HEXAGON HOUSING ASSOCIATION

Report and Consolidated Financial Statements

31 March 2025

Regulator of Social Housing Registration Number: L1538

HEXAGON HOUSING ASSOCIATION

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2025

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EXECUTIVES AND ADVISORS FOR THE YEAR ENDED 31 March 2025

Board of Management

Simon Fanshawe	(Chair)
Paul Williams	(Vice Chair) (Chair of Horniman)
Gursh Bains	
Tom Heys	
Claud Williams	
Mark Allen	
Marcus Keys	
Roseann Ayton	
Sophie Tookey	
Mark Wells	
Sheron Carter	
Sonji Nurse	

Audit & Risk Committee

Gursh Bains	(Chair)
Paul Williams	
Marcus Keys	
Roseann Ayton	
Mark Wells	
Tom Heys	

Customer Services Committee

Mark Allan	(Chair)
Claude Williams	
Sonji Nurse	
Sophie Tookey	
Deborah Denyer	
Julian Marshall-James	

People & Governance Committee

Claude Williams	(Chair)
Tom Heys	
Simon Fanshawe	
Gursh Bains	
Roseann Ayton	
Sophie Tookey	

Investment Committee

Marcus Keys	(Chair)
Paul Williams	
Simon Fanshawe	
Mark Wells	
Mark Allen	
Sonji Nurse	

Secretary
Sacha McInnis

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Internal auditor
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Sheron Carter	Chief Executive
Kerry Heath	Development and Sales Director
Ali-Jarar Shah	Finance and IT Director
Andy Vincent	Operations Director

HEXAGON HOUSING ASSOCIATION

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 March 2025

The Board has pleasure in presenting its Report and Financial Statements for the year ended 31 March 2025.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Group comprises Hexagon Housing Association, a non-profit registered society with a charitable status, and Horniman Housing Association, a non-profit registered society undertaking non-charitable activity. The activities of Hexagon Housing Association include the acquisition, development and management of general needs, shared ownership and supported housing in South East London. The activities of Horniman Housing Association are the management of 14 shared ownership / leasehold dwellings in the London Borough of Southwark together with the freehold of 25 units, and development of outright units for sale on the open market.

The Group reported a turnover of £40m, an increase of 11.7% from £35.8m in 2024. The increase is predominately related to increase in rental income. Hexagon together with the sector has operated in a very challenging environment; the sector has faced rent caps, this coupled with the burden of high levels of inflation has proved a difficult environment for all registered providers. Despite the turbulent operating environment operating costs, excluding impairment, were restricted to £31.5m an increase of 1.0%. Due to the significant cash balance, the Group generated interest income of £1.9m (March 2024, £2.1m), this reduced the deficit realised in the year.

The increase in turnover and effective management of operating costs has resulted in the Group improving the operating margin from 12.8% (March 2024) to 16.7% in the current year. Our overall total comprehensive income deficit was £5.8m (March 2024: deficit of £1.9m), the financial position has been impacted by an impairment charge of £6.2m. The impairment related to development scheme where the costs of the scheme have increased significantly following contractor failure.

The Group continues to maintain a strong liquidity position. Unrestricted cash and deposits immediately available to the group totalled £35.0m (March 2024: £53.3m). The current net asset position with reserves stands at £49.1m (March 2024: £55.0m). The Board maintains a policy of using the cash generated by its operating activities to fund the improvement and development of housing stock where possible, thereby reducing borrowing requirement and interest costs. During the year we committed surplus funds to exceptional building safety and fire safety works. Looking forward, the Group maintains a solid foundation from which we can continue to deliver on our mission.

Despite the challenges, the Group's performance was in line with its growth strategy, £21.4m (2024, £17.0m) was spent on acquiring and developing properties in the year, there were 39 handovers in the year, 16 related to outright sales properties.

The Group's loans decreased marginally to £305.8m from £306.6m. The weighted average interest rate on the Group's loan portfolio was 3.52% (2024: 3.52%). The Board sets the social rents in line with the Rent Standard set by the Regulator of Social Housing (the Regulator, RSH). Rents for the Group's social rented general needs tenancies were increased by CPI + 1% for general needs and supporting housing properties for the 2024/25 year, in compliance with the regulation.

Turnover and operating surplus by activity is as follows:

	Turnover		**Operating surplus / (deficit)**	
	2025	**2024**	**2025**	**2024**
	£'000	**£'000**	**£'000**	**£'000**
General needs	**30,939**	**28,382**	**3,942**	**2,983**
Supported housing	**1,861**	**2,021**	**457**	**464**
Shared ownership	**3,322**	**3,171**	**2,019**	**2,015**
Sale of first tranche in shared ownership properties	**1,955**	**33**	**171**	**33**
Sale of outright units	**-**	**-**	**-**	**-**
Other social housing activities	**1,889**	**1,782**	**(5,794)**	**(1,061)**
Other non-social housing activities	**71**	**419**	**(648)**	**162**
Surplus on disposal of fixed assets	**-**	**-**	**580**	**1,033**
Total	**40,037**	**35,808**	**726**	**5,629**

Our Regulator's Expectations
Our regulator, the RSH, issued some specific expectations to Registered Providers, like Hexagon, in relation to VFM in April 2018. Included within this is a requirement to publish evidence in these accounts to enable stakeholders to understand Hexagon's:

- Performance against its own value for money targets and any metrics set out by the RSH, and how that performance compares to peers'.
- Measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this

Meeting the Regulator's Expectations
While our own value for money targets and performance are reported in our annual report, the RSH requires, from April 2018, performance against key metrics in relation to VFM that are part of the Sector Scorecard. At the time of compiling the financial statements, Sector Scorecard data for 2025 was in validation and no benchmarks are available. Therefore, the comparisons have been made with the 2024 data for associations. In addition, comparisons have been made against the 2024 results of the L12 Group. The L12 Group is a group of similar sized housing associations.

	HHA 2025	HHA 2024	L12 2024	London 2024
Reinvestment	5.0%	4.6%	5.0%	5.0%
New supply delivered (social housing units)	0.5%	0.7%	0.3%	0.6%
Gearing	52%	48.5%	40.1%	42.3%
EBITDA MRI interest cover	81.2%	60.7%	60.4%	70.1%
Headline social housing cost per unit (£s)	£6,940	£7,362	£7,640	£8,210
Operating margin (social housing lettings)	17.8%	16.3%	16.2%	16.2%
Operating margin (overall)	2.8%	12.8%	13.0%	14.2%
Return on capital employed	0.3%	1.14%	2.1%	2.0%

The reinvestment metric improved in 2025 which was a direct result of the increase in the spend for new development and the investment in our existing stock in the year. The successful issuance of our named bond has allowed us to spend on the development projects and we were also able to resume the capital investment on our existing stock. Our performance is in line with our London peers for 2024.

There were 39 new handovers from the development team. The development landscape remains challenging with the contractors continuing to feel impact of cost increases and the shortage of qualified labour. This has resulted in delays in the development programme in 2025. We are slightly behind London Housing Association but are well ahead of the L12 Group.

The increase in gearing is due to a reduction in cash balance as we have invested both in our properties and development programme during the year. Our gearing is higher than our peers this is predominately due to the £250m bond issued in 2022. The delivery of our committed development programme will reduce Gearing to be in line with our peers.

EBITDA MRI has significantly improved in the year this is largely due to the increase in operating surplus, Hexagon has continued to increase income but restricted operating costs. We are ahead of our peers for 2024 but are aware that our further improvement to this metric is required, the budget and business plan is set to deliver this improvement.

Our headline social housing cost per unit decreased due to the reduction in responsive maintenance spend on our existing stock. We will be further reviewing our operational costs to identify potential efficiencies to generate cost savings which will improve this metric.

Social Housing operating margin in 2025 has improved, our performance is ahead of our peers As detailed above, the increase in our income in 2025 was significantly higher than the increase in operating costs resulting in the improvement to the metric.

Our performance for return on capital employed is generally lower than our peers due to the high cost of our housing properties. Hexagon is not a Large Scale Voluntary Transfer (LSVT) and therefore the historic cost of its housing properties are relatively high compared to some of its London peers.

COMPLIANCE WITH THE GOVERNANCE AND VIABILITY STANDARD

Hexagon Housing Association has carried out a self-assessment of its compliance with the Governance & Financial Viability Standard. The result of the assessment demonstrates Hexagon is, in all material respects, compliant with the standard, though identifies procurement and data protection as areas which will require further work.

We received a regulatory judgement on 29 January 2025 which confirmed both a G2 rating for governance and V2 grade for financial viability. We continue to meet requirements on governance set out in the Governance and Financial Viability Standard but need to improve some aspects of our governance arrangements to support continued compliance

ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS

The Board is responsible for the Association’s system of internal control and for reviewing its effectiveness. The system, which is also used by the Association’s subsidiary, is designed to manage rather than eliminate the risk of failure to achieve business objectives and as such can only provide reasonable, but not absolute assurance against material misstatement or loss. The Board has carried out a review of the effectiveness of the system of internal control for the year under review. The key processes the Board has adopted in reviewing the effectiveness of the Association’s system of internal control are as follows:

Control environment: the Association has an organisational structure with clearly defined lines of responsibility, job descriptions and delegation of authority. These are set out in the Delegated Authorities and Standing Orders and in departmental procedure manuals. The staff handbook sets out standards of professionalism and integrity for operations.

Key policies: within the delegation of authority, the Board retains for itself responsibility for approving the key strategies and policies that are designed to provide effective internal control. These include strategies and policies for development projects and new business ventures, fraud, theft and bribery, corporate and business planning, risk and treasury management.

Risk management: the Board and senior officers have a clear responsibility for identifying risks facing the Group and for putting in place procedures to mitigate and monitor risks. Risks are formally assessed through a process of reporting to the Board and the Audit & Risk Committee throughout the year, plus an annual report to the Board by the Head of Governance, Risk and Assurance. The system for managing the significant risks faced by the Group is on-going and it has been in place for the year under review and up to the date of approval of the accounts.

Performance reporting: the Group has a comprehensive system of performance reporting. Key performance indicators are reviewed monthly by senior management and are considered by the Board quarterly. Corrective action is taken by management with respect to areas of adverse performance. Hexagon’s Customer Services Committee has been in place during 2024-25 to provide even greater scrutiny to the performance information reported to the main Board. The sub-committee reports back to the main Board via its minutes, including any corrective action it would like the main Board to take in response to performance issues.

Corporate planning and budgeting: the Board approves the annual budget, 5-year corporate plan and 40-year financial forecast. The Board approved the new 5-year corporate plan in March 2023. The Plan sets out how the key objectives of the Association are going to be delivered over the next five years.

Governance, Risk and Assurance Team: a new team has been established in the year the main responsibilities of the team include governance, risk management, internal controls, performance reporting, data assurance, GDPR and complaints handling.

Fraud prevention, detection, and reporting: the Group has a whistle-blowing policy in place to enable staff to report suspicious activities to senior management or the Board without fear of reprisal. The Board has adopted a policy for the investigation and reporting of all cases of actual or suspected fraud theft and bribery from the Group. The Audit & Risk Committee receives regular reports on all such cases and actions taken to improve controls where necessary.

The Board has received the Annual Report on internal controls, has conducted its annual review of the effectiveness of the system of internal control, and has taken account of any changes required to maintain the effectiveness of the risk management and control process.

The Board confirms that there is an on-going process for identifying and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the approval of the Financial Statements and is regularly reviewed by the Board.

Internal audit: the Group's control procedures are subject to review by Mazars, whose work is focused on the areas of greatest risk. The Audit & Risk Committee monitors the work of internal audit on a regular basis and priority is being given to addressing the audit recommendations arising from reports of limited assurance status.

Internal Audit Opinion by Mazars
On the basis of our internal audit work, our opinion on the framework of governance, risk management, and control is Moderate in its overall adequacy and effectiveness. This assessment reflects the findings from the work completed to date and finalised.
Of the seven strategic reviews undertaken in the Plan, give received Moderate assurance. In the remaining two areas in landlord health and safety areas we provided Limited assurance; Gas Safety (including one high recommendation raised) and Fire Safety Act (including two high recommendations raised).

