Hafod

basics | connect | invest

Hafod Housing Association Limited (No. 18766R)

Annual report and financial statements

2025-2026

Contents

Introduction

Welcome to our Annual Report for the 2025/26 financial year.

This year has been one of focus, resilience and progress for Hafod. Operating in a rapidly changing and often challenging environment with increased expectations, we have remained committed to delivering excellent services for our customers, supporting our colleagues and strengthening the communities we serve.

Our mission continues to guide our work, focusing on getting the basics right, connecting with you, and investing for a better future.

Across Hafod, teams have worked tirelessly to improve systems, processes and governance, while continuing to deliver day-to-day services that people can rely on. From achieving strong regulatory outcomes in Care, to improving repairs, housing services and asset investment, these improvements are making a real difference to customers' lives.

Over the past year, the introduction of a regional, multi-disciplinary housing model has strengthened our connection with customers, with this localised approach now embedded across Hafod. Increased local visibility, enhanced engagement and a continued focus on listening and learning are helping to build trust and deliver services that reflect the needs of our communities.

Our continued investment has enabled us to deliver new affordable homes, expanded our decarbonisation work and modernised our Finance, Housing and Customer Experience systems and infrastructure to better support both customers and colleagues.

As we spend so much of our lives at work, how we feel, the relationships we build and the environment we create have a profound impact on our overall wellbeing. Belonging is not a 'nice to have', it underpins a thriving workplace. When people feel valued, seen and safe, they are empowered to bring their full selves to work.

We continue to strengthen belonging across the organisation through cross-functional colleague networks and equalities initiatives, including our Menopause Champions and LGBTQ+ network. Alongside this, we have been recognising key awareness events such as International Day of Persons with Disabilities, Race Equality Week and Neurodiversity Celebration Week.

As we look ahead, we will continue to adapt and evolve, ensuring our services remain financially resilient, person-centred and responsive to the changing needs of our communities. We also welcome our new Chief Executive Officer, Adrian Burke, who brings extensive leadership experience in housing and community services, and a strong commitment to collaboration, customer-centred practice and high-quality services.

Neil Davies, Hendre Group Chair

Our achievements throughout 2025/26

Between April 2025 and March 2026 we have replaced:

100 Bathrooms

270 Kitchens

109 Doors

105 Windows

75 Roofs

456 Solar panels

37 fences

forty-nine households prevented from homlessness

£69,768

spent from our Customer Assistance Fund (CAF)

Thirty-three lets to people moving into secure accommodation

138 affordable new homes

1290 customers

cared for in our homes

£471,258

raised and saved in housing and support

1041

colleagues supported

Get the basics right

Our focus this year has been on strengthening the foundations that support our customers, colleagues and communities every day. Across Hafod, teams have worked hard to deliver safe, reliable and high-quality services while improving the systems, homes and processes behind the scenes that help people feel supported and secure.

In Care, the focus has been on improving outcomes, quality and consistency across services. Service User Guides were redesigned to make them more accessible and easier to understand, while new governance systems have strengthened oversight of compliance and regulatory performance. We were proud to achieve Care Inspectorate Wales (CIW) Good ratings across all Care services, with six Excellent ratings at Picton Court and Cwmbran House. Operational improvements also helped reduce agency usage, stabilise leadership teams and create greater consistency for both residents and colleagues.

Across Support services, colleagues continued to deliver compassionate, person-centred support to more than 1,100 individuals and households at any one time. Strong performance in commissioner reviews, alongside improvements to allocations and void management, has helped ensure services remain responsive, effective and focused on the needs of the people we support.

In Homes and Communities, we restructured our operational teams following feedback from customers and colleagues, with a focus on improving repairs, increasing visibility within communities and strengthening customer experience. Four new regional, multi-disciplinary teams were introduced, bringing together housing and asset colleagues to deliver a more joined-up, place-based service. This approach has improved coordination, enabled quicker decision-making and ensured services are better tailored to the needs of each community through the delivery of regional plans.

In Development, despite ongoing challenges across the housing sector, we successfully delivered 138 new affordable homes across south-east Wales, including a flagship scheme at the former Lansdown hospital site in Canton Cardiff, one of the city's largest affordable housing urban regeneration projects, in collaboration with Lovell Partnerships, Cardiff Council, and Welsh Government. Alongside this, we continued progressing future developments while maintaining strong governance, financial oversight and a focus on sustainability and quality.

Our Assets team delivered over £12.4 million of planned maintenance, retrofit and decarbonisation works throughout the year. This included completing 544 stock condition surveys to better understand the needs of our homes and future investment priorities. We also delivered major improvements across our homes, including 270 kitchens, 100 bathrooms, 109 doors, 105 windows and 75 roof and roofline replacements, alongside 46 decorating programmes and 37 fencing improvements. Investment in renewable energy also continued, with 456 homes receiving Solar PV installations and a further four homes benefitting from Solar PV and battery systems, helping improve energy efficiency and reduce energy costs for customers.

Behind the scenes, teams across IT & Business Improvement, Finance, Health & Safety, Customer Operations, Communications and People have strengthened the organisation's foundations. Cyber security protections were enhanced, financial controls improved and complaints processes strengthened, while colleagues across Hafod were supported through organisational change, recruitment activity and leadership development.

Together, these improvements reflect our continued commitment to getting the basics right, delivering services people can rely on while creating strong foundations for the future.

Connect with you

At Hafod, we know the best outcomes happen when we listen, work together and build meaningful relationships with customers, colleagues and communities. Throughout the year, teams across the organisation have focused on strengthening those connections and ensuring people feel heard, supported and involved.

In Care, collaboration and innovation have played a major role in improving services and residents' experiences. Satisfaction surveys were redesigned to increase accessibility and engagement, while new partnerships with organisations including Cardiff University, the University of South Wales, Social Care Wales and Diverse Cymru have supported projects focused on dementia care, robotics, leadership development and inclusion. Local initiatives around falls prevention and end-of-life care have also helped improve outcomes and quality of life for the people we care for.

Across Support services, customer engagement has remained central to service delivery. Through outreach work, community events and drop-ins, colleagues have helped people access support, improve wellbeing and build stronger community connections. This work has continued to support positive outcomes, including preventing homelessness and helping people move successfully into longer-term homes.

Homes and Communities has also placed a strong emphasis on being visible and accessible within communities. By transforming neighbourhood coaching teams and introducing smaller patches, Neighbourhood Coaches have been able to build stronger relationships with customers and maintain a greater on-site presence. Local hubs, regular drop-ins, community events and visits from D.A.V.E., our community engagement van, have enabled colleagues to connect directly with customers and provide more personal and responsive support.

Our Community Engagement team has helped ensure customer voice remains at the heart of service delivery through initiatives including the Scrutiny Panel, Question of the Month, tenant involvement in tender and recruitment processes, mystery shopping, satisfaction surveys and our You Said, We Listened approach. These conversations and engagement opportunities have helped strengthen trust, improve relationships and ensure customers feel heard and supported.

Customer Operations has continued to improve communication with customers, making it easier to raise concerns, access support and provide feedback. Complaints processes have been strengthened to ensure customer voice informs learning and service improvement across the organisation.

Development teams have worked closely with local authorities, support providers and internal teams to ensure new homes and communities reflect local needs and customer experiences. Learning from customers and operational teams continues to shape the way homes and services are designed and delivered.

Internally, collaboration across Hafod has continued to grow. Our Communications team has worked across the organisation to deliver clearer, more accessible and engaging information for both customers and colleagues.

Our People team has also continued to strengthen colleague engagement through leadership programmes, development opportunities and inclusion initiatives. The Emerging Leaders programme, alongside the introduction of our Culture and Inclusion Lead, has supported Hafod's wider commitment to Belonging and creating an organisation where colleagues feel connected, supported and able to thrive.

These connections, partnerships and conversations continue to shape the way we work, helping us build stronger relationships and better outcomes across Hafod.

Invest for a better future

This year, we continued to invest in homes, technology, services and people to ensure Hafod remains sustainable, resilient and ready to meet the changing needs of our customers and communities in the years ahead.

In Care, significant investment has been made across services to improve environments, equipment and customer experiences. Bedrooms, lounges and communal areas have been upgraded, alongside new care equipment and improvements to outdoor spaces. We also introduced new reminiscence installations to enhance dementia care and invested in digital workforce solutions to improve oversight, efficiency and service quality.

Development has continued to build a strong future pipeline of affordable homes across south-east Wales. Alongside the 139 homes delivered this year, work has progressed on major future schemes including Track 2000 in Cardiff and Ffordd Y Mileniwm in Barry. Strategic partnerships and funding secured through Welsh Government and local authorities continue to support long-term growth and the delivery of much-needed homes.

