115 of the 2,324 affordable homes funded through our Strategic Partnership with Homes England. We've also started on site with every home that we will be building through our current Strategic Partnership which means our contractual commitments are in hand and we will soon be adding many more completed homes to the Group.

Through reallocation of Modern Methods of Construction funding, we have been able to add a further three homes to our planned programme, which will bring us to completing a total of 2,327 funded homes by March 2028.

We have also been able to use our strategic partnership status to support other housing associations in the region achieve their development ambitions. Working with County Durham based believe housing, Livin and Durham Aged Miners Housing Association. We've unlocked funding for the delivery of 188 homes across eight sites, enabling them to push forward with schemes that were otherwise paused due to funding limitations.

We've remained committed to the delivery of supported housing, both for older residents and residents with complex care needs.

We completed the redevelopment of Athol House in Ponteland, a modern, energy efficient scheme with 34 apartments for over 55s. And we started on site with our 124-apartment Extra Care scheme on Benton Road in South Shields, the second of the Extra Care schemes we're delivering in partnership with South Tyneside Council.

We've also made some investments in our market rent portfolio, dissolving our subsidiary Prince Bishop Homes and transferring the ownership of all 446 of our market rent homes to Karbon Homes.

Paired with the development of a long-term strategy for this area of the organisation, this change will ensure more effective management and help maximise income, which in turn enables continued investment in both our homes and our services.

Ongoing investment in the quality, safety and energy efficiency of our existing homes has seen us spend £106.5m on planned and responsive programmes of work, delivered by a number of regional contractors.

And we began work on the next phase of our energy efficiency improvement programme, part funded by the Department for Energy Security and Net Zero's Warm Homes Social Housing Fund. This phase will see us invest close to £4.8m on improving over 450 lower performing homes over the next three years. Delivery so far has been focused in North Durham, and we'll continue there throughout 26/27. Homes in West Northumberland will benefit from the programme in 27/28. Overall, we exceeded our in year target to get 81% of our homes to the Energy Performance Certificate (EPC) rating of C by reaching 83.4%. This means we are well on our way to getting all our homes to the legislative target of EPC C by 2030.

Delivering an excellent customer service

We value all feedback from our customers and were pleased to see our year-end Tenant Satisfaction Measures continue to be high, with nearly all in the top quartile in the sector. We have consistently performed very strongly on building and customer safety measures, we are letting our homes more quickly than ever before and we've seen a significant reduction in rent arrears despite cost-of-living pressures on our customers.

We began the year undergoing our regulatory inspection from the Regulator of Social Housing (RSH), where we met the Consumer Standards with a rating of C2.

We were pleased to see some of our key strengths recognised in that, including keeping homes safe, treating customers with fairness and respect, and clear and compliant complaints handling.

However, it also highlighted areas for improvement, including the timescales of non-urgent repairs and our understanding of the diverse needs of our customers. We're committed to improving this and are continuing to invest in our non-urgent repairs service to meet the ever-increasing demand.

We're also continuing to enhance our understanding of the diverse needs of our customers through our 'Getting to Know You' project, set up to collect and update the information and data we need to be able to deliver tailored services to customers' needs.

Awaab's Law came into effect in October last year, requiring social landlords to address reported issues of damp and mould within strict timeframes. To ensure we meet these requirements and deliver the best possible services to customers, we created a dedicated Damp and Mould Team, focused on tackling damp and mould issues quickly, thoroughly and with care.

Our customers' voices matter and once again we brought customers together, this time for a day out to Beamish Museum. Over 200 customers joined us for the free day out, meeting many of our colleagues and chatting with us about a whole range of subjects.

We also launched our Digital Experience Network, a new online community where customers can help shape the future of our digital services. The network supported us with the testing and roll out of WhatsApp and a webchat function on our websites, offering alternative ways to connect with us without picking up the phone.

We have also worked with the network to redesign our customer portal, MyKarbon. The new platform not only has a fresh new look but also lots of functionality improvements, including simpler repair reporting, smarter appointment booking and a whole host of step-by-step guides to help customers DIY some simpler to solve issues.

Last year our Customer Net Promoter Score, which calculates how likely customers are to recommend Karbon to others, sat at a record high of +42. Scores above 0 are considered good and above +50 excellent.

Shaping strong, sustainable places

We have remained committed to our placeshaping ambitions, focusing our efforts on projects and initiatives where we can help deliver lasting change and meaningful support for our customers and communities.

We've continued our intensive work in our two Karbon impact areas, Byker and Stanley, helping strengthen local services, the economy and pride in place.

In Byker, with funding from Historic England, we began work to renovate two of the estate's hobby rooms, which are community spaces included in the original design of the estate to help bring residents together.

And in Stanley we worked with Durham County Council and Stanley Town Council to form the Stanley Front Street Partnership, supporting local businesses with shutter artwork on their shop fronts to enliven the high street. We also worked with The Girls Network charity to provide girls at North Durham Academy with mentors to help them build confidence, develop new skills and think more positively about their future.

And we have progressed with the redevelopment of the Stanley Board School site, completing the demolition of the school building. We have begun exploring possible partnerships and potential funding streams to support with the site's future redevelopment and are progressing plans for its future.

Across our wider geography, our community investment team has supported 187 community organisations and projects with grants totalling over £451,000. They've also unlocked £5.7m of social value contributions from our suppliers and contractors to support our communities.

We have focused on supporting projects that help combat some of the biggest structural issues in the region, including tackling food and hygiene poverty.

This includes the delivery of school holiday provision, supported by government-funded Fun and Food programmes. Last year, alongside our standard programme, we ran a series of activities in County Durham developed specifically for neurodivergent children and those with special educational needs and disabilities. Having received positive feedback from parents, we're running the same programme again this year.

Our employment and skills service has continued to help customers maximise their potential, with 499 people accessing support from the team.

And through providing free, impartial advice and guidance, our financial wellbeing advisors have generated over £8.3m in income gains for customers. 2026 marks 20 years of us providing this service, which since its launch has helped customers gain more than £60m in additional income.

Our work in our local communities saw us take home the trophy for the Community Impact Award at the prestigious North East BusinessIQ Awards 26.

Operating and financial review (continued)...

Creating enablers of our success

We've seen a great number of success stories and efficiency gains achieved through our Good to Great business transformation project, as we began the 25/26 year with the first phase of project delivery.

With a focus on identifying processes across the business that can be automated with Microsoft Copilot and Power Automate solutions, a great example is the development of our service charge automation and management platform, SCAMP. This has transformed our management of service charges for nearly 10,000 homes, saving colleagues hours of work, improving accuracy of data and providing a great customer experience.

We have continued to invest in providing the right environment for our colleagues and creating a supportive culture, and this is reflected in our employee Net Promoter Score which sits at +44. Scores above +40 are considered outstanding.

This includes delivering a variety of inclusion and belonging initiatives for the benefit of both our colleagues and our customers.

Our colleague inclusion hubs have grown from strength to strength and have been key to driving the success of several projects and strengthening our overall culture. To pledge our commitment to equality and support for LGBTQ+ customers, we became the first housing association in the North East to sign the HouseProud LGBTQ+ Housing Pledge.

As part of our commitment to colleague development and driving engaged high performance across the organisation, we've further developed our Aspire to Lead programme. Designed to develop future leaders within Karbon, since its launch in 2024 the programme has supported 57 participants, and around 33% of programme graduates have gone on to progress into leadership roles.

And in preparation for the Competency and Conduct Standard coming into place later this year, through the Social Housing Innovation Network North East (SHINE) we have helped pilot a new housing qualification, designed to raise professional standards in the sector and support senior colleagues keen to advance their careers. Three colleagues joined the first cohort of learners last year and have all graduated the programme with a Level 4 Certificate in Housing.

Our financial position remains strong. We started the year by increasing our loan book, agreeing £189m of new facilities to support our investment plans for delivering new homes and upgrading existing homes. We retained our G1 and V1 status from the Regulator of Social Housing and had our 'A' credit rating affirmed by Standard & Poor's. S&P also affirmed our stable outlook, reflecting that our credit metrics will remain largely stable.

Overview of business

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), which is also registered with the RSH. It is also the parent association of Leazes Homes Limited, also registered with the RSH, which was a transfer of engagement into the Karbon Group in June 2024.

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), Karbon Home Comforts, (formerly Enterprise Durham Partnership Limited, a social enterprise), Next Level Developments Limited (residential development), Karbon Developments Limited (development services) and Karbon Land Ventures Limited (property development).

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.

On 1st July 2025, Prince Bishops Homes sold its rental property portfolio to the parent, Karbon Homes Limited. During the course of the year, furniture operations were reduced to nil. At the end of the year operations had substantially ceased in the company. Nevertheless, the company remains liquid, with sufficient funds to meet all liabilities. No decision has been taken to wind up the company. The company may re-commence trading in future as required by the directors.

In the financial year 2025/26, a new subsidiary company was incorporated - Graphite Living Limited. Graphite Living is intended to be an institutionally backed registered provider and is awaiting registration with the Regulator of Social Housing.

On 29th April 2026 a new company called Karbon Foundation was incorporated. Karbon Foundation is a Community Interest Company and will be the group's charitable arm. It has been established to create lasting social impact by addressing the key challenges our communities face in the North.

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 17.

Operating and financial review (continued)...

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 110. The following table provides a summary of the group's results:

For the year ended 31 March	2026	2025	2024	2023	2022
					Restated
	£'000s	£'000s	£'000s	£'000s	£'000s
Turnover	**233,665**	219,027	191,404	165,604	155,186
Operating surplus excluding goodwill	**60,599**	55,533	46,125	46,912	44,064
Deficit on sale of other fixed assets	**(286)**	(301)	(289)	(346)	(146)
Net interest payable, other finance costs	**(27,203)**	(22,304)	(18,432)	(17,799)	(19,608)
Unrealised gain on revaluation of housing properties	**(2,033)**	695	565	1,140	2,740
Surplus for the year excluding goodwill	**31,077**	33,623	27,969	29,907	27,050
Negative goodwill	**-**	2,152	4,529	53,483	8,561
Surplus for the year before tax	**31,077**	35,775	32,498	83,390	35,611

Turnover has increased year on year by 7% which relates to the annual rent increase and additional homes. Operating cost has increased by 9% year on year impacting operating surplus, which includes inflation, but also reflects the higher than inflationary increase in routine maintenance costs that we have incurred, mainly due to higher costs of repairing empty homes and additional component replacements through responsive and empty homes. Net interest payable has increased year on year due to an increase in debt of £98.1m, in line with our financial planning forecasts. As a housing association, our surplus will be re-invested into 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 110.

For the year ended 31 March	2026	2025	2024	2023	2022
			Restated	Restated	Restated
	£'000s	£'000s	£'000s	£'000s	£'000s
Fixed assets	**1,726,248**	£1,581,122	1,378,672	1,232,785	1,054,319
Net current (liabilities)/assets	**(22,036)**	(35,543)	34,636	47,090	85,674
Total assets less current liabilities	**1,704,212**	1,545,579	1,413,308	1,279,875	1,139,993
Creditors falling due after more than one year	**(760,952)**	(660,118)	(618,418)	(530,176)	(486,419)
Deferred grants	**(404,098)**	(373,845)	(314,881)	(297,028)	(284,695)
Provision for liabilities and charges	**(822)**	(1,227)	(1,040)	(1,978)	(1,855)
Pension liability	**(3,965)**	(6,399)	(9,632)	(8,588)	(24,403)
Reserves	**534,375**	**503,990**	**469,337**	**442,105**	**342,621**

Statement of financial position (continued)

The increase in fixed assets reflects our investment in the development of new homes and our continued investment in our existing homes. Net current assets is a negative £22.0m (£35.5m in 2025), mainly due to a reduction in creditors due within one year. The negative net current assets is not a concern due to the undrawn facilities of £217.9m 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 to ensure that the group maintains access to liquid funds in accordance with its funding golden rules. The pension liability has reduced by £2.4m year on year, following a reduction in pension liabilities from the Social Housing Pension Scheme.

Capital structure, treasury policy and activity

As at 31 March 2026 the group had £895.9m of committed debt funding of which £677.9m is drawn (excluding a fair value adjustment of £8.2m relating to the merger with South Tyneside Venture Homes Trust). £217.9m remained undrawn and available to fund the group's asset management and ongoing new homes development programmes.

During May 2025, Karbon Homes completed on £20m of additional funding, increasing available funds to £238m. 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 100%. The proportion of fixed rate borrowings at 31 March 2026 was 77% (2025: 92%).

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 31% 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 15.

The group has cash balances of £11.2m at 31 March 2026 (2025: £15.4m) and cash investments of £1.6m (2025: £1.6m). The current assets to current liabilities ratio stands at 0.70 (2025: 0.60).

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.

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

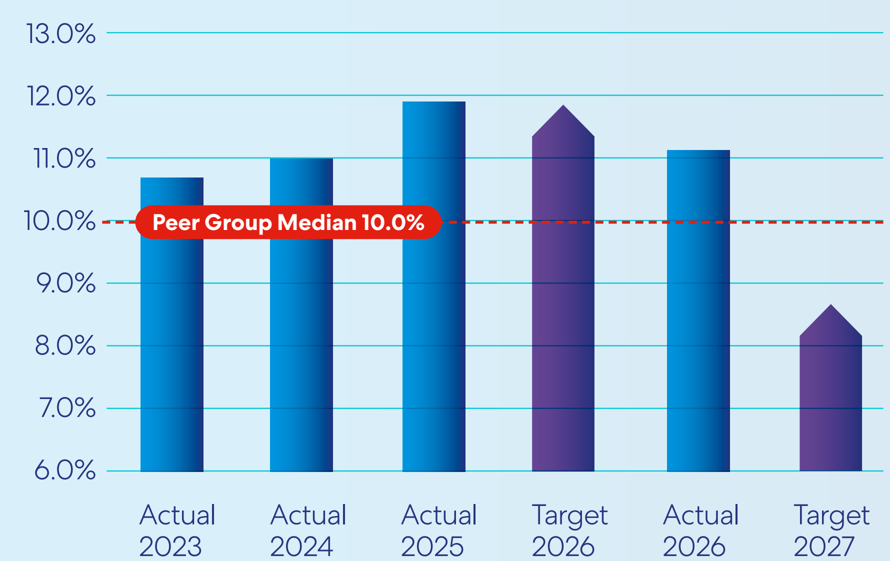
Benchmarking is important to any business. It provides key comparisons with similar organisations, enabling understanding of strengths and weaknesses and underpinning an evidence-based approach to resource allocation, cost control and target setting. The group's operating costs and key financial indicators 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 data provided by HouseMark. Benchmarking ourselves against 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.

The Regulator's Value for Money Standard includes 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

Reinvestment %



2026 performance

Performance has reduced marginally from 11.9% in 2025 to 11.2% in 2026. Investment in the development of new properties and purchase of newly built properties is £141.7m (£136.0m in 2025) and works to existing properties is £44.2m (£44.9m in 2025). Our target for 2026 was 11.9%. This was not achieved due to the development of 67 fewer properties than target.