We also conducted one Key Control Health Check in the year. Two follow up reviews were also undertaken to assess the Hexagon's implementation of recommendations raised from internal audits. The average implementation rate across 2024/25 was 82%. While this is an improvement on the previous year, this is an area Hexagon should continue to focus its efforts to promote the timely implementation of internal audit actions.

EFFECTS OF MATERIAL ESTIMATES AND JUDGEMENTS UPON PERFORMANCE

The financial statements have been prepared in accordance with the relevant financial reporting standards and legislation, as set out in note 2 of the financial statements. The key judgements and sources of estimation are set out in note 3. None of these affect the consolidated cashflow statement. The effect on the operating results and the underlying financial position has been limited by disclosing the results before and after fair value adjustments.

GOING CONCERN

The Board has adopted the going concern basis in the preparation of these financial statements, as explained in the Principal Accounting Policies note on page 22.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no material events after the end of the reporting period (note 36).

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Group has no qualifying third-party indemnity provisions in place for the directors of Hexagon Housing Association Ltd or its subsidiary Horniman Housing Association Ltd.

AUDITOR

All of the current board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Association's auditor for the purpose of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

By order of the Board

Simon Fanshawe (Chair)
18 August 2025

HEXAGON HOUSING ASSOCIATION

STRATEGIC REPORT FOR THE YEAR ENDED 31 March 2025

Our business model.

Hexagon is a charitable not for profit Housing Association which is based in South East London. We are a community-based association working primarily in the boroughs of Lewisham, Southwark, Greenwich, Bexley and Croydon. Our local focus means that we are in the business of working with people to build sustainable communities and not just new homes. This focus is reflected in our development, resident involvement, and community investment work.

Hexagon was formed in August 1990 from the merger of Shackleton and Solon South East, with origins going back to 1969. Since its formation, Hexagon has more than doubled in size and today manages just over 4,500 homes across several London boroughs. Hexagon has a wholly owned subsidiary company, Horniman Housing Association, which undertakes commercial activities for the benefit of the Group. Horniman owns and manages a further 39 properties.

Our core business is permanent homes for general needs tenants. Hexagon is unusual for its size, however, in that we also provide a wide range of other housing choices for tenants. Hexagon provided 292 supported housing homes for people who need support in addition to housing. This includes, amongst other client groups, people with a history of mental illness, people with learning difficulties and young people with support needs.

Hexagon is committed to involving our residents in service delivery and this takes many forms. One of the most significant involves the direct management by tenants themselves through housing co-operatives. This currently accounts for approximately 7% of our housing provision.

Today Hexagon employs 113 staff (full time equivalent).

The Group has the following mix of housing stock in management:

	2025	2024
General needs	3703	3703
Supported housing	292	292
Low cost home ownership	383	360
Other	161	161
Total housing	4539	4516

42% of the rented housing stock comprises properties originally built pre (and including) -1950, generally Victorian street properties, with some converted into flats post construction. About 29% were originally constructed from 1951 – 2000. The remaining 29% were built from 2001 onwards. The state of the stock is considered by external consultants to be good. 99.7% of the housing stock complies with the Decent Homes Standard.

Hexagon aims to recruit and retain diverse, high-quality staff that share our values and are committed to achieving our aims. As an accredited Investor in People organisation, we are one of a relatively small group of IIP recognised organisations assessed as having achieved the Gold Standard. We are committed to ensuring that our staff are trained and developed both to enable them to perform their roles effectively, and to develop their careers. Employees and their representatives are regularly consulted on decisions that are likely to affect employees' interests, through a Colleague Consultative Forum, annual staff conference, intranet and other mechanisms.

We endeavor to ensure that we are a family friendly employer, and that staff are able to achieve a work life balance, by for example, offering hybrid working, flexible working and part-time opportunities. Employee information is set out in note 9 to the financial statements. Hexagon offers pension arrangements, participating in the multi-employer Social Housing Pension Scheme (SHPS). Further details are given in note 37 to the financial statements.

Our objectives and strategies to achieve these

Hexagon exerts control over Horniman Housing Association as it has the right to nominate members to the Board of Horniman. Hexagon provides management and maintenance services to its subsidiary, which are charged at a commercial rate. From time-to-time Horniman donates surplus to Hexagon by way of gift aid embracing a tax efficient approach, in order to further the charitable objectives of the Group.

The Board approved the new 5-year Corporate Plan for Hexagon. The new Corporate Plan has the following key objectives:

- Good landlord services that meet customer's needs
- Safe, decent, and efficient homes
- Residents are supported and making a positive difference.
- A dynamic workforce that delivers our goals
- A growing, sustainable, efficient, and viable business

The first three years of the new Corporate Plan will focus on turning around underperforming services, updating our systems, improving the scope and quality of our data, making better use of our assets, completing our committed development programme, and improving our financial health. In the current year our focus was to improve our overall financial position and the systems, processes, and structures required to enhance performance. This created change impacting most parts of the business. We expect to see the benefit of these changes in the year to come.

The following years will focus on improving our core services, making year on year improvements to achieve our success measures throughout the term of the plan. The Board expects the final two years of the Plan to reactivate our ambition to build more homes and increase our digital offer.

Good landlord services that meet customer's needs

Extensive reviews of structures, systems, and processes were completed so we have a clear and consistent framework for service delivery. Currently our performance is at the lower end of our L12 benchmark peers. Overall customer satisfaction stood at 49% compared to an L12 average of 61%. At 49% we are still behind the L12 median of 56% for our approach to anti-social behaviour. We are further adrift on keeping communal areas clean and well-maintained - 48% compared to 68%. It is useful to compare our performance with the L12 group as satisfaction with services in London is on average 10 to 15 percentile points lower than in other parts of the country.

Safe, decent and efficient homes

We continue to complete a programme of stock condition surveys, 705 surveys were completed in 2025, bringing coverage up to 93% which exceeds our target of 65%. This provides robust data for our asset management plan. 99.7% compliance with decent homes has been achieved by year end. Resident satisfaction with repairs in the last 12 months stood at 60.7% which is behind the London median of 80%.

We continue improve the energy efficiency of our homes at the year-end 75.6% of our homes are now rated EPC A-C, we also continue to improve health and safety at the year end:

- 96.5% of properties had in-date fire risk assessments
- 99.7% of properties had in-date Landlord Gas Safety Record
- 99.6% in date Electrical Installation Condition Report

For our two 18m plus properties fire safety cladding works have been completed at Parkspring, works are also largely complete at Patrick Court but delayed due to the requirement for a road closure permit to complete two elevations. We expect these will be completed by the end of 2025.

Residents are supported and making a positive difference

Key outcomes during the year include:

Community investment resource has been focused to improve the financial well-being to support residents through the cost-of-living crisis.. This includes:

- 461 residents accessing money support (364% increase in demand for money support from pre-pandemic levels)
- £541,277 annualised value of interventions, of which £210,431 came directly to Hexagon.
- 41 residents moved into employment
- 25 secured employment progression
- 39 sustained employment

A dynamic workforce

Several restructures were made to the staffing establishment to strengthen leadership and key operations. Alongside this we have worked with residents and staff to co-create our cultural web built on our core values. Customers at the Heart training was redesigned, and refresher courses delivered to embed cultural behaviours.

A growing and sustainable, efficient, and viable business

The Group's financial metrics have improved and are highlighted in the VfM metrics disclosed above,

There has been handover of 39 new homes in the year 23 shared ownership properties and 16 outright sale properties.

We have strengthened Internal controls by putting a revised risk management framework in place and updating our strategic risk map.

The implementation of the IT Strategy was continued in the year key milestones included:

- Customer Portal - externally facing customer portal was launched, enabling residents to access account balance, produce a rent statements and make a payments.
- Cyber Essentials accreditation was achieved during the year further demonstrating our commitment to improving data security

- Greater reliance is being placed on cloud based technology..

The Group's financial performance and financial position at the year end are summarised in the report of the Board of Management on page 3. Further analysis of borrowings and treasury management policies are set out below.

Managing our borrowings

Borrowings at the period end were £305.8m (2024, £306.6m) , this debt includes £250m borrowed from the UK capital market.

Borrowings management is the responsibility of the Finance & IT Director. Strategy is set annually and approved by the Board. Current policy is to maintain a sufficient proportion of borrowings at fixed rates of interest to enable the business plan to withstand interest rate rises within defined parameters. The Group borrows only in sterling and so does not have any currency risk. Cash surpluses are invested in approved UK institutions.

Hexagon issued its own name £250m public bond in April 2022 to refinance £165m of its floating rate legacy debt and repay £15.7m of its hedging instruments. The bond was issued at a discounted coupon of 3.625% and attracted considerable interest from capital debt market investors. This refinancing of floating rate legacy debt places Hexagon in an advantageous position by fixing over 100% of its debt and therefore mitigating against the current as well as the future rises in interest rates. Although the weighted average interest rate rises to 3.52%, the refinancing allows Hexagon to move away from its restrictive legacy gearing covenant and allows it to use its strong asset base to borrow funds for its capital investment programme

Managing cash flows

Cash inflows and outflows for the period under review are set out in the Consolidated Statement of Cash Flows. Net cash outflows from operating activities are from the management of housing stock. Returns on investment and servicing of finance are due to interest income and interest charges. The net cash outflow from capital expenditure is the spend on properties new and existing which has been capitalised, less grant less sale proceeds plus spend on other fixed assets. The net movement on financing is the difference between loans repaid and new loans.

Group policy is to keep cash and bank balances at a minimum consistent with working capital requirements.

Monitoring liquidity and compliance with loan covenants

Cash and bank balances at the year-end were £35.0m. This surplus cash is due to the bond issuance in April 2022. All of the facilities are fully drawn. The liquidity is monitored throughout the year and reported to the Board on a regular basis as part of the treasury updates. Compliance with covenants is the responsibility of the Finance & IT Director.

All loan covenants were consistently complied with during the year

Credit Rating

In October 2024 S&P Global Ratings affirmed its long-term issuer credit rating on Hexagon 'BBB+' with the outlook being stable. S&P also affirmed our long-term issue rating on Hexagon's £250 million senior secured bond at 'BBB+'.

Principal risks and uncertainties

This section analyses the main factors and influences that will have an effect on the future performance of the Association irrespective of whether they were significant in the period under review.

The main risks faced by the Group are considered at each Board meeting as part of the risk management process. Changes which occur between Board meetings are reviewed by the senior management team at monthly Directors Group and Leadership Team. The definition of risk for this purpose is an event that could prevent the corporate plan from being achieved if it were to crystallise. Risks are recorded in a suite of risk maps which also record key strategies to manage each risk, who is responsible for the control and what further actions are needed. Risks are analysed according to their impact and probability given the current environment.
With Board endorsement the senior management team has assessed that the risks in the next table are those that are most likely to influence future performance.