Across Assets, major investment in retrofit and decarbonisation programmes has helped futureproof our homes while supporting customers with rising energy costs. A £5.7 million Solar PV programme significantly expanded renewable energy generation across our homes, helping reduce carbon emissions and improve energy efficiency for customers.

Homes and Communities has continued investing in communities through targeted support, partnership working and digital inclusion initiatives. Through targeted benefits and grant support, our coaches and tenancy sustainability team helped maximise customer income by £454,000 during 2025/26. Alongside this, our Digital Skills and Adoption team supported 61 families and 36 individuals through Welsh Government-funded digital inclusion work, providing devices, SIM cards, data products and one-to-one support sessions to help customers build confidence online, reduce isolation and improve independence.

Digital transformation has also been a major focus this year. IT & Business Improvement has led the development of new Finance, Housing and Customer Experience systems, which launched in April 2026. These systems will transform the way Hafod delivers services, improving customer experience, streamlining processes and strengthening organisational insight and efficiency for the future.

We have also continued investing in cyber security and digital resilience, introducing a 24/7 managed cyber security service alongside enhanced infrastructure, colleague training and stronger protections for customer and colleague data.

Investment in colleagues has remained a priority throughout the year. The People team has enhanced colleague benefits, progressed workforce planning and supported leadership development across the organisation. Work has also continued on the rollout of a new recruitment system, helping create a more modern and efficient experience for future colleagues joining Hafod.

Our Communications team has supported future investment through the launch of a new Hafod website, improving accessibility, customer experience and digital engagement while reducing costs and creating a stronger platform for future development.

Together, these investments are helping to create stronger homes, more connected services and a more sustainable future for Hafod, ensuring we continue delivering positive outcomes for customers and communities across south Wales.

Financial performance

Turnover has grown to £75.9m (2025: £73.4m). This growth in income is due to new developments, the Welsh Government rent settlement in Housing and Support, coupled with fee increases in Care.

	12 months ended Mar-26 £'m	12 months ended Mar-25 £'m	12 months ended Mar-24 £'m
Turnover	75.9	73.4	70.0
Operating expenditure	(64.5)	(65.4)	(63.2)
Surplus on disposal of assets	0.5	0.4	0.5
Operating surplus	**11.9**	**8.4**	**7.3**
Net interest payable	(6.1)	(5.4)	(4.2)
Surplus for the year	**5.8**	**3.0**	**3.1**
Net actuarial adjustment/gain in respect of pension scheme	-	1.4	1.8
Total comprehensive income for the year	**5.8**	**4.4**	**4.9**

Operating surplus of £11.9m was 15.7% of turnover (2025: £8.4m and 11.4%). Net surplus increased to £5.8m, 7.6% (2025: £3.0m 4.1%).

	12 months ended Mar-26	12 months ended Mar-25	15 months ended Mar-24
Operating surplus as % of turnover	15.7%	11.4%	10.5%
Net surplus as % of turnover	7.6%	4.1%	4.5%
Annualised net surplus as percentage of net assets	6.0%	3.3%	3.6%
Average annualised net interest cost	4.0%	4.4%	4.2%
Change in annualised turnover	3.3%	4.9%	8.4%
Change in net assets	6.0%	5.1%	6.1%

During the year we maintained adequate headroom above covenants, benefitting from the significant refinancing exercise that was completed in 2024. Fixed assets increased to £489m due to the development of new homes and increased capital investment in our existing homes. Revenue reserves increased to £96.1m at 31 March 2026, this net increase is due to the surplus for the year of £5.8m.

	Mar-26 £'m	Mar-25 £'m	Mar-24 £'m
Fixed assets	488.7	454.4	417.6
Current assets	21.0	24.0	33.0
Total assets	**509.7**	**478.4**	**450.6**
Current liabilities	(16.6)	(20.7)	(17.8)
Housing loans	(155.2)	(136.5)	(124.6)
Government grants	(241.8)	(230.9)	(224.3)
Defined benefit pension asset	-	-	1.9
Total liabilities	**(413.6)**	**(388.1)**	**(364.8)**
Net assets represented by reserves	**96.1**	**90.3**	**85.8**

	Mar-26 £'m	Mar-25 £'m	Mar-24 £'m
Opening cash and cash equivalents	**7.6**	**15.7**	**41.8**
Net cash from operating activities	12.6	18.2	12.2
Purchase of fixed assets	(43.7)	(40.6)	(33.3)
Proceeds from sale of fixed assets	1.3	1.0	1.3
Government grants received	12.8	6.1	7.0
Net interest paid	(6.6)	(4.7)	(4.2)
New loans	38.1	14.0	-
Loan repaid	(19.4)	(2.1)	(9.7)
Inter-company debtors and creditors	-	-	0.6
Net cash (outflow) / inflow	**(4.9)**	**(8.1)**	**(26.1)**
Closing cash and cash equivalents	**2.7**	**7.6**	**15.7**

There was a net cash inflow from operating activities during the year of £12.6m (2025: £18.2m). The Association's net debt position increased due to a reduction in cash balances from £7.6m to £2.8m, the drawdown of £25m of funding from Principality Building Society and the drawdown of a revolving credit facility of £10.0m to support the delivery of the development programme. The Association's cash and liquidity position remains strong, and is managed through daily, weekly and monthly cash management and forecasting. The financial statements and supporting notes detail the financial performance of the various operating activities of the Association.

Modern Slavery and Human Trafficking Statement

The Association is committed to preventing modern slavery and human trafficking in all areas of its business and supply chains. In accordance with the Modern Slavery Act 2015, we take steps to identify and mitigate the risks of modern slavery, and we promote ethical practices throughout our procurement and employment processes.

A full Modern Slavery and Human Trafficking Statement has been published on our website here: Modern-slavery-and-human-trafficking-statement-2026.pdf

We continue to monitor our policies, procedures and supplier relationships to ensure compliance with relevant legislation and to uphold our missions of get the basics right, connect with you, and invest for a better future.

Governance statement for the Annual Report and Financial Statements 2025/26

Leadership and organisational progress

During the year, the organisation was led by the Interim Chief Executive who provided stability, strategic direction and continuity during a period of transition. Hafod has continued to make progress against its strategic objectives, maintaining a strong focus on delivering quality services to our social housing, care and support customers.

Landlord health and safety compliance

A key priority for Hafod is maintaining the safety of our homes and communities. During the year, we continued to strengthen our approach to landlord health and safety compliance, ensuring robust oversight and assurance across all statutory and regulatory requirements.

The introduction of new obligations relating to the Housing Health and Safety Rating System (HHSRS) has represented a significant development in the legislative landscape for social landlords. During the year, we took proactive steps to understand, embed and prepare for these requirements within our policies, processes and assurance arrangements. This work has included reviewing our existing approaches to identifying and managing hazards within customers' homes, strengthening our compliance framework and ensuring that we are well positioned to meet the expectations of the evolving environment.

Through this work, we continue to demonstrate our commitment to providing safe, healthy and high-quality homes for our customers while maintaining compliance with current and emerging landlord health and safety requirements.

Governance structure and enhancements

Strong governance continues to be the golden thread that runs through all aspects of Hafod's operations and decision-making. During the year, we commissioned external governance consultants to undertake an independent "temperature check" of our governance arrangements.

The review provided assurance that our governance framework is operating effectively, with accurate and timely reporting, appropriate scrutiny and assurance across key areas of organisational performance and risk. The findings also identified opportunities for further enhancement and continuous improvement.

As part of our commitment to best practice, Hafod has adopted the Community Housing Cymru (CHC) Code of Governance. This provides a clear framework for effective governance and supports the Board in maintaining the highest standards of leadership, accountability and transparency.

An action plan has been developed in response to the review findings and our adoption of the CHC Code of Governance, ensuring a structured approach to continuous improvement and the ongoing strengthening of our governance arrangements.

Regulatory compliance and financial viability

During the year, we worked closely with the Welsh Government as part of the implementation of its new Regulatory Framework for Housing Associations in Wales. This included undertaking a comprehensive self-evaluation against the requirements of the framework. The self-evaluation process provided an opportunity to reflect on our performance, governance, financial viability and service delivery, while demonstrating our continued compliance with regulatory expectations.

We are pleased to report that Hafod remains well governed, financially resilient and focused on delivering positive outcomes for our customers, residents and communities.

Value for money

For us, value for money is about ensuring that every pound spent makes the best use of resources to deliver the maximum impact possible for our customers and colleagues. We use the Welsh Government's Regulatory Framework as an opportunity, as well as regulatory obligation. With effective governance, management and accountability, we embed value for money into every aspect of our operations to enables us to deliver more than traditional landlord functions.