2027 target

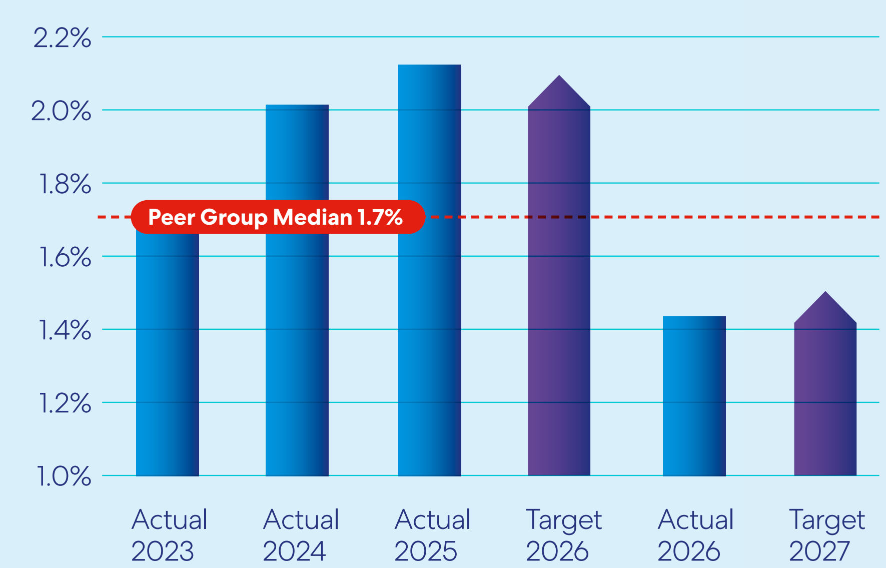
Our target for 2027 is 8.7% which assumes £130.4m investment in the development of new properties and £60.0m works to existing properties. Our investment in the development of new properties has reduced in the financial plan due to ongoing cost pressures, mainly because of increased repairs costs and new regulations. We are looking at how we can continue to deliver new properties through a institutionally backed registered provider which brings in funding from investors.

Operating and financial review (continued)...

Value for money (VFM) (continued)

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

New social housing supply %



2026 performance

In 2026 the total number of social housing units developed was 478 which equates to 1.4% of social housing units owned. In 2025 a total of 707 social housing units were developed which equates to 2.1% of social housing units owned. Our target for 2026 was 2.1% which was not achieved due to 67 fewer properties being developed, mainly due to planning and third party delays.

2027 target

Our target for 2027 is 1.5% which equates to the development of 516 social housing units.

New non-social housing supply %

2026 performance

In both 2025 and 2026 we developed zero non-social housing properties.

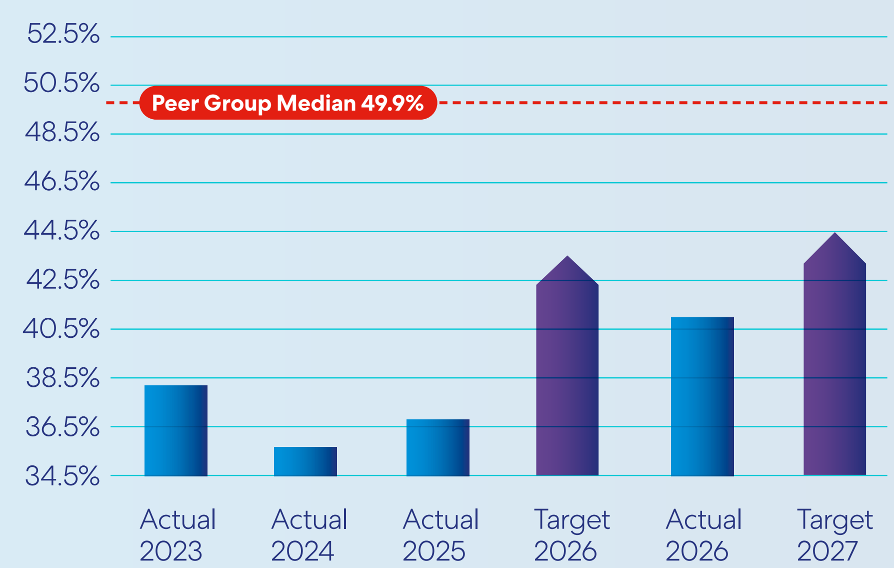
2027 target

We are planning to develop 8 non-social housing units in 2027.

Value for money (VFM) (continued)

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

Gearing



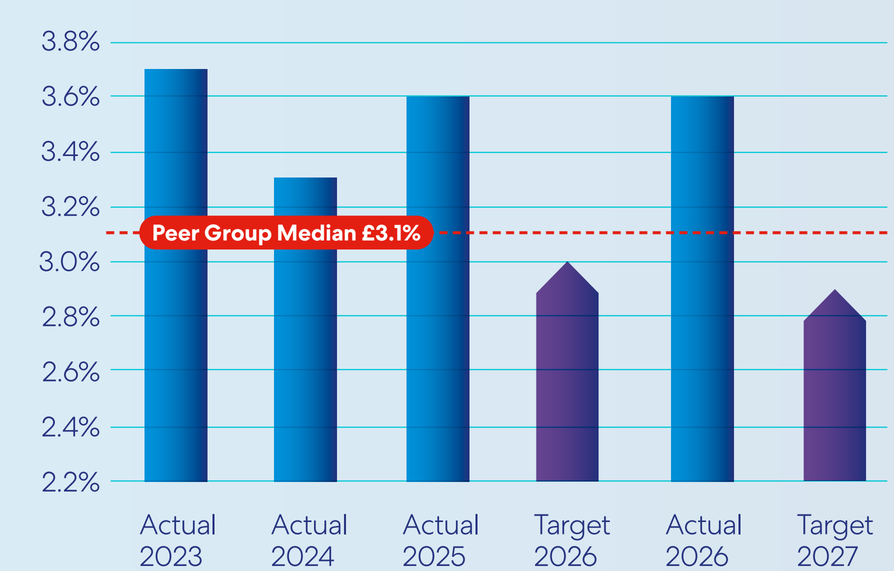
2026 performance

Our 2026 actual performance was 41% compared to 36.7% in 2025. Loans less cash has increased by £133.3m from 2025, however, this is lower than expected due to development programme expenditure being lower than target.

2027 target

Our target for 2027 is 44.6%.

Return on capital employed (ROCE)



2026 performance

In 2026 return on capital employed (ROCE) was 3.6%, compared to 3.6% in 2025, against a target of 3.0%.

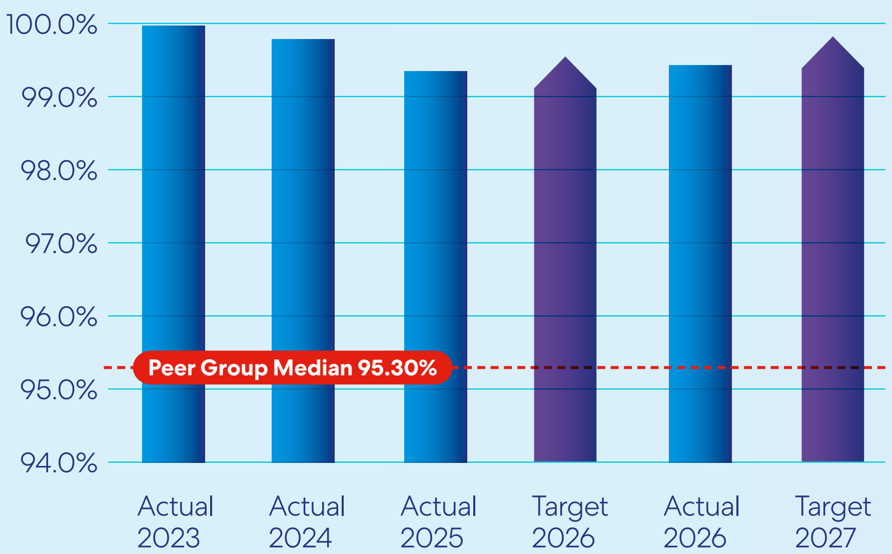
2027 target

Our target for 2027 is 2.9%.

Value for money (VFM) (continued)

Aim 2 – deliver excellent customer service

Percentage of emergency works completed on time



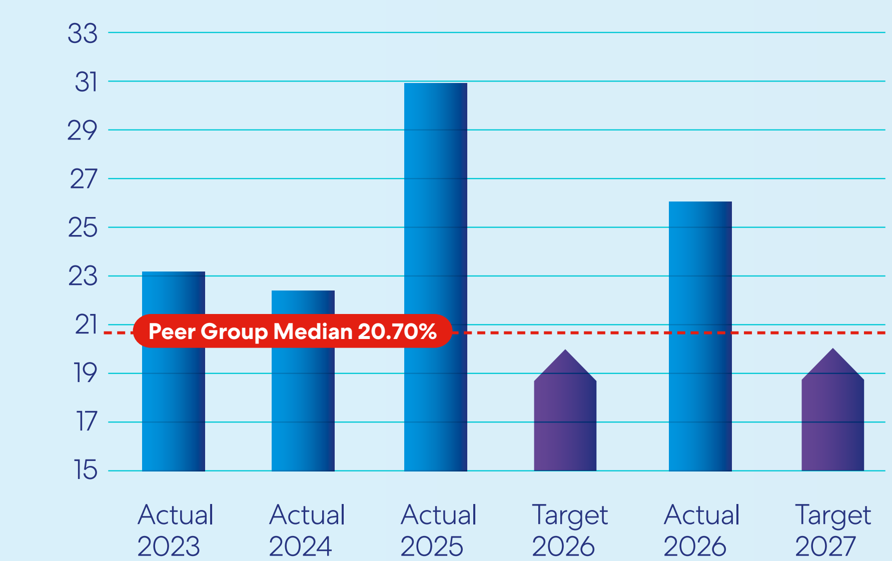
2026 performance

Emergency works completed on time has improved from 99.32% in 2025 to 99.40% in 2026. This performance is slightly lower than the target we set of 99.53%, however it significantly exceeds the performance of our peer group.

2027 target

Our target for 2027 is 99.80%.

Average days to complete a repair



2026 performance

Average days to complete a repair has improved from 31.0 days in 2025 to 26.3 days in 2026. This is higher than the target we set of 20 days less favourable to the performance of our peer group which is 20.7 days. Whilst customer satisfaction with repairs remained strong, performance was impacted by historic work in progress and service demand. To improve efficiency and value for money, we invested in additional frontline trade resources, introduced a revised no-access process to reduce avoidable delays and repeat visits, and continue to deliver productivity, scheduling and service improvement initiatives through our Good to Great transformation project. These are all aimed at reducing repair completion times and improving the overall customer experience.

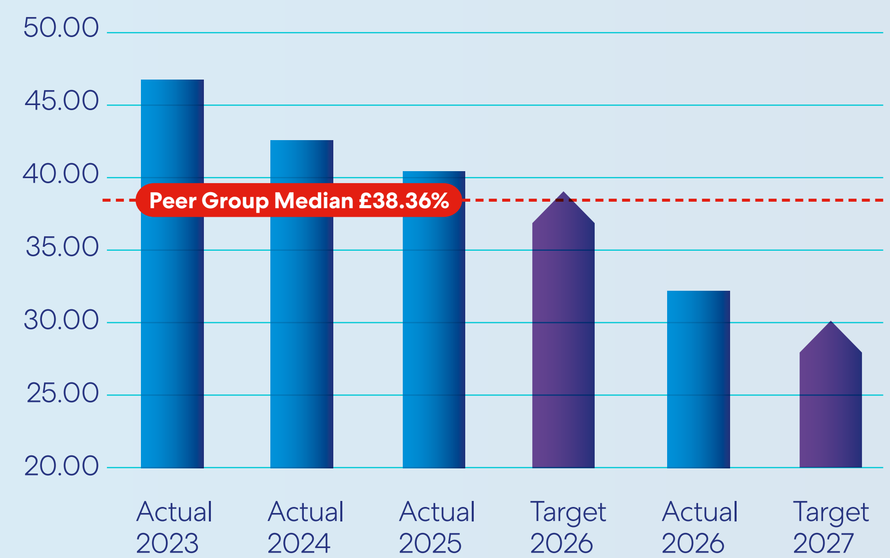
2027 target

Our target for 2027 is 20 days.

Value for money (VFM) (continued)

Aim 3 – shape strong, sustainable places

Average re-let time



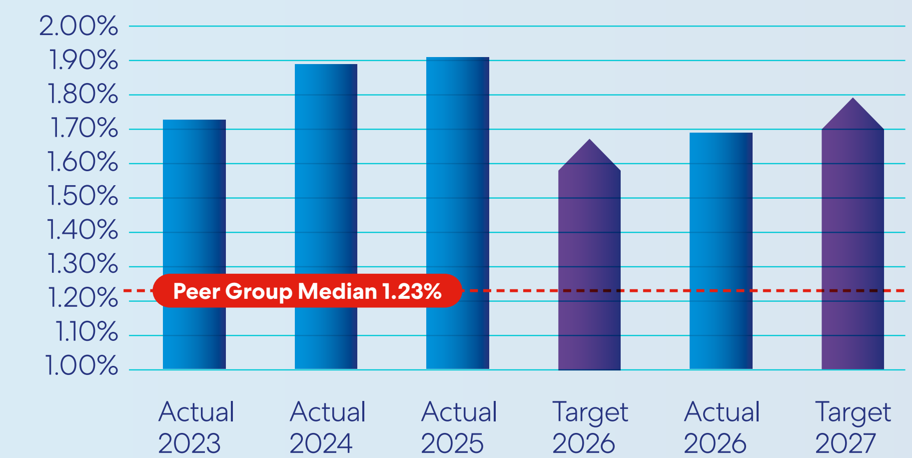
2026 performance

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 2026 our performance has improved to an average of 32.15 days from 40.39 days in 2025 and there is a year-on-year positive trajectory since 2023.

2027 target

Our target for 2027 is 30.11 days.

Void rent loss as percentage of annual rent debit



2026 performance

Void rent loss performance has improved at 1.68%, from 1.91% in 2025 (and is marginally better than target). It is higher than our peer group target of 1.23% and we continue to strive to improve our performance across the group. 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.

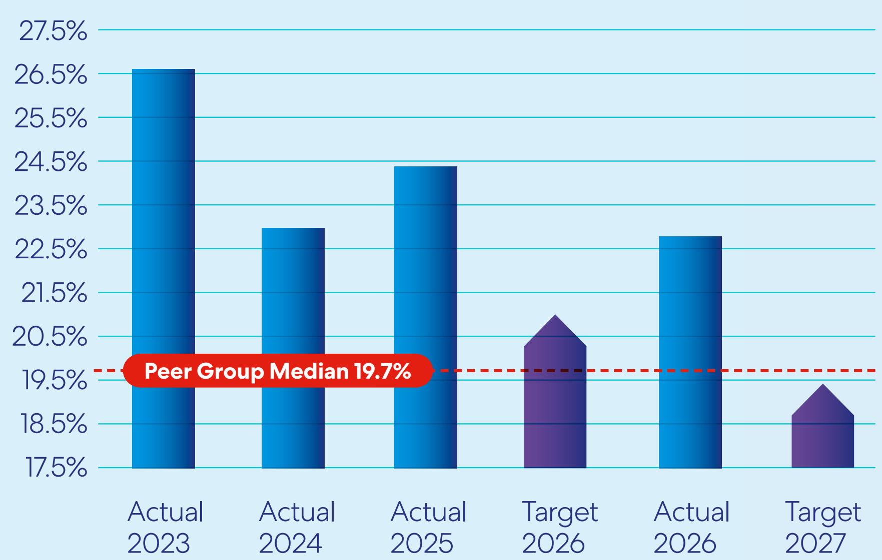
2027 target

Our target for 2027 is 1.79%.