Risk	**Key Controls**
Landlord Health and Safety - Serious Significant failures of Hexagon's legal and regulatory responsibilities to maintain safe homes	Experienced staff with specialisms in LL H&S (e.g. fire safety, asbestos, gas safety) - assessment completed of competencies. Property Safety Strategy, policy documents and procedures - with annual review and update to Board Regular reporting on compliance to DG and Board via the performance report External consultancy support Internal audit programme
Treasury and budget management - Failure to manage budgets or generate sufficient income to meet golden	Golden rules and stress testing which performance is monitored against Monthly review of financial accounts at DG and reporting to Board Treasury management strategy and policy Budget setting and spend forecasting processes that challenge budget holders on their profile, overseen by Board External audit and review of going concern

Risk	Key Controls
rules and operational requirements.	Fixed rate bond
Legal/regulatory compliance- Breaches of Hexagon's legal and regulatory requirements.	Governance structure with Board and sub-committees scrutinising performance and compliance Standing Order Delegated Authority (SODA) documents clearly setting out the associations rules which are regularly reviewed Internal/external audit programmes Annual reviews of compliance with RSH regulatory standards Governance Action Plan Strong control of internal audit programme
Data integrity and quality - Poor quality data required to operate the business, make effective decisions and understand our customers/assets	IT Strategy includes plans for data governance and data ownership. CRM module in CX Semi automated production of KPIs with reduced reliance on spreadsheets Systemised and automated rents and service charge calculations
Counterparty/Contractor - Poor performance or failure of outsourced suppliers	Procurement SODA and Financial Delegations that require DG or Board approval for high value/risk procurements Dedicated contract management roles within teams + defined contract management arrangements Use of frameworks that have pre-approved suppliers included Contract protections - L&ADs (payment for delay) Contract Protections - Performance Bonds, retention Contingency allowance
Macroeconomic conditions - Negative consequences of changes in macroeconomic conditions	Stress testing of budget assumptions Regular engagement with key stakeholders (e.g. S&P, THFC) Maintaining adequate liquid/unrestricted reserves Programme approach to development programme with flexibility to change approach (e.g. switch to s106 acquisitions) Contract Protections - Performance Bonds, retention Contingency allowance Development - Sales exposure – Exit options modelling
Asset Management - Investment in, condition, quality and compliance of stock, and home standards	Asset management database that contains details of all assets, including condition and lifecycles of components SIP programme that proactively maintains properties to ensure DHS are met Asset Management Strategy that sets out component replacement lifecycles, budget cost per year over the course of the strategy of replacement, linked to the organisation's Business Plan. Insurance cover for damage to property
Customer - Failing to listen to our customers or provide the expected standard of service	Resident Engagement Strategy Reporting into Hexagon Board on the implementation of the strategy - via the Customer Service Committee utilising a defined report template Mandatory CARE training for new starters Customer satisfaction and complaints reporting to Board and benchmarking with peer organisations
People - Insufficient capacity, skills or capability. Inability to retain and wrong culture required to deliver services	Board skills assessment and succession plans Quarterly monitoring of HR KPIs at People Committee Annual training plan Employee handbook and procedures Annual performance reviews Management Training for senior leaders
Sustainability- Failing to meet our sustainability obligations e.g., NZC	Sustainability statement and planned asset management plan which includes energy efficient components
Cyber Security and Operational Resilience - Breach of Hexagon's IT systems and/or an unauthorised release of data. Incidents that impact Hexagon's operational ability to deliver services.	Tools in place include anti-phishing, anti-virus, mail filtering, web filtering, firewalls with rules setup for only authorised traffic, annual penetration testing, multi-factor authentication for remote access. External DPO and GDPR consultancy services Mandatory cyber security training for staff and board members.
Strategy and growth - Strategy and/or growth ambitions are misaligned with our ability to deliver our mission	Hexagon Corporate Plan for 2023 to 2028, agreed by Board which sets out the mission and strategic objectives Annual Board strategy days to review progress against plan and change direction if required Board agreed mitigation plan if recovery plan does not achieve outcomes Development strategy and programme level approach to growth allows flexibility to move between direct commissioning and off the shelf purchases Revised development strategy to de-risk growth options overseen by new Investment Committee

<u>How we are governed</u>
Hexagon Housing Association's rules, which are based upon National Housing Federation model rules, form the governing document of the Association. The Association may not trade for profit, may not transfer any profit to its shareholders and may not receive money on deposit. The funds of the Association may be invested by the Board as it determines.

Structure and membership of the Board
The Association has a unitary Board structure with 12 members, of which up to one third may be tenant members. Other than the Chief Executive, all of the board members are non-executive. An Audit & Risk Committee, Customer Services Committee, People Committee, and Investment Committee are the sub-committees that report directly to the Board. The Board meets six times a year, the Audit & Risk Committee meets four times a year, and the People Committee meets three times per year. The other committees meet on a regular basis and as and when detailed scrutiny is required on any major reports to the Board.

Board members are paid. Total payments to non- executive board members in 2024/25 were £73.7k (2024: £70k). Each board member, with the exception of the Chief Executive, holds a £1 share in the Association.

Compliance with the NHF Code of Governance
Hexagon Housing Association has carried out a self-assessment of its compliance with the NHF Code of Governance 2020. Hexagon complies with the principles of the code but has some areas of practice that require development.

Role of the Board
The essential functions of the Board include the following:

* to define and ensure compliance with the values and objectives of the Association;
* to consider and approve policies and plans to achieve those objectives;
* to consider and approve each year's budget and accounts prior to publication;
* To review and approve long tern business plan and associated stresses and mitigation strategies;
* to establish and oversee a framework of delegation and systems of control;
* to agree policies and make decisions on all matters that might create significant financial or other risk to the Association, or which raise material issues of principle;
* to monitor the Association's performance in relation to these plans, budgets, controls and decisions;
* to appoint and, should the occasion arise, dismiss the Chief Executive and be represented in the appointment of Directors;
* to satisfy itself that the Association's affairs are conducted lawfully and in accordance with generally accepted standards of performance and propriety and the requirements of relevant regulatory bodies.

Executive Management
The Group is managed by a senior management team headed by a Chief Executive and supported by Directors of Finance & IT, Operations, Development and Sales. Senior management team members attend board meetings. Remuneration of the senior management team is set out in note 10.

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting 2018 have been followed, subject to any.
- material departures disclosed and explained in the financial statements;
- assess the group's and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

By order of the Board

Simon Fanshawe (Chair)
18 August 2025

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEXAGON HOUSING ASSOCIATION LIMITED

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2025 and of the Group's income and expenditure and the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the 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.

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 sufficient and appropriate to provide a basis for our opinion.

We were first appointed as auditor of Hexagon Housing Association Limited by the Board for the period ending 31 March 2023. The period of total uninterrupted engagement for the Group is for three financial years ending 31 March 2025. We have fulfilled our ethical responsibilities under, and we remain independent of the Association in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £800,720 (2024: 716,160), determined with reference to a benchmark of Group Turnover (of which it represents 2%). We consider Group turnover to be the most appropriate benchmark and more appropriate than a profit-based benchmark as the Group is a not-for-profit organisation and the focus is on turnover rather than any surpluses, which are reinvested in the Group.

Materiality for the parent association financial statements as a whole was set at £798,980 (2024: £714,560), determined with reference to a benchmark of Association Turnover (of which it represents 2%).

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £40,036 (2024: £35,728), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's two reporting components, we subjected both to full scope audits for Group purposes. The work on all components including the audit of the parent Association, was performed by the Group team.

Key Audit Matters

Recoverability of stock and work in progress
<u>Group and Association</u>
<u>The risk – significant risk medium value</u>
At 31 March 2025, the Group held within current assets work in progress with cost value of £21.2m. Refer to pages 22-26 (accounting policies) and page 42 (financial disclosures).

<u>Our response</u>
Our procedures included the following tests of detail:

- **Test of detail:** Agreeing the calculation of the surplus on sale for a sample of sales in the period**.**
- **Assessment of recoverability:** For a sample of development schemes, we reviewed the carrying value of the Group's stock and work-in-progress at the year-end including the financial appraisals of each scheme. This included testing on a

sample basis the expected profitability of the current schemes and reviewing post year-end sales of properties held in stock at 31 March 2025.

Our results
We found no evidence that the year-end balance of stock and work in progress is overstated at the year end.

An impairment charge of £6.2m for the Group was recognised in the year in respect of a scheme where a contractor went into insolvency. We reviewed the calculations and basis for the impairment and were satisfied with it. Our review of schemes under development did not identify any further indication of work in progress that required provision or impairment write down.

We found no errors in the calculation of surplus on sale of properties.

Treasury management and going concern
Group and Association
The risk – significant risk high value
The Group posted a full year deficit of £6.2m before actuarial movements on pension schemes (refer to pages 22-26 (accounting policies) and page 17 (financial disclosures)).

At 31 March 2025 the Group had borrowings of £305.8m (refer to pages 22-26 (accounting policies) and page 44 (financial disclosures)).

The risk is that the Group might have insufficient liquidity to finance its significant development programme or might breach a funding covenant set out within the agreements in place with a range of funders.

The Association posted a full year deficit of £4.5m before actuarial movements on pension schemes (refer to pages 22-26 (accounting policies) and page 17 (financial disclosures)).

Our response
Our procedures included the following:

- **Assessment of recoverability:** Reviewed the Group's and Association's 2025/26 budget and longer-term financial forecasts, and the underlying assumptions, to assess the Group's ability to service and repay the debt. We also reviewed the stress testing performed by the Group on its long-term financial plan.
- **Confirmation of value:** Agreed loan balances to the accounting records and to external confirmation from the funders.
- **Test of detail:** Tested the detailed calculations for loan covenant compliance prepared by management, both for the year ended 31 March 2025 and projected future performance.

Our results
Our audit work concluded that all loan covenants were comfortably met at 31 March 2025. We confirmed that the Group held cash reserves of £35.0m at 31 March 2025 and had no undrawn loan facilities. This available funding is sufficient to meet committed capital expenditure at 31 March 2025.

The Association held cash reserves of £34.3m at 31 March 2025. This available funding is sufficient to meet committed capital expenditure at 31 March 2025.

Forecast performance at 31 March 2026 shows that covenants are expected to be met.

We concluded that across a range of stress testing scenarios carried out on its longer-term financial forecasts, including those linked to the current economic conditions, the Group and Association remains within its existing funding covenants.

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.

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 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.

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, except to the extent otherwise explicitly stated in our report, 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 adequate 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 Board's Responsibilities set out on pages 11 and 12, 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 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 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.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- 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, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud 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 nature of the Group's activities and the regulated nature of the Group's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our report

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

Beever and Struthers

Beever and Struthers
Chartered Accountants
Statutory Auditor

150 Minories
London
EC3N 1LS

Date:30 September 2025

HEXAGON HOUSING ASSOCIATION

Statement of Comprehensive Income
for the year ended 31 March 2025

Group		2025		2024	
	Notes	**Group**	Association	**Group**	Association
		£000	£000	**£000**	£000
Turnover	4	40,036	39,949	35,808	35,728
Cost of Sales	4	(1,784)	(1,784)		
Operating costs	4	(38,106)	(37,099)	(31,163)	(31,051)
Surplus on disposal of fixed assets	12	580	689	1,033	1,033
Movement in fair value of investment properties	19			(49)	(49)
Operating surplus	4,8	**726**	**1,755**	**5,629**	**5,661**
Interest receivable	13	1,925	2,626	2,142	2,707
Interest payable and finance costs	14	(8,884)	(8,878)	(8,749)	(8,751)
Surplus for the year		**(6,233)**	**(4,497)**	**(978)**	**(383)**
Tax	15	-		-	-
Actuarial gains/(losses) on defined benefit pension scheme	37	365	365	(1,019)	(1,019)
Total comprehensive (expenditure)/income for the year	8	**(5,868)**	**(4,132)**	**(1,997)**	**(1,402)**

All amounts relate to continuing activities.

The Financial Statements were approved and authorised for issue by the Board of Management on 18 August 2025 and were signed on its behalf by:

Simon Fanshawe, Chair

Paul Williams, Vice Chair

Sacha McInnis, Secretary

The accompanying notes form part of these financial statements.

