



Sparrow
Shared Ownership

Formerly Sage Housing Limited

A foundation for living

Annual report and
financial statements 2024



Table of contents

STRATEGIC REPORT

Statement from the Chair	4
Statement from the Acting Managing Director	5
Our Strategy	6
Meet Toni: a customer story	7
Establishing our Customer Scrutiny Panel	8
Financial report	10
Value for Money statement	12
Risk management	16
Section 172(1) statement	19

GOVERNANCE

Chair's statement	23
The Board	24
Governance structure	28
Corporate Governance Report	30
Audit, Risk and Assurance Committee report	34
Remuneration and Nomination Committee report	36
Directors' Report	38

FINANCIAL STATEMENT

Independent Auditor's report	43
Statement of Comprehensive Income	48
Statement of Financial Position	49
Statement of Changes in Equity	50
Statement of Cashflows	51
Notes to the financial statements	52



Setting out with a new mission



On 12 August 2024, Sage Housing Limited was purchased by Universities Superannuation Scheme (USS), and Sparrow Shared Ownership Limited (Sparrow) was established. This was the end of an extensive process with Sage Homes and the start of the creation of a single tenure Registered Provider, who will focus solely on the needs of shared owners and demonstrate the value of shared ownership to the affordable housing market.

As the first Chair of Sparrow, I want to thank my fellow Board members for the commitment and focus they have already shown as we establish our business and prepare for our first regulatory inspection by the Regulator of Social Housing (RSH). I also want to thank the Board of Sage Homes as they supported a smooth transition and continue to support Sparrow's evolution into a self-governing organisation.

We are building new structures at pace and establishing governance practices in collaboration with Sage Homes, using their expertise to drive our framework. Our Remuneration and Nomination committee, chaired by Sarah Wall, and our Audit, Risk and Assurance committee, chaired by Jonathan Wallbank, have been in operation since we began. The implementation of policies and practices is happening efficiently and effectively, preparing us to serve our customers with clarity and impact.

Above all else, our Board is focused on delivering for our customers. Our mission is to provide high quality homes and excellent services. As a single tenure Registered Provider, we will focus on the needs of shared owners, with a new Customer Scrutiny Panel (CSP) already established and chaired by Amanda Davies, a Non-Executive Director. The CSP will ensure the Board hears the customer voice clearly, and my thanks go to the dedicated customers who sit on the panel and are already helping to shape how Sparrow works.

In the new year we consulted with our customers to seek their consent on taking over the management of customer services from Sage Homes. We will also be welcoming our team who will be dedicated to supporting our customers and our business operations from our new office in South London. 2025 will be a pivotal year for Sparrow and we are excited by the opportunity to serve our customers, build our business and play our part in solving the housing crisis.

David Avery
Chair of Sparrow Shared Ownership

Sage's role with Sparrow



It has been a privilege to work with the Board of Sage Housing Limited in early 2024 and the Board of Sparrow Shared Ownership Limited in the latter half of the year. Both Boards were skilled, diligent and caring, and it's a tribute to all the Board members involved that the August 2024 transaction where Sage Housing Limited became Sparrow Shared Ownership enabled new institutional capital, managed by Universities Superannuation Scheme, to enter the affordable housing sector.

Both Boards have worked hard to ensure a smooth transition of management from Sage to Sparrow. The priorities at Sage have been to ensure a continuation of high service levels to our customers, while simultaneously helping to establish Sparrow's new team. This new team will assume management of all customers, homes and services in the first half of 2025.

We recognise that most shared owners wish to be left to lead their own lives. Sparrow is navigating new ways of engaging with customers to meet this wish whilst being a supportive and engaged partner. One of the Sparrow Board's first actions was to engage with the members of the Sage Customer Scrutiny Panel (who had become Sparrow customers), to ensure that communications and the new website worked for customers. We have added new members and now have a full-sized customer scrutiny panel to help us more fully understand the breadth of our customers' priorities. This panel's work is essential to ensuring we know our customers and their wishes, meeting our mission to be a single tenure, customer focused organisation.

The transition to an independent Sparrow, with offices, bespoke systems and staffing, is well underway. The new management and systems will be key in being able to demonstrate the highest standards of governance, financial viability and consumer standards.

I have thoroughly enjoyed my time as Acting Managing Director of Sparrow, alongside my work as CEO of the Sage Group. I'd like to personally thank everyone at Sage Homes who have worked conscientiously and tirelessly to help set up Sparrow and support the Board and new team for success. Our relationship and shared values remain close, with Sage remaining a trusted friend of Sparrow as it takes wing in 2025.

Mark Sater

Acting Managing Director of Sparrow Shared Ownership



Our strategy



OUR PURPOSE

Sparrow Shared Ownership exists to provide high quality homes and excellent customer service to people that aspire to own a stake in their homes.