Value for money objective	How we have delivered value for money
To obtain VFM through effective procurement	• We have a dedicated procurement team who have enhanced and streamlined our procurement processes to ensure that they are effective across the business • We have made £854,637.97 in savings across whole contract terms for 31 new contracts • 7 contracts were tested on a mix of quality and price to ensure we look beyond financials and enhance the service delivery for our customers • 14 contracts were procured through public sector frameworks with Hafod benefiting from pre-vetted suppliers where technical quality and competitive pricing have already been evaluated at the overarching framework tier. This approach reduces procurement cycle times and guarantees that both quality and price benchmarks are satisfied.
To understand value to enable us to optimise efficiencies and use resources effectively	• Work continued throughout the year to deliver our new financial and housing management systems, these will go live on 1 April 2026, overhauling our processes and improving efficiencies. • We are continuing to ensure that colleagues have the right tools to do the right job at the right time and enhancing our mobile working offer

To deliver community benefits to our communities	• 10 new contracts included social value commitments from the supply chain • Through social value we provided £31,415 towards projects that benefitted our customers or communities directly

How we compare

Benchmarking our achievements to the sector in Wales helps us continually improve our services and better understand performance.

Measure	2025-26	2024-25	2024-25 Sector median
Operating Margin (%)	15%	11%	17%
Gearing (%)	27%	24%	25%
EBITDA MRI interest cover (%)	166%	25%	140%
Average interest rate (%)	4.9%	4.8%	4.2%
Headline social housing cost per unit (£)	£6,986	£7,945	£5,431
Management cost per SH unit (£)	£2,578	£3,587	£1,537
Routine maintenance cost per SH unit (£)	£1,654	£1,752	£1,859
Major repairs (capital and revenue) cost per SH unit (£)	£2,754	£2,606	£2,035
Void loss per social housing unit (£)	£71	£88	£87
Arrears per social housing unit (£)	£388	£396*	£311
Growth in turnover (%)	3%	5%	9%
Growth in operating costs (%)	(1%)	4%	10%
Growth in total fixed assets (%)	7%	8%	9%
Growth in long-term debt (%)	14%	10%	5%

*Restated

The business areas in which we operate mean that Hafod delivers operating margins at the lower end of the sector range, however significant efficiency savings have resulted in improved margins and performance has improved from the prior year. Forecasts show an improving trajectory for FY27, this is reflected in an overall reduction in operating costs of 1%, opposing sector trends which saw average increases of 10%.

Headline costs per social housing unit remain broadly in line with the sector, whilst management costs per unit have reduced they still sit above sector median, this is likely due to our areas of operation in care and support.

Planned and reactive maintenance costs are consistent year on year, whilst routine maintenance is broadly in line with sector, major repairs spend sits above the median, reflecting the significant investment programme that has been in place in recent years to upgrade and deliver energy improvements to Hafod homes.

Hafod refinanced its loan portfolio during 2024, delivering increased borrowing to invest in the delivery of new homes, and increasing long term debt. The draw down of a new £25m facility from Principality Building Society in early FY26 supported the delivery of our new Lansdowne Road and Track 2000 developments.

Whilst arrears track above sector median levels, significant work has been progressed over the last financial year to reduce the Hafod position, the reducing trend is shown in the movement from 24/25 to the current year.

Growth in turnover sits below the sector median for 2024-25, this will in part attributable to the sale of a care home from the portfolio, and a reduction in support and domiciliary care contracts.

Board, Committee and Executive

The Hafod Housing Board

Neil Davies (Chair)		
Peter Allbrook	Ceri Breeze	David Michael
Teresa Beggs	Michael Jones	Jonathan Morgan
Moawia Bin-Sufyan	Wyn Lewis	David Warrender

Group-wide committees of Hendre Limited

- Finance, Risk and Audit Committee
  - Independent member: Martin Veale
- Schedule 1 Committee
- Remuneration, Appointments and Governance sub-group

Under the Regulation and Inspection of Social Care (Wales) Act 2016, Hafod Housing Association Limited must appoint a Responsible Individual (RI) in relation to its regulated services. This person is independent of operational matters and is a co-opted member of the Hafod Board, providing assurance on safeguarding and compliance for care operations.

Responsible Individual	**Marc Pullen-James**
Company Secretary	**Tracey Healey**
Deputy Company Secretary	**Sara Foster**

Board and committee resignations 2025/26

Following an in-depth governance review the Hendre Group moved to a common board membership model in August 2025. This ensures the board governance structure continues to be fit for purpose and delivers improved value for money and governance effectiveness. As a result, the following members stood down from the Hafod Housing Board in August 2025.

Stacey Anastasi	Helen Northmore	Caroline Sprake
Farida Aslam	Hugh Russell	

In August 2025 Tina Donnelly, a long-standing and valued member of the board, sadly passed away.

In accordance with our rules, members retire when they have served nine years. Under this rule Ronnie Alexander retired from the Finance, Risk and Audit Committee in June 2025.

The Executive team

Group Chief Executive	**Adrian Burke (June 2026)**
Chief Operating Officer Interim Group Chief Executive	**Tracey Healey** (Aug 2025 – May 2026)
Chief Finance Officer	**Sara Foster**
Interim Executive Director of Care	**Marc Pullen-James (Feb 2026)**

Executive team resignations 2025/26

Group Chief Executive	**Jas Bains (Oct 2025)**
Chief People Officer	**Karen Rosser (Dec 2025)**
Director of Innovation & Partnerships	**Jamie Smith (June 2025)**
Executive Director of Housing & Support	**Elke Winton (June 2025)**

Hafod Housing Association is a subsidiary of Hendre Limited (the 'parent'). The Association is a 'not for profit' organisation administered by the Board.

The Association is registered as a charitable housing association (No. 18766R) under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Welsh Government as a registered social landlord (No. L034).

The Registered Office of the Association is St Hilary Court, Copthorne Way, Culverhouse Cross, Cardiff, CF5 6ES.

The Association has adopted the charitable version of Community Housing Cymru's Model Rules (2013).

Yellow Wales, a company limited by guarantee, is a subsidiary of the Association. Yellow Wales is also a registered charity.

The Association, as part of the Hendre Group, is a member of Community Housing Cymru (CHC).

Shareholders

Share capital is raised by the issue of shares, with each share having a nominal value of £1 which carries no right to interest, dividend or bonus, in line with the Housing Act 1996. Shareholders have a 'stewardship' role and act at all times in the interests of the association and for the benefit of the community. They have an active role at annual general meetings.

No individuals or organisations will be admitted into membership under circumstances in which an individual might derive personal gain, financially or otherwise.

All applicants to become a shareholder of Hendre's subsidiaries are subject to approval of the Hendre Limited Board.

Statement of responsibilities of the Board in respect of the Board's strategic report and the financial statements

The Board is responsible for preparing the Board's strategic report and the financial statements in accordance with applicable laws and regulations.

The law requires the Board to prepare Group and parent Association financial statements for each financial year. Under those regulations, the Board has elected to prepare the financial statements in accordance with the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 parent Association and of the surplus or deficit for that period.

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

- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the parent Association and enable them to ensure that their financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

The Hendre Board is responsible for the sign-off of the Group statements, and each subsidiary responsible for sign-off of their own financial statements. The Boards have general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Each Board is also responsible for ensuring the integrity of the corporate and financial information included on our website.

Housing Association governance – reporting on internal controls

The Welsh Government requires Registered Social Landlords (RSLs) to report on internal controls (Welsh Government Circular RSL 02/10). We produce an annual statement of compliance and a self-evaluation to fulfil these requirements.

We believe that good governance is essential to the success and sustainability of our business.

The following mechanisms have been put in place, which are designed to provide effective internal financial control:

- Clearly defined management and reporting structures detailed in the Scheme of Delegated Authority and Financial Regulations
- Careful recruitment and effective financial training programmes
- Board Assurance Framework
- Regulations and procedures manuals for colleagues
- Management information and accounting systems with quarterly reporting of financial results and other performance indicators
- Rolling five and thirty-year strategic business plan forecasts Monitoring of the control systems by the Finance, Risk and Audit Committee

The Finance, Risk and Audit Committee has a wide remit to monitor all aspects of risk and assurance management, audit, internal control, whistleblowing, financial oversight, fraud, money laundering and bribery prevention, and development appraisals.

RSM is the Group's internal auditor, and their reports are presented for scrutiny at the Finance, Risk and Audit Committee. The annual internal audit programme is determined in workshops held with the Hendre Board, Finance, Risk and Audit Committee, Executive team and RSM.

There have been no events subsequent to the date of the Group's financial position that have had a material effect on the results of the Group as reported in these financial statements.

Disclosure of information to the Auditor - The Board members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish the Group's auditor is aware of such information.

Date of next annual general meeting: 21 September 2026.