Value for money (VFM) (continued)

Aim 3 – shape strong, sustainable places (continued)

Operating margin overall



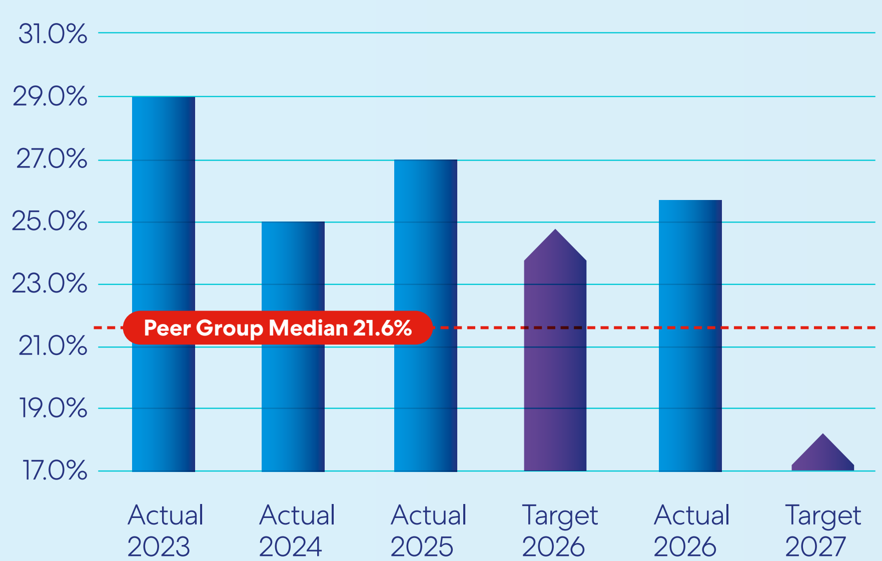
2026 performance

Operating margin is 22.8% in 2026 compared to 24.4% in 2025. It is higher than the target set of 21.0%, mainly due to a credit of £3.2m in operating costs from the year-end pension accounting adjustments, which was unbudgeted.

2027 target

Our target for 2027 is 19.4%.

Operating margin social housing lettings



2026 performance

Around 87% of our operating surplus relates to social housing lettings. Our performance is 25.7% in 2026 which compares favourably to our peer group median which is 21.6%. It is higher than the target set, mainly due to a £3.2m year-end pension accounting adjustment which impacted social housing lettings surplus.

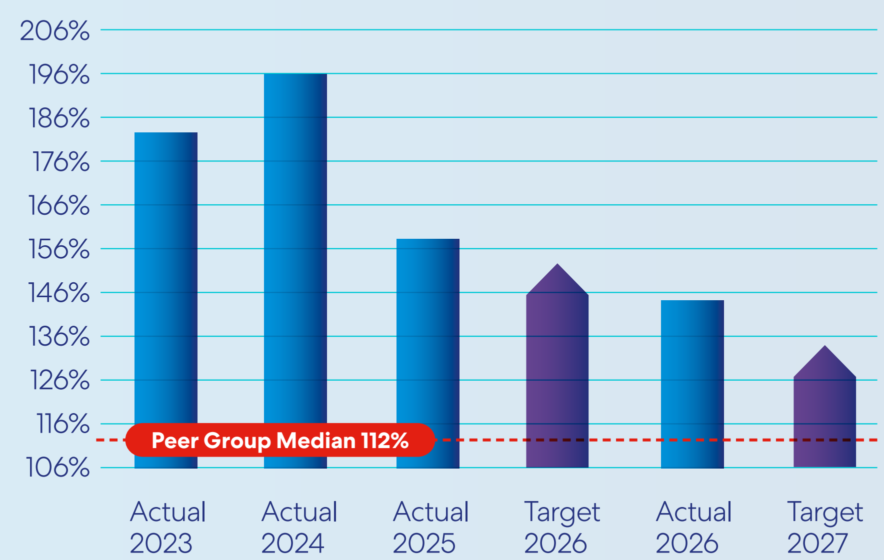
2027 target

Our target for 2027 is 18.2%.

Value for money (VFM) (continued)

Aim 3 – shape strong, sustainable places (continued)

EBITDA MRI Interest Cover



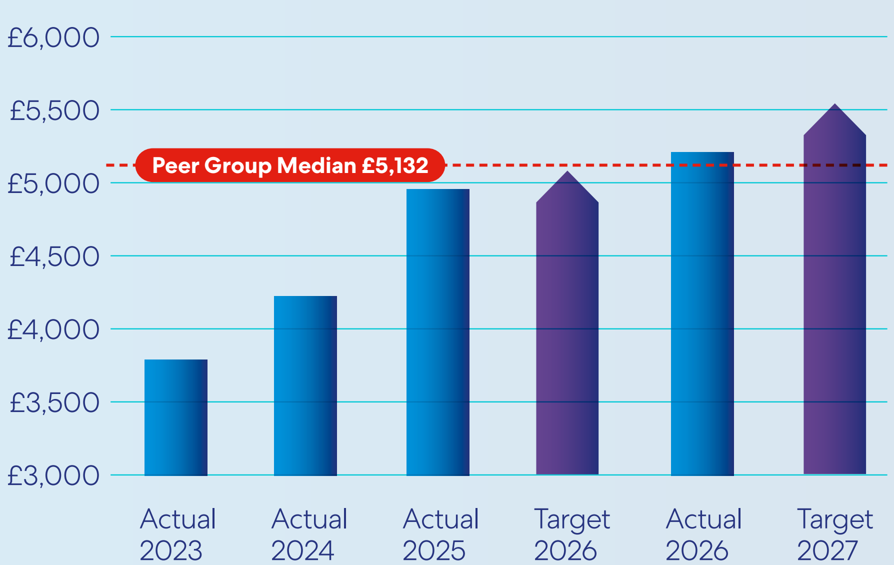
2026 performance

Our performance is 144% in 2026 compared to 158% in 2025 and a target for 2026 of 153%. We did not achieve target due to additional responsive and empty homes costs of £5.8m across the group, driven mainly by additional costs of repairing empty homes, and additional component replacements through responsive and empty homes compared to budget. This adverse variance is improved by a favourable year-end pension accounting adjustment of £3.2m.

2027 target

Our target for 2027 is 134% which is due to an increase in interest payable.

Headline social housing cost per unit



2026 performance

Our social housing cost per unit has increased from £4,971 in 2025 to £5,190 in 2026. This is mainly due to an increase in routine maintenance of £5.8m (14%) which includes additional work and cost of repairing empty homes, mainly due to property condition and component replacements that are required.

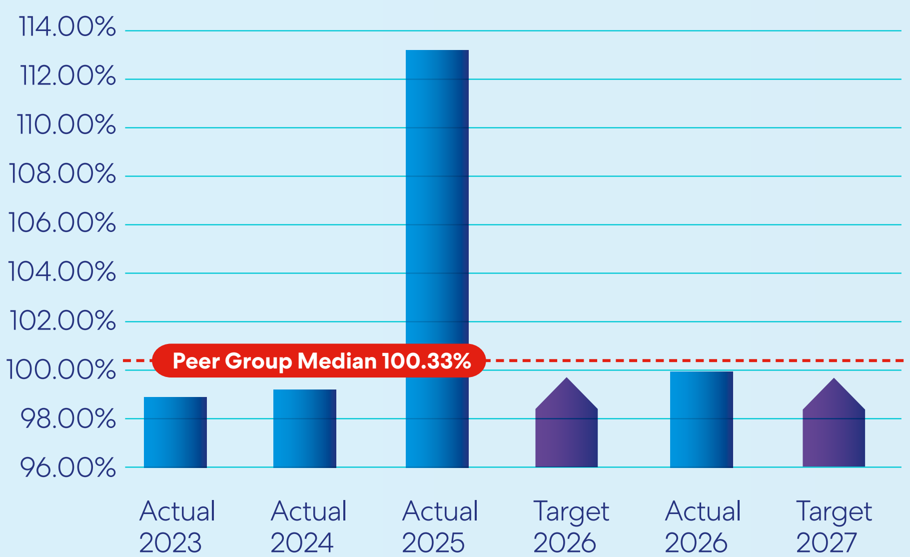
2027 target

Our target for 2027 is £5,569.

Value for money (VFM) (continued)

Aim 3 – shape strong, sustainable places (continued)

Rent collected as percentage of annual rent debit



2026 performance

Rent collected as a percentage of the annual rent debit is 99.93%, exceeding the target of 99.73%. Our performance in 2025 was 113.21% however this was due to the way in which the rent year fell with 1 April in both 2024 and 2025 being included. Excluding 2025, our performance remains consistent with earlier years.

We continue to benefit from the new technology that we implemented in 2024 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 2025/26 over 27,000 calls were made using this technology, freeing up colleague time to manage their caseloads and engage with customers about their rent arrears. Additional automation has been deployed to process Universal Credit rent verifications, with over 10,000 verifications being completed through robotic process automation within two weeks, rather than colleagues manually completing these over two months.

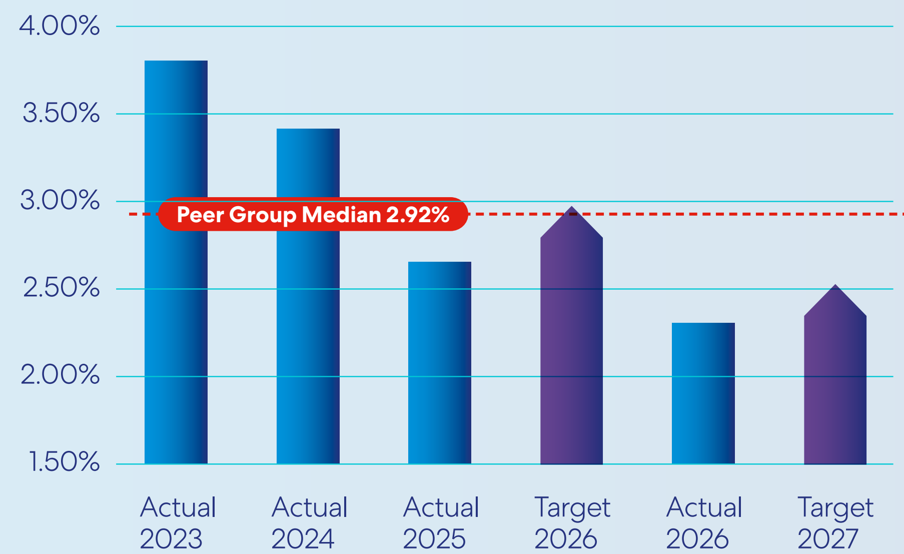
2027 target

Our target for 2027 is 99.70%.

Value for money (VFM) (continued)

Aim 3 – shape strong, sustainable places (continued)

Current rent arrears net of housing benefit as a % of rent debit



2026 performance

Current rent arrears net of housing benefit as a percentage of rent debit decreased from 2.65% in 2025 to 2.30% in 2026. This fall brings arrears below target and lower than seen for seven 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. The reorganisation of our Customer Accounts Team to provide a greater focus on our high level arrears accounts has proved successful with arrears reductions continuing.

2027 target

Our target for 2027 is 2.53%.

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 the group's operations in an ever-changing environment.

Our Group Board oversees our risk management approach, as set out in our risk management strategic framework. Risks with the potential to impact the group's ability to achieve its strategic objectives or its financial viability are reviewed on a continuing basis throughout the year by the Group Board. The Group Board reviews the group's risk appetite on at least an annual basis.

Our Group Audit and Risk Committee is responsible for ensuring that all our risks are well managed, that there are risk registers in place to monitor risks, and that there is a regular and effective system of assurance.

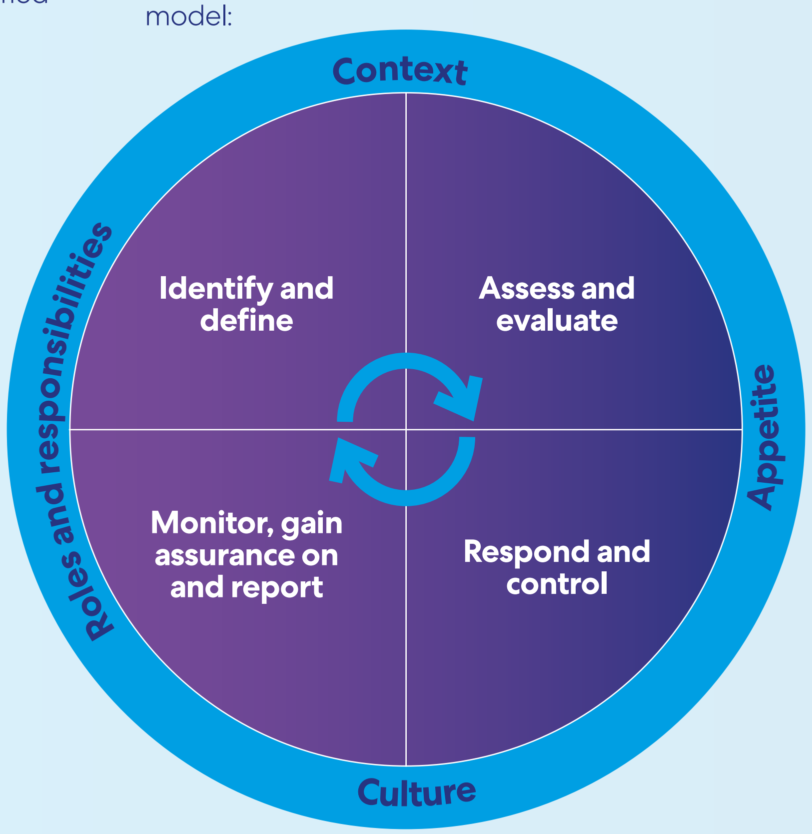
All our Group Committees are involved in the in-depth scrutiny of risks, and the group's subsidiary boards regularly review the principal risks for their entity.

We continuously horizon-scan for emerging external threats and monitor for emerging or increasing areas of operational risk. Risks identified are considered for their group-wide impact and for the potential cumulative impact of risk events occurring simultaneously. This approach

Risk management (continued)

is supported by regular stress-testing and resilience planning.

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, using the following eight-strand risk management model:



Assurance

We follow the three lines approach to assurance, ensuring separation of risk and control ownership (first line), group support, expertise, assistance and challenge in managing risk (second line) and independent oversight and assurance (third line).

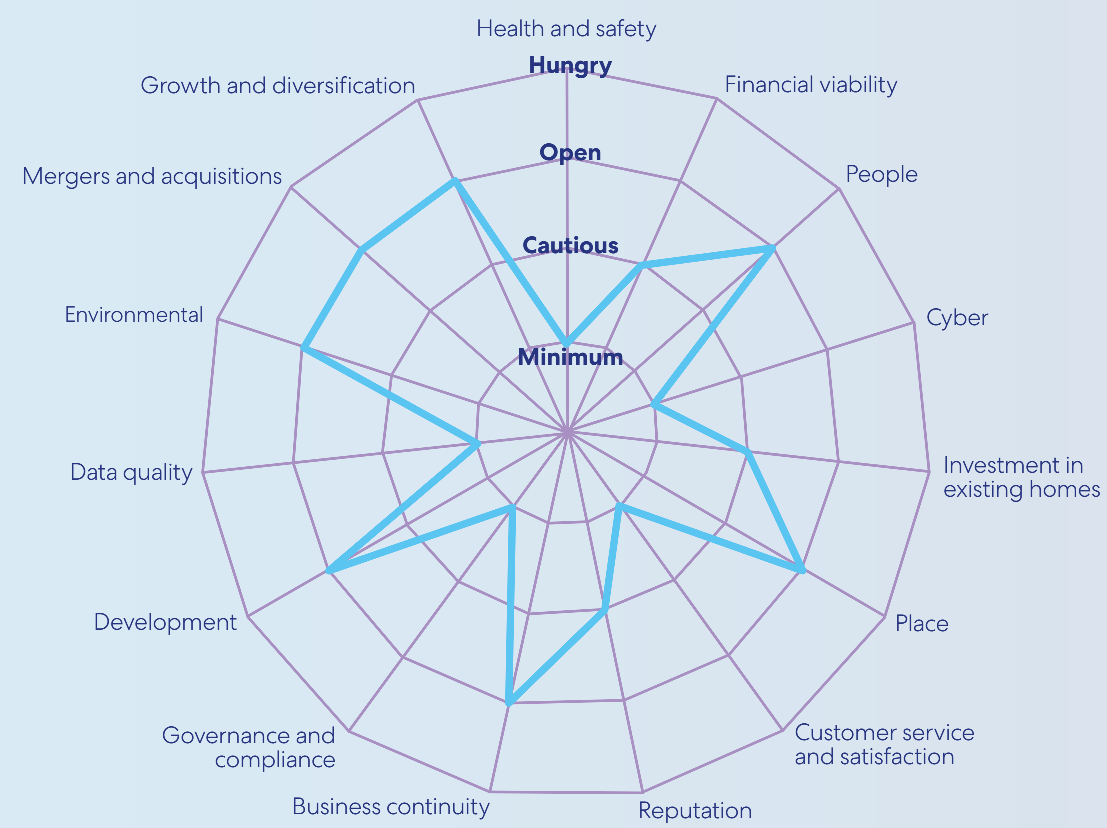
In addition to internal and external audit, technical specialist input and regulatory checks, our third line assurance includes customer scrutiny reviews.