OUR VISION

Our vision is to be the UK's shared ownership provider of choice. We'll do this by setting the gold standard when it comes to the quality of our homes and service delivery in shared ownership.



OUR MISSION

Our mission is to provide high quality homes and excellent customer service to our customers. We do this by offering stability and flexibility, and playing our part in supporting customers with their life choices. We will provide customers with a great home that acts as a foundation for living, and helps them get to where they want to in life.

Meet Toni

Stepping onto the housing ladder with shared ownership

Toni is a Sparrow customer in Staffordshire, owning nearly half of her Sparrow home and planning to purchase an additional percentage in the future (staircasing).

“I didn’t know about shared ownership and discovered it by looking at homes on RightMove,” Toni said. “Shared ownership sounded like it really could work for me. It’s hard to get on the housing market and I couldn’t afford a home with a full mortgage.”

Thanks to Sparrow Shared Ownership, Toni was able to afford a house close to her family and in a good area. “I have a beautiful house on a lovely estate and the community is great,” she said.

Toni works with vulnerable children and children with special educational needs. Having recently finished a Masters in Psychology and Mental Health, it’s important that her home provides a safe space and allows her to enjoy her downtime. With a spare room, she also has a separate space for studying in. “I feel lucky to have this house – it’s nice to come home and see my cats on the windowsill,” she said. “My home is where I come to recharge.”

In future, Toni plans to staircase and then buy a larger home with her partner. “We would consider staying with shared ownership,” Toni said, “and gradually staircasing to 100%.”



TONI
Shared Ownership Customer

Establishing our Customer Scrutiny Panel



Sparrow Shared Ownership has been established to provide high quality shared ownership homes and services to our customers, supporting people on the journey to owning their home. We are focused on supporting our customers and one of our first actions has been to form a Customer Scrutiny Panel (CSP). The CSP sits at the heart of Sparrow's ethos: to engage our customers and listen to real customers' experiences of our processes, policies and practices. By acting as 'critical friends', our CSP members' feedback helps us improve the services we deliver for our customers.

We're incredibly fortunate that we could draw on the experience of Becca Winchester and Mark O'Neill, two customers who have transferred from Sage Homes' Customer Scrutiny Panel. They bring with them three years of CSP experience, including working with an organisation that is growing and changing fast. These two founding members met in the final quarter of 2024, helping to shape our communications about the move from Sage Homes to Sparrow and develop the brand and website. We were then able to establish a full panel of five customers in under two months, ready to begin the crucial scrutiny work in January 2025. Our Chair David Avery has spoken with all members of the panel, which comprises of Becca, Mark, Matt Callis, Sarah Hannafin and Stewart Jessup, and you can read more about them on our website. I'd like to personally thank all the customers who expressed an interest in joining the CSP.

The CSP have hit the ground running, working directly with us to co-create the new Sparrow customer portal service, shape policies and the service offering. They will be receiving mentoring and training in the first quarter of next year from Tenant Advisory Service TPAS.

2025 looks set to be busy, overseeing a range of matters from short term goals such as improving communication and clarifying service expectations to longer-term goals such as identifying inefficiencies and organising customer scrutiny workshops. All our work next year will be closely aligned to the sector's consumer standards, making sure we meet our regulatory requirements in full.

My thanks go to the panel who are already working hard to fully examine our policies and practices and providing invaluable feedback to help Sparrow serve our customers in the best possible way. I very much look forward to what we'll achieve next year.

Amanda Davies

Chair of Customer Scrutiny Panel

A new structure, singular focus and shared success

Financial report



“2024 marked a pivotal year for Sparrow Shared Ownership Limited as it transitioned to a single-tenure business, focused exclusively on shared ownership homes as it was acquired by USS and left the Sage group.”

FINANCIAL PERFORMANCE OVERVIEW

Ahead of the sale of the Company, nearly £1bn in fixed assets were transferred to a sister RP, SHRPL. These housing assets were transferred at cost, resulting in no accounting gain or loss. The corresponding debt transfer also rendered the transaction cash neutral.

As part of the ownership change, all long-term debt, including shareholder loans and external borrowings, were fully repaid. Sparrow now operates without debt and its financial performance is driven by the underlying profitability of its shared ownership operations.

Due to the scale of the March transfer, year-on-year comparisons are not meaningful. The 2024 accounts reflect a blend of pre- and post-transaction activities. Operating profit fell to £19.6m from £48.2m in 2023, primarily due to the reduction in turnover from £217.1m to £51.4m. This decline was driven by a £140.5m reduction in first tranche sales and a £25.2m reduction in rental income following the transfer of homes to SHRPL. Surplus on disposal of homes remained stable at £2.0m (2023: £1.8m).