The directors' report was approved by the Board on 20 July 2026 and is signed on its behalf by:

Sara Foster | Deputy Company Secretary

Independent Auditor's report to the Members of Hafod Housing Association Limited

Opinion

We have audited the financial statements of Hafod Housing Association Limited (the 'association') for the Year ended 31 March 2026 which comprise the statement of comprehensive income, the statement of changes to reserves, statement of financial position, the statement of cash flows and notes to the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice), the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for Registered Social Housing Providers 2018 (SORP), the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs As at 31 March 2026 and of its 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 Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

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 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board members' 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 members 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 contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

With respect to the Board's statement on internal controls, in our opinion the Board has provided the disclosures required by the Welsh Government Circular RSL 02/10 and the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Responsibilities of the Board

As explained more fully in the Statement of the Board members' responsibilities set out on page 19, the Board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Board members are 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 members either intend 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 is available on the Financial Reporting Council’s website at: https://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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the association through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to the members 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.

Azets Audit Services

Susanna Cassey (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

Chartered Accountants
Statutory Auditor

Fleet House
New Road
Lancaster
United Kingdom
LA1 1EZ
4 September 2026

Statement of comprehensive income

Year ended 31 March 2026

	Note	2026 £'000	2025 £'000
Turnover	3	75,890	73,377
Operating expenditure	3	(64,517)	(65,433)
Surplus on disposal of property, plant and equipment	5	543	421
Operating surplus	**3**	**11,916**	**8,365**
Fair value movement on investment properties	17	-	(5)
Interest receivable	6	287	399
Interest and financing costs	7	(6,413)	(5,769)
Other finance income	36	-	-
Surplus before tax	**3**	**5,790**	**2,990**
Taxation	12	-	-
Surplus for the year		**5,790**	**2,990**
Net actuarial adjustment in respect of pension scheme	36	-	1,421
Total comprehensive income for the year		**5,790**	**4,411**

Statement of changes to reserves

As at 31 March 2026

	2026 £'000	2025 £'000
At beginning of year	**90,299**	**85,888**
Surplus for the year	5,790	2,990
Net actuarial adjustment in respect of pension scheme	-	1,421
At end of year	**96,089**	**90,299**

Statement of financial position
As at 31 March 2026
Register number 18766R

	Note	2026 £'000	2025 £'000
Fixed assets			
Housing properties	13	476,154	442,423
Intangible assets	15	1,267	640
Other property, plant and equipment	16	1,398	1,163
Investment property	17	47	47
Homebuy loans	18	9,853	10,144
		488,719	454,417
Current assets			
Inventories	19	-	-
Debtors due after one year	20	12,170	12,250
Debtors due within one year	21	5,993	4,127
Treasury deposits	22	2,420	7,326
Cash at bank and in hand	22	364	307
		20,947	24,010
Creditors: amounts falling due within one year	23	(30,791)	(26,002)
Net current (liabilities) / assets		**(9,844)**	**(1,992)**
Total assets less current liabilities		**478,875**	**452,425**
Creditors: amounts falling due after more than one year	24	(382,786)	(362,126)
Defined benefit pension asset	36	-	-
Net assets		**96,089**	**90,299**
Capital and reserves			
Called up share capital	29	-	-
Revenue reserves		96,089	90,299
Association's funds		**96,089**	**90,299**

The financial statements were approved by the Board on 20 July 2026 and signed on its behalf by:

Neil Davies
Chair

David Michael
Board Member

Sara Foster
Deputy Company Secretary

Statement of cash flows
Year ended 31 March 2026

	Note	2026 £'000	2025 £'000
Net cash generated from operating activities	a	**12,555**	**18,151**
Cash flows from investing activities			
Purchase of property, plant and equipment		(43,679)	(40,579)
Homebuy loans		-	-
Proceeds from sale of property, plant and equipment		1,348	1,040
Grants received		12,835	6,124
Interest received		287	399
Net cash flows from investing activities		**(29,209)**	**(33,016)**
Cash flows from financing activities			
Interest paid		(6,907)	(5,161)
New loans		38,104	14,000
Repayments of borrowings		(19,425)	(2,061)
Inter-company debtors and creditors		33	17
Net cash flows from financing activities		**11,805**	**6,795**
Net decrease in cash and cash equivalents		**(4,849)**	**(8,070)**
Cash and cash equivalents at beginning of year		**7,633**	**15,703**
Cash and cash equivalents at end of year	b	**2,784**	**7,633**

	2026 £'000	2025 £'000
Treasury deposits		
Overnight deposit	1,685	7,034
Long term deposit	438	-
32 days deposit	297	292
	2,420	7,326
Cash at bank and in hand	364	307
Cash and cash equivalents at end of year	**2,784**	**7,633**

Notes to the statement of cash flows

Year ended 31 March 2026

a) Net cash generated from operating activities	2026 £'000	2025 £'000
Surplus for the year	**5,790**	**2,990**
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	8,909	8,262
Impairment of properties	-	-
Fair value movement on investment properties	-	5
Decrease in inventories	-	-
Decrease / (Increase) in debtors	(2,165)	713
Increase in creditors	(2,875)	317
Pension costs less contributions payable	-	3,381
Carrying amount of property, plant & equipment disposals	805	619
Adjustments for investing or financing activities:		
Proceeds from the sale of property, plant and equipment	(1,348)	(1,040)
Government grants utilised in the year	(2,687)	(2,466)
Interest payable	6,413	5,769
Interest receivable	(287)	(399)
Net cash generated from operating activities	**12,555**	**18,151**

b) Cash and cash equivalents	2026 £'000	2025 £'000
Treasury deposits	2,420	7,326
Cash at bank and in hand	364	307
Cash and cash equivalents at end of year	**2,784**	**7,633**

Notes to the statement of cash flows continued
Year ended 31 March 2026

c) Free cash flow	2026 £'000	2025 £'000
Net cash generated from operating activities	12,555	18,151
Interest paid	(6,907)	(5,161)
Interest received	287	399
Component replacements	(15,316)	(10,091)
Purchase of other replacement fixed assets	(1,832)	(1,026)
Free cash generated before loan repayments	**(11,213)**	**2,272**
Loans repaid (excluding revolving credit and overdrafts)	(2,425)	(2,061)
Free cash generated after loan repayments	**(13,638)**	**211**

d) Reconciliation of net cash flow to movement in net debt	2026 £'000	2025 £'000
Decrease in cash in the year	(4,849)	(8,070)
Cash inflow from inter-company debtors and creditors	(33)	(17)
Cash (inflow) / outflow from changes in debt	(18,680)	(11,939)
Movement in net debt in the year	**(23,562)**	**(20,026)**
Net debt at beginning of year	(125,094)	(105,068)
Net debt at end of year	**(148,656)**	**(125,094)**

e) Analysis of changes in net debt	1 April 2025 £'000	Cash flows £'000	31 March 2026 £'000
Cash and cash equivalents	7,633	(4,849)	2,784
Inter-company debtors and creditors	3,774	(33)	3,741
Housing loans	(136,501)	(18,680)	(155,181)
Net debt	**(125,094)**	**(23,562)**	**(148,656)**

Notes to the financial statements
Year ended 31 March 2026

1. Principal accounting policies

General information

The Association is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102. The financial statements are presented in pound sterling and rounded to the nearest thousand unless otherwise stated.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (January 2022) (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2018 (SORP), the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

Going concern

The financial statements have been prepared on a going concern basis which the Board consider to be appropriate for the following reasons:

I. The Association prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan will be approved in July 2026 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, with potential mitigating actions identified to reduce expenditure.

II. The Board, after reviewing the Association forecasts for 2026/27 and the Association's medium-term financial position as detailed in the 30-year business plan, is of the opinion that the Association have adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

Consequently, the Board are confident that the Association will have sufficient funds to continue to meet their 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.

Turnover

Turnover comprises:

I. Rent, fees and service charge income receivable in the year from tenants, residents, and leaseholders (net of rent and service charge losses from voids)

II. Income from other goods and services supplied in the period (excluding VAT)
III. Revenue grants, including amortisation of government grants
IV. Income from sale of housing property stock and

Rental income is accounted for in full weeks, prorated for opening and closing positions in the financial year. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting.

Income in respect of services provided is recognised when the Association has fulfilled its contractual obligations.

Income from revenue grants is matched to associated costs and is recognised only when all conditions for receipt are met.

Traditional property sales which include home buy, shared ownership and general needs are included within surplus or deficit on the sale of fixed assets. The proceeds from the first tranche sale of low-cost home ownership properties are included within turnover. Subsequent tranche sales are included within the surplus or deficit on the sale of fixed assets.

Loans and borrowings

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets.

Borrowing costs are capitalised when the following occur:

1. Start on site commences
2. The cost of the asset exceeds the grant received
3. Capitalisation ceases on practical completion of the site.

All other borrowing costs are recognised in the Statement of Comprehensive Income in the period to which they relate.