On an annual basis, a full review of the group's key internal controls and sources of assurance, supported by the Group Chief Executive's summary assurance statement, is scrutinised by the Group Audit and Risk Committee and received by the Group Board and subsidiary boards.

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. Current risk appetite is as follows:

Risk appetite



Our principal risks

Risk	Response
Health and safety	
Risk of failure by the group to take all reasonable health and safety measures, leading to serious injury or loss of life.	• Board-level oversight with robust scrutiny of performance • Appropriate policies and procedures in place and reviewed regularly • Qualified health and safety and compliance teams • Mandatory health and safety training in place
Financial viability	
Risk that the group fails to remain financially viable.	• Robust business planning and stress testing • Golden Rules early warning indicators monitored and reported against • Regular Karbon Board and executive oversight of budgets and management accounts • Monitoring of contractor exposure • Value for money and procurement strategic plans and metrics
Cyber	
Risk of compromise of the group's information systems, leading to major disruption and/or major financial or reputational impacts.	• 24/7 security operations centre service • Regular security maintenance of systems • Patch management policy to implement security updates in a timely manner • ICT Disaster Recovery Plan, with active management of our recovery systems, and testing of disaster recovery capability for key systems • Cyber Essentials Plus accreditation, and regular internal audits on cyber resilience • Regular cyber security training is mandatory for all colleagues
Customer service and satisfaction	
Risk of failure of the group to keep its promises to customers by meeting its customer service and Tenant Satisfaction Measure targets.	• Operational KPIs and metrics used to deliver services in line with customer expectations • Performance overseen at senior management and board level • Housing delivery model • TSM reporting, reviewing and monitoring to board level • Appropriate policies, procedures and teams in place

Risk	Response
Investment in existing homes	
Risk of failure to ensure existing homes are maintained at a decent standard.	• Asset Management Strategic Plan in place and reviewed regularly • Rolling five-year stock condition surveys • Specialist teams, systems and tools in place • Monthly Planned Investment Forum meetings • 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
Governance and compliance	
Risk of failure to comply with statutory and regulatory requirements, or of failure in the arrangements for managing the organisation at the highest level.	• Governance structure supported by constitutional documents, clear delegations and written policies and procedures • Regular internal and external governance reviews • Board-level oversight and scrutiny of compliance • Horizon scanning for statutory and regulatory change • Competent specialist teams in place supported by trusted legal advisors • Regular self-assessments of regulatory compliance
Meeting development strategic ambitions	
Risk of failure to take a strategic approach to meet housing need and realise growth aspirations.	• Established governance, approval and risk management arrangements in place for all development projects • Appropriate approved written procedural and policy guidance • Evidence-based approach to consideration of volume, design standards and tenure mix • Strategic Partnership with Homes England
Data quality	
Risk that data used in decision-making is of poor quality.	• Strategic plan, policies procedures and competent teams in place • Karbon Data Quality Scorecard • Ownership of data sets by relevant departments • Reporting to senior leadership / board level • Horizon scanning for emerging legislation

Our principal risks (continued)

Risk	Response
External factors	
Risk that external factors impact upon the group's viability and/or its ability to meet its strategic objectives.	• Policy, horizon scanning and lobbying • Governance structure in place • Financial resilience - includes stress testing scenarios reflecting changes in the current economic situation and sector risk profile highlights. Any new economic situation/threat will be incorporated where relevant
People	
Risk that the group does not maintain a workforce with the capability, capacity and culture to deliver our strategic objectives.	• People Strategic Plan • Consultative programme for action plan development • Consultative approach to change management • Joint Consultative Committee and Colleague Forum • Learning and development programmes • Recruitment strategy • Remuneration framework • Wellbeing awareness and support programme • Regular colleague surveys

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 2026.

Report of the board

Board members, executive directors, advisors and bankers

Board

Chair	Alexis Cleveland
Vice Chair	Neil Revely
Other members	Paul Fiddaman Mike Mullaney (end of tenure 24 Nov 2025) Sarah Salter (end of tenure 24 Nov 2025) Hanif Malik Amanda Swann Gillian Moy Fiona Creighton David Murtagh Rachel Turnbull Raman Sanghera Andrew Gamble (appointed 25 Nov 2025) Christine Smith (appointed 25 Nov 2025)

Executive Directors

Group Chief Executive	Paul Fiddaman
Executive Director of Resources	Scott Martin
Executive Director of Development and Asset Management	Sarah Robson
Executive Director of Customer Services	Ian Johnson
Managing Director 54North Homes	Mark Pearson (resigned 31 December 2025) Jonathan Fletcher (interim) (appointed 1 January 2026)

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	Menzies LLP 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

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 £215.2k (2025: £200.9k), which were 0.10% (2025: 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 January 2025. 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 2025 and February 2026, 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, responsible for providing and ensuring effective leadership, management and performance of the organisation in delivering its strategies, services and functions. 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 2026 demonstrating full compliance.

The group regularly reviews its governance arrangements including its committee and subsidiary structures. It also undertakes an annual review of governance effectiveness and is satisfied that its arrangements are clear and effective.

A regulatory inspection by the Regulator of Social Housing in 2025 confirmed the group's ratings of G1 for governance and V1 for viability and provided a C2 rating for consumer standards. The consumer standards judgement identified the group's key strengths, while highlighting timescales for non-urgent repairs and the group's understanding of the diverse needs of our customers as areas for further improvement. The group is proactively working with the regulator on improvements in these areas.

Karbon has adopted and complied with the NHF Code on Mergers, Group Structures and Partnerships (2015), with no merger activity taking place from April 2025 to date.

The Group Audit and Risk Committee has agreed 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 2025/26 the Group Board comprised twelve 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 a range of issues including financial planning and stress testing, the establishment of an institutionally backed registered provider subsidiary, preparing for the customer of the future, planned investment and decarbonisation and operational business transformation activity. The executive directors also attended Group Board meetings.

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

Corporate role of the board (continued)

Group People Committee	Group Audit and Risk Committee	Group Development Committee	Group Customer Committee	Byker Community Trust Committee	Group Treasury Committee
Raman Sanghera (C) (from January 2026)	David Murtagh (C)	Fiona Creighton (C)	Hanif Malik (C)	Neil Revely (C)	Rachel Turnbull (C) (from November 2025)
Alexis Cleveland	Gillian Moy	Neil Revely	Gillian Moy	Stephen Sheraton (ICM)**	Alexis Cleveland
Hanif Malik (from June 2025)	Fiona Creighton	Amanda Swann	Christine Smith (from November 2025)	Silvie Fisch (ICM)**	Raman Sanghera (from November 2025)
Christine Smith (from November 2025)	Rachel Turnbull (from 1 June 2025)	Brian Ham (ICM)	Michael Lisle (ICM)**	Md Mominul Hamid (ICM) **	Amanda Swann (from November 2025)
Jeremy Earnshaw (54NH)	Matt Edgar (54NH)	Damon Kent (ICM)	Ann Potts (ICM)**	Simon Aldred (ICM)	Jeremy Earnshaw (54NH) (from February 2026)
David Hern (Leazes)	Celia Weldon (Leazes) (from July 2025)	Daniel Gibson (Leazes)	Juanita Crawford (54NH)**	Claire Sowerby (NCC)	Scott Martin*
Sarah Salter (C) (to November 2025)	Alexis Cleveland (to May 2025)	Oliver Boundy (54NH) (from November 2025)	Dawn Snowball (ICM)** (from July 2026)	Hayder Qureshi (NCC) (to May 2026)	Michael Mullaney (C) (to November 2025)
Sir David Bell KCB DL (to June 2025)	Stephen Secker (to May 2025)	Michael Mullaney (C) (to November 2025)	Sarah Salter (to November 2025)	Ian Johnson*	Stephen Secker (to May 2025)
	Michael Mullaney (to November 2025)	David Richmond (to September 2025)	Alexis Cleveland (to 30 June 2026)	Lisa French (ICM)** (to November 2025)	
	Ged Walsh (Leazes) (to June 2025)			Caroline Prince (ICM) (to September 2025)	
				Nicola Snowdon** (to September 2025)	

C – chair; 54NH – 54North Homes Limited; ICM – Independent Committee Member; NCC – Newcastle City Council
*executive director; **customer/resident committee member

Group 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 four 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 five 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. For the 2025/26 year, the committee had two members who were Karbon customers and one member who was a 54North Homes customer. Another Karbon customer joined the committee as a trainee observer in September 2025, becoming a member in July 2026. The committee met four times during the year.

Group Treasury Committee

In 2025/26 the Karbon Treasury Committee expanded its terms of reference and membership, with the approval of the Group Board, to become the Group Treasury Committee. The Group Treasury Committee has responsibility for scrutiny of treasury strategy and treasury management policy, oversight of treasury management information, treasury risks and delivery of strategy actions, approval of delegated treasury decisions and oversight of new financing for all Group entities. The committee met three 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 BCT, 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.

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 2025 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 of the company's bonds.
- 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 was one attempted fraud recorded for the group in the 2025/26 financial year, with the Group's internal control procedures identifying the fraud attempt and preventing actual loss.

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, and 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 its annual assessment of Karbon Group credit rating, S&P Global affirmed our 'A' rating with a stable outlook. Their feedback noted "Overall, we expect management's cost controls and contained development plans to balance pressure from higher investment in existing homes". The board is pleased to retain the A credit rating during a difficult operating environment for housing associations.

Graphite Living Limited was incorporated on 15 May 2025. This company is intended to be an institutionally backed registered provider and is awaiting registration with the Regulator of Social Housing.

Karbon Foundation was incorporated on 29 April 2026. This Community Interest Company will be the Karbon Group's charitable arm and has been established to create lasting social impact by addressing the key challenges our communities face in the North.

On 20 July 2026 the Leazes Board agreed in principle to a Transfer of Engagements to the parent company Karbon Homes Limited. A project to achieve the transfer will take place during 2026-27. The final decision to transfer will be subject to tenant consultation, lender consents and resolutions at a general meeting.

Going concern

After making enquiries, the Karbon 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 Group Board has approved plans to spend £126.9m during the next financial year developing and acquiring additional homes and £109.7m on planned and responsive maintenance. £123.5m of this investment will be funded through new borrowings, £0.7m 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 2026 the group had total loan facilities of £895.9m, of which £217.9m remained undrawn, and a cash balance including liquid investments of £12.8m.

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

External auditors

Following the merger of Beever and Struthers and Menzies LLP on the 1 October 2025, Menzies LLP were re-appointed as auditors to the group following a competitive tender process and a resolution to re-appoint them as auditors to the group was approved by the board on 27 July 2026.

Approval

The Report of the Board was approved by the board on 27 July 2026 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 2026 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 2026 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.

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 twelve financial years for the year ending 31 March 2026. 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 2026-27
- 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

The risk – elevated risk, medium value

At 31 March 2026, the group held £48.1m of investment properties (2025: £50.8m). 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 an independent valuer to assist in this exercise, which involves a degree of judgement and estimation.

Our response

Our procedures included the following:

- **Instructions:** We reviewed the instructions provided by the group to the valuer to assess the appointment terms and reporting basis
- **Assessing the credentials of the investment property valuers:** We reviewed the credentials of the valuer to assess their competence, capability and objectivity 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 the valuer, their assessment of the valuation methodology applied by the valuer and the key assumptions applied, and why appropriate, including any indication of management bias
- **Methodology:** We liaised directly with the valuer to better understand their methodology and key assumptions
- **Confirmation of value:** We agreed the year end valuations to the report from the independent valuer, which included a review of property and tenancy data provided and an assessment of the key assumptions used in the valuation, including a search for contradictory evidence
- **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 2026 is based on 1.75% of turnover, being £4.1m.

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 £3.1m (2025: £2.5m) for the group.

We agreed to report to the Group Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £205k (2025: £164k) 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 £3.7m (2025: £3m), determined with reference to the benchmark of association turnover (of which it represents 1.75%) 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 £2.8m (2025: £2.2m).

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
- 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.

Menzies LLP
Statutory Auditor
One Express
1 George Leigh Street
Manchester
M4 5DL
Date: 31 July 2026

Financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2026

	Note	2026 £ '000	2025 £ '000
Turnover	3	233,665	219,027
Cost of sales	3	(16,412)	(15,165)
Operating expenditure	3	(164,064)	(150,829)
Negative goodwill	3	-	2,152
Surplus on sale of housing properties	6	7,410	2,500
Operating surplus	5	60,599	57,685
Deficit on sale of property, plant and equipment – other fixed assets		(286)	(301)
Interest receivable and other income	7	1,285	1,656
Interest payable and similar charges	8	(28,171)	(23,566)
Other finance costs	9	(317)	(394)
Unrealised (loss)/gain on revaluation of investment properties	14	(2,033)	695
Surplus before taxation		31,077	35,775
Tax on surplus on ordinary activities	11	34	(59)
Surplus for the financial year	29	31,111	35,716
Actuarial loss in respect of pension schemes	9	(832)	(934)
Movement in fair value of cash flow hedged financial instruments	29	106	(129)
Total comprehensive income for the year		30,385	34,653

The consolidated results relate to continuing and acquired activities.
The notes on pages 50 to 110 form part of these financial statements.
The financial statements were authorised for issue and approved by the Karbon Group Board on 27 July 2026 and signed on its behalf by:

Alexis Cleveland
Chair

Neil Revely
Vice Chair

Russell Hall
Company Secretary

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2026

	Note	2026 £ '000	2025 £ '000
Turnover	3	212,871	196,558
Cost of sales	3	(17,430)	(16,078)
Operating expenditure	3	(150,819)	(135,486)
Surplus on sale of housing properties	6	6,100	2,203
Operating surplus	5	50,722	47,197
Deficit on sale of property, plant and equipment – other fixed assets		(69)	(18)
Interest receivable and other income	7	2,926	3,275
Interest payable and similar charges	8	(23,279)	(18,970)
Other finance costs	9	(226)	(294)
Dividends receivable	35	175	-
Unrealised (loss)/gain on revaluation of investment properties	14	(1,764)	21
Surplus before taxation		28,485	31,211
Tax on surplus on ordinary activities	11	-	-
Surplus for the financial year	29	28,485	31,211
Actuarial loss in respect of pension schemes	9	(963)	(1,084)
Total comprehensive income for the year		27,522	30,127

The association's results relate to continuing activities.
The notes on pages 50 to 110 form part of these financial statements.
The financial statements were authorised for issue and approved by the Karbon Group Board on 27 July 2026 and signed on its behalf by:

Alexis Cleveland
Chair

Neil Revely
Vice Chair

Russell Hall
Company Secretary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2026

	Note	2026	2025
		£ '000	£ '000
Fixed assets			
Tangible fixed assets			
Housing properties at cost less depreciation	12	1,660,813	1,514,633
Other tangible fixed assets	13	17,196	15,472
Investment properties	14	48,067	50,845
HomeBuy loans receivable	15	172	172
Investment in joint venture	16	-	-
		1,726,248	1,581,122
Current assets			
Properties for sale	18	5,429	9,231
Consumable stock		1,730	1,296
Debtors due within one year	19	24,302	17,136
Debtors due after one year	20	6,402	7,714
Investments	21	1,594	1,594
Cash and cash equivalents		11,216	15,447
		50,673	52,418
Creditors: Amounts falling due within one year	22	(72,709)	(87,961)
Net current liabilities		(22,036)	(35,543)
Total assets less current liabilities		1,704,212	1,545,579
Creditors: Amounts falling due after more than one year	23	(760,952)	(660,118)
Deferred grants	25	(404,098)	(373,845)
Provision for liabilities and charges	27	(822)	(1,227)
Pension liability	9	(3,965)	(6,399)
		(1,169,837)	(1,041,589)
Total net assets		534,375	503,990
Capital and reserves			
Non-equity share capital	28	-	-
Restricted reserve	29	450	450
Revenue reserve	29	533,948	503,669
Cash flow hedge reserve	26	(23)	(129)
Consolidated funds	29	534,375	503,990

The notes on pages 50 to 110 form part of these financial statements. The financial statements were authorised for issue and approved by the Karbon Group Board on 27 July 2026 and signed on its behalf by:

Alexis Cleveland
Chair

Neil Revely
Vice Chair

Russell Hall
Company Secretary

ASSOCIATION STATEMENT OF FINANCIAL POSITION

At 31 March 2026

	Note	2026	2025
		£ '000	£ '000
Fixed assets			
Tangible fixed assets			
Housing properties at cost less depreciation	12	1,399,629	1,265,203
Other tangible fixed assets	13	14,071	12,208
Investment properties	14	46,716	17,877
HomeBuy loans receivable	15	172	172
Investment in joint venture	16	-	-
		1,460,588	1,295,460
Current assets			
Properties for sale	18	2,330	7,563
Consumable stock		1,728	1,295
Debtors due within one year	19	20,443	16,515
Debtors due after one year	20	27,915	48,289
Investments	21	995	995
Cash and cash equivalents		7,383	7,945
		60,794	82,602
Creditors: Amounts falling due within one year	22	(68,902)	(76,557)
Net current (liabilities)/assets		(8,108)	6,045
Total assets less current liabilities		1,452,480	1,301,505
Creditors: Amounts falling due after more than one year	23	(668,090)	(574,344)
Deferred grants	25	(340,536)	(314,563)
Provision for liabilities and charges	27	(525)	(896)
Pension liability	9	(2,948)	(4,915)
		(1,012,099)	(894,718)
Total net assets		440,381	406,787
Capital and reserves			
Non-equity share capital	28	-	-
Restricted reserve	29	450	450
Revenue reserve	29	439,931	406,337
Cash flow hedge reserve		-	-
Consolidated funds	29	440,381	406,787

The notes on pages 50 to 110 form part of these financial statements. The financial statements were authorised for issue and approved by the Karbon Group Board on 27 July 2026 and signed on its behalf by:

Alexis Cleveland
Chair

Neil Revely
Vice Chair

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 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**
Surplus for the year	31,111	-	-	31,111
Movement in cash flow hedge reserve	-	-	106	106
Actuarial loss on pension scheme	(832)	-	-	(832)
Balance at 31 March 2026	**533,948**	**450**	**(23)**	**534,375**

The notes on pages 50 to 110 form part of these financial statements.

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 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**
Gift Aid	6,072	-	-	6,072
Surplus for the year	28,485	-	-	28,485
Actuarial loss on pension scheme	(963)	-	-	(963)
Balance at 31 March 2026	**439,931**	**450**	**-**	**440,381**

The notes on pages 50 to 110 form part of these financial statements.

Financial statements (continued)...

CONSOLIDATED STATEMENT OF CASH FLOWS

	2026 £ '000	2025 £ '000
Net cash generated from operating activities (See note 32)	80,847	82,458
Cash flow from investing activities		
Purchase and construction of housing properties	(145,204)	(129,255)
Works to existing properties capitalised	(44,188)	(44,852)
Purchase of other fixed assets	(5,935)	(7,858)
Sale of properties	13,148	6,076
Payments to local authorities re sale of properties	(195)	(97)
Sale of other fixed assets	117	18
Social housing grant received	25,093	50,518
Investment in joint venture	1,312	(5,911)
Interest received	1,305	1,822
	(154,547)	(129,539)
Cash flow from financing activities		
Interest paid	(26,315)	(26,187)
New secured loans	125,000	49,650
Repayment of HomeBuy loan	-	(16)
Repayment of borrowings	(26,923)	(13,641)
Payment of breakage costs	-	(179)
Acquisition - cash and investments	-	1,525
Loan issue costs	(2,293)	-
Money market and investment movements	-	5,504
	69,469	16,656
Net change in cash and cash equivalents	**(4,231)**	**(30,425)**
Cash and cash equivalents at beginning of the year	**15,447**	**45,872**
Cash and cash equivalents at end of the year	**11,216**	**15,447**

The notes on pages 50 to 110 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 of Social Housing. 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 17.

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 2026.

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

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 2026 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 Regulator of Social Housing. The financial performance of these subsidiary charities is not consolidated into either the financial performance of 54NH or Karbon Group on the basis that the impact is not material.

The financial statements of these almshouses can be obtained from the Charity Commission 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.

Judgements

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. Indicators of impairment used as part of this review were: Consideration of whether properties are to be sold, demolished or earmarked for regeneration, or whether they have been void for an extended period of time. 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.

Estimation uncertainty

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 an independent valuation specialist to determine market value at the reporting period date. FRS 102 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 presumed to be that market. The group has instructed the valuation specialist to determine the presumed market for each property in the portfolio and assess the value accordingly. The presumed market has been determined based on the geographical spread of the properties and other local and national trends.

Management remains responsible for the valuation adopted and the group's judgement is that this approach to investment property valuation is robust and correct. 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%	2,403

Other key sources of judgement:

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

2. Accounting policies (continued)

Other key sources of judgement: (continued)

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.

d. 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, income from sales of properties developed for outright sale, 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.

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 sinking fund may be built up over the years (if the terms of the lease permit this), 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. Irrecoverable VAT is included within the related asset or expense, whereas recoverable VAT is excluded. Therefore, 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 Fund ('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.

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.

2. Accounting policies (continued)

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 a 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 (RCGF) 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.

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.

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.

2. Accounting policies (continued)

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 (UEL).

Where a housing property comprises two or more major components with substantially different useful lives, 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	20 - 65
External works	2 - 50
Kitchens	15 - 25
Bathrooms	25 - 33
Windows	25 - 30
Doors internal/external	20 - 30
Insulation	30
Garages/outbuildings	22 - 50
Rewires	25 - 40
Environmental improvements	20 - 30
Solar panels	25
Heating systems	15 - 30
Disabled adaptations	15
Boiler systems	12 - 20
Communal lifts	25
Communal lighting	40
Communal stairwell flooring	5
Communal door entry	15
Positive ventilation systems	15
Electric vehicle charger	15
Fire risk works	10
Embankment wall	105
Fencing	28 - 30

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 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
Flooring	10
CCTV	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.

Cash equivalents

Cash equivalents are readily disposable current asset investments. They include investments held for more than 24 hours, up to a maximum of 3 months, 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.

2. Accounting policies (continued)

Cash flow hedges (continued)

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 for 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.

Dividend income

Dividend income is recognised when the right to receive payment is established.

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

GROUP

	2026 Group			
	Turnover £ '000	Cost of sales £ '000	Operating expenditure £ '000	Operating surplus £ '000
Social housing lettings Note 3(a)	203,953	-	(151,490)	52,463
Other social housing activities				
Development services	557	(334)	(1,294)	(1,071)
Support services	2,060	-	(2,221)	(161)
Community investment	885	-	(4,087)	(3,202)
First tranche low-cost home ownership sales	7,680	(6,642)	(357)	681
Provision of furniture	2,638	-	(940)	1,698
Other	1,700	-	(1,828)	(128)
	15,520	(6,976)	(10,727)	(2,183)
Non-social housing activities				
Other rental income	699	(91)	(215)	393
Investment property sale	765	(862)	(6)	(103)
Market rentals	3,746	-	(1,133)	2,613
External services	8,695	(8,267)	(468)	(40)
Other	287	(216)	(25)	46
	14,192	(9,436)	(1,847)	2,909
Total before sale of housing properties	233,665	(16,412)	(164,064)	53,189
Sale of housing properties	12,286	(4,724)	(152)	7,410
	245,951	(21,136)	(164,216)	**60,599**

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

GROUP

	2025 Group			
	Turnover £ '000	Cost of sales £ '000	Operating expenditure £ '000	Operating surplus £ '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
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	-	-	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)

ASSOCIATION

	2026 Association			
	Turnover £ '000	Cost of sales £ '000	Operating expenditure £ '000	Operating surplus £ '000
Social housing lettings Note 3(a)	178,292	-	(133,321)	44,971
Other social housing activities				
Development services	1,085	-	(2,008)	(923)
Support services	2,047	-	(2,221)	(174)
Community investment	885	-	(4,087)	(3,202)
First tranche low-cost home ownership sales	6,443	(5,743)	(357)	343
Provision of furniture	2,638	-	(2,308)	330
Other	6,238	-	(5,349)	889
	19,336	(5,743)	(16,330)	(2,737)
Non-social housing activities				
Other rental income	436	-	(64)	372
Investment property sale	482	(532)	-	(50)
Market rentals	3,105	-	(1,100)	2,005
External services	10,989	(10,939)	-	50
Other	231	(216)	(4)	11
	15,243	(11,687)	(1,168)	2,388
Total before sale of housing properties	212,871	(17,430)	(150,819)	44,622
Sale of housing properties	10,153	(3,986)	(67)	6,100
	223,024	(21,416)	(150,886)	**50,722**

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

ASSOCIATION

	2025 Association			
	Turnover £ '000	Cost of sales £ '000	Operating expenditure £ '000	Operating surplus £ '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)
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
Sale of housing properties	5,573	(3,302)	(68)	2,203
	202,131	(19,380)	(135,554)	**47,197**

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

GROUP - Particulars of income and expenditure from social housing lettings

	2026 Group				2025
	General housing £'000	Supported and sheltered housing £'000	Low-cost home ownership £'000	Total £'000	Total £'000
Turnover from social housing lettings					
Rent receivable net of identifiable service charges and net of voids	158,492	13,728	3,471	175,691	165,568
Service charges income	12,825	6,592	781	20,198	18,139
Net rental income	171,317	20,320	4,252	195,889	183,707
Revenue grants	15	62	-	77	87
Amortised government grants	5,440	296	20	5,756	5,100
Other income	2,148	62	21	2,231	2,114
Turnover from social housing lettings	178,920	20,740	4,293	203,953	191,008
Management	(23,624)	(4,823)	(513)	(28,960)	(27,521)
Service charge costs	(19,011)	(6,241)	(445)	(25,697)	(23,537)
Routine maintenance	(42,595)	(3,467)	(286)	(46,348)	(40,527)
Planned maintenance	(12,342)	(2,391)	(360)	(15,093)	(14,219)
Bad debts	(592)	(189)	(21)	(802)	1,032
Depreciation of housing properties	(32,960)	(1,195)	(42)	(34,197)	(33,151)
Impairment of housing properties	(328)	-	-	(328)	(870)
Impairment of freehold property	-	-	-	-	(500)
Write off - housing properties demolished	(65)	-	-	(65)	(136)
Operating expenditure on social housing lettings	(131,517)	(18,306)	(1,667)	(151,490)	(139,429)
Operating surplus on social housing lettings	47,403	2,434	2,626	52,463	51,579
Void losses	2,735	534	64	3,333	3,522

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

ASSOCIATION - Particulars of income and expenditure from social housing lettings

	2026 Association				2025
	General housing £'000	Supported and sheltered housing £'000	Low-cost home ownership £'000	Total £'000	Total £'000
Turnover from social housing lettings					
Rent receivable net of identifiable service charges and net of voids	143,091	8,812	3,109	155,012	147,337
Service charges income	11,883	3,457	708	16,048	14,453
Net rental income	154,974	12,269	3,817	171,060	161,790
Revenue grants	10	-	-	10	3
Amortised government grants	5,035	-	-	5,035	4,536
Other income	2,111	56	20	2,187	2,083
Turnover from social housing lettings	162,130	12,325	3,837	178,292	168,412
Management	(21,556)	(3,563)	(562)	(25,681)	(23,202)
Service charge costs	(17,678)	(3,716)	(388)	(21,782)	(20,218)
Routine maintenance	(38,382)	(2,004)	(28)	(40,414)	(36,275)
Planned maintenance	(11,684)	(1,758)	(185)	(13,627)	(13,013)
Bad debts	(486)	(154)	(15)	(655)	1,158
Depreciation of housing properties	(30,779)	-	-	(30,779)	(28,586)
Impairment of housing properties	(318)	-	-	(318)	(870)
Impairment of freehold property	-	-	-	-	(500)
Write off - housing properties demolished	(65)	-	-	(65)	(136)
Operating expenditure on social housing lettings	(120,948)	(11,195)	(1,178)	(133,321)	(121,642)
Operating surplus on social housing lettings	41,182	1,130	2,659	44,971	46,770
Void losses	2,442	367	(11)	2,798	2,714

4. Accommodation in management and development

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

GROUP	2025	New units developed or acquired	Units sold or demolished	Other	2026
Owned and managed	**No.**	**No.**	**No.**	**No.**	**No.**
Social housing					
General housing - social rent	23,810	100	(111)	(91)	23,708
General housing - affordable rent	5,473	259	(11)	(43)	5,678
Supported and housing for older people - social rent	1,522	4	-	81	1,607
Supported and housing for older people - affordable rent	610	33	-	18	661
Low-cost home ownership	1,157	82	(21)	8	1,226
	32,572	478	(143)	(27)	32,880
Non-social					
Market rented	453	-	(7)	4	450
Student housing	27	-	-	-	27
Temporary accommodation	24	-	-	-	24
	504	-	(7)	4	501
Owned and managed by others					
General housing - social rent	6	-	-	-	6
Supported and housing for older people - social rent	130	-	(5)	(12)	113
Supported and housing for older people - affordable rent	11	-	-	-	11
Care home	14	-	-	-	14
	161	-	(5)	(12)	144
Total owned	**33,237**	**478**	**(155)**	**(35)**	**33,525**
Managed on behalf of others					
Social housing					
General housing - social rent	1	-	-	-	1
General housing - affordable rent	1	-	-	-	1
Supported and housing for older people - social rent	68	-	-	-	68
	70	-	-	-	70
Other					
Accommodation managed for others - leasehold	3	-	(1)	1	3
Total managed for others	**73**	**-**	**(1)**	**1**	**73**
Total owned and managed	**33,310**	**478**	**(156)**	**(34)**	**33,598**
Leasehold units	669	-	-	(20)	649
Total	**33,979**	**478**	**(156)**	**(54)**	**34,247**