The decline in operating profit was offset by a significant reduction in interest expense. Interest costs decreased from £95.0m to £37.0m, and interest payable to shareholders and Sage group entities declined from £12.6m to £3.4m. No new financial hedges were entered into during the year, and the Company recognised a £7.0m downward revaluation of interest rate caps (2023: £18.1m).

REVIEW AND HIGHLIGHTS OF 2024

As Acting Finance Director of Sparrow Shared Ownership Limited, I am pleased to present the financial review for the year ended 31 December 2024. This report provides a summary of our financial performance, operational highlights, and the strategic progress made during what has been a transformational period for the organisation.

This year was defined by significant structural change and a sharpened strategic focus. In August 2024, the Company was acquired by a UK-based pension fund investor. Leading up to the acquisition, all affordable rental homes and development activities were transferred to its then sister Registered Provider, Sage Homes RP Limited (SHRPL). These transfers, largely completed in March 2024, repositioned Sparrow as a specialist Registered Provider solely focused on shared ownership housing.

The Company now operates without debt and, being entirely funded through Shareholder capital, is focused on a streamlined and financially sustainable approach centred on stewardship, service quality, and customer experience.

Arrears remained well managed despite a challenging economic environment. At year end gross arrears were £0.2m (2023: £0.7m), or 1.1% of annual rent (2023: 1.4%). The Company continued to prioritise support for customers, with a focus on financial resilience and wellbeing.

The Company's profit and loss for the year can be further disaggregated into pre- and post-transaction results, with an operating profit of £14.4m and a loss for the year of £21.9m recorded pre-transaction. Post-transaction, from 12th August onwards, the Company achieved an operating profit of £5.2m, comprising turnover of £7.2m, cost of sales of £0.1m, operating costs of £3.1m, and a surplus on disposal of properties amounting to £1.2m. Movements in interest during the post-transaction period were minimal, and a minor tax charge was incurred, resulting in a total post-transaction profit of £5.2m.

OPERATIONAL HIGHLIGHTS

2024 marked the successful transition to Sparrow's new position, with a dedicated focus on shared ownership as a tenure, even though it was not a year of growth in new homes. All new development and affordable rental operations ceased in the first quarter, and operational continuity was maintained throughout the transition via a management services agreement with Sage Housing Group Limited.

The business is now progressing with the establishment of its own in-house management capability, with recruitment underway and IT infrastructure being developed. Improving customer satisfaction is a central priority, and 2025 will see a renewed focus on service delivery, brand identity, and direct accountability to shared owners.

Customer satisfaction among shared owners was below expectations in 2024. The Board recognises this as a key area for improvement and is committed to enhancing the customer experience through focused investment in people, systems, and service standards.

FUNDING AND CAPITAL STRUCTURE

Following the acquisition by Universities Superannuation Scheme, Sparrow has adopted a simplified and self-sustaining funding model. With all long-term debt repaid and no new borrowing anticipated in the near term, the Company now operates on a self-funded basis. Capital requirements will be met through operating cash flows and efficient cost management.

In 2024, the Company undertook a share capital reduction, reducing its issued share capital from £202.4m to £20,241 by cancelling 99.99% of the nominal value per share. The reduction had no impact on overall equity, with the amount reclassified within reserves, creating a £202.4m capital reserve. A dividend of £5.0m was subsequently paid to shareholders from this reserve prior to the completion of the ownership transfer.

As part of the transaction, the Company issued £310m of share capital to its new shareholder, converting existing shareholder loans and external debt balances into equity. The resulting capital structure is debt-free and aligned to long-term stewardship and financial sustainability.

The Company's strengthened financial position provides stability and resilience, enabling a sustained focus on customer service and operational excellence without exposure to short-term funding pressures.

LOOKING AHEAD

Sparrow enters 2025 as a focused shared ownership landlord. With a simplified structure, the Company is positioned to lead in service quality and long-term value for money.

Our strategic priorities for the year ahead include building internal management capacity, improving customer satisfaction, and continuing to optimise portfolio performance to enhance long-term value. These efforts will be supported by a values-led culture, strong governance, and long-term alignment with our institutional investor.

David Mullin
Acting Finance Director

13 June 2025

Value for Money

INTRODUCTION

Sparrow Shared Ownership Limited (Sparrow) underwent a significant strategic transition during 2024, following its acquisition by a Universities Superannuation Scheme (USS). Ahead of the transaction, a large-scale transfer of affordable rental properties and selected shared ownership homes was completed to an entity within the Sage Homes Group, Sage Homes RP Limited (SHRPL), primarily in March 2024.

As a result, the Company is now a specialist Registered Provider focused exclusively on the management of a mature shared ownership portfolio comprising just over 3,000 homes across England. The Company's purpose has shifted from new affordable housing delivery to one of stewardship, placing greater emphasis on maintaining high levels of customer service, robust asset management.