Employee benefits

Short term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received. Senior executives do not have any entitlement to enhanced benefits.

The Association's Senior Executives are ordinary members of the Association's defined contribution pension scheme. No enhanced or special terms apply to their membership and the Association makes no contribution to any individual pension arrangement in respect of their employment.

Value Added Tax (VAT)

The Association is VAT registered but a large proportion of the income is exempt for VAT purposes, and this therefore gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT, and the input VAT recovered is included in income.

Corporation tax

The surpluses of the Association are exempt from taxation as they are accepted as charities for tax purposes.

Property, plant, and equipment - housing properties

Properties for letting are stated at historic cost less depreciation. Cost includes the cost of acquiring land and buildings, capitalised interest during the development period and development costs directly attributable to the construction of new housing properties during the development. Where land or buildings are acquired at below market value e.g. as part of a Section 106 agreement (under the Town and Country Planning Act 1990), the carrying value reflects the fair value of the asset received, with the subsidy implicit in the arrangement deemed as grant. Surpluses or deficits resulting from the sale of properties are shown in the statement of comprehensive income under surpluses/deficits from the sale of property, plant, and equipment.

Where a property for letting comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and is depreciated over its individual useful economic life. Expenditure relating to replacement or renewal of components is capitalised as incurred.

The Association charges depreciation on properties for letting and capitalised components on a straight-line basis to write off the asset's cost less residual value over its useful economic life.

Depreciation on properties for letting is charged from the beginning of the year following the property entering into management. Depreciation on capitalised components is charged from the beginning of the year following the replacement of a capitalised component.

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in the Statement of Comprehensive Income.

Shared ownership properties

All properties are split between fixed and current assets in line with the expectation relating to the first tranche sale percentage. The expected first tranche proportion is classified as a current asset until the point of the first tranche sale. The current asset is then transferred to cost of sales and matched against the sale proceeds within the operating surplus in the statement of comprehensive income.

Any operating surplus is restricted to the overall surplus which takes account of the Existing Use Value - Social Housing (EUV-SH) of the remaining fixed asset element. The remaining element of the asset is classified as a fixed asset and included in the housing properties as cost less social housing grant, less any provision for depreciation or impairment.

Depreciation

Shared ownership

Shared ownership properties are not depreciated as the residual value, which is the estimated amount that would currently be obtained from sale, is not less than the carrying value.

Housing property, plant, and equipment

Depreciation is charged on a straight-line basis over the assets expected useful economic life as follows:

Component	**General needs and supported housing**	**Residential and nursing homes**
Structure	150 years or the period of the lease	50 years or the period of the lease
Kitchens	15 years	30 years
Bathrooms	25 years	25 years
Heating systems	15 years	20 years
Electrics	35 years	35 years
Windows & doors	30 years	30 years
Roof	65 years	50 years
Roofline	30 years	30 years
Photovoltaic panels	25 years	25 years
External wall insulation	30 years	30 years
Lifts	20 years	20 years
Physical adaptions	20 years	n/a
Fire compartmentation	150 years or the remaining life of the asset	50 years or the remaining life of the asset
Conversions	20 years	20 years

Other property, plant and equipment

Other property, plant and equipment is stated at historic cost less accumulated depreciation. The Association charges depreciation on a straight-line basis to write off the asset's cost less residual value over its useful economic life. Depreciation is charged for the full year in the year of acquisition. The principal asset lives on which depreciation is based are:

Office buildings	50 years
Computer equipment	5 years
Service equipment	5 - 10 years
Equipment, furniture and fittings	4 - 10 years
Air conditioning	15 years
Telephone switchboard	15 years

Investment properties

The classification of properties as investment property or property plant and equipment is based upon the intended use of the property. Properties held to earn market rentals or for capital appreciation or both are classed as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as property plant and equipment.

Investment properties are measured at fair value bi-annually with any change recognised in surplus or deficit in the statement of comprehensive income.

Investment properties were valued as at 31 March 2026. The Association's investment properties have been valued by Savills (UK) Limited, Chartered Surveyors, professional external valuers. The valuation report was prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2025 together with the UK National Supplement effective 01 May 2024, together with the "Red Book".

Intangible assets

Intangible assets relate to computer software and direct digital development costs and is stated as historic cost less accumulated amortisation. Software is amortised on a straight-line basis to write off the asset's cost less residual value over its useful economic life which ranges from 4 to 10 years depending on the software requirement.

Amortisation is charged to the statement of comprehensive income.

Homebuy loans

Homebuy loans relate to properties which the Association has funded under the Homebuy option scheme. The investment is secured by a second charge over each property. The occupier of each property has the right to acquire the Association's investment at market value. Homebuy loans are initially measured at transaction price excluding transaction costs and are subsequently measured at fair value through surplus in the statement of comprehensive income. The investment grants (note 28) represent the funding received from the Welsh Government for the above loans.

Inventories

Housing properties under the course of construction that are being developed for sale or first tranche shared ownership are treated as housing stock and presented within current assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

The Association's treasury management risks are managed under the umbrella of the Group's Treasury Management policy. Under the Group's policy, surplus cash generated by members of the Group is pooled within the Association and placed on deposit with approved counterparties in line with the credit risk policy.

Social Housing Grant (SHG)

SHG received from the Welsh Government, relating to the acquisition and development of the Association's housing properties are accounted for under the accrual model and recognised in turnover over the expected useful life of the housing property structure. Where land or buildings are acquired at below market value e.g. as part of a Section 106 agreement (under the Town and Country Planning Act 1990), the carrying value reflects the fair value of the asset received, with the subsidy implicit in the arrangement deemed as grant.

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the statement of financial position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the statement of financial position.

Housing Finance Grant (HFG)

Housing Finance Grant (HFG) is paid by the Welsh Government towards the costs of housing assets over a period of 30 years to subsidise the capital and interest costs for the provision of affordable housing. The net present value of the HFG receivable over the agreed payment term is recognised as a capital grant and a deferred debtor.

Upon receipt of the grant payments, the debtor decreases by the capital element and the difference between this and the amount of grant received is credited to surplus or deficit in the statement of comprehensive income as a contribution towards the financing cost of that scheme.

The discount rate used for the net present value calculations is the same rate that applies to the associated borrowing to fund the housing assets. The capital grant element of HFG previously received is deemed to be repayable upon disposal of a related housing asset. This is treated as recycled capital grant in the recycled capital grant fund and included in the statement of financial position as a creditor.

Other grants

These include grants from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of relevant fixed assets. Grants in respect of revenue expenditure are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they relate, and the use of these grants are restricted to the purpose which the funder has specified.

Homebuy grants

A Homebuy grant was provided by the Welsh Government to fund all or part of a Homebuy loan (see note 18) provided by the Association to the purchaser of the housing property. When the Homebuy loan is redeemed the respective Homebuy grant is recognised in the recycled capital grant fund.

Financial instruments

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument. The Association applies sections 11 and 12 of FRS102 in respect of financial instruments.

The carrying value of the Association's financial assets and liabilities are summarised by category below.

Financial assets measured at undiscounted amount receivable

Short term debtors with no stated interest rate receivable within one year are recorded at transaction price; any changes are recognised in the statement of comprehensive income.

Where loans are made or received between a public benefit entity within the Association at below the prevailing market rate of interest that are not repayable on demand and are for the purposes to further the objectives of the public benefit entity, these loans are treated as concessionary loans and are recognised in the statement of financial position at the amount paid or received and the carrying amount adjusted to reflect any accrued interest payable or receivable.

Financial assets measured at amortised cost

Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly. A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred. If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial liabilities measured at undiscounted amount payable

Short term creditors with no stated interest rate receivable within one year are recorded at transaction price; any changes from impairment are recognised in the statement of comprehensive income.

Financial liabilities measured at amortised cost

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the statement of comprehensive income. Discounting is omitted where the effect of discounting is immaterial. A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled, or expires.

Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. This is considered depending on the substance of the transaction rather than the form of any contract. The Associations currently has no Finance Leases.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Rentals payable under operating leases are charged to expenditure on a straight-line basis over the lease term.

Defined benefit pension scheme

Torfaen LGPS Scheme

This scheme was closed on 31 March 2024 and employees transferred to other schemes.

Other schemes

During the year to 31 March 2026 there were two active schemes: National Employment Savings Trust (NEST) and a Self-Invested Personal Plan (SIPP) with AEGON. New members of colleagues employed by the Association were auto enrolled into either the National Employment Savings Trust (NEST); or a SIPP with AEGON, depending on which pension scheme was offered under their contract of employment. The costs of these two schemes are written off to the statement of comprehensive income on an accruals basis. The assets of these schemes are held separately from those of the Association in independently administered funds. The Association operates a salary exchange scheme that is available to all eligible employees in the AEGON pension plan.