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	2025	New units developed or acquired	Units sold or demolished	Other	2026
Owned and managed	**No.**	**No.**	**No.**	**No.**	**No.**
Social housing					
General housing - social rent	21,777	35	(103)	(95)	21,614
General housing - affordable rent	3,797	100	(11)	(39)	3,847
Supported and housing for older people - social rent	1,099	-	-	99	1,198
Supported and housing for older people - affordable rent	343	33	-	31	407
Low-cost home ownership	700	13	(8)	5	710
	27,716	181	(122)	1	27,776
Non-social					
Market rented	186	-	(5)	256	437
	186	-	(5)	256	437
Owned and managed by others					
General housing - social rent	222	33	-	-	255
General housing - affordable rent	886	147	-	(3)	1,030
Supported and housing for older people - social rent	130	-	(5)	(12)	113
Supported and housing for older people - affordable rent	11	-	-	-	11
Low-cost home ownership	286	51	(3)	3	337
Care home	14	-	-	-	14
	1,549	231	(8)	(12)	1,760
Total owned	**29,451**	**412**	**(135)**	**245**	**29,973**
Managed on behalf of others					
Social housing					
General housing - social rent	193	-	-	-	193
General housing - affordable rent	236	12	-	(1)	247
Supported and housing for older people - social rent	56	-	-	-	56
Supported and housing for older people - affordable rent	264	-	-	(11)	253
Low-cost home ownership	9	-	(3)	-	6
	758	12	(3)	(12)	755
Other					
Accommodation managed for others - leasehold	3	-	(1)	1	3
Total managed for others	**761**	**12**	**(4)**	**(11)**	**758**
Total owned and managed	**30,212**	**424**	**(139)**	**234**	**30,731**
Leasehold units	659	-	-	(20)	639
Total	**30,871**	**424**	**(139)**	**214**	**31,370**

5. Operating surplus

This is arrived at after charging/(crediting):

	Group		Association	
	2026 £ '000	**2025 £ '000**	**2026 £ '000**	**2025 £ '000**
Depreciation of housing properties	33,858	31,007	29,801	27,229
Depreciation of housing properties - write off fair value	(25)	665	-	-
Depreciation of housing properties - write off on replacement	1,097	1,531	978	1,357
Amortisation of deferred capital grant	(5,685)	(5,470)	(4,964)	(4,906)
Amortisation of deferred grant - write off on replacement	(72)	(58)	(72)	(58)
Impairment of housing properties	318	870	318	870
Depreciation of other tangible fixed assets	2,637	2,091	1,537	966
Operating lease rentals:				
- land and buildings	368	305	212	179
- office equipment, computers and motor vehicles	1,503	1,660	1,503	1,660
Auditors' remuneration (excluding VAT):				
- audit of the group financial statements	128	90	128	90
- audit of subsidiaries	108	69	-	-
Fees payable to the company's auditor and its associates for other services				
- service charge certification	17	14	17	14
- other	4	8	4	8

6. Surplus on sale of fixed assets – housing properties

	Group		Association	
	2026 £ '000	**2025 £ '000**	**2026 £ '000**	**2025 £ '000**
Proceeds from sale of properties	12,286	5,639	10,153	5,144
Less:				
Net book value of properties	(4,245)	(2,690)	(3,421)	(2,493)
Proceeds to be returned to local authorities	(314)	(195)	(314)	(195)
Contingent liability on disposal	(69)	(68)	(69)	(68)
Grant written off on disposal	371	141	285	104
Recyclable grants on disposal	(274)	(150)	(274)	(120)
Administration charges	(345)	(177)	(260)	(169)
Net surplus from sale of properties	7,410	2,500	6,100	2,203

7. Interest receivable and other income

	Group		Association	
	2026 £ '000	**2025 £ '000**	**2026 £ '000**	**2025 £ '000**
Interest receivable and other income	1,285	1,656	2,926	3,275

8. Interest payable and similar charges

	Group		Association	
	2026 £ '000	**2025 £ '000**	**2026 £ '000**	**2025 £ '000**
On bank loans and other loans	25,976	22,045	21,423	17,686
Loan breakage costs	312	192	312	192
Loan non-utilisation fees	1,103	626	969	519
Interest on RCGF	94	73	86	73
Other interest	648	322	451	192
Release of South Tyneside Homes Venture Trust fair value	38	308	38	308
	28,171	23,566	23,279	18,970

9. Employees

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

	Group		Association	
	2026 No.	**2025 No.**	**2026 No.**	**2025 No.**
Housing management, repairs and asset management	928	863	878	810
Administration, finance and other	206	177	199	168
Development	24	27	21	23
Housing support and care	47	38	42	34
	1,205	1,105	1,140	1,035

9. Employees (continued)

Employee costs:	Group		Association	
	2026 £ '000	2025 £ '000	2026 £ '000	2025 £ '000
Wages and salaries	47,950	42,924	45,300	40,118
Social security costs	6,664	4,795	6,313	4,487
Other pension costs	7,302	7,810	6,598	7,159
	61,916	55,529	58,211	51,764
Redundancy costs	100	43	37	42
	62,016	55,572	58,248	51,806

At March 2026, £348.7k (2025: £412.2k) 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 (SHPF): 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 local government multi-employer defined benefit scheme

The nature of each defined benefit scheme is detailed below.

Guaranteed Minimum Pension (GMP) equalisation and indexation ruling

The schemes are required to pay a 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 the 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 trade 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.

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 that are open to new entrants. The defined benefit is the 1/60th CARE scheme.

The former YHA defined benefit scheme is not open to new members and the benefits accruing to its members were frozen in 2016. 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 54NH 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 on the scheme overall, for all employers, 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. The court hearing concluded in March 2025 with the court's judgement still awaited. After this the trustee and its advisors will consider the outcome and communicate next steps to employers. It is estimated

9. Employees (continued)

Pension obligations (continued)

Social housing pension schemes (LGPS) (continued)

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 2026 from Karbon Homes Limited and 54North Homes Limited were £3.4m (2025: £4.0m) and £571k (2025: £486.3k) 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 2025, which led to contributions being confirmed for Karbon as an employer from 1 April 2026 to 31 March 2029.

The pension asset of £43.1m has been restricted to £nil (2025: £38.7m) 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 2026, were £180k (2025: £130k) and £1.7m (2025: £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 2026, are estimated at £49k and £6k respectively. This includes past service deficit payments. The reason for such low contributions is due to the outcome of the valuation in 2025, which has been impacted favourably by the increase in interest rates.

Scheme disclosures

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

	Group		Association	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Social Housing Pension Scheme	3,965	6,399	2,948	4,915
Tyne and Wear Pension Fund	-	-	-	-
Durham County Council Pension Fund	-	-	-	-
Deficit	3,965	6,399	2,948	4,915

9. Employees (continued)

Pension obligations (continued)

Employers' contribution rates

	2026 %	2025 %
LGPS - TWPF:		
Former Isos	33.80	33.80
Former Byker Community Trust	17.20	17.20
LGPS - DCCPF:		
Former Cestria	27.80	27.80
Former Derwentside	27.80	27.80
SHPS - KHL:		
CARE 1/120th	-	8.40
CARE 1/60th	9.50	16.50
Final Salary	10.50	20.60
Defined contribution - minimum	4.00	4.00
Defined contribution - maximum	8.00	8.00
SHPS - 54NH:		
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

CARE 1/120th is closed effective from 1 April 2025.

Scheme disclosures for the year ended 2026

Assumptions

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

	TWPF 2026	DCCPF 2026	SHPS 2026
Retiring today:			
Males	21.9	21.9	20.9
Females	24.4	22.8	23.2
Retiring in 20 years:			
Males	22.4	24.4	22.2
Females	25.1	25.1	24.6

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

	TWPF KHL 2026 %	DCCPF KHL 2026 %	SHPS KHL 2026 %	SHPS 54NH 2026 %
Discount rate	6.20	6.20	6.02	6.02
Inflation (RPI)	NA	NA	3.33	3.33
Inflation (CPI)	2.80	2.80	3.02	3.02
Pension increases	2.80	2.80	NA	NA
Pension accounts revaluation rate	2.80	2.80	NA	NA
Salary growth	4.30	3.80	4.02	4.02

Notes to the financial statements (continued)...

9. Employees (continued)

Pension obligations (continued)

Scheme disclosures for the year ended 2026

Amounts recognised in the SOCI

	TWPF KHL 2026 £'000	DCCPF KHL 2026 £'000	SHPS KHL 2026 £'000	SHPS 54NH 2026 £'000	Total 2026 £'000
Current service cost	(90)	(700)	(1,259)	(144)	(2,193)
Contributions by employer	180	1,740	3,445	571	5,936
Past service costs	(30)	(130)	-	-	(160)
Amounts credited to operating expenditure	60	910	2,186	427	3,583
Interest income on assets	1,110	5,280	1,916	488	8,794
Interest on pension scheme liabilities	(640)	(3,450)	(2,143)	(562)	(6,795)
Interest on unrecognised asset	(460)	(1,780)	-	-	(2,240)
Expenses	-	-	(59)	(17)	(76)
Amounts credited/(charged) to interest payable and financing costs	10	50	(286)	(91)	(317)
Actuarial (losses)/gains on scheme assets	(280)	(2,430)	987	380	(1,343)
Actuarial gains/(losses) on liabilities	740	2,320	(1,676)	(240)	1,144
Changes in assumptions underlying the present value of scheme liabilities	60	760	756	(9)	1,567
Movement in restriction of pension asset	(590)	(1,610)	-	-	(2,200)
Actuarial (losses)/gains recognised in other comprehensive income	(70)	(960)	67	131	(832)

Amounts recognised in the SOFP

	TWPF KHL 2026 £'000	DCCPF KHL 2026 £'000	SHPS KHL 2026 £'000	SHPS 54NH 2026 £'000	Total 2026 £'000
Fair value of scheme assets	20,820	98,400	33,941	8,696	161,857
Present value of scheme liabilities	(11,760)	(64,360)	(36,889)	(9,713)	(122,722)
Restriction of pension asset	(9,060)	(34,040)	-	-	(43,100)
Deficit	-	-	(2,948)	(1,017)	(3,965)

9. Employees (continued)

Pension obligations (continued)

Scheme disclosures for the year ended 2026 (continued)

Amounts recognised in the SOFP (continued)

	TWPF KHL 2026 £'000	DCCPF KHL 2026 £'000	SHPS KHL 2026 £'000	SHPS 54NH 2026 £'000	Total 2026 £'000
Opening scheme liabilities	11,340	60,650	36,244	9,970	118,204
Current service cost	90	700	1,259	144	2,193
Interest cost	640	3,450	2,143	562	6,795
Contributions by participants	40	410	317	4	771
Actuarial losses/(gains) on liabilities	280	2,430	(987)	(380)	1,343
Actuarial gains/(losses) due to changes in assumptions	(60)	(760)	(756)	9	(1,567)
Net benefits paid out	(600)	(2,650)	(1,390)	(613)	(5,253)
Expenses	-	-	59	17	76
Past service costs	30	130	-	-	160
Closing scheme liabilities	11,760	64,360	36,889	9,713	122,722

	TWPF KHL 2026 £'000	DCCPF KHL 2026 £'000	SHPS KHL 2026 £'000	SHPS 54NH 2026 £'000	Total 2026 £'000
Opening fair value of assets	19,350	91,300	31,329	8,486	150,465
Interest income on assets	1,110	5,280	1,916	488	8,794
Remeasurement gains/(losses) on assets	740	2,320	(1,676)	(240)	1,144
Contributions by the employer	180	1,740	3,445	571	5,936
Contributions by participants	40	410	317	4	771
Net benefits paid out	(600)	(2,650)	(1,390)	(613)	(5,253)
Closing fair value of scheme assets	20,820	98,400	33,941	8,696	161,857
Actual return on scheme assets	1,850	7,600	240	248	9,938

9. Employees (continued)

Pension obligations (continued)

Scheme disclosures for the year ended 2026 (continued)

Amounts recognised in the SOFP (continued)

Movement in pension liability

	TWPF KHL 2026 £'000	DCCPF KHL 2026 £'000	SHPS KHL 2026 £'000	SHPS 54NH 2026 £'000	Total 2026 £'000
Group share of scheme liabilities at beginning of period	-	-	(4,915)	(1,484)	(6,399)
Contributions paid	180	1,740	3,445	571	5,936
Current service cost	(90)	(700)	(1,259)	(144)	(2,193)
Past service cost	(30)	(130)	-	-	(160)
Interest income on assets	1,110	5,280	1,916	488	8,794
Interest on pension scheme liabilities	(640)	(3,450)	(2,143)	(562)	(6,795)
Interest on unrecognised asset	(460)	(1,780)	-	-	(2,240)
Other expenses	-	-	(59)	(17)	(76)
Actuarial gain	520	650	67	131	1,368
Movement in restriction of pension asset	(590)	(1,610)	-	-	(2,200)
Net deficit at 31 March	-	-	(2,948)	(1,017)	(3,965)

9. Employees (continued)

Pension obligations (continued)

Scheme disclosures for the year ended 2026 (continued)

Amounts recognised in the SOFP (continued)

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

	TWPF KHL 2026 £'000	DCCPF KHL 2026 £'000	SHPS KHL 2026 £'000	SHPS 54NH 2026 £'000	Total 2026 £'000
Global equity	-	-	3,761	964	4,725
Insurance-linked securities	-	-	50	13	63
Property	2,330	8,070	1,657	424	12,481
Infrastructure	-	-	1	-	1
Private equity	-	-	73	19	92
Cash	80	1,970	6	2	2,058
Corporate bond fund	3,830	7,090	-	-	10,920
Long lease property	-	-	-	-	-
Secured income	-	-	1,030	264	1,294
Liability driven investment	-	-	10,349	2,651	13,000
Currency hedging	-	-	(1)	-	(1)
Net current assets	-	-	330	85	415
Equities	10,100	56,170	-	-	66,270
Government bonds	250	9,550	-	-	9,800
Multi asset credit	920	14,470	-	-	15,390
Liquid alternatives	-	-	6,044	1,548	7,592
Private credit	-	-	4,098	1,050	5,148
Real assets	-	-	3,196	819	4,015
Credit	-	-	1,351	346	1,697
Investment grade credit	-	-	1,996	511	2,507
Other	3,310	1,080	-	-	4,390
Total assets	20,820	98,400	33,941	8,696	161,857

9. Employees (continued)

Pension obligations (continued)

Scheme disclosures for the year ended 2025

Assumptions

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

	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 were:

	TWPF KHL 2025 %	DCCPF KHL 2025 %	SHPS KHL 2025 %	SHPS 54NH 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

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 54NH 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
Restriction of pension asset	(1,800)	(10,980)	-	-	(12,780)
Actuarial (losses)/gains 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 54NH 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

	TWPF KHL 2025 £'000	DCCPF KHL 2025 £'000	SHPS KHL 2025 £'000	SHPS 54NH 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

	TWPF KHL 2025 £'000	DCCPF KHL 2025 £'000	SHPS KHL 2025 £'000	SHPS 54NH 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)

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 54NH 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
Restriction of pension asset	(1,800)	(10,980)	-	-	(12,780)
Net deficit at 31 March	-	-	(4,915)	(1,484)	(6,399)

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)

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 54NH 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

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		2026 Fee £'000	2025 Fee £'000
Sir David Bell KCB DL	(to 30 June 2025)	6.6	26.5
Alexis Cleveland	(from 1 July 2025)	21.9	17.0
Fiona Creighton		11.4	11.4
Paul Fiddaman		-	-
Hanif Malik		12.5	12.5
Michael Mullaney	(to 24 November 2025)	9.1	14.0
David Murtagh	(from 1 April 2025)	14.0	-
Mark Pearson	(to 31 December 2025)	-	-
Jonathan Fletcher	(from 1 January 2026)	-	-
Neil Revely		15.1	12.5
Sarah Salter	(to 24 November 2025)	8.1	12.5
Raman Sanghera	(from 1 July 2025)	8.8	-
Stephen Secker	(to 31 May 2025)	3.3	19.8
Stephen Spill	(to 31 March 2025)	-	14.0
Amanda Swann		11.4	11.4
Rachel Turnbull	(from 1 June 2025)	11.4	-
Andrew Gamble	(from 1 June 2025)	7.8	-
Dave Richmond		4.5	4.5
Natasha Babar-Evans		3.0	3.0
Shahida Beswick	(to 15 May 2025)	0.4	3.0
Oliver Boundy	(from 1 June 2025)	2.5	-
Juanita Crawford		4.5	4.5
Jeremy Earnshaw		3.0	3.0
Matt Edgar		3.0	3.0
Ulfat Hussain		3.0	3.0
Gillian Moy		11.4	11.4
Dawn Keightley		4.0	3.2
Ged Walsh		3.0	2.3
Daniel Gibson		3.0	2.4
Kathryn Heathcote	(to 6 November 2024)	-	1.2
David Hern		3.0	2.4
Pip Hughes		3.0	2.4
Celia Weldon	(from 1 June 2025)	2.3	-
Christine Smith	(from 1 June 2025)	9.6	-
Dennis Watson	(from 1 June 2025)	10.6	-
		215.2	200.9

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 up to 31 December 2025, is remunerated as the Managing Director of 54North Homes Limited.