In line with regulatory expectations and the Value for Money Standard, Sparrow continues to demonstrate a strong commitment to economy, efficiency, and effectiveness in all areas of operation. The Board are focused on delivering a high-quality ownership experience, ensuring that customer expectations are met, costs are well controlled, and that the business is operated in a financially sustainable manner over the long term.

The Board has set VFM targets for 2025 where appropriate and considers performance within the context of a peer group of smaller Registered Providers. Benchmarking will be a priority in the coming year, as the business continues to develop a clearer understanding of its cost base and customer outcomes under the new ownership structure.

OVERVIEW

The RSH defines the VFM metrics that Registered Providers are required to disclose. In the case of Sparrow, several of these metrics are now either not applicable or less meaningful due to the Company's new scope and unique position as a shared ownership-only landlord with no development programme and no affordable or social rented homes. While these operations were active during part of the reporting year, they have now ceased entirely.

Metrics related to investment and new supply (Metrics 1 to 3) reflect this shift, showing nil or immaterial values. Financial and operational metrics (Metrics 4 to 7) focus on operational efficiency in managing the portfolio, as expressed through financial performance, return on capital employed, and liquidity and investment capacity. These metrics remain relevant but should be interpreted in the context of a stable portfolio and operating model focused on service delivery.

METRIC 1 – REINVESTMENT (%)

Captures investment in new and existing homes as a proportion of total housing assets.

The transfer of completed and work-in-progress homes to SHRPL was originally expected to occur in June 2024 but was brought forward to March. From that point onward, the Company no longer operated a development programme. As a result, the reported reinvestment percentage was lower than forecast. The Company completed a number of newly built affordable homes in the first quarter of the year, most of which formed part of the transfer to SHRPL. As the Company is not expected to deliver new homes, this metric is not applicable going forward, and no target has been set for 2025.

METRIC 2 – NEW SUPPLY DELIVERED (%)

Considers the number of new homes developed in the year as a proportion of total units owned at year end.

Social housing units: The earlier than expected transfer of homes to SHRPL resulted in new supply performance falling below the original 2024 target. While the timing of the transfer had not been anticipated when setting the target, the resulting outcome was consistent with the Company's planned transition away from development activity. Sparrow still completed 408 newly built affordable homes in the first quarter of the year. As the Company is not expected to deliver new homes, this metric is no longer applicable, and no target has been set for 2025.

Non-social housing units: The Company focuses solely on affordable housing, has never held any non-social housing units, and does not intend to do so, making the metric not applicable.

METRIC 3 – GEARING (%)

Indicates the level of debt relative to the value of housing assets and provides insight into financial leverage and borrowing capacity.

As part of the acquisition of Sparrow, all debt was settled, and as a result Sparrow's gearing reduced to nil and the business currently operates without debt. This reflects a strategic decision to establish a clear funding structure with a focus on long-term stability and investment outlook. At present, the Company has no plans to take on long-term debt, and therefore no gearing target has been set for 2025.

METRIC 4 – EBITDA MRI – INTEREST COVER (%)

Assesses the organisation's ability to cover interest payments from operating earnings, offering a view of liquidity.

Interest costs were expected to reduce during the year due to the transfer of homes to SHRPL and a planned refinancing of revolving credit facility (RCF) balances. However, following the acquisition of the Company, all existing debt was settled, and no new debt has been taken on, resulting in no ongoing interest expense. In addition, higher than forecast staircasing has also contributed to increased operating surpluses. As a result, the Company significantly outperformed its 2024 target. Given the absence of long-term debt and interest obligations, this metric is no longer applicable, and no target has been set for 2025.

METRIC 5 – HEADLINE SOCIAL HOUSING COST PER UNIT (£)

Reflects the average cost of managing and maintaining social housing properties, as defined by the Regulator of Social Housing.

The earlier-than-expected transfer of homes to SHRPL led to a lower cost per unit (CPU). Since the March transfer, which included a high proportion of affordable rental homes, the Company has operated a shared ownership-only portfolio, a tenure type that typically carries lower management and maintenance costs, contributing to a favourable cost per unit position. In addition, a smaller overall portfolio resulted in lower non-direct costs. This metric already compares favourably to peer benchmarks (Registered Providers below 5,000 homes and compares Sparrow's sole-shared ownership portfolio with a mixed tenure peer group). The Company now focused solely on shared ownership, CPU is expected to reduce further in 2025.

METRIC 6A – OPERATING MARGIN – SOCIAL HOUSING LETTINGS (%) AND METRIC 6B – OPERATING MARGIN – OVERALL (%)

Assesses how effectively the organisation manages its costs relative to income, highlighting financial sustainability and VFM. Metric 6A focuses on social housing lettings, while Metric 6B reflects performance across all activities.