Internal rents

Internal rent is charged to reflect the costs incurred by the property owner. The internal charge is equivalent to the net depreciation and amortisation charge.

Related parties

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements. All transactions with related parties are under standard terms.

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The following judgements and estimates have had the most significant effect on the amounts recognised in the financial statements.

Development expenditure

The Association capitalises development expenditure in accordance with the accounting policy in note 1. Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs, requires judgement.

Initial capitalisation of costs is based on management's judgement that the development scheme is confirmed and, in determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

Impairment

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential. An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the statement of comprehensive income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model. An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

Components of housing properties and useful lives

Major components of housing properties have significantly different patterns of consumption of economic benefits and estimates are made to allocate the initial cost of the property to its major components and to depreciate each component separately over its useful economic life. The Association considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate.

Property, plant and equipment and useful lives

At the date of capitalising tangible fixed assets, the Association estimates the useful life of the asset based upon management's judgement and experience. Due to the significance of capital investment to the Association, variances between actual and estimated economic lives could affect the Association's result positively or negatively.

Provisions

The Association provides where there is uncertainty as to the timing or amount that may be required to settle any potential liabilities. Any amounts provided are charged to the Statement of Comprehensive Income and credited to the Statement of Financial Position based upon the Association's best estimate of the potential liabilities.

Investment properties

Investment properties are reviewed annually and measured at fair value with any change recognised in surplus in the Statement of Comprehensive Income. Formal external valuations are carried out bi-annually. The most recent external valuation was at 31 March 2026 and was prepared in accordance with the RICS Valuation - Global Standards (see note 17).

Land acquired below market value

Where land is acquired at below market value from a government source, this is accounted for as a non-monetary government grant. The land is recognised at fair value, taking account of any restrictions on the use of the land. The difference between the fair value of the land acquired and the consideration paid is recognised as a government grant and included as a liability. A valuation technique is used which incorporates all factors that market participants would consider in setting a price. This is a judgemental exercise involving the selection of a method, formulae and assumptions.

Bad debt

The Association adopts a policy for making full provision for all arrears owed by former tenants plus full provision for all current tenant arrears in excess of eight weeks old at the balance sheet date.

3. Turnover, operating surplus and surplus before taxation

	Turnover	Operating costs	2026 Operating surplus £'000	Turnover	Operating costs	2025 Operating surplus £'000
Social housing lettings						
General needs housing	36,127	28,017	**8,110**	34,663	28,261	**6,402**
Shared ownership	265	46	**219**	291	76	**215**
Supported housing	11,039	9,221	**1,818**	10,538	9,275	**1,263**
Other social housing activities						
Private sector leasing	-	-	**-**	(3)	1	**(4)**
First tranche sales	-	-	**-**	-	-	**-**
Residential care homes	9,269	8,830	**439**	9,070	8,850	**220**
Non-social housing activities						
Nursing care homes	16,858	16,569	**289**	16,462	16,745	**(283)**
Homecare	1,715	1,714	**1**	2,025	2,090	**(65)**
	75,273	**64,397**	**10,876**	**73,046**	**65,298**	**7,748**
Other income and expenditure	617	120	**497**	331	135	**196**
Surplus on disposal of property, plant and equipment	-	-	**543**	-	-	**421**
Operating surplus	**75,890**	**64,517**	**11,916**	**73,377**	**65,433**	**8,365**
Fair value movement on investment properties			**-**			(5)
Interest receivable			**287**			399
Interest and financing costs			**(6,413)**			(5,769)
Other finance income			**-**			-
Surplus before tax			**5,790**			**2,990**

4. Particulars of income and expenditure

	Social housing lettings			Other social housing activities		Non-social housing activities			
	General Needs £'000	Shared Ownership £'000	Supported Housing £'000	Private sector leasing £'000	Residential care homes £'000	Nursing care homes £'000	Home care £'000	**2026 £'000**	2025 £'000
Turnover									
Rents, fees and other charges	32,217	223	5,797	-	9,266	16,839	1,715	**66,057**	64,221
Service charges	1,570	31	2,024	-	-	-	-	**3,625**	3,669
Revenue grants	-	-	2,904	-	-	-	-	**2,904**	2,690
Amortised government grant	2,340	11	314	-	3	19	-	**2,687**	2,466
COVID-19 grants	-	-	-	-	-	-	-	**-**	-
Sales proceeds	-	-	-	-	-	-	-	**-**	-
	36,127	**265**	**11,039**	**-**	**9,269**	**16,858**	**1,715**	**75,273**	73,046
Operating costs									
Management & service costs	10,711	54	7,004	-	8,142	15,223	1,714	**42,848**	46,046
Maintenance	10,943	14	1,203	-	481	922	-	**13,563**	11,283
Bad debts	76	(22)	51	-	6	(64)	-	**47**	432
Deficit on replacement components	289	-	13	-	39	16	-	**357**	508
Depreciation of properties	5,998	-	950	-	162	472	-	**7,582**	7,029
Cost of sales	-	-	-	-	-	-	-	**-**	-
	28,017	**46**	**9,221**	**-**	**8,830**	**16,569**	**1,714**	**64,397**	65,298
Operating surplus / (deficit)	**8,110**	**219**	**1,818**	**-**	**439**	**289**	**1**	**10,876**	7,748
Rent loss from voids (memorandum note)	258	-	199	-	597	1,376	-	**2,430**	2,605

5. Surplus on disposal of property, plant and equipment

	2026 £'000	2025 £'000
Sales proceeds	1,348	1,040
Cost of sales	(805)	(619)
Surplus / (deficit)	**543**	**421**

Surplus on disposal of property, plant and equipment comprises of 14 (2025: 13) traditional staircasing sales and disposals resulting in a surplus of £543k (2025: £421k).

6. Interest receivable and similar income

	2026 £'000	2025 £'000
Interest receivable from bank and deposits	287	399
Total	**287**	**399**

7. Interest payable and similar charges

	2026 £'000	2025 £'000
Loans	7,501	6,286
Capitalised interest	(1,088)	(517)
Total	**6,413**	**5,769**

Borrowing costs of £1,088k (2025: £517k) have been capitalised at an average rate of 4.84% (2025: 4.78%).

8. Surplus on ordinary activities before taxation

	2026 £'000	2025 £'000
Surplus on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of property, plant and equipment	8,133	7,510
Amortisation of intangible assets	413	231
Amortised government grant	(2,687)	(2,466)
Surplus on disposal of property, plant and equipment	(543)	(421)
Statutory audit	65	59
Audit related assurance services	14	13
Operating lease rentals	2,198	2,338

9. Properties in management

	2025 number	Adjustments / Transfers	Additions	Disposals	2026 number
General needs	4,812	-	137	-	4,949
Shared ownership	67	-	-	(6)	61
Supported housing	473	-	-	-	473
Private sector leasing and lettings	-	-	-	-	-
Residential care homes	165	-	-	-	165
Nursing care homes	239	-	-	-	239
Homebuy	309	-	-	(8)	301
Leaseholders	160	-	-	-	160
Total	**6,225**	**-**	**137**	**(14)**	**6,348**

In addition to bed spaces and units in management the Association also provides floating support, tenant support and homecare services to 781 (2025: 2,889) clients.

10. Employee information

	2026 number	2025 Number
Average number of colleagues employed during the year	1,025	1,144
Total number of colleagues employed at the end of the year	1,022	1,095
Full-time equivalent number of colleagues employed at the end of the year	817	825

Finance and Corporate Services	163	191
Development Services	6	8
Housing	71	39
Care	486	466
Support	91	121
Total	**817**	**825**

The total costs for the colleagues employed was as follows:

	2026 £'000	2025 £'000
Wages and salaries	25,431	27,556
Social security costs	3,039	2,309
Apprenticeship levy	120	125
Pension costs	1,239	1,359
Total	**29,829**	**31,349**

Included in the wages and salaries reported above is an accrual for all outstanding values to which employees (including senior executives) have become entitled to at the year end as a result of their service, including holiday pay and redundancy. The total accrued as at 31 March 2026 was £369k (2025: £1,947k). Senior executives do not have any entitlement to enhanced benefits.

The charge for pension represents contributions paid by the Association to the pension schemes. Outstanding amounts payable to the schemes at the year-end were £208k (2025: £445k).

11. Members' and key management personnel emoluments

For the purpose of this note, members and key management personnel refer to the senior executives contracted and employed by the Hendre Group as outlined in the annual report.