Jonathan Fletcher was appointed interim Managing Director of 54North Homes Limited from 1 January 2026.

Executive directors

The aggregate remuneration of the executive directors for the year amounted to £890,827 (2025: £1,065,556) including pension contributions of £126,394 (2025: £230,047). The remuneration of the highest paid director, who is the Group Chief Executive, excluding pension contributions, was £241,718 (2025: £231,723).

During the year, compensation paid or payable to directors for loss of office was £63,248 (2025: £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 (2025: £2.6m).

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

	2026 No.	2025 No.
£60,001 to £70,000	-	-
£70,001 to £80,000	-	2
£80,001 to £90,000	2	1
£90,001 to £100,000	-	1
£100,001 to £110,000	4	4
£110,001 to £120,000	1	9
£120,001 to £130,000	8	2
£130,001 to £140,000	2	-
£140,001 to £150,000	1	-
£150,001 to £160,000	-	2
£160,001 to £170,000	1	2
£170,001 to £180,000	-	-
£180,001 to £190,000	1	2
£190,001 to £200,000	1	-
£200,001 to £210,000	2	-
£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	-	-
£260,001 to £270,000	1	1

11. Tax on surplus on ordinary activities

	Group 2026 £ '000	Group 2025 £ '000	Association 2026 £ '000	Association 2025 £ '000
Analysis of tax charge/(credit) for the period				
Current tax:				
UK corporation tax on surplus for the year at 25% (2025:25%)	-	-	-	-
Adjustments in respect of prior years	-	-	-	-
	-	-	-	-
Deferred tax:				
Origination and reversal of timing differences	(34)	59	-	-
Effect of rate change on opening balance	-	-	-	-
Tax on profits on ordinary activities	(34)	59	-	
Provision for deferred tax				
Movement in provision:				
Provision at start of period	227	168	-	-
Deferred tax charged in the Statement of Comprehensive Income for the period	(34)	59	-	-
Provision at end of period	193	227	-	-
Deferred tax (asset)/liability not recognised	(924)	547	-	

The deferred tax liability not recognised includes £516k in respect of potential future capital gains and losses on the disposal of investment properties.

11. Tax on surplus on ordinary activities (continued)

	Group 2026 £ '000	Group 2025 £ '000	Association 2026 £ '000	Association 2025 £ '000
Reconciliation of tax charge				
Surplus on ordinary activities before tax	31,077	35,755	28,485	31,211
Theoretical tax at UK corporation tax rate 25% (2025:25%)	7,769	8,944	7,121	7,572
Effects of:				
Surplus relating to charitable income	(7,670)	(8,637)	(7,121)	(7,803)
Income not taxable for tax purposes	(65)	(181)	-	-
Fixed asset differences	-	(2)	-	-
Expenses not deductible for tax purposes	11	31	-	-
Chargeable gains	-	184	-	-
Group relief surrendered	13	-	-	-
Deferred tax not recognised	323	(119)	-	-
Impact of Gift Aid	(415)	(161)	-	-
Current tax charge	(34)	59	-	-

12. Tangible fixed assets – housing properties

GROUP	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 2025	1,630,750	95,366	77,494	14,784	1,818,394
Additions	3,684	118,957	(126)	6,211	128,726
Additions - newly built properties acquired	11,407	-	1,539	-	12,946
Re-classification adjustment	(3,002)	-	3,002	-	-
Transfer from other fixed assets	83	-	-	-	83
Transferred from subsidiary	(96)	-	-	-	(96)
Transferred to investment properties	(26)	-	-	-	(26)
Capitalised planned maintenance	43,937	-	251	-	44,188
Schemes completed	64,995	(64,995)	17,122	(17,122)	-
Abortive costs	-	(94)	-	-	(94)
Disposals - properties	(4,230)	-	(2,136)	-	(6,366)
Demolitions	(616)	-	(3)	-	(619)
Disposals - write off on replacement	(4,902)	-	-	-	(4,902)
At 31 March 2026	1,741,984	149,234	97,143	3,873	1,992,234
Depreciation and impairment					
At 1 April 2025	300,083	-	3,678	-	303,761
Charged in year	32,284	-	865	-	33,149
Impairment released in year	72	-	-	-	72
Re-classification adjustment	(193)	-	193	-	-
Released on transfer to investment properties	(14)	-	-	-	(14)
Released on disposal - properties	(1,179)	-	(126)	-	(1,305)
End of lease disposal	(65)	-	-	-	(65)
Released on demolition	(346)	-	(1)	-	(347)
Released on disposal - replacements	(3,805)	-	-	-	(3,805)
Write down of fair value	(20)	-	(5)	-	(25)
At 31 March 2026	326,817	-	4,604	-	331,421
Net book value					
At 31 March 2026	1,415,167	149,234	92,539	3,873	1,660,813
At 31 March 2025	1,330,667	95,366	73,816	14,784	1,514,633

The write down of fair value £25k relates to the property assets excess of fair value over historic cost which is written off over the remaining life of the property.

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 2025	1,409,927	81,967	64,846	12,216	1,568,956
Additions	1,032	113,388	(126)	3,278	117,572
Additions - newly built properties acquired	11,407	-	1,539	-	12,946
Re-classification adjustment	(2,918)	-	2,918	-	-
End of lease	(94)	-	-	-	(94)
Transferred to investment properties	(26)	-	-	-	(26)
Capitalised planned maintenance	39,097	-	251	-	39,348
Schemes completed	59,471	(59,471)	14,641	(14,641)	-
Abortive costs	-	(94)	-	-	(94)
Disposals - properties	(3,856)	-	(1,527)	-	(5,383)
Demolitions	(616)	-	(3)	-	(619)
Disposals - write off on replacement	(4,630)	-	-	-	(4,630)
At 31 March 2026	1,508,794	135,790	82,539	853	1,727,976
Depreciation and impairment					
At 1 April 2025	300,308	-	3,445	-	303,753
Charged in year	29,039	-	762	-	29,801
Impairment released in year	62	-	-	-	62
End of lease	(66)	-	-	-	(66)
Re-classification adjustment	(180)	-	180	-	-
Released on transfer to investment properties	(14)	-	-	-	(14)
Released on disposal - properties	(1,106)	-	(84)	-	(1,190)
Released on demolition	(346)	-	(1)	-	(347)
Released on disposal - replacements	(3,652)	-	-	-	(3,652)
At 31 March 2026	324,045	-	4,302	-	328,347
Net book value					
At 31 March 2026	1,184,749	135,790	78,237	853	1,399,629
At 31 March 2025	1,109,619	81,967	61,401	12,216	1,265,203

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	
	2026 £ '000	2025 £ '000	2026 £ '000	2025 £ '000
At 1 April	4,595	3,885	4,595	3,885
Provided during the year	701	1,116	691	1,116
Released during the year	(629)	(406)	(629)	(406)
At 31 March	4,667	4,595	4,657	4,595

The total number of housing units impaired is 308 (2025: 248). The carrying value of the housing properties pre-impairment was £7,941k.

Improvements to existing properties:

	Group		Association	
	2026 £ '000	2025 £ '000	2026 £ '000	2025 £ '000
Capitalised planned maintenance	44,188	44,852	39,348	37,645
Planned maintenance	15,093	14,219	13,627	13,013
	59,281	59,071	52,975	50,658

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

	Group		Association	
Housing properties	2026 £ '000	2025 £ '000	2026 £ '000	2025 £ '000
Freehold land and buildings	1,625,257	1,479,043	1,368,019	1,233,593
Long leasehold land and buildings	33,182	33,212	29,502	29,502
Short leasehold land and buildings	2,374	2,378	2,108	2,108
	1,660,813	1,514,633	1,399,629	1,265,203
Offices				
Freehold land and buildings	7,957	8,339	6,962	7,341

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 2025	12,356	6,510	6,838	47	1,354	1,478	409	28,992
Additions	48	1,521	2,767	-	129	-	548	5,013
Demolition	(596)	-	-	-	-	-	-	(596)
Disposals	-	(683)	(900)	-	(240)	-	-	(1,823)
Transferred to property assets	-	(83)	-	-	-	-	-	(83)
Write offs	(70)	-	-	-	-	-	-	(70)
At 31 March 2026	11,738	7,265	8,705	47	1,243	1,478	957	31,433
Depreciation								
At 1 April 2025	4,017	3,551	4,517	25	1,041	104	265	13,520
Charged in year	264	1,293	824	12	158	39	47	2,637
Impairment	(500)	-	-	-	-	-	-	(500)
Released on disposal	-	(395)	(881)	-	(144)	-	-	(1,420)
At 31 March 2026	3,781	4,449	4,460	37	1,055	143	312	14,237
Net book value								
At 31 March 2026	7,957	2,816	4,245	10	188	1,335	645	17,196
At 31 March 2025	8,339	2,959	2,321	22	313	1,374	144	15,472

13. Tangible fixed assets – other (continued)

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 2025	11,038	1,235	6,703	47	1,354	1,478	407	22,262
Additions	-	238	2,767	-	129	-	548	3,682
Disposals	-	(56)	(900)	-	(240)	-	-	(1,196)
Write offs	(666)	-	-	-	-	-	-	(666)
At 31 March 2026	10,372	1,417	8,570	47	1,243	1,478	955	24,082
Depreciation								
At 1 April 2025	3,697	473	4,450	25	1,041	104	264	10,054
Charged in year	213	261	807	12	158	39	47	1,537
Impairment	(500)	-	-	-	-	-	-	(500)
Released on disposal	-	(55)	(881)	-	(144)	-	-	(1,080)
At 31 March 2026	3,410	679	4,376	37	1,055	143	311	10,011
Net book value								
At 31 March 2026	6,962	738	4,194	10	188	1,335	644	14,071
At 31 March 2025	7,341	762	2,253	22	313	1,374	143	12,208

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

GROUP

	2026 £ '000	2025 £ '000
Valuation		
At 1 April	50,845	50,462
Additions	101	254
Reclassification to housing properties	16	25
Disposals	(862)	(591)
(Decrease)/Increase	(2,033)	695
At 31 March	48,067	50,845

ASSOCIATION

	2026 £ '000	2025 £ '000
Valuation		
At 1 April	17,877	17,892
Additions	31,119	125
Reclassification to housing properties	16	25
Disposals	(532)	(186)
(Decrease)/Increase	(1,764)	21
At 31 March	46,716	17,877

The valuations across the group were carried out by Savills (UK) Limited, in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2025 together, where applicable, with the UK National Supplement effective 1 May 2024, together the "Red Book". Savills also had specific regard to the requirements of VPGA 1 Valuation for financial reporting and UK VPGA 1 Valuation for Financial Reporting: general matters. Savills used 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.

The group has instructed the valuation specialist to determine the presumed market for each property in the portfolio and assess the value accordingly. The presumed market has been determined based on the geographical spread of the properties and other local and national trends. Properties have been valued using an income approach reflecting expectations of future performance with a calculation based on net rental income, yield expectations and local market factors.

15. HomeBuy loans receivable

	Group and Association	
	2026 £ '000	2025 £ '000
At 1 April	172	156
Movement in year	-	16
At 31 March	172	172

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. 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 Ltd holds 50% of the equity and 50% of the control in the two joint ventures.

	Group		Association	
	2026 £'s	2025 £'s	2026 £'s	2025 £'s
Share of retained profits				
At 1 April	-	-	-	-
Share of deficit	(2,766)	(653)	-	-
Written down during the year	2,766	653	-	-
At 31 March	-	-	-	-

17. Interests in subsidiaries and joint venture

At 31 March 2026 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
Karbon Home Comforts 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
Graphite Living Limited	Registrar of Companies - 16454430	Ordinary - 100%	It is intended this will be a 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.

18. Properties for sale

	Group		Association	
	2026 £ '000	2025 £ '000	2026 £ '000	2025 £ '000
Completed low-cost home ownership properties	1,132	1,986	262	1,637
Low-cost home ownership properties under construction	2,068	6,051	2,068	5,711
Completed properties for outright sale	17	224	-	215
Properties for outright sale under construction	2,212	970	-	-
	5,429	9,231	2,330	7,563

19. Debtors: amounts falling due within one year

	Group		Association	
	2026 £ '000	2025 £ '000	2026 £ '000	2025 £ '000
Due within one year				
Rent and service charges receivable	8,697	9,331	7,647	8,040
Less: provision for bad and doubtful debts	(4,811)	(4,805)	(4,303)	(4,325)
	3,886	4,526	3,344	3,715
Other debtors	10,576	7,676	6,948	5,861
Amounts due from group undertakings	-	-	7,099	3,759
Amounts due from joint venture	5,119	249	-	-
Prepayments and accrued income	4,522	4,685	3,052	3,180
Taxation	199	-	-	-
	24,302	17,136	20,443	16,515

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

	Group		Association	
	2026 £ '000	2025 £ '000	2026 £ '000	2025 £ '000
Due over one year				
Amounts due from group undertakings	-	-	27,915	48,289
Amounts due from joint venture	6,402	7,714	-	-
	6,402	7,714	27,915	48,289

The amount owed by the subsidiary companies of £27.9m (2025: £48.3m), relates to intercompany loans between Karbon Homes Limited and Next Level Developments Limited (NLD), Karbon Land Ventures Limited (KLV) and a payment on account of £5.1m in respect of Seaham Garden Village development. £12.8m of loans to NLD has been used to fund joint ventures with interest charged at 7%.

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 3 December 2025 an additional £5m facility was granted, repayable by 12 September 2026.

On 16 January 2024 NLD provided a loan facility for up to £7.5m to Karbon Carlton Staindrop LLP, interest is charged at 7%. On 17 December 2025 the facility was increased by an additional £1m with interest charged at 9%. 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.