HEXAGON HOUSING ASSOCIATION

Statement of Financial Position as at 31 March 2025

		2025		2024	
	Notes	**Group**	Association	**Group**	Association
		£000	£000	**£000**	£000
Fixed assets					
Intangible assets	16	2,326	2,326	2,132	2,132
Housing properties	17	522,045	521,448	515,734	515,135
Investment properties	19	1,110	1,110	1,110	1,110
Other	18	2,436	2,436	2,548	2,548
		527,917	**527,320**	**521,524**	**520,925**
Current assets					
Stock – properties developed for sale	20	23,633	16,038	21,458	13,640
Debtors – receivable within one year	21	6,164	6,164	2,738	2,732
Debtors – receivable after one year	21	1,930	12,600	1,871	10,847
Cash and cash equivalents	22	35,045	34,321	53,370	52,713
		66,772	**69,123**	**79,437**	**79,932**
Less: creditors – amounts falling due within one year including short term pension deficit liability	23	(16,027)	(15,858)	(15,982)	(15,720)
Net current assets		50,745	53,265	63,455	64,212
Total assets less current liabilities		**578,662**	**580,585**	**584,979**	**585,137**
Creditors: amounts falling due after one year	24	(525,908)	(525,331)	(525,087)	(524,481)
Provisions for liabilities	30	-	-	-	-
Net assets excluding pension liability		**52,754**	**55,254**	**59,892**	**60,656**
Pension liability	37	(3,620)	(3,620)	(4,890)	(4,890)
Net assets		**49,134**	**51,634**	**55,002**	**55,766**
Capital and reserves					
Income and expenditure reserve		**48,222**	**50,722**	**54,090**	**54,854**
Cash flow hedge reserve		-	-	-	-
Revaluation Reserve		912	912	912	912
		49,134	**51,634**	**55,002**	**55,766**

The Financial Statements were approved and authorised for issue by the Board of Management on 18 August 2025 and were signed on its behalf by:

Simon Fanshawe, Chair | *Paul Williams, Vice Chair* | *Sacha. McInnis, Secretary*

The accompanying notes form part of these financial statements.

HEXAGON HOUSING ASSOCIATION

Statement of Changes in Reserves

	2025				2024			
Group	**Income and expenditure reserve**	**Cashflow hedge reserve**	**Revaluation reserve**	£000 Total Reserves	Income and expenditure reserve	Cashflow hedge reserve		£000 Total Reserves
Balance at 1 April 2024 / 1 April 2023	**54,090**	**-**	**912**	**55,002**	65,945	-	961	66,906
Surplus for the year (net of tax)	**(6,233)**	**-**	**-**	**(6,233)**	(978)	-	-	(978)
Actuarial gains/(losses) on defined benefit pension scheme	**365**	**-**	**-**	**365**	(1,019)	-	-	(1,019)
Change in fair value of hedged financial instrument	**-**	**-**	**-**	**-**	(9,907)	-	-	(9,907)
Movement in fair value of investment properties	**-**	**-**	**-**	**-**	49	-	(49)	-
Balance at 31 March 2025/ 31 March 2024	**48,222**		**912**	**49,134**	54,090		912	55,002

Statement of Changes in Reserves

Association	2025				2024			
	Income and expenditure reserve	**Cashflow hedge reserve**	**Revaluation reserve**	£000 Total Reserves	Income and expenditure reserve	Cashflow hedge reserve	Revaluation reserve	£000 Total Reserves
Balance at 1 April 2024 / 1 April 2023	**54,854**	**-**	**912**	**55,766**	66,114	-	961	67,075
Surplus for the year	**(4,497)**	**-**		**(4,497)**	(383)	-	-	(383)
Actuarial gains/(losses) on defined benefit pension scheme	**365**	**-**	**-**	**365**	(1.019)	-	-	(1,019)
Change in fair value of hedged financial instrument		**-**	**-**	**-**	(9,907)	-	-	(9,907)
Movement in fair value of investment properties		**-**	**-**	**-**	49	-	(49)	
Balance at 31 March 2025/ 31 March 2024	**50,722**	**-**	**912**	**51,634**	54,854	-	912	55,766

The accompanying notes form part of these financial statements.

HEXAGON HOUSING ASSOCIATION

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

Group

	Notes	**2025**	**2025**	2024	2024
		£000's		£000's	
Cash flows from operating activities					
Surplus for the year		(5,868)		(1,997)	
Adjustments for:					
Depreciation of fixed assets – housing		8,462		7,802	
Depreciation of fixed assets – other		403		192	
Impairment		6,212			
Amortised grant		(2,034)		(2,038)	
Net fair value losses/ (gains) recognised in income statement		0		49	
Interest payable and finance costs		8,677		8,545	
Tax expense					
Interest receivable		(1,925)		(2,142)	
Difference between net pension expense and liability				162	
Surplus on the sale of fixed assets		(580)		(1,033)	
(Increase)/decrease in stocks		6,483		8,234	
(Increase)/decrease in trade and other debtors		(3,486)		(879)	
(Decrease)/increase in trade creditors		333		(125)	
(Decrease)/increase in provisions		0		(1)	
Net cash generated from operating activities			16,677		16,769
Cash flows from investing activities					
Proceeds from sale of fixed assets		3,917		2,376	
Purchase of fixed assets - housing		(28,675)		(25,791)	
Purchase of fixed assets –other		(485)		(326)	
Interest received		1,925			
Net cash from investing activities			(23,318)		(23,741)
Cash flows from financing activities					
Interest paid		(10,898)		(10,629)	
New loans		-		-	
Debt issue costs incurred		-		-	
Repayment of loans		(786)		(473)	
Net cash from financing activities			(11,684)		(11,102)
Net increase/(decrease) in cash and cash equivalents			(18,325)		(18,074)
Cash and cash equivalents at beginning of year			53,370		71,444
Cash and cash equivalents at end of year			35,045		53,370

The accompanying notes form an integral part of the financial statement.

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

1 Legal Status

The Association and its subsidiary undertaking are registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014. They are both registered with the Regulator of Social Housing as social housing providers.

2 Principal accounting policies

Basis of preparation

These financial statements are prepared in accordance with Financial Reporting Standard 102 – the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice: Accounting 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022. In preparing the separate financial statements of the parent, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent
- Disclosures in respect of the parent's financial instruments have not been presented as equivalent disclosures have been provided for the Group as a whole

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

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

Going concern
The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.
The Group prepares a 40-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in June 2025 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure and/or increase income. The Group has also included in the scenario testing severe but plausible downsides in the multi variate worst-case assessment.

The Board, after reviewing the Group and Association budgets for 2025-26 and the Group's medium term financial position as detailed in the 40-year business plan, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board have considered:

- The property market – cashflow forecasts and business plan scenarios have taken account of delays in handovers, lower numbers of property sales and reductions in sales values;
- Maintenance and development costs – cashflow forecasts and business plan scenarios have been modelled to take account of cost increases in maintenance and development expenditure;
- Rent and service charge receivable – assumptions about arrears and bad debts have been increased to allow for customer difficulties in making payments and business plan scenarios take account of potential future reductions in rents;
- Liquidity – current available cash gives significant headroom for committed spend and other forecast cash flows that arise;
- The Group's ability to withstand other adverse scenarios such as higher interest rates and increased pension costs

The Board believe the Group and Association have sufficient funding in place and have agreed a set of mitigating actions to enable the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

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

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

2 Principal accounting policies (continued)

Basis of consolidation

The consolidated financial statements present the results of Hexagon Housing Association and its subsidiary ("the Group") as if they formed a single entity. Intercompany transactions and balances between the two are therefore eliminated in full.

Income

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

- rental income receivable (after deducting lost rent from void properties available for letting)
- service charges receivable
- net rental income from properties managed by agents and co-operatives
- revenue grants for the operation of nursing homes
- first tranche sales of shared ownership housing properties developed for sale
- properties built for sale
- amortisation of social housing grant

Rental income is recognised from the point when properties under development reach practical completion and are formally let. Agents and co-operatives manage a number of properties owned by the Association. Where the agent or co-operative carries the financial risk the income and expenditure arising from these properties is excluded from these financial statements. Grants relating to the support services are recognised in the year for which the grant is given. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Supported housing schemes and nursing homes

The Group received Supporting People grants from a number of London Boroughs. The grants received in the period as well as costs incurred by the Group in the provision of support services have been included in the consolidated statement of comprehensive income. Any excess of cost over the grant is borne by the Group.

Service charges

The Group adopts the fixed method for calculating and charging service charges to its tenants and the variable method for leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable.

Value added tax

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

Tax

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiary operates and generates taxable income. The subsidiary operated in England, United Kingdom.

Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Pension costs

Contributions to the Social Housing Pension Scheme ("SHPS") defined contribution scheme are charged to the Statement of Comprehensive Income in the year in which they become payable.

Until 31st March 2016, Hexagon participated in the SHPS defined benefit scheme. A liability for its obligations under the scheme net of scheme assets has been included in the Statement of Financial Position and the net change in that liability during the accounting period as the cost of the Defined Benefit scheme.

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

2 Principal accounting policies (continued)

Holiday pay accrual
A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at 31st March and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement.

Intangible fixed assets - software licence and development
Acquired computer software licences that are not an integral part to a related hardware are initially capitalised at cost plus direct expenditure including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured. These costs are amortised to the Statement of Comprehensive Income using the straight-line method over their estimated useful lives.

Tangible fixed assets – housing properties
Housing properties constructed or acquired (including land) are stated at cost less depreciation and impairment (where applicable). The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which includes an appropriate amount for staff costs and other costs of managing development. Directly attributable costs include capitalised interest calculated, on a proportionate basis, using finance costs on drawn loans. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

Expenditure on major refurbishment to properties, other than installation or replacement of major components, is charged to the Statement of Comprehensive Income.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in the first tranche, are included in housing properties and held at the cost less any impairment, and are transferred to completed properties when ready for letting.

Depreciation of housing property

Housing land and property for rent is split between land, structure and other major components that are expected to require replacement over time. The portion of shared ownership property retained is split between land and property. Land is not depreciated on account of its indefinite useful economic life. Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

The cost of all other freehold and long leasehold housing property is depreciated over the useful economic lives of the structure and major components as follows:

	Years		Years
Structure	125	Bathroom	30
Roof	60	Mechanical systems	25
Windows and external doors	30	Electrics	30
Boiler	15	Aids and adaptations	10
Kitchen	20		

Where individual components of a property are replaced the costs are capitalised and the cost of the replaced components is written off.

Shared ownership properties and staircasing
Under low cost home ownership arrangements, the Group disposes of a long lease on shared ownership homes for a share ranging between 25% and 75% of value. The buyer has the right to purchase further proportions up to 100% based on the market value of the property at the time each purchase transaction is completed. This is known as staircasing.
Shared ownership properties under construction or awaiting first tranche sale are split proportionately between current and fixed assets based on the element related to expected first tranche sale. The first tranche proportion is classed as current asset and related sales proceeds included in turnover. The remaining element is classed as a fixed asset and is included in completed housing property at cost less depreciation and any provision for impairment. Sales of subsequent tranches are treated as a part disposal of housing properties. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited to the sale account in arriving at the surplus or deficit.

Maintenance of shared ownership properties is the responsibility of the shared owners, who pay for repairs to common parts and for major repairs via service charges. Any impairment in value of such properties is charged to the Statement of Comprehensive Income.

Allocation of costs for mixed tenure and shared ownership developments
Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where this is not possible, build costs are allocated on a floor area basis.

2 Principal accounting policies (continued)

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

Depreciation of other tangible fixed assets
Depreciation of other fixed assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

	Years
Office buildings	40-60
Office fittings	10-25
Housing furniture and equipment	5-10
IT hardware and software	5

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within other operating income in the Statement of Comprehensive Income.

Government and other capital grants
Grants received for the construction of housing properties is accounted for using the accrual method set out in FRS 102 and the Housing SORP 2018. Grant is carried as deferred income in the Statement of Comprehensive Income and released to the Statement of Comprehensive Income on a systematic basis over the useful economic life of the asset for which it was received. In accordance with Housing SORP 2018 the useful economic life of the housing property structure has been selected.

Where a property funded by Social Housing Grant (SHG) is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property.

SHG and other grants due from government organisations or received in advance are included as current assets or liabilities.

Turnover includes an element of Social Housing Grant to cover the proportion of the development administration and overhead costs that are not capitalised.

Recycled capital grant fund (RCGF)
On the occurrence of certain events, primarily the sale of homes, the GLA can direct the Group to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three-year period, it will be repayable to the GLA with interest. Any unused recycled grant held with the RCGF which it is anticipated will not be used within one year is disclosed in the Statement of Financial Position under creditors due within one year. The remainder is disclosed under creditors due after one year.

Investment Properties
Investment properties consist of commercial properties not held for social benefit. Investment properties are held at fair value determined by external valuers. The difference between the fair value and historic cost and subsequent changes in value are recognised in the Statement of Comprehensive Income.