Emoluments, including benefits in kind, payable to key management personnel of the Group were as follows:

	2026 £'000	2025 £'000
Emoluments	1,068	833
Pension contributions	208	94
Total	**1,276**	**927**

Emoluments payable to the Group Chief Executive:

	2026 £'000	2025 £'000
Emoluments	173	159
Pension contributions	20	20
Total	**193**	**179**

The full-time equivalent number of Senior Executives who received emoluments (excluding pension contributions) were in the following ranges

	2026 number	2025 number
£60,001 - £70,000	-	1
£70,001 - £80,000	1	1
£80,001 - £90,000	1	2
£90,001 - £100,000	4	-
£100,001 - £110,000	2	1
£110,001 - £120,000	1	-
£120,001 - £130,000	-	2
£130,001 - £140,000	-	-
£140,001 - £150,000	1	-
£150,001 - £160,000	-	1
£160,001 - £170,000	1	-

12. Taxation

The surpluses of the Association are exempt from taxation as it is accepted as a charity for tax purposes.

The Association is registered for VAT but a large proportion of its income is exempt for VAT purposes and this therefore gives rise to a partial exemption calculation.

13. Housing properties

	Completed properties	Under construction	Completed shared ownership	**2026 £'000**	2025 £'000
Cost					
At beginning of year	473,465	49,929	2,316	**525,710**	483,711
Additions to properties	464	27,384	-	**27,848**	29,066
Section 106 agreements and donated land	1,120	-	-	**1,120**	3,121
Schemes completed	33,048	(33,048)	-	**-**	-
Components replaced	13,193	-	-	**13,193**	12,425
Disposal of properties	-	-	(491)	**(491)**	(388)
Disposal of components	(1,538)	-	-	**(1,538)**	(2,225)
Impairment of properties	-	-	-	**-**	-
At end of year	**519,752**	**44,265**	**1,825**	**565,842**	525,710
Depreciation					
At beginning of year	83,287	-	-	**83,287**	78,051
Charge for year	7,582	-	-	**7,582**	7,029
Disposal of properties	-	-	-	**-**	(76)
Disposal of components	(1,181)	-	-	**(1,181)**	(1,717)
At end of year	**89,688**	**-**	**-**	**89,688**	83,287
Net book value					
At end of year	**430,064**	**44,265**	**1,825**	**476,154**	**442,423**
At beginning of year	390,178	49,929	2,316	**442,423**	405,660

In addition to the components replaced in the year, a further £1.8m (2025: £0.8m) was spent on major repairs (excluding overheads) and has been written off to the statement of comprehensive income (2025: £0.9m). Physical adaptation works (PAGs) capitalised in the year amounted to £0.6m (2025: £0.8m) and buy-back of properties capitalised in the year amounted to £0.3m (2025: £0).

Direct development administration costs capitalised in the year amounted to £0.5m (2025: £0.7m). Interest costs capitalised in the year were £1.1m (2025: 0.5m).

Direct maintenance administration costs capitalised in the year amounted to £0.4m (2025: 0.4m) and are included in the components replaced in the year values above. Costs are capitalised as described under section 17 of FRS102.

14. Impairment review

The Association is satisfied, by consideration of a number of factors, that there is no indication of impairment to any category of assets other than stated above, and thus considers that a full, detailed impairment evaluation is not required. In arriving at this conclusion, the Association has considered the current level of demand for property across all areas and property types, the low level of void losses, current and projected cash flows, and the ongoing investment in property maintenance and improvement.

15. Intangible assets

	2026 £'000	2025 £'000
Cost		
At beginning of year	1,282	853
Additions	1,040	429
At end of year	2,322	1,282
Amortisation		
At beginning of year	642	411
Amortised in year	413	231
At end of year	1,055	642
Net book value		
At end of year	**1,267**	**640**
At beginning of year	640	442

16. Other property, plant and equipment

	Service equipment	Computers, furniture & equipment	**2026 £'000**	2025 £'000
Cost				
At beginning of year	1,164	5,300	**6,464**	**6,031**
Additions	101	691	**792**	**597**
Disposals	(4)	(5)	**(9)**	**(164)**
At end of year	**1,261**	**5,986**	**7,247**	**6,464**
Depreciation				
At beginning of year	937	4,364	**5,301**	**4,971**
Charge for year	56	495	**551**	**481**
Disposals	(1)	(2)	**(3)**	**(151)**
At end of year	**992**	**4,857**	**5,849**	**5,301**
Net book value				
At end of year	**269**	**1,129**	**1,398**	**1,163**
At beginning of year	227	936	**1,163**	**1,060**

17. Investment property

	2026 £'000	2025 £'000
At beginning of year	47	52
Fair value movement on investment properties	-	(5)
At end of year	47	47

18. Homebuy loans

	2026 £'000	2025 £'000
At beginning of year	10,144	10,420
Additions	-	-
Disposals	(291)	(276)
At end of year	**9,853**	**10,144**

19. Inventories

	2026 £'000	2025 £'000
Housing properties	-	-

20. Debtors due after more than one year

	2026 £'000	2025 £'000
Loan to Hendre Limited	5,000	5,000
Housing finance grant	7,055	7,135
CoCo debt	115	115
At end of year	**12,170**	**12,250**

As at 31 March 2026, Hendre Limited was in receipt of a public benefit entity concessionary loan of £5.0m from the Association (2025: £5.0m).

The CoCo debt takes the form of a convertible loan note instrument which provides for the issue of notes (the CoCo Notes) which represent a debt owed by MORhomes plc. The CoCo Notes will convert from debt to shares in MORhomes upon certain prescribed events occurring.

21. Debtors due within one year

	2026 £'000	2025 £'000
Arrears of rent and service charges	3,163	3,380
Less: provision for bad and doubtful debts	(1,987)	(2,181)
	1,176	1,199
Housing finance grant	246	545
Trade debtors	300	301
Other debtors and prepayments	4,271	2,082
At end of year	**5,993**	**4,127**

22. Cash and cash equivalents

	2026 £'000	2025 £'000
Treasury deposits:		
Overnight deposit	1,685	7,034
Long term deposit	438	-
32 days deposit	297	292
	2,420	7,326
Cash at bank and in hand	364	307
Total	**2,784**	**7,633**

23. Creditors: amounts falling due within one year

	2026 £'000	2025 £'000
Revenue grants	97	71
Housing loans (see note 25)	11,376	2,594
Interest on housing loans	519	1,013
Government grants (see note 26)	2,835	2,686
Capital expenditure – properties	1,635	692
Capital expenditure – components	1,595	3,718
Capital retentions greater than 90 days	1,747	1,373
Trade creditors	2,510	3,808
Other taxation and social security	2,507	3,436
Other creditors and accruals	4,711	5,385
Inter-company creditors	1,259	1,226
Total	**30,791**	**26,002**

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

	2026 £'000	2025 £'000
Housing loans (see note 25)	143,805	133,907
Government grants - housing properties (see note 26)	234,232	223,450
Recycled capital grant fund (see note 27)	1,927	1,902
Homebuy grants (see note 28)	2,822	2,867
Total	**382,786**	**362,126**

25. Housing loans

Housing loans are secured by specific charges on the Association's properties. The interest rates are fixed at between 1.83% and 10.2% or vary with market rates.

	2026 £'000	2025 £'000
Repayable by instalments due as follows:		
Between one and two years	4,773	1,626
Between two and five years	42,732	50,007
After five years	97,367	83,237
	144,872	**134,870**
Within one year	11,376	2,594
Total loans	**156,248**	**137,464**
Less unamortised transaction costs	(1,067)	(963)
Total	**155,181**	**136,501**

A £1m interest free loan was received from Welsh Government in March 2022 which was repaid in April 2025.

26. Government grants

Group

	Completed properties	Under construction	Completed shared ownership	**2026 £'000**	2025 £'000
Grant					
At beginning of year	228,349	31,054	1,087	**260,490**	**251,138**
Receipts	8,555	4,085	-	**12,640**	**6,343**
Section 106 agreements	1,120	-	-	**1,120**	**3,121**
Completed in year	16,399	(16,399)	-	**-**	**-**
Disposal of properties	-	-	(165)	**(165)**	**(112)**
At end of year	**254,423**	**18,740**	**922**	**274,085**	**260,490**
Amortisation					
At beginning of year	34,074	-	280	**34,354**	**31,919**
Amortised in year	2,676	-	11	**2,687**	**2,466**
Disposal of properties	-	-	(23)	**(23)**	**(31)**
At end of year	36,750	-	268	**37,018**	**34,354**
Net book value					
At end of year	**217,673**	**18,740**	**654**	**237,067**	**226,136**
At beginning of year	194,275	31,054	807	226,136	219,219

Due within one year (see note 23)	**2,835**	**2,686**
Due after more than one year (see note 24)	**234,232**	**223,450**
Total government grants	**237,067**	**226,136**

Physical Adaptations Grant (PAG) is included within receipts and amounted to £0.4m (2025: £0.8m) in the year to 31 March 2026.

27. Recycled capital grant fund

	2026 £'000	2025 £'000
At beginning of year	1,902	2,144
Inputs to recycled capital grant fund	208	204
Recycling of grant	(183)	(446)
At end of year	**1,927**	**1,902**

There is no recycled capital grant fund repayable within 12 months.