Operating margin for social housing lettings in 2024 was broadly in line with the target. The overall operating margin exceeded expectations, primarily due to a lower allocation of non-direct costs associated with development activity, following the transfer of work-in-progress homes to SHRPL. This improvement was anticipated as part of the transition to a simplified operating model.

The 2025 targets reflect a step change in both lettings and overall margins, where the Company is able to leverage the efficiency of managing a shared ownership-only portfolio.

METRIC 7 – RETURN ON CAPITAL EMPLOYED (%)

Compares the operating surplus to total assets less current liabilities and is a common measure used in the commercial sector to assess the efficient investment of capital resources.

Return on capital employed (ROCE) was below the original target for 2024; however, given the scale of balance sheet restructuring and the strategic asset transfers completed during the year, the result remains a strong outcome. The Company delivered a ROCE of over 5%, providing a meaningful return on capital and demonstrating continued focus on performance during the year.

The 2025 target reflects a reduction in percentage return, which is expected given the smaller portfolio and stabilised operating model.

CORE VALUE FOR MONEY METRICS		2025 TARGET	2024 ACTUAL	2024 TARGET	2024 PEERS	2023 ACTUAL
1	Reinvestment %	Nil	13%	43%	5%	36%
2A	New supply delivered % (social housing)	Nil	13%	71%	1%	49%
2B	New supply delivered % (non-social housing)	n/a	n/a	n/a	n/a	n/a
3	Gearing %	Nil	Nil	79%	40%	103%
4	EBITDA MRI – interest cover %	Nil	51%	41%	132%	56%
5	Headline social housing cost per unit	£1,963	£2,735	£3,212	£5,768	£2,802
6A	Operating margin (social housing lettings only)	52%	63%	60%	19%	47%
6B	Operating margin (overall)	52%	35%	25%	17%	22%
7	Return on capital employed (ROCE)	2.7%	5.0%	5.4%	2.6%	3.4%

ADDITIONAL KEY PERFORMANCE INDICATORS

In addition to the core Value for Money metrics, the Board has identified a set of key performance indicators (KPIs) to monitor specific areas of strategic and operational performance, providing a more rounded view of the Company's operational effectiveness. These indicators reflect the primary drivers of the business, which now focuses exclusively on the management of shared ownership homes. However, for part of the year, the portfolio included a mix of tenures, including affordable and social rent.

Previously, the Company reported a number of KPIs related to the delivery of new homes. As the Company no longer operates a development programme, these delivery-related metrics are no longer applicable and have been removed from the additional KPIs reported this year.

CUSTOMER EXPERIENCE

Customer satisfaction with our service measures the number of customers who have stated they are fairly or very satisfied with their interaction with the Company. During 2024, property management was undertaken by Sage Housing Group Limited on Sparrow's behalf. The portfolio included a small number of affordable rental homes, which were held only briefly before transfer. Given that satisfaction surveys are conducted in the second half of the year after most rental homes had been transferred out of the portfolio, the Company has chosen to discontinue reporting on customer metrics relating to affordable rent, as they are no longer relevant to the Company's operating model.

Satisfaction among shared ownership customers was below target in 2024, highlighting a key area for improvement. As the Company establishes its own team, systems and processes across 2025, enhancing the customer experience and ensuring customer safety will be a core strategic priority. The Company's ambition is to provide shared owners with a great home that acts as a foundation for helping them on their journey in life. As shared homeowners are both customers and financial stakeholders in their homes, they rightly expect a high standard of service, and we are committed to delivering on that expectation. Improving this measure is a priority for the Board and senior management, reflecting the importance placed on delivering a positive and reliable homeownership experience.

OPERATIONAL EFFICIENCY

The Company continued to make good progress on rent collection and arrears management during 2024, despite the ongoing pressures of high inflation and the wider cost of living crisis. The Company recorded 100% rent collection (including arrears recovery) over the year. The ongoing support provided by the Company has played a vital role in sustaining tenancies. The Company provided residents with access to budgeting tools and signposted to additional support that might be available, helping many customers manage their rent obligations during challenging economic conditions.

As the portfolio has matured and the large fluctuations caused by asset transfers across entities have stabilised, the 'headline cost per unit – adjusted' metric used in prior years has been removed. This metric was previously introduced to give readers an indicative view of expected costs under a stabilised, internally managed model. Given the greater consistency in the portfolio structure, the headline metric is now considered sufficient.

The 2025 targets build on the positive momentum of 2024. We aim to further reduce arrears while maintaining strong rent collection. The Company remains focused on ensuring that arrears management and income recovery processes are robust, effective, and aligned with our broader corporate objectives and customer-first ethos.

PEOPLE

Throughout 2024, the Company did not directly employ any staff. The Company's operations were delivered by personnel from Sage Housing Group Limited, via a management services agreement.