Impairment of fixed assets
The housing property portfolio of the Group is assessed for indicators of impairment at each reporting date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. The recoverable amount is taken to be the higher of the fair value less costs to sell or the value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets/cash generating units.

The Group defines cash generating units as individual schemes for properties in use, and as individual development programmes for properties under construction. Where the recoverable amount of an asset/cash generating unit is lower than its carrying value an impairment is recorded through a charge to the Statement of Comprehensive Income.

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

2 Principal accounting policies (continued)

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

Debtors and creditors
Debtors and creditors with no stated interest rate and receivable and payable within one year are recorded at transaction price. Any losses from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

Recoverable amount of rental and other trade receivables
The Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it considers the class of debt and the amounts collected after the reporting date. The Group has made arrangements with individuals and households for arrears payments of rent and service charges. The arrangements are effectively loans granted at nil interest rates.

Loans and short-term deposits
All loans and short-term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transactions costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost. However, the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the reporting date at historical cost. Loans that are payable or receivable within one year are not discounted.

Financial liabilities
Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Cash and cash equivalents
Cash and cash equivalents in the Group's Statement of Financial Position consists of cash at bank, in hand and bank deposits with an original maturity of less than 12 months.

Leased assets
Where assets are financed by leasing arrangements that give rights approximately to ownership, the assets are treated as if they have been purchased outright and are included in tangible assets – housing property at cost less depreciation and any impairment.

All other leases are treated as operating leases. Their annual rentals are charged as operating costs.

Provision for liabilities
The Group has recognised provisions for liabilities of uncertain timing or amounts. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period it arises.

Repairs and Equipment Replacement Funds
Unexpended amounts collected from third parties for major repairs or equipment replacement under contractual arrangements are included in creditors.

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

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

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

- Whether there are indicators of impairment of the Group’s tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. Management has considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost.
- What constitutes a cash generating unit when indicators or impairment require there to be an impairment review
- The anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on costs to complete, management then determines the recoverability of the cost of properties developed for shared ownership or outright sale. The judgement is also based on management’s best estimate of sales values based on economic conditions in Hexagon’s area of operation.
- Assumptions that apply to SHPS defined benefit scheme including,
    - The discount rate used to value the SHPS defined benefit obligation
    - The assumption for price inflation which impacts the liability calculation for pensions in payment whose increases are linked to inflation, along with the revaluation of deferred pensions. It is also used as the basis for setting the earnings growth assumption.
    - Increases to pensions in payment are typically either at a fixed rate, or in line with inflation subject to certain caps and collars.
    - The earnings growth assumption is used to project accrued pensions for current active members.
    - Mortality rates
    - Commutation allowance
    - GMB equalisation
- Types of leases entered into by the Group. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- The appropriate allocation of costs for mixed tenure developments, and the allocation of costs relating to shared ownership between current and fixed assets.
- Whether loans are basic or other.
- The categorisation of housing properties as investment properties or property plant and equipment based on the use of the asset.

Other key sources of estimation uncertainty

- Tangible fixed assets
  Tangible fixed assets are depreciated over their useful lives. The actual lives of the assets are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as whether an IT system is still being used are taken into account. For housing property assets, the assets are broken down into components based on management’s assessment of the properties. Individual useful economic lives are assigned to these components.
- Rental and other trade receivables
  The estimate for receivables relates to the recoverability of the balances outstanding at the year end. A full provision is made for debt on which a court possession order has been issued.
- Fair value measurement of derivatives
  The fair value of interest rate swaps is assessed as the value calculated by the counter party at or close to the reporting date. If this is not available, then an estimate provided by the Group’s treasury advisors is used.
- Pension liabilities
  Key assumptions used to calculate the Group’s net pension liability for the SHPS defined benefit scheme are set out at the end of note 39.
- Provisions
  Dilapidation: for properties leased by Hexagon, dilapidation provision is built up over the term of the lease to the estimated value of repair works required at the end of the lease term.

HEXAGON HOUSING ASSOCIATION

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

4 Turnover and operating surplus

Group

						2025		2024
	Turnover	**Cost of Sales**	**Operating Costs**	**Surplus on disposal of Fixed Assets**	**Movement in fair values of Investment Properties**	**Operating Surplus / (deficit)**	**Turnover**	**Operating Surplus/ (deficit)**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	£000's	£000's
Directly managed social housing activities (note 5)								
General needs lettings	30,939		(26,997)	-	-	3,942	28,382	2,983
Supported housing lettings	1,861		(1,404)	-	-	457	2,021	464
Low cost home ownership lettings	3,321		(1,303)	-	-	2,018	3,171	2,015
	36,121		**(29,704)**	**-**	**-**	**6,417**	**33,574**	**5,462**
Other social housing activities								
First tranche shared ownership sales	1,955	(1,784)	-	-	-	171	33	33
Outright sales								
Surplus on disposal of fixed assets				580	-	580		1,033
Accommodation managed by agents	1,889		(1,039)	-	-	850	1,754	470
Development administration			(19)	-	-	(19)		(752)
Charges for support services under contract				-	-			
Impairment			(6,212)			(6,212)		
Other			(413)	-	-	(413)	28	(779)
	3,844		**(7,683)**	**580**	**-**	**(5,043)**	**1,815**	**5**
Non-social housing activities								
Nursing home lettings				-	-			
Other	71		(719)	-	-	(648)	419	211
	71		(719)	-	-	(648)	419	211
Movement in fair value of investment properties				-				(49)
Total	**40,036**	**(1,784)**	**(38,106)**	**580**		**726**	**35,808**	**5,629**

HEXAGON HOUSING ASSOCIATION

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

4 Turnover and operating surplus

Association

						2025		2024
	Turnover	**Cost of Sales**	**Operating costs**	**Surplus on disposal of Fixed Assets**	**Movement in fair values of Investment Properties**	**Operating Surplus/ (deficit)**	Turnover	**Operating Surplus/ (deficit)**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Directly managed social housing activities (note 5)								
General needs lettings	30,939		(26,997)	-	-	3,942	28,382	2,983
Supported housing lettings	1,861		(1,404)	-	-	457	2,020	464
Low cost home ownership lettings	3,197		(1,205)	-	-	1,992	3,092	2,047
	35,997		**(29,606)**	**-**	**-**	**6,391**	**33,494**	**5,494**
Other social housing activities				-	-			
First tranche shared ownership sales	1,955	(1,784)	-	-	-	171	33	33
Outright sale				-	-			
Surplus on disposal of fixed assets				689	-	689		1,033
Accommodation managed by agents	1,889		(1,039)	-	-	850	1,754	470
Development administration			(19)	-	-	(19)		(752)
Charges for support services under contract				-	-			
Impairment			(5,320)	-	-	(5,320)		
Other			(413)			(413)	28	(779)
	3,844		**(6,791)**	**689**	**-**	**(4,042)**	**1,815**	**5**
Non-social housing activities								
Nursing home lettings				-	-			
Other	108		(702)	-	-	(594)	419	211
	108		(702)	-	-	(594)	419	211
Movement in fair value of investment properties								(49)
Total	**39,949**	**(1,784)**	**(37,099)**	**689**	**-**	**1,755**	**35,728**	**5,661**

HEXAGON HOUSING ASSOCIATION

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

5 Income and expenditure from directly managed social housing lettings

Group

	General needs lettings	Supported housing lettings	Low cost home ownership	2025 Total	2024 Total
	£000's	£000's	£000's	£000's	£000's
Income					
Rent receivable net of identifiable service charges	26,986	1,143	2,446	30,575	28,615
Service charge income	2,288	528	763	3,579	2,980
Amortised government grants	1,663	78	113	1,854	1,890
Net rents receivable and amortised government grant	**30,936**	**1,750**	**3,322**	**36,008**	33,485
Other revenue grants	-	111	-	111	94
Other income	3	-	-	3	(5)
Turnover from social housing lettings	**30,939**	**1,861**	**3,322**	**36,121**	33,574
Expenditure					
Management	6,672	46	192	6,910	4,870
Service charge costs	3,203	711	520	4,434	4,523
Routine maintenance	6,010	236	118	6,364	6,247
Planned maintenance	1,994	12	0	2,006	2,455
Major repairs expenditure	984	52	19	1,055	1,706
Major repairs – Brickfield Cottages ground collapse					
Bad debts	258	43	-	301	120
Depreciation of housing properties					
– annual charge	7,228	302	418	7,948	7,653
– accelerated on disposal of components					
Other costs	648	2	36	686	538
Operating costs on social housing lettings	**26,997**	**1,404**	**1,303**	**29,704**	28,112
Operating surplus on social housing lettings	**3,942**	**457**	**2,019**	**6,417**	5,462
Void losses	167	22	1	190	313

HEXAGON HOUSING ASSOCIATION

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

5 Income and expenditure from directly managed social housing lettings

Association

	General needs lettings	Supported housing lettings	Low cost home ownership	2025 Total	2024 Total
	£000's	£000's	£000's	£000's	£000's
Income					
Rent receivable net of identifiable service charges	26,985	1,144	2,353	30,482	28,599
Service charge income	2,288	528	735	3,551	2,944
Amortised government grants	1,663	78	109	1,850	1,852
Net rents receivable and amortised government grant	**30,936**	**1,750**	**3,197**	**35,883**	33,395
Other revenue grants	**-**	**111**	**-**	**111**	94
Other income	**3**	**-**		**3**	5
Turnover from social housing lettings	**30,939**	**1,861**	**3,197**	**35,997**	**33,494**
Expenditure					
Management	6,672	46	192	6,910	4,874
Service charge costs	3,203	711	475	4,389	4,444
Routine maintenance	6,010	236	69	6,315	6,238
Planned maintenance	1,994	12		2,006	2,455
Major repairs expenditure	984	52	19	1,055	1,706
Bad debts	258	43		301	120
Depreciation of housing properties					
– annual charge	7,228	302	415	7,945	7,650
– accelerated on disposal of components					
Other costs	648	2	35	685	513
Operating costs on social housing lettings	**26,997**	**1,404**	**1,205**	**29,606**	28,000
Operating surplus on social housing lettings	**3,942**	**457**	**1,992**	**6,391**	5,494
Void losses	167	22	1	190	313

HEXAGON HOUSING ASSOCIATION

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

6 Housing Stock

Association						
	At start of period	**Units developed or newly built units acquired**	**Units sold**	**Transfer s**	**Other movements**	**Period end**
Social housing units owned and / or managed (excluding leasehold units)						
Social rent general needs housing	**3,190**	-	-	-	-	**3,190**
Affordable Rent general needs housing	**513**	-	-	-	-	**513**
Social rent supported housing and housing for older people	**239**	-	-	-	-	**239**
Affordable Rent supported housing	**14**	-	-	-	-	**14**
Low Cost Home Ownership	**345**	23	-	-	-	**368**
Care homes	**39**	-	-	-	-	**39**
Other social housing	**-**	-	-	-	-	**-**
Total social housing units owned and / or managed	**4,340**	**23**	**-**	**-**	**-**	**4,363**
Total social housing units managed but not owned	**18**	-	-	-	-	**18**
Total social housing units owned	**4,322**	**-**	**-**	**-**	**-**	**4,322**
Total social housing units owned but not managed	**402**	-	-	-	-	**402**
Total social housing units managed	**3,938**	**23**	**-**	**-**	**-**	**3,961**
Non-social rental housing units (excluding leasehold units)						
Total non-social rental housing units owned	**-**	-	-	-	-	**-**
Total non-social rental housing units managed but not owned	**-**	-	-	-	-	**-**
Leasehold units						
Social leasehold units owned	**110**	-	-	-	-	**110**
Social leasehold units managed but not owned	**0**	-	-	-	-	**0**
Non-social leasehold units owned	**26**	-	-	-	-	**26**
Non-social leasehold units managed but not owned	**1**	-	-	-	-	**1**

Horniman

Low cost home ownership	**15**	-	-	-	-	**15**
Total social housing units owned and managed	**15**	**-**	**-**	**-**	**-**	**15**
Leasehold units						
Social leasehold units owned and managed	**18**	-	-	-	-	**18**
Non-social leasehold units owned and managed	**6**	-	-	-	-	**6**