28. Homebuy grants

	2026 £'000	2025 £'000
At beginning of year	2,867	2,959
Additions	-	-
Disposals	(45)	(92)
At end of year	**2,822**	**2,867**

29. Non equity share capital

Shares of £1 each fully paid and issued at par	2026 £'000	2025 £'000
At beginning of year	24	27
Shares issued during the year	-	3
Shares forfeited during the year	(7)	(6)
At end of year	**17**	**24**

30. Financial instruments

The carrying value of the Association's financial assets and liabilities are summarised by category below.

Financial assets measured at undiscounted amount receivable

	2026 £'000	2025 £'000
Inter-company loan to Hendre Limited (see note 20)	5,000	5,000
Rent arrears (see note 21)	1,176	1,199
Trade debtors (see note 21)	300	301
Cash and cash equivalents (see note 22)	2,784	7,633
Total	**9,260**	**14,133**

Financial assets measured at amortised cost

	2026 £'000	2025 £'000
Housing Finance Grant (see notes 20 and 21)	7,301	7,680
CoCo debt (see note 20)	115	115
Total	**7,416**	**7,795**

Financial liabilities measured at undiscounted amount payable

	2026 £'000	2025 £'000
Interest on housing loans (see note 23)	519	1,013
Capital expenditure - properties for letting	1,635	692
Capital expenditure - replacement components	1,595	3,718
Capital retentions greater than 90 days	1747	3,808
Trade creditors (see note 23)	2,510	3,436
Inter-company creditors (see note 23)	1,259	1,226
Total	**9,265**	**13,893**

Financial liabilities measured at amortised cost

	2026 £'000	2025 £'000
Housing loans (see note 25)	156,249	137,464

Interest income and expense

	2026 £'000	2025 £'000
Interest receivable	287	399
Interest and financing costs	(6,413)	(5,769)
Total	**(6,126)**	**(5,370)**

31. Capital commitments

	2026 £'000	2025 £'000
Expenditure contracted less certified	14,597	33,132
Expenditure authorised by the Board but not contracted	21,337	14,356
Total	**35,934**	**47,488**

The Board expects that any expenditure it has authorised will be fully financed by grants, mortgage, loans and reserves.

32. Operating leases

At 31 March 2026, the Association had total commitments under operating leases in respect of leased properties, office premises, equipment and vehicles as follows:

	2026 £'000	2025 £'000
Payments due:		
No later than one year	2,198	2,238
Later than one year and not later than 5 years	8,557	8,668
Over 5 years	9,021	11,114
Total	**19,776**	**22,020**

The majority of the above commitments are in respect of properties managed by Hafod Housing Association Limited under lease from The Welsh Housing Partnership and WHP2.

33. Related party transactions

Hendre Limited provides a landlord and facilities function to Hafod Housing Association Limited. These costs are recharged in full as at 31 March 2026.

Transactions between members of the Hendre Group for the year ended 31 March 2026 are set out in the tables below. Values are stated net of VAT.

Services provided by	Company	Hendre Limited £'000	Hafod Housing Association Limited £'000	Hafod Resources Limited £'000	Foundation Housing Tai Sylfaen £'000	Yellow Wales £'000
Registered Social Landlord	Hendre Limited	-	438	-	-	-
	Hafod Housing Association Limited	-	-	-	-	-
Non-registered	Hafod Resources Limited	-	-	-	-	-
	Foundation Housing	-	-	-	-	-
	Yellow Wales	-	-	-	-	-

Net debtor / (creditor) balances	Company	Hendre Limited £'000	Hafod Housing Association Limited £'000	Hafod Resources Limited £'000	Foundation Housing Tai Sylfaen £'000	Yellow Wales £'000
Registered Social Landlord	Hendre Limited	-	3,748	-	-	-
	Hafod Housing Association Limited	(3,748)	-	-	-	(6)
Non-registered	Hafod Resources Limited	-	-	-	-	-
	Foundation Housing	-	-	-	-	-
	Yellow Wales	-	6	-	-	-

Transactions between members of the Hendre Group for the period ended 31 March 2025 are set out in the tables below. Values are stated net of VAT.

Services provided by	Company	Hendre Limited £'000	Hafod Housing Association Limited £'000	Hafod Resources Limited £'000	Foundation Housing Tai Sylfaen £'000	Yellow Wales £'000
Registered Social Landlord	Hendre Limited	-	552	-	-	-
	Hafod Housing Association Limited	-	-	-	-	-
Non-registered	Hafod Resources Limited	-	-	-	-	-
	Foundation Housing	-	-	-	-	-
	Yellow Wales	-	-	-	-	-

Net debtor / (creditor) balances	Company	Hendre Limited £'000	Hafod Housing Association Limited £'000	Hafod Resources Limited £'000	Foundation Housing Tai Sylfaen £'000	Yellow Wales £'000
Registered Social Landlord	Hendre Limited	-	3,864	-	-	-
	Hafod Housing Association Limited	(3,864)	-	(83)	-	(6)
Non-registered	Hafod Resources Limited	-	83	-	-	-
	Foundation Housing	-	-	-	-	-
	Yellow Wales	-	6	-	-	-

As at 31 March 2026, Hendre Limited has a public entity concessionary loan with Hafod Housing Association Limited of £5.0m (2025 £5.0m).

The Group's treasury management risks are managed under the umbrella of the Group's Treasury Management policy. Under the Group's policy, surplus cash generated by members of the Group is pooled within Hafod Housing Association Limited and placed on deposit with approved counter-parties.

None of the current senior executives or Board Members of Hendre Limited or its subsidiaries had any related party transactions with the Group during the period which require disclosure. Details are given in respect of previous senior executives or Board members.

Other related parties include Hafod Homes Limited and Hafod Corporate Services Limited which are not part of the Hendre Group. Tracey Healey and Sara Foster (Executive Directors of the Group) are Directors.

	2026 £'000	2025 £'000
Purchases from related parties	2,147	2,274

The purchases above represents values payable in respect of properties leased by Hafod Housing Association Limited from WHP and WHP2. The Boards of WHP and WHP2 set their rent levels to their shareholders to cover their property acquisition and funding costs, and these are reflective of the market to cover any risk around transfer pricing.

34. Subsidiary undertakings

On 8 January 2008 Yellow Wales, a company limited by guarantee (No. 05154189), was acquired for nil consideration and became a subsidiary of the Association. Yellow Wales is also a registered Charity (No. 1105272).

	2026 £'000	2025 £'000
Aggregate reserves	15	15

Yellow Wales' financial statements have not been consolidated into the Association's financial statements as they are consolidated into the ultimate parent, Hendre Limited. A copy of Yellow Wales' financial statements is available on request from the registered office:

St Hilary Court
Copthorne Way
Cardiff
CF5 6ES

35. Ultimate parent undertaking

The ultimate parent undertaking is Hendre Limited, a registered society under the Co-operative and Community Benefit Societies Act 2014 registered with the Welsh Government.

The consolidated financial statements of Hendre Limited are available to the public and may be obtained from:

St Hilary Court
Copthorne Way
Cardiff
CF5 6ES

36. Pension schemes

During the year to 31 March 2026 there were two active schemes: National Employment Savings Trust (NEST) and a Self-Invested Personal Plan (SIPP) with AEGON. New members of colleagues employed by the Association were auto enrolled into either the National Employment Savings Trust (NEST); or a SIPP with AEGON, depending on which pension scheme was offered under their contract of employment. The costs of these two schemes are written off to the statement of comprehensive income on an accruals basis. The assets of these schemes are held separately from those of the Association in independently administered funds. The Association operates a salary exchange scheme that is available to all eligible employees in the AEGON pension plan.

The Greater Gwent (Torfaen) Pension scheme was close on 31 March 2024, part of the pension scheme surplus was recognised at the end of March 2024. Following further negotiations with the fund, a total payment of £3.4m was received resulting in additional £1.42m surplus to be recognised in 2024/25 financial year.

37. Ultimate parent undertaking

The ultimate parent undertaking is Hendre Limited, a registered society under the Co-operative and Community Benefit Societies Act 2014 registered with the Welsh Government.

The consolidated financial statements of Hendre Limited are available to the public and may be obtained from:

St Hilary Court
Copthorne Way
Cardiff
CF5 6ES

38. Subsequent event

Following the year end, the Group appointed a new Chief Executive Officer, who commenced employment on 1 June 2026. The role was fulfilled by an Interim Chief Executive Officer during the period from August 25 until the new appointment took effect.

The appointment of the new Chief Executive Officer represents a non-adjusting event occurring after the reporting date. Accordingly, no adjustments have been made to the amounts recognised in these financial statements for the year ended 31 March 2026.