As these individuals were responsible for delivering services to Sparrow's customers throughout the year the Company has chosen to disclose relevant workforce metrics of Sage Housing Group Limited.

During 2024, those working on the portfolio maintained a strong focus on building an inclusive and supportive culture, where colleagues felt valued and empowered. Feedback gathered through employee engagement activities was used to inform improvements in communication, collaboration, and wellbeing across the organisation.

Looking ahead, the Company is building its own internal workforce, with a focus on attracting and retaining high-calibre individuals who are aligned with our purpose. Investment in people will be central to delivering outstanding customer service, supported by strong leadership, clear communication, and a culture that empowers staff to support our shared ownership customers effectively. These foundations will be critical as Sparrow establishes its long-term operating model.

	2025 TARGET	2024 ACTUAL	2024 TARGET	2024 PEERS	2023 ACTUAL
Customer experience					
Customer satisfaction with the services (Shared Ownership)	50%	41%	60%	58%	58%
Complaints responded to within target time	90%	97%	90%	90%	100%
Operational efficiency					
Rent collected as % of rent due	100%	100%	100%	100%	100%
Current tenant arrears as % of annual rent due	<1.0%	1.1%	<1.0%	2.5%	1.4%
Our people					
Employee satisfaction ¹	72%	72%	80%	79%	79%

¹ Throughout 2024, the Company did not directly employ any staff. Employee satisfaction scores are from employees contracted to Sage Housing Group Limited, who perform all management services for the Company.

CONCLUSION

The Board is satisfied that, having considered all the requirements, Sparrow Shared Ownership Limited is compliant with the VFM Standard.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management

The effective management of principal and emerging risk is fundamental to the achievement of Sparrow's strategic objectives.

In August 2024 USS purchased the Sage Housing Limited Registered Provider from Sage Homes. Sage Housing Limited was then renamed Sparrow Shared Ownership Limited (Sparrow). The purchase of the Registered Provider included a stable portfolio of approximately 3,100 shared ownership properties.

Responsibility for risk rests with the Sparrow Board. Oversight of the risk management processes is provided by the Risk Management Group and Sparrow's Audit, Risk and Assurance Committee.

Risks to the achievement of Sparrow's strategic objectives are recorded in the risk register which was maintained by the Head of Internal Audit and Risk for Sage Homes during 2024. This was because Sage Homes sold the Sage Housing Limited Registered Provider to USS during 2024, and the risk register continued to be maintained by Sage Housing Group Limited (Sage) on behalf of Sparrow for the remainder of the year. The register is reviewed and updated by the Sparrow Risk Management Group before the key risks are reported to, and reviewed by, the Sparrow Audit, Risk and Assurance Committee and Board. The Sparrow Risk Management Group consists of Sage members of staff that are acting on behalf of Sparrow.

Given the type of properties that Sparrow owns and manages the key risks to its objectives are around the satisfaction of its customers, security and quality of its data, compliance with regulation and collection of income.

In terms of property compliance, the Sparrow portfolio of shared ownership properties is generally low risk as it consists of either houses or flats that are in low-rise blocks. There are no blocks of flats that would be considered higher risk, i.e. they are all below 11 meters in height.

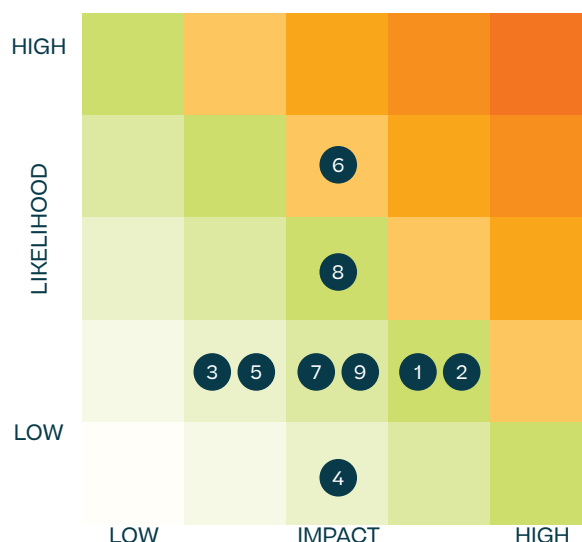
Sparrow properties have good rates of income collection and are at a low risk of arrears. Shared ownership customers that came to the end of their fixed-terms mortgages were likely to have faced increases in their monthly payments during 2024. This is because mortgage rates are higher than they were in 2022 and 2023. This may affect the affordability of shared ownership properties for existing customers that needed to remortgage. The rent for shared ownership properties also increased by 5.8% in 2024. To mitigate the impact of the increase, and the reduction in the rebate levels in 2023/24, a further rebate was offered to the majority of existing Sparrow customers for the 24/25 year. Despite the increase in monthly costs to Sparrow customers, the levels of arrears remained low.

Sparrow's risk management system continued to evolve and mature throughout 2024. The Audit, Risk and Assurance Committee reviewed the group risk register at each of its meetings.

KEY RISKS "HEAT MAP"

Sparrow utilises a programmatic scoring of risks to map its mitigated risks. A "heat map" showing some of Sparrow's key risks is shown below. This is reported to the Risk Management Group and Audit, Risk and Assurance Committee on a quarterly basis. It is also considered at Board meetings at least twice a year.

RESIDUAL RISK



LIKELIHOOD

Measured on a scale of low, which is unlikely to happen or recur within a five-year period, to high, which is very likely/almost certain to happen or recur within a year.

IMPACT

Ranges from low, which would result in a financial impact of less than £75k, to high, which includes a financial impact of more than £2.5m or an event that results in the need for regulatory intervention.

Schedule of the key risks and mitigations

Sparrow's Directors can confirm that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency, or liquidity.

Emerging risks are identified within the business and their impact is discussed at the quarterly Risk Management Group meetings. The emerging risks are then either added to the Strategic Risk Register or included in the Emerging Risks section of the Risk Management report considered at each Audit, Risk and Assurance Committee. The principal risks facing the Company have been identified as follows:

RISK	MITIGATING ACTIONS
1 CONTRACTOR PERFORMANCE: Poor performance of SHGL during transition period and other key partners / contractors / suppliers resulting in a poor service to Sparrow and its customers.	Ongoing monitoring of providers' service to Sparrow as a corporate entity and its customers. Regular communication with Sage Housing Group Limited (SHGL) maintained to identify and track issues. Sparrow has ability to terminate SHGL/contractors and appoint alternative. Regular audit assurance on contractor performance.
2 PEOPLE: Lack of timely access to skilled workers available to Sparrow to effectively staff the independent entity and deliver services to customers whilst maintaining compliance with increasing regulations. Failure to instil desired culture and management style required to reflect the desires of the new owner.	SHGL, and new senior Sparrow management, ensure team structures are fit for purpose and appropriate hiring is actioned. Good hiring practices implemented, including an applicant tracking system and employee value proposition, that support the business' ability to hire the right skills, experience and calibre. HR policies and practices in place, supporting Sparrow's values, employee wellbeing, high performance, development and retention. Pay and benefits structures/strategies in place to reflect the external labour market, attract high calibre candidates, reward performance and aid retention. Maintain engagement survey and regular employee listening approach to monitor and respond to changing levels of Sparrow employee engagement including specifically the intention to leave the business within 12 months. The Remuneration and Nominations Committee remained informed throughout the post-transfer period in 2024 and maintained appropriate oversight during the internalisation process.
3 FAILURE TO MEET REGULATORY STANDARDS: Non-compliance results in measures of intervention, loss of status and ultimately may prohibit Sparrow from operating affordable housing. Lack of preparedness for inspection results in a failure to achieve compliant grades.	Set up / maintain an effective Board and governance structure. Ongoing compliance monitoring and self-assessment against Regulatory Standards and Sparrow's chosen code of governance by way of a defined programme. Independent advice and assurance provided by external consultants in areas such as risk management, cyber security and governance. Conduct of independently assessed mock-inspections covering all areas relevant to the Economic and Consumer Standards.
4 HEALTH AND SAFETY: Failure to meet statutory requirements, including Fire Safety, Water Safety, Fuel Safety, and Electrical Safety resulting in a risk of harm to residents and potential regulatory action.	Oversight through reporting of property compliance metrics to the Board. Annual review of property compliance by Internal Audit to provide assurance. External consultants advise on best practice. Rigorous property compliance policies and procedures in place. Compliance with legislative and regulatory requirements monitored through a dedicated compliance system.

Regular reports from service providers covering how they meet property compliance requirements.

External independent physical audits of some compliance events such as Electric, Gas & Fire to provide further assurances to Board.

5

REDUCTION IN INCOME:

Cost of living crisis persists resulting in lower income for Sparrow as a result of increased bad debts / arrears, sector pressures or repossessions, or loss of capital value in retained equity.

Business plan is stress tested for the impact of increased levels of arrears.

Customers have been assessed for affordability before purchasing a shared ownership property.

Payment plans agreed for customers with rent, or rent and service charge, arrears.

Real-time monitoring of rent arrears.

Early intervention on cases of rent arrears by Sparrow's Customer Service team.

Support offered by SHGL's Financial Wellbeing team.

6

CUSTOMER SATISFACTION:

Customer dissatisfaction which drives an increase in complaints, Ombudsman referrals and negative publicity, including press reporting of the Ombudsman determinations and reviews on social media.

High standard of customer care, the design of our service model and systems which ensure customer enquiries are tracked to resolution and quick response to complaints.