6 Housing Stock (continued)

Units in development	**Group**		**Association**	
	2025	2024	**2025**	2024
Social Housing:				
General needs	**45**	84	**48**	84
Shared ownership	**98**	145	**98**	145
Other				
Housing for sale	**5**	21		-
Total units in development`	**148**	250	**146**	229

7 Accommodation managed by agent

Group and Association

	2025	2024
The Association owns property managed by other bodies as follows:		
General needs units and bedspaces	**294**	294
Supported housing units and bedspaces	**108**	108
	402	402

8 Surplus/(deficit) on ordinary activities

	Group		**Association**	
	2025	2024	**2025**	2024
	£000's	£000's	**£000's**	£000's
The operating surplus / (deficit) is stated charging/(crediting): -				
Auditors remuneration including expenses (excluding VAT):				
Current Auditors				
-Audit of the Group financial statements	**82**	81	**82**	81
-Audit of subsidiaries	**7**	7	**-**	-
Auditors remuneration including expenses (excluding VAT):				
Current Auditors				
-Taxation compliance services				
-Service charge certification	**6**	6	**6**	6
- ESG reporting	**6**	6	**6**	6
Impairment losses of housing properties	**6,212**	-	**5,320**	-
Depreciation on housing assets	**8,462**	**7,802**	**8,460**	7,798
Depreciation of other owned fixed assets	**403**	**192**	**403**	192
Surplus on sale of fixed assets	**580**	**1,033**	**689**	1,033
Change in fair value of investment properties		**(49)**		(49)

9 Employees

Group and Association

		2025	2024
The average number of employees (including the Executive Directors) during the year, expressed as full - time equivalents at 35 hours a week was as follows:		**Number**	Number
Office Staff		**112**	99
Other Staff		**1**	1
Total		**113**	100
		2025	2024
		£'000	£'000
Staff costs (for the above persons)			
Wages and salaries		**5,654**	5,415
Social security costs		**539**	458
Costs of defined benefit scheme (excluding contribution to past service deficits)			
Costs of defined contribution scheme		**507**	416
		6,700	6,289

See note 37 for further information the Group's pension schemes

10 Directors' and senior staff emoluments

Group and Association

The directors and key management personnel, as defined in FRS 102 are defined as members of the Board, the Chief Executive and other Directors as set out on page 2.

		2025	2024	**2025**	2024
		£'000s	£'000s	**£'000s**	£'000s
Executive directors' emoluments		450	544	450	544
Amounts paid to non-executive directors		80	79	80	79
Contributions to the SHPS defined benefit scheme					
Contributions to the SHPS defined contribution scheme		41	77	41	77
Total expenses re-imbused to Directors					

The total amount payable to the Chief Executive Officer, who was also the highest paid director in respect of emoluments was £149k (2024: £141k). Pension contributions of £11k (2024: £10k), were made to the SHPS defined contribution scheme on their behalf. The Chief Executive Officer is an ordinary member of that scheme. No enhanced or special terms apply, and the Chief Executive Officer has no individual pension arrangement to which the Group makes a contribution. There were 4 directors in the defined contribution scheme.

10 Directors' and senior staff emoluments (continued)

The remuneration paid to staff (including the Directors) earning over £60,000 was as follows:

		2025	**2025**	2024	2024
		Number including pension	Number Excluding pension	Number including pension	Number Excluding pension
£60,001- £70,000		1	2	4	3
£70,001 - £80,000		2	3	1	1
£80,001 - £90,000		2	3	2	3
£90,001 - £100,000		3	1	2	-
£101,001 - £110,000		-	1	-	-
£110,001 - £120,000		1	1	1	1
£120,001 - £130,000		2	-	1	-
£130,001 - £140,000		-	1	-	-
£140,001 - £150,000		-	-	1	1
£150,001 - £160,000		1	-	-	-

11 Board members

Board member		People Committee	Hexagon Board	Audit and Risk Committee	Customer Services Committee	Investment Committee	Horniman Board
Simon Fanshawe	12,583	x	x			X	x
Claud Williams	6,674	x	x		x		
Gursh Bains	7,174	x	x	x			
Mark Allan	7,174		x		x	x	
Tom Heys	5,974		x	x			
Roseann Ayton	5,974	x	x	x			
Deborah Denyer	250				x		
Paul Williams	8,712		x	x		x	x
Marcus Keys	6,674		x	x		x	
Sheron Carter	-		x				x
Julian Marshall-James	472				x		
Sonji Nurse	3,049		x		x	x	
Sophie Tookey	5,008	x	x		x		
Mark Wells	4,041		x	x		x	x
Ali-Jarar Shah	-						x

Four of the Board members are also tenants of the Association. Their tenancies, including policies on rent arrears, are on the same terms as those for other tenants and they cannot use their position to their advantage. The Chief Executive is also a member of the Board.

12 Surplus on disposal of fixed assets

Group		**Shared ownership**		**Other housing properties**	**2025 Total**		2024 Total
		£000's		**£000's**	**£000's**		£000's
Disposal proceeds		**3,917**		**395**	**4,312**		**2,376**
Grant proceeds							**32**
Cost of disposals		**(3,605)**		**(205)**	**(3,810)**		**(1,389)**
Selling costs							**(25)**
Depreciation eliminated		**63**		**15**	**78**		**101**
Grant eliminated							(62)
		375		**205**	**580**		**1,033**
Surplus on disposal of other tangible fixed assets							
Surplus		**375**		**205**	**580**		**1,033**
Disposal proceeds							

Association		**Shared ownership**		**Other housing properties**	**2025 Total**		2024 Total
		£000's		**£000's**	**£000's**		£000's
Housing properties:							
Disposal proceeds		**3,557**		**395**	**3,952**		**2,376**
Grant proceeds							**32**
Cost of disposals		**(3,136)**		**(205)**	**(3,341)**		**(1,389)**
Selling costs							**(25)**
Depreciation eliminated		**63**		**15**	**78**		**101**
Grant eliminated							**(62)**
		484		**205**	**689**		**1,033**
Surplus on disposal of other tangible fixed assets							
Surplus		**484**		**205**	**689**		**1,033**

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

13 Interest receivable and income from financial instruments

		Group		Association	
		2025	2024	**2025**	2024
		£000's	£000's	**£000's**	£000's
Interest receivable from subsidiary		**-**	-	**704**	565
Interest receivable and similar income		**1,925**	2,142	**1,922**	2,142
Total		**1,925**	2,142	**2,626**	2,707

14 Interest payable and finance costs

		Group				Association		
		2025		2024		**2025**		2024
		£000's		£000's		**£000's**		£000's
Bank and capital market loans		**10,808**		10,477		**10,808**		10,479
Recycled capital grants fund								
Disposal proceeds fund								
Total		**10,814**		10,477		**10,808**		10,479
Indexation of loan principal		**(21)**		52		**(21)**		52
Amortisation of deferred financing costs		**105**		101		**105**		101
Amortisation of loan premium								
Interest capitalised		**(2,221)**		(2,085)		**(2,221)**		(2,085)
		8,677		8,545		**8,671**		8,547
Net interest on net defined benefit liability		**207**		204		**207**		204
Total		**8,884**		8,749		**8,878**		8,751

The weighted average rate of interest on borrowings of 3.52% (2024: 3.52%) was used for calculating capitalised interest.

15 Taxation on surplus on ordinary activities

The Association is an exempt Charity and its activities in the year did not give rise to a tax liability. Horniman Housing Association is non charitable and is liable to Corporation Tax. A tax liability of £nil (2024: £nil) existed at 31 March 2025.

UK Corporation Tax - Group	2024	**2025**
	£'000	£'000
Current tax on profits of the year	-	-
Adjustments in respect of previous/current periods	-	-
Total current tax	-	-
The tax assessed for the year differs to the standard rate of corporation tax in the UK applied to the surplus before tax	-	-
Profit/(loss) on ordinary activities before tax	(37)	(138)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 25% (2020: 19%)	(9)	(35)
Effects of:		
Fixed asset differences	1	1
Expenses not deductible for tax purposes	-	-
Chargeable gains / (losses)	-	-
Income not taxable	(1)	(1)
Adjustments to tax charge in respect of previous year		
Gift aid payment	-	-
Deferred tax not recognised	9	44
Current tax charge	-	-

16 Intangible fixed assets

Group & Association

		Software Development costs	**Software Development costs**
		2025	**2024**
		£000's	**£000's**
Cost			
At 1 April		2,886	2,375
Additions		420	511
At 31 March		3,306	2,886
Depreciation			
At 1 April		754	517
Charge for year		226	237
At 31 March		980	754
Net book value			
At 31 March 2025		**2,326**	**2,132**
At 31 March 2024		2,132	1,858

HEXAGON HOUSING ASSOCIATION

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

17 Tangible fixed assets - Housing Property

Group

	Tenanted	Tenanted	Shared	Shared	2025 Total
	property	property	ownership	ownership	
	held for	under	property	property	
	social housing	construction	held for letting	under construction	
	letting				
	£000's	£000's	£000's	£000's	£000's
Cost					
At 1 April	507,436	28,567	69,135	24,343	629,481
Transfer to properties held for sale			(3,316)	(3,147)	(6,463)
Additions – construction costs	203	6,564	1,549	13,078	21,394
Additions – new components	7,239		50		7,289
Additions – other works to existing properties					
Schemes completed			12,234	(12,234)	-
Disposals: - **Property sales**	(202)		(2,002)		(2,204)
- **Replaced components**	(1,370)				(1,370)
At 31 March	513,306	35,131	77,650	22,040	648,127
Depreciation					
At 1 April	103,893	-	2,880	-	106,773
Charge for the year	7,772		410		8,182
Transfers between tenures					
Eliminated on disposal:					
- **Property sales**	(15)		(55)		(70)
- **Replaced components**	(1,097))				(1,097)
At 31 March	110,553	-	3,235	-	113,788
Impairment:					
At 1 April		4,570		2,404	6,974
Charge for the year				5,320	5,320
Released in the year					
At 31 March		4,570		7,724	12,294
Net book value					
At 31 March 25	402,753	30,561	74,415	14,316	522,045
At 31 March 24	403,543	23,997	66,260	21,934	515,734
The net book value of housing properties comprises:					2025 £000's
Freeholds					508,798
Long leasehold					13,247
Short leasehold					-
Total					522,045

HEXAGON HOUSING ASSOCIATION

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

17 Tangible fixed assets - Housing Property (continued)

Association

	Tenanted	Tenanted	Shared	Shared	2025 Total
	property	property	ownership	ownership	
	held for	under	property	property	
	social housing	construction	held for letting	under construction	
	letting				
	£000's	£000's	£000's	£000's	£000's
Cost					
At 1 April	507,436	28,567	68,425	24,343	628,771
Transfer to properties held for sale			(3,308)	(3,147)	(6,455)
Additions – construction costs	203	6,564	1,541	13,078	21,386
Additions – new components	7,239		50		7,289
Additions – other works to existing properties					
Schemes completed			12,234	(12,234)	-
Disposals: - **Property sales**	(202)		(2,002)		(2,204)
- **Replaced components**	(1,370)				(1,370)
At 31 March	513,306	35,131	76,940	22,040	647,417
Depreciation					
At 1 April	103,893	-	2,769	-	106,662
Charge for the year	7,775		415		8,190
Transfers between tenures					
Eliminated on disposal:					
- **Property sales**	(15)		(62)		(77)
- **Replaced components**	(1,100)				(1,100)
At 31 March	110,553	-	3,122	-	113,675
Impairment:					
At 1 April		4,570		2,404	6,974
Charge for the year				5,320	5,320
Released in the year					
At 31 March		4,570		7,724	12,294
Net book value					
At 31 March 25	402,753	30,561	73,818	14,316	521,448
At 31 March 24	403,543	23,997	65,656	21,939	515,135
The net book value of housing properties comprises:					2025 £000's
Freeholds					508,195
Long leasehold					13,253
Short leasehold					-
Total					521,448

17 Tangible fixed assets - Housing Property (continued)

	Group		Association	
	2025	2024	**2025**	2024
	£000's	£000's	**£000's**	£000's
Interest capitalisation				
Interest capitalised in the year	**2,221**	2,085	**2,221**	2,085
Works to properties				
New components capitalised	**7,289**	8,764	**7,289**	8,764
Major repairs expenditure charged to comprehensive income account	**1,056**	1,706	**1,056**	1,706
Total expenditure	**10,566**	**12,555**	**10,566**	**12,555**
Total Social Housing Grant received or receivable to date is as follows:				
Capital grant for housing properties	**220,242**	219,761	**219,861**	219,379
Revenue element taken to comprehensive income	**2,034**	2,038	**2,030**	2,026
Recycled to Recycled Capital Grant Fund	**714**	706	**714**	706
Recycled to Disposals Proceeds Fund				
Total	**222,990**	**222,505**	**222,605**	**222,111**

Due to housing property development dating back many years, it has not been possible to determine the cumulative amount of capitalised interest included in the cost of housing properties.
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Impairment Review

The Group considers individual tenanted and shared ownership properties to represent separate cash generating units when assessing for impairment in accordance with the requirements of FRS 102 and SORP 2018. For properties in development, the group treats each development programme as a cash generating unit.