21. Investments

	Group		Association	
	2026 £ '000	2025 £ '000	2026 £ '000	2025 £ '000
Liquidity Investment Reserve	1,593	1,593	995	995
Santander UK	1	1	-	-
	1,594	1,594	995	995

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

22. Creditors: amounts falling due within one year

	Group		Association	
	2026 £ '000	2025 £ '000	2026 £ '000	2025 £ '000
Debt (note 26)	7,356	22,308	5,534	11,373
Trade creditors	5,682	5,263	1,854	3,241
Rent and service charges received in advance	4,418	4,279	3,588	3,505
Social housing grant received in advance	1	-	1	-
Amounts due to contractors for certified work	1,044	6,157	1,044	6,157
Amounts due to local authorities for Right to Buy sales	314	195	314	195
Amounts due to group undertakings	-	-	24,691	20,425
Recycled capital grant fund (note 24)	123	131	-	-
Other taxation and social security	1,354	1,136	1,267	1,012
Other creditors	4,243	5,790	4,136	5,482
Accruals and deferred income	41,495	36,053	20,529	19,206
Service charge creditor	999	1,008	999	1,008
Deferred capital grant (note 25)	5,680	5,641	4,945	4,953
	72,709	87,961	68,902	76,557

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

	Group 2026 £ '000	Group 2025 £ '000	Association 2026 £ '000	Association 2025 £ '000
Debt (note 26)	684,995	540,933	592,412	459,517
Loan premium	-	32,180	-	28,022
Total debt	684,995	573,113	592,412	487,539
Recycled capital grant fund (note 24)	3,412	2,879	3,134	2,792
HomeBuy grant	172	172	172	172
Social housing grant received in advance	72,372	83,841	72,372	83,841
Fair value of financial instrument	1	113	-	-
	760,952	660,118	668,090	574,344

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 cash receipts of £130.3m from the trade.

The loan premium is now disclosed within Debt Analysis note 26.

24. Recycled capital grant fund

Funds pertaining to activities within areas covered by Homes England:

	Group 2026 £ '000	Group 2025 £ '000	Association 2026 £ '000	Association 2025 £ '000
At 1 April	3,010	1,868	2,792	1,757
Acquisition - business combination	-	46	-	-
Grants recycled	1,056	1,974	871	1,915
Interest accrued	94	74	86	72
Major repairs and works to existing stock	(10)	-	-	-
Withdrawal for development of properties	(615)	(952)	(615)	(952)
Balance at 31 March	3,535	3,010	3,134	2,792
Further analysed as:				
Grant remaining:				
- in the fund for three years at 31 March	123	34	-	-
- in the fund for two years but fewer than three	28	97	-	-
- in the fund for one year but fewer than two	220	804	160	776
- in the fund less than one year	3,164	2,075	2,974	2,016
Balance at 31 March	3,535	3,010	3,134	2,792

25. Deferred capital grant

	Group 2026 £ '000	Group 2025 £ '000	Association 2026 £ '000	Association 2025 £ '000
At 1 April	466,700	398,540	395,205	366,782
Grant received in the year	36,561	33,406	31,250	29,553
Acquisition - business combination	-	35,962	-	-
Transferred to RCGF	(365)	(578)	(187)	(517)
Reclassification	(10)	-	(10)	-
Grant write off on disposal	(600)	(504)	(499)	(487)
Grant write off on replacement	(180)	(126)	(180)	(126)
At 31 March	502,106	466,700	425,579	395,205
Grant amortisation				
At 1 April	87,214	78,456	75,689	71,612
Acquisition - business combination	-	4,125	-	-
Amortisation in year	5,685	5,470	4,964	4,906
Released on disposal - properties	(430)	(353)	(414)	(345)
Released on disposal - replacements	(108)	(68)	(108)	(68)
Released on change of property use	(33)	(416)	(33)	(416)
At 31 March	92,328	87,214	80,098	75,689
Deferred capital grant				
At 31 March	409,778	379,486	345,481	319,516
At 1 April	379,486	320,084	319,516	295,170
Further analysed as:				
Amount due to be released:				
- within one year	5,680	5,641	4,945	4,953
- after one year	404,098	373,845	340,536	314,563
	409,778	379,486	345,481	319,516

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.

26. Debt analysis

	Group		Association	
	2026	2025	2026	2025
	£ '000	£ '000	£ '000	£ '000
Due within one year				
Bank and other loans	5,086	20,359	4,707	10,986
Local authority loans	1,594	1,737	441	425
STHVT loan fair value	(65)	(38)	(65)	(38)
The Housing Finance Corporation debt	250	250	-	-
Loan issue costs	(577)	-	(466)	-
Bond discount	(173)	-	(117)	-
Breakage costs	(309)	-	(309)	-
Loan premium	1,550	-	1,343	-
	7,356	22,308	5,534	11,373
Due after more than one year				
Bank and other loans	299,305	183,598	260,353	153,267
Local authority loans	55,206	57,170	35,902	36,343
STHVT loan fair value	(8,176)	(8,241)	(8,176)	(8,241)
The Housing Finance Corporation debt	12,250	12,500	-	-
Affordable Housing Finance debt	34,400	34,400	34,400	34,400
Affordable Homes Guarantee Scheme	20,000	20,000	-	-
Bond	250,000	250,000	250,000	250,000
Loan issue costs	(2,577)	(1,476)	(2,140)	(789)
Bond discount	(3,856)	(4,202)	(2,413)	(2,647)
Breakage costs	(2,195)	(2,816)	(2,195)	(2,816)
Loan premium	30,638	-	26,681	-
	684,995	540,933	592,412	459,517
	692,351	563,241	597,946	470,890

	Group		Association	
	2026	2025	2026	2025
	£ '000	£ '000	£ '000	£ '000
Due within one year	7,356	22,308	5,534	11,373
Between one and two years	75,107	7,770	56,015	5,874
Between two and five years	124,877	70,863	102,142	45,047
After five years	485,011	470,794	434,255	414,848
Loan issue costs	-	(1,476)	-	(789)
Bond discount	-	(4,202)	-	(2,647)
Breakage costs	-	(2,816)	-	(2,816)
	692,351	563,241	597,946	470,890

26. Debt analysis (continued)

Breakage costs	Group		Association	
	2026	2025	2026	2025
	£ '000	£ '000	£ '000	£ '000
Opening breakage cost	(2,816)	560	(2,816)	560
Breakage cost incurred in year	-	(3,568)	-	(3,568)
Amortised to interest payable	312	192	312	192
	(2,504)	(2,816)	(2,504)	(2,816)

At 31 March 2026 the group had undrawn loan facilities of £217.9m (2025: £154.0m).

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.

Affordable Homes Guarantee Scheme (AHGS) financing is at a fixed rate of 4.93%, repayable as a bullet payment in 2053.

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

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).

26. Debt analysis (continued)

Financial instruments

The group and association had the following financial instruments:

	Group		Association	
	2026 £ '000	2025 £ '000	2026 £ '000	2025 £ '000
Financial assets that are debt instruments measured at amortised cost:				
Cash and cash equivalents	11,216	15,447	7,383	7,945
Investments	1,594	1,594	995	995
HomeBuy loans	172	172	172	172
Rental and service charge debtors	8,697	9,331	7,647	8,040
Other debtors	10,775	7,676	6,948	5,861
Accrued income	4,522	2,102	3,052	884
Amounts due from subsidiaries	-	-	35,014	52,048
Amounts due from joint venture	11,521	7,963	-	-
Financial liabilities measured at amortised cost:				
Loan debt	(692,351)	(563,241)	(597,946)	(470,890)
Trade creditors	(5,682)	(5,263)	(1,854)	(3,241)
Recycled capital grant fund	(3,535)	(3,010)	(3,134)	(2,792)
Deferred capital grant fund	(502,106)	(466,700)	(425,579)	(395,205)
HomeBuy grants	(172)	(172)	(172)	(172)
Social housing grant received in advance	(72,373)	(83,841)	(72,373)	(83,841)
Amounts due to subsidiary undertakings	-	-	(24,691)	(20,425)
Other creditors and accruals	(49,427)	(41,292)	(28,289)	(30,423)
Financial liabilities measured at fair value:				
Financial instruments designated as hedges of variable interest rate	(23)	(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.

26. Debt analysis (continued)

Financial instruments (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 54NH, which manage exposure to variable interest rate risk. Interest rate swaps relate to fixing variable rate interest and are 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 2026 £ '000	Statement of Comprehensive Income 2026 £ '000	Cashflow hedge reserve 2025 £ '000	Statement of Comprehensive Income 2025 £ '000
Subject to cash flow hedging	23	(106)	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 2026. At 31 March 2026 the fair value of interest rate swaps held by the group is £23k (2025: £129k).

£23k has been recognised in the cash flow hedge reserves.

The group holds the following interest rate swaps at 31 March 2026.

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 £11.2m and investments of £1.6m, the group has £217.9m 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.

27. Provisions for liabilities and charges

GROUP	Dilap-idations £ '000	Site demolition £ '000	Other £'000	Deferred tax £'000	Total 2026 £'000	Total 2025 £'000
At 1 April	396	500	104	227	1,227	1,040
Acquisition of subsidiary	-	-	-	-	-	108
Utilised in the year	-	(500)	10	-	(490)	(551)
Released in the year	-	-	(10)	(34)	(44)	-
Provided in the year	129	-	-	-	129	630
At 31 March	525	-	104	193	822	1,227

ASSOCIATION	Dilap-idations £ '000	Site demolition £ '000	Other £'000	Deferred tax £'000	Total 2026 £'000	Total 2025 £'000
At 1 April	396	500	-	-	896	872
Utilised in the year	-	(500)	-	-	(500)	(547)
Provided in the year	129	-	-	-	129	571
At 31 March	525	-	-	-	525	896

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, this is now complete.

Deferred tax

	Group		Association	
	2026 £ '000	2025 £ '000	2026 £ '000	2025 £ '000
At 1 April	227	168	-	-
Deferred tax charged to Statement of Comprehensive Income	(34)	59	-	-
At 31 March	193	227	-	-
Summarised:				
Fixed asset timing differences	193	227	-	-
	193	227	-	-

The group has not recognised (£923.9k) of deferred tax. Unused tax losses totalled £756.4k (2025: £955.8k).

28. Share capital

	2026 £'s	2025 £'s
Allotted and issued		
At 1 April	10	11
Issued during the year	5	-
Surrendered during the year	(4)	(1)
At 31 March	11	10

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.

29. Reserves

At 31 March 2026 the revenue reserve included £4.0m defined benefit pension liability (2025: £6.4m).

GROUP	Revenue reserves £ '000	Restricted reserves £ '000	Cash flow hedge reserves £ '000	Total reserves £ '000
At 1 April 2025	503,669	450	(129)	503,990
Surplus for the year	31,111	-		31,111
Movement in fair value of cash flow hedged financial instruments			106	106
Actuarial loss relating to pension scheme	(832)	-	-	(832)
At 31 March 2026	533,948	450	(23)	534,375

ASSOCIATION	Revenue reserves £ '000	Restricted reserves £ '000	Total reserves £ '000
At 1 April 2025	406,337	450	406,787
Gift Aid	6,072	-	6,072
Surplus for the year	28,485	-	28,485
Actuarial loss relating to pension scheme	(963)	-	(963)
At 31 March 2026	439,931	450	440,381

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. This gift was transferred to Karbon Homes in 2020 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.

30. Financial commitments

Capital expenditure commitments were as follows:

	Group		Association	
	2026 £ '000	2025 £ '000	2026 £ '000	2025 £ '000
Expenditure contracted for but not provided in the accounts	197,509	233,087	185,658	216,428
Expenditure authorised by the board, but not contracted	143,795	202,417	130,748	184,306
	341,304	435,504	316,406	400,734
The group expects these commitments to be contracted within the next year and financed with:				
Social housing grant	729	20,226	-	17,070
Other grants	-	-	660	-
Proceeds from the sales of properties	10,981	22,536	7,867	21,326
Committed loan facilities	214,127	147,498	203,913	126,000
Loans under negotiation	115,467	245,244	103,966	236,338
	341,304	435,504	316,406	400,734

Expenditure either contracted or authorised by the board of £341m (2025:£436m) 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	
	2026 £ '000	2025 £ '000	2026 £ '000	2025 £ '000
Land and buildings:				
Within one year	151	196	151	194
Two to five years	179	109	179	109
Five years or more	138	-	138	-
	468	305	468	303
Vehicles and office equipment:				
Within one year	620	1,117	620	1,117
Two to five years	180	522	180	522
Five years or more	-	-	-	-
	800	1,639	800	1,639

30. 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	
	2026 £ '000	2025 £ '000	2026 £ '000	2025 £ '000
Land and buildings:				
Within one year	243	174	243	174
Two to five years	772	512	772	512
Five years or more	555	566	555	566
	1,570	1,252	1,570	1,252

31. Contingent liabilities

The group had contingent liabilities at 31 March 2026 of £48.9m (2025: £49.1m) which is the original government funding relating to the acquisition of properties from 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.

Notes to the financial statements (continued)...

32. Net cash flow from operating activities

Cash flow from operating activities	2026 £ '000	2025 £ '000
Surplus for the year	31,111	35,716
Adjustments for non-cash items:		
Revaluation gain in year	2,033	(695)
Negative goodwill arising on acquisition - business combination	-	(2,152)
Depreciation of tangible fixed assets	36,858	33,334
Release of deferred grant income	(6,103)	(6,378)
Impairment	(156)	1,508
Increase in provisions	(371)	20
Pension operating charge	2,670	2,280
Pension contributions paid	(5,936)	(6,447)
Taxation	(34)	59
Working capital movements:		
Increase in stock	(434)	(44)
Increase in properties for sale	3,802	(948)
Increase in trade and other debtors	(7,186)	(4,931)
Increase in trade and other creditors	5,017	12,377
	30,160	27,983
Adjustments for investing or financing activities:		
Gain from sale of tangible fixed assets	(6,695)	(2,199)
Grants utilised in the year	(615)	(952)
Interest payable	28,171	23,566
Interest receivable	(1,285)	(1,656)
	19,576	18,759
Net cash generated from operating activities	**80,847**	**82,458**

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

GROUP	2026 £ '000	2025 £ '000
Decrease in cash	(4,231)	(30,425)
Cash inflow from decrease in liquid resources	-	(5,504)
Cash inflow from increased debt and lease finance	(98,077)	(62,926)
Increase in net debt from cash flows	**(102,308)**	**(98,855)**
(Decrease)/increase in net debt from non cash movements	(31,033)	15,297
Net debt at 1 April	(546,200)	(462,642)
Net debt at 31 March	**(679,541)**	**(546,200)**

34. Analysis of net debt

GROUP	1 April 2025 £ '000	Non-Cash Movements £ '000	Cash flow £ '000	31 March 2026 £ '000
Cash and cash equivalents	15,447	-	(4,231)	11,216
Changes in cash	**15,447**	**-**	**(4,231)**	**11,216**
Current asset investments	**1,594**	**-**	**-**	**1,594**
Housing loans due in one year	(22,308)	(464)	15,416	(7,356)
Housing loans after one year	(540,933)	(30,569)	(113,493)	(684,995)
Changes in debt	**(563,241)**	**(31,033)**	**(98,077)**	**(692,351)**
Changes in net debt	**(546,200)**	**(31,033)**	**(102,308)**	**(679,541)**

(£32.2m) of non cash movement relates to disclosure changes to move loan premium from creditors in to net debt.

35. Related parties

Notes 16 and 17 - Investment in subsidiaries and joint venture - provides details of the relationship and transactions 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, KHC and PBH totalling £1.4m, based on allocations of central services costs or staff cost involved in service provision
- Provision of development services to KDL of £0.9m
- Provision of heating, maintenance and business services to KSL totalling £9.8m, based on actual cost
- Provision of repair services totalling £0.1m to PBH, at cost
- Interest receivable of £2.5m from inter company loans totalling £26.9m with PBH, KLV, NLD and KHC
- Dividend received totalling £175k from PBH

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 £91.8m
- Furniture packs from KHC and PBH at £2.3m

The amount owed by unregistered subsidiaries at 31 March 2026 was £33.1m including loans of £26.9m. The amount owed to unregistered subsidiaries at 31 March 2026 was £24.7m.

The amounts owed to and from all subsidiaries is disclosed in notes 19, 20, and 22.

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