Customer surveys, complaints learnings and senior management oversight of complex cases, reported to Customer Scrutiny Panel to ensure actions meet customer needs. Ombudsman Spotlight reports considered in terms of their impact on Sparrow and providing learnings for service improvements.

Proactive communication campaigns to encourage shared owners to plan their equity journey and understand the benefits of the Shared Ownership product. Active management of service charges to ensure value for money.

Customer service training developed and delivered to staff.

7

DATA QUALITY AND INTEGRITY:

The data used for key management decisions is incorrect, inconsistent or out of date.

Departments across Sparrow have responsibility for data quality.

Oversight of data quality sits with senior leadership within SHGL. They are responsible for challenging the business on improvements and assist in removing blockers to progress.

Reporting checks take place on the quantum of key data held and also check its quality and validity.

8

DATA SECURITY:

A cyber-attack or outage/failure results in Sparrow being unable to use its IT systems, or access its data. Customer data is changed or released without authorisation after it has been transferred from Sage to Sparrow, or during the transition process.

Sage Homes Group's controls are accredited to ISO27001 (2013: Information Security). 3rd Party audit, evaluation and testing are utilised.

SHGL employs an information security manager to oversee data security, manage staff training and improve resilience. All data is held in Microsoft Azure environment.

The Company maintains cyber insurance coverage to help mitigate potential financial losses arising from data security incidents.

Independent review of controls over the transfer data and systems from Sage to Sparrow both during the project and post transfer.

9

INTERNALISATION:

The internalisation plan (bringing the management of service provision in-house) does not deliver a service that is capable of managing Sparrow's operational activities within the required timescale.

Monitoring of implementation of the plan by management, the Sparrow Board and the Task and Finish Group. Identification of obstacles to delivery and agreement of actions to ensure completion of the plan within required timescales.

Potential to extend Sage support beyond that currently agreed in the management agreement, or engage additional external support.

Internalisation plan supported by Sage staff with relevant expertise in delivering services to shared ownership customers.

The Board has sought additional assurance from independent third parties to confirm that the internalisation process has been conducted effectively.

Section 172(1) statement

This section explains how Sparrow's Directors have considered the interests of key stakeholders and the broader matters set out in Section 172(1) (A) to (F) of the Companies Act 2006 when performing their duty to promote the success of the Company under that section of the Act.

(A) THE LIKELY CONSEQUENCES OF ANY DECISION IN THE LONG TERM

Providing shared ownership homes is a long-term business. In addition to preparing a five-year corporate plan and related budget, we also prepare a 30-year long-term financial plan which is stress-tested against severe-but plausible scenarios to ensure that it is robust. Underlying that is the work of the Board in ensuring strong, long-term relationships with our customers and other stakeholders, based on the quality of our properties and to ensure they are highly satisfied with the service we provide.

(B) THE INTERESTS OF EMPLOYEES

During the year, Sparrow did not directly employ its own staff, but services were provided to it by Sage Homes under contract. During 2025 Sparrow will move to directly employing its own staff. The Board has carefully considered and agreed the terms and conditions of employment for Sparrow's new employees, and believes it will offer a place to work that helps staff provide the best possible service to its customers.

(C) THE NEED TO FOSTER BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

Sparrow puts its customers and excellent customer service at the heart of its business, and the customer experience is central to Sparrow's values. The Board closely monitors performance in delivering services to Sparrow's customers and receives feedback on customer satisfaction through surveys following individual transactions, and through more general surveys.

Findings across the two types of surveys are analysed and used to inform changes to Sparrow's approach to customer service, which is designed to improve the customer experience.

The Customer Scrutiny Panel is made up of an independent Board Director and five of Sparrow's customers. It meets four times a year and its purpose is to ensure that customers have a voice in the design and quality of the services provided by Sparrow. It holds the Sparrow Board to account by reviewing and challenging the decisions taken by Sparrow.

Sage Homes, as service provider, liaises with its suppliers to minimise any risks to the Company and also to embed best practice in a number of areas throughout our supply chain. Supporting and engaging with our suppliers makes sure we are in a position to receive the best possible outcomes for customers. We are open and honest in our dealings and keep our promises. As stated in Sparrow's Modern Slavery Act statement we have processes in place to make sure that modern slavery or human trafficking do not occur in our supply chain or operations. This is supported by our supplier code of conduct.

(D) THE IMPACT OF THE COMPANY'S OPERATIONS ON THE COMMUNITY AND ENVIRONMENT

The Board considers the impact of its operations on the community and the environment in all its decision-making. Sparrow homes were built with environmental impact in mind, with high ratings for energy efficiency.

(E) THE DESIRABILITY OF THE COMPANY MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

The Board has adopted the UK Corporate Governance Code. In addition, it periodically reviews and