During 2019, the Government has published further guidance on ensuring the fire safety of properties. Where the Association has identified that this will lead to major works (predominately to wall systems and balconies), an impairment review has been performed. As the intention is to repair and make safe, the housing properties were considered to be providing a social housing service. For these, the cost to replace was calculated using rebuilding cost figure for which each property is insured. As this depreciated replacement cost is more than the carrying value, no impairment charge was booked. A similar exercise was completed for the development programme.

Properties held for security – Association & Group

	2025	2024
Estimated tenanted open market value of properties so charged	444	444
Estimated tenanted open market value of unsecured properties	426	426

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

18 Other fixed assets

Group & Association

	Freehold offices	Office equipment	Motor vehicles	2025 Total
	£000's	£000's	£000's	£000's
Cost				
At 1 April	**4,361**	**3,706**	**-**	**8,067**
Additions		**65**	**-**	**65**
Disposals				
At 31 March	**4,361**	**3,771**	**-**	**8,132**
Depreciation				
At 1 April	**1,601**	**3,442**	**-**	**5,043**
Charge for year	**67**	**110**		**177**
Disposals				
At 31 March	**1,668**	**3,552**	**-**	**5,220**
Impairment				
At 1 April	**476**	**-**	**-**	**476**
Charge for year				
At 31 March	**476**	**-**	**-**	**476**
Net book value				
At 31 March 2025	2,217	219	-	2,436
At 31 March 2024	**2,284**	**264**	**-**	**2,548**

19 Investment Properties

	Group		Association	
	2025	2024	**2025**	2024
	£000's	£000's	**£000's**	£000's
At 1 April	**1,110**	**1,159**	**1,110**	**1,159**
Additions	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**-**	**-**
Schemes Completed	**-**	**-**	**-**	**-**
Revaluations	**-**	**(49)**		**(49)**
At 31 March	**1,110**	**1,110**	**1,110**	**1,110**

Investment properties were valued at 31 March 2025 by Copping Joyce, professional qualified external valuers. The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

HEXAGON HOUSING ASSOCIATION

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

20 Properties developed for sale

		Group				Association		
		2025		2024		**2025**		2024
		£000's		£000's		**£000's**		£000's
Properties developed for sale								
First Tranche Shared ownership properties								
Completed		**3,280**		1,799		**3,280**		1,799
Under construction		**12,759**		8,247		**12,758**		8,295
Outright Sales Properties:								
Completed				-				-
Under construction		**7,594**		11,412				3,546
		23,633		21,458		**16,038**		13,640

Properties developed for sale include capitalised interest as follows:

		Group				Association		
		2025		2024		**2025**		2024
		£000's		£000's		**£000's**		£000's
Completed		**-**		-		**-**		-
Under construction		**303**		183		**303**		183
		303		183		**303**		183

21 Debtors

		Group				Association		
		2025		2024		**2025**		2024
		£000's		£000's		**£000's**		£000's
Amounts receivable within one year:								
Rent arrears		**1,500**		1,603		**1,500**		1,599
Less: Provision for bad debts		**(906)**		(660)		**(906)**		(660)
Net rent arrears		**594**		943		**594**		939
Amounts owed by subsidiary		**-**		-		**13**		-
Other debtors		**1,748**		1,165		**1,735**		1,163
Prepayments and accrued income		**770**		574		**770**		574
Social housing grant receivable		**3,052**		56		**3,052**		56
		6,164		2,738		**6,164**		2,732
Amounts receivable in more than one year:								
Amounts owed by subsidiary		**-**		-		**10,670**		8,976
Other debtors: Cash charged to lenders		**1,930**		1,871		**1,930**		1,871
Total debtors		**8,094**		4,609		**18,764**		13,579

22 Cash at bank and short-term deposits

	Group		Association	
	2025	2024	**2025**	2024
	£000's	£000's	**£000's**	£000's
Cash at bank:				
: held in trust for shared ownership leaseholders	**1,663**	1,473	**1,639**	1,473
: unencumbered	**33,382**	51,897	**32,682**	51,240
	35,045	53,370	**34,321**	52,713

23 Creditors: Amounts falling due within one year

	Group		Association	
	2025	**2024**	**2025**	2024
	£000's	**£000's**	**£000's**	£000's
Loans and borrowings – note 25	376	848	376	848
Deferred capital grant – note 26	2,034	2,048	2,030	2,044
Trade creditors	1,488	1,155	1,488	1,155
Rent and service charges received in advance	1,697	924	1,696	924
Amounts owed to subsidiary	**-**	-	-	-
Taxation and social security payable	(8)	(4)	(8)	(5)
Other creditors	1,373	1,324	1,209	1,324
Recycled Capital Grant Fund – note 27	393	492	393	492
Accruals and deferred income	4,470	4,958	4,470	4,701
Accrued interest	4,204	4,237	4,204	4,237
	16,027	15,982	**15,858**	15,720

HEXAGON HOUSING ASSOCIATION

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

24 Creditors: Amounts falling due after more than one year

		Group				Association		
		2025		**2024**		2025		**2024**
		£000's		**£000's**		£000's		**£000's**
Loans and borrowings – note 25		305,438		305,813		305,437		305,813
Deferred capital grant – note 26		218,194		217,710		217,822		217,335
Deferred financing costs		(2,362)		(2,457)		(2,362)		(2,457)
Recycled Capital Grant Fund - note 27		2,170		1,812		1,990		1,639
Repairs and equipment replacement funds -note 28		2,468		2,209		2,444		2,151
Total		525,908		525,087		525,331		524,481

25 Loans and borrowing – Group and Association

Maturity of debt		**Bank loans**		**Other loans**		**Total**
		2025		**2025**		**2025**
		£000's		**£000's**		**£000's**
In one year or less, or on demand		**-**		**376**		**376**
Due between one and two years		**-**		**800**		**800**
Due between two and five years		**-**		**3,675**		**3,675**
Due in five years or more		**-**		**300,963**		**300,963**
Total of all loans		**-**		**305,814**		**305,814**
Short term creditors		**-**		**(376)**		**(376)**
Deferred Finance Charges		**-**		**(2,317)**		**(2,317)**
Loan premium		**-**		**(46)**		**(46)**

Maturity of debt		Bank loans		Other loans		Total
		2024		**2024**		**2024**
		£000's		**£000's**		**£000's**
In one year or less, or on demand		-		848		848
Due between one and two years		-		375		375
Due between two and five years		-		3,250		3,250
Due in five years or more		-		302,187		302,187
Total of all loans		-		306,660		306,660
Short term creditors		-		(848)		(848)
Deferred Finance Charges		-		(2,422)		(2,422)
Loan premium		-		(34)		(34)

HEXAGON HOUSING ASSOCIATION

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

25 Loans and borrowing – Group and Association (continued)

Details of borrowings, which are secured by fixed charges on some of the Group's housing properties, are set out below

Loans are secured by fixed charges on the Group's housing properties and are repayable with varying terms as follows:					
Other loans:	**Repayment type**	**Year of final repayment**	**Interest rate**	**2025 £000's**	**2024 £000's**
The Housing Finance Corporation	Amortising	2024/25	RPI + 5.50%	**-**	660
AHF EIB Loan 2014	Amortising	2043/44	3.29%	**7,313**	7,500
AHF Bond Loan 2014	Bullet	2041/42	3.8%	**7,500**	7,500
AHF Bond Loan 2015	Bullet	2043/44	2.89%	**17,000**	17,000
AHF EIB Loan 2016	Amortising	2046/47	1.72%	**17,000**	17,000
The Housing Finance Corporation	Bullet	2042/43	5.2%	**7,000**	7,000
M&G 250M Bond (2022)*	Amortising	2048/49	3.625%	**250,000**	250,000
Total other loans				**305,813**	306,660
Total bank & other loans				**305,813**	306,660

At 31 M 2024 the Group had no undrawn loan facilities available (2024: £nil).
* M&G 250M Bond (2022-The bond was issued on the International Securities Market of the London Stock Exchange

26 Deferred Capital Grants

Group	**Tenanted property held for social housing letting**	**Tenanted property under construction**	**Shared ownership property held for letting**	**Shared ownership property under construction**	**Tenanted property held for non-social housing letting**	**Short-life property**	**2025 Total**	2024 Total
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	£000's
At 1 April	**239,651**	**4,811**	**14,367**	**3,880**	**-**	**-**	**262,709**	261,320
Additions	**-**	**-**	**57**		**-**	**-**	**57**	2,654
Grant additions to existing properties		**1,068**		**1,984**	**-**	**-**	**3,052**	1,123
New Schemes Completed			**579**	**(579)**	**-**	**-**	**-**	-
Recycled to RCGF	**(38)**	**-**	**(676)**	**-**	**-**	-	**(714)**	(628)
Short life								(1,755)
Disposal								(5)
At 31 March	**239,613**	**5,879**	**14,327**	**5,285**	**-**	**-**	**265,104**	262,709
Amortisation								
At 1 April	**41,770**	-	**1,178**	**-**	**-**	**-**	**42,948**	42,729
Charge for the year	**1,922**	**-**	**112**	**-**	**-**	**-**	**2,034**	2,038
Eliminated on disposal:	**(50)**	**-**	**(59)**	**-**	**-**		**(109)**	(1,819)
At 31 March	**43,642**	-	**1,231**	**-**	**-**	**-**	**44,873**	42,948
Amortised value								
At 31 March 2025	**195,971**	**5,879**	**13,096**	**5,285**	**-**	**-**	**220,231**	219,761
At 31 March 2024	**197,881**	**4,811**	**13,189**	**3,880**	**-**	**-**	**219,761**	219208
Association								
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	£000's
At 1 April	**239,651**	**4,811**	**13,884**	**3,880**	**-**	**-**	**262,226**	260,838
Additions	**-**	**-**	**57**		**-**	**-**	**57**	2,654
Grant additions to existing properties		**1,068**		**1,984**	**-**	**-**	**3,052**	1,123
New Schemes Completed			**579**	**(579)**	**-**	**-**	**-**	-
Recycled to RCGF	**(38)**	**-**	**(676)**	**-**	**-**	**-**	**(714)**	(628)
Short life								(1,755)
Disposal								(5)
At 31 March	**239,613**	**5,879**	**13,843**	**5,285**	**-**	**-**	**264,620**	262,225
Amortisation								
At 1 April	**41,772**	**-**	**1,074**	**-**	**-**	**-**	**42,846**	42,631
Charge for the year	**1,922**	**-**	**109**	**-**	**-**	**-**	**2,031**	2,033
Eliminated on disposal:	**(50)**	**-**	**(59)**	**-**	**-**		**(109)**	(1,819)
At 31 March	**43,644**	**-**	**1,123**	**-**	**-**	**-**	**44,767**	42,845
Amortised value								
At 31 March 2025	**195,969**	**5,879**	**12,728**	**5,285**	**-**	**-**	**219,853**	219.382
At 31 March 2024	**197,878**	**4,812**	**12,811**	**3,879**	**-**	**-**	**219,382**	218,206

HEXAGON HOUSING ASSOCIATION

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

27 Recycled Capital Grant Fund

		Group		**Association**	
		2025	2024	**2025**	2024
		£000's	£000's	**£000's**	£000's
At 1 April		**2,303**	1,824	**2,131**	1,632
Inputs to fund:	Grants recycled	**714**	706	**714**	706
	Interest accrued	**77**	72	**71**	66
	Repaid	**(532)**	(299)	**(532)**	(273)
	Transfer from subsidiary	**-**	-	**-**	-
Recycling of grant:	New build	**-**	-	**-**	-
At 31 March		**2,562**	2,303	**2,384**	2,131
Amount due within one year		393	492	**393**	492
Amount due after more than one year		2,170	1,811	**1,991**	1.639
		2,563	2,303	**2,384**	2,131

28 Repairs and equipment replacement funds

Group	**Leaseholders sinking fund**	**Equipment replacement**	**Total**
	£000's	**£000's**	**£000's**
31 March 2024	1,446	763	2,209
Additions	229	156	385
Used in year	(106)	(20)	(126)
31 March 2025	**1,569**	**899**	**2,468**
Association			
31 March 2024	1,385	763	2,148
Additions	211	156	367
Used in year	(51)	(20)	(71)
31 March 2025	**1,545**	**899**	**2,444**

These funds represent the unused contributions paid by leaseholders or supported housing agents towards future major repairs or replacement of equipment.

29 Financial instruments

The Group's and Association's financial instruments may be analysed as follows:

	Group		**Association**	
	2025	2024	**2025**	2024
	£'000	£'000	£'000	£'000
Financial assets				
Debtors receivable in one year measured at amortised cost	**6,173**	2,738	6,164	2,733
- Debtors receivable after one year measured at amortised cost	**1,930**	1,871	1,930	1,871
- Cash and cash equivalents held at cost	**35,045**	53,370	34,321	52,713
- Financial assets that are debt instruments measured at amortised cost				
Intercompany loan	**-**	-	10,669	8,976
- **Total financial assets**	**43,149**	57,979	53,085	66,293
Financial liabilities				
Financial liabilities measured at amortised costs				
- Loans payable in one year	**188**	848	**376**	848
- Loans payable after one year	**305,625**	305,813	**305,437**	305,813
Financial liabilities measured at fair value				
- Interest rate swaps designated as hedges	**-**	-	-	-
- Interest rate swaps not designated as hedges	**-**	-	-	-
Financial liabilities measured at historical cost				
Creditors receivable in one year				
- Other creditors	**13,237**	11,638	**13,060**	12,336
Total financial liabilities	**319,050**	318,299	**318,873**	318,997

30 Provisions for Other Liabilities - Group and Association

	2025	**2024**
	Dilapidations	
	£000's	**£000's**
31 March 2024	**-**	(1)
Additions		
Used in year	**-**	1
31 March 2025		
	-	-

30 Pension Liabilities and Provisions for Other Liabilities - Group and Association (continued)

Hexagon participates in the SHPS pension scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. For more details see note 39.

31 Non-equity Share Capital

	Group		Association	
	2025	2024	**2025**	2024
	£	£	**£**	£
Allotted issued and fully paid				
At 1 April	14	14	14	14
Issued during the year	-	-	-	-
Surrendered during the year	-	-	-	-
At 31 March	14	14	14	14

Each share has a nominal value of £1 and carries no right to interest, dividend, bonus or distribution on winding up. When a shareholder ceases to be a member, their share is cancelled, and the amount paid up becomes the property of the Association. Shareholders have the right to vote at general meetings of the Association, subject to the rules of the Association.

32 Contingent Liabilities

The Group and Association had no material contingent liabilities at 31 March 2025 (31 March 2024: £nil).

33 Operating leases

The Group had minimum lease payments under non-cancellable operating leases as set out below:

	Group		Association	
	2025	2024	**2025**	2024
	£000's	£000's	**£000's**	£000's
Not later than one year	**15**	20	**15**	20
Later than one year and not later than five years	**45**	60	**45**	60
Total	**60**	80	**60**	80

The Group had minimum lease income under non-cancellable operating leases as set out below:

	Group		Association	
	2025	2024	**2025**	2024
	£000's	£000's	**£000's**	£000's
Not later than one year	**2,676**	2,598	**2,620**	2,545
Later than one year and not later than five years	**10,705**	10,392	**10,481**	10,182
Later than five years	**300,710**	292,772	**295,384**	287,710
Total	**314,091**	305,762	**308,485**	300,437

The minimum lease income includes shared ownership which have standard 125-year lease and commercial units up until lease break clause dates.

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

34 Capital Commitments – Group and Association

	Group		Association	
	2025	2024	**2025**	2024
	£000's	£000's	**£000's**	£000's
Commitments contracted for but not provided for:				
Construction	**27,054**	49,041	**27,054**	47,679
Maintenance				
Other				
Capital expenditure approved by the board but not contracted for:				
Construction	**-**	4,735	**-**	4,735
Maintenance	**5,723**	7,312	**5,723**	7,312
Other	**335**	644	**335**	645
	33,112	61,732	**33,112**	60,371
These commitments to be financed as follows:				
Social Housing Grant	**2,938**	3,232	**2,938**	3,232
Proceeds from the sales of properties	**11,550**	19,336	**11,550**	16,207
Committed loan facilities	**18,624**	39,164	**18,624**	40,932
	33,112	61,732	**33,112**	60,371

35 Related party disclosures

The association provides management services, development agency services and loans to its subsidiary, Horniman Housing Association, which is a non-charitable registered provider. The quantum and basis for these charges are set out below:

Management charges		Development agency charges		Interest charges	
2025	2024	**2025**	2024	**2025**	2024
£'000	£'000	**£'000**	£'000	**£'000**	£'000
37	37	**-**	-	**705**	564

The management charges and development agency fees receivable by the Association are to cover the running costs incurred to manage Horniman. The management fee is based on staff time to manage both subsidiary and its properties. The development agency fee is based on development and new business staff time to manage development schemes for the subsidiary.

Horniman can draw on two intercompany loans from Hexagon, and interest is charged on the amount drawn as per the signed loan agreements.

In Hexagon Housing Association's Financial Statements is the sum of £10,670k (2024: £8,976k) owed by Horniman Housing Association. This is made up of two loans of £14k (2024: £14k) and £8,961k (2024: £8,961k). The first loan was taken out in 2004 in accordance with commercial lending terms. The second loan was taken out in 2016 also with commercial lending terms. Hexagon Housing Association received Nil (2024: £221k) Gift Aid from Horniman Housing Association during the year.

The directors and key management personnel, as defined in FRS 102 are defined as members of the Board, the Chief Executive and other Directors as set out on page 2 (see note 10 for Directors and senior staff emoluments). Members of the Governing Board received payment totalling £73.7k in the year (2024: £70k). Expenses paid to Board members during the year amounted to £nil (2024: £nil). Four of the Board members are also tenants of the Association. Their tenancies, including policies on rent arrears, are on the same terms as those for other tenants and they cannot use their position to their advantage. The total rental income from board members for the year was £23.2k (2024: £22k) and there were no arrears at the end of the financial year.

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

36 Events after the end of the reporting period

There were no events arising from the end of the financial year to the signing of the accounts that are material enough to impact on the financial position detailed in these accounts.

37 Pension Obligations Defined Benefit Scheme

Hexagon has participated in the Social Housing Pension Scheme (SHPS), but there are now no active members of the scheme at Hexagon. The Scheme is funded and is contracted out of the state scheme.

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 Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 there are three benefit structures available, namely:

1.1 Final salary with a 1/60th accrual rate.
1.2 Final salary with a 1/70th accrual rate.
1.3 Career average revalued earnings with a 1/60th accrual rate.

From April 2010 there are a further two benefit structures available, namely:

1.4 Final salary with a 1/80th accrual rate
1.5 Career average revalued earnings with a 1/80th accrual rate

A defined contribution option was made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open defined benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Hexagon elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 30/09/2010 and a defined contribution scheme for new entrants from 1/10/2010.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Hexagon paid no contributions to the defined benefit scheme and a maximum of 7.4% to the defined contribution scheme.

As at 31 March 2025 there were no active members of the Scheme employed by Hexagon. From 1/10/2010 new employees have only been eligible to join the defined contribution scheme.

37 Pension Obligations (continued)

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

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

For accounting purposes, a valuation of the scheme 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. Hexagon will be contributing £93,049 per month for the year ending 31 March 2026 in relation to the past service deficit.

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

	31 March 2025	**31 March 2024**
	(£000s)	**(£000s)**
Fair value of plan assets	20,443	21,045
Present value of defined benefit obligation	24,063	25,935
Surplus (deficit) in plan	(3,620)	(4,890)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(3,620)	(4,890)
Deferred tax	*	*
Net defined benefit asset (liability) to be recognised	*	*

37 Pension Obligations (continued)

Reconciliation of the impact of the asset ceiling

	Period from 31 March 2024 to 31 March 2025 (£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

Reconciliation of opening and closing balances of the defined benefit obligation

	Period from 31 March 2024 to 31 March 2025 (£000s)
Defined benefit obligation at start of period	25,935
Current service cost	-
Expenses	24
Interest expense	1,242
Member contributions	-
Actuarial losses (gains) due to scheme experience	(2,592)
Actuarial losses (gains) due to changes in demographic assumptions	(1,055)
Actuarial losses (gains) due to changes in financial assumptions	-
Benefits paid and expenses	-
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	24,063

HEXAGON HOUSING ASSOCIATION

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

37 Pension Obligations (continued)

Reconciliation of opening and closing balances of the fair value of plan assets

	Period from 31 March 2024 to 31 March 2025 (£000s)
Fair value of plan assets at start of period	21,045
Interest income	1,030
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(1,718)
Employer contributions	1,141
Member contributions	-
Benefits paid and expenses	(1.050)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	20,443

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2024 to 31 March 2025 was (£688,000).

Defined benefit costs recognised in statement of comprehensive income (SOCI)

	Period from 31 March 2024 to 31 March 2025 (£000s)
Current service cost	-
Expenses	24
Net interest expense	212
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	236

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

37 Pension Obligations (continued)

Defined benefit costs recognised in other comprehensive income (OCI)

	Period from 31 March 2024 to 31 March 2025 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(1,718)
Experience gains and losses arising on the plan liabilities - gain (loss)	(509)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	-
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	2,592
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	365
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in Other Comprehensive Income - gain (loss)	365

Assets	31 March 2025 (£000s)	31 March 2024 (£000s)
Global Equity	2,290	2,097
Absolute Return	-	822
Distressed Opportunities	-	742
Credit Relative Value	-	690
Alternative Risk Premia		668
Liquid Alternatives	3,791	
Emerging Markets Debt	-	272
Risk Sharing	-	1,232
Insurance-Linked Securities	63	109
Property	1,024	845
Infrastructure	3	2,126
Private Equity	18	17
Real Assets	2,447	
Private Debt	-	828
Opportunistic Illiquid Credit	-	822
Private Credit	2,502	-
Credit	782	-
High Yield	-	3
Investment Grade Credit		
Cash	278	415
Long Lease Property	6	136
Secure Income	341	628
Liability Driven Investment	6,192	8,565
Currency hedging	33	(8)
Net Current Assets	44	36
Total assets	20,443	21,045

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

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

37 Pension Obligations (continued)

Key Assumptions

	2025	2024
	% per annum	% per annum
Discount Rate	5.77	4.89
Inflation (RPI)	3.11	3.17
Inflation (CPI)	2.78	2.77
Salary Growth	3.78	3.77
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	

Male retiring in 2025		20.5
Female retiring in 2025		23.0
Male retiring in 2045		21.7
Female retiring in 2045		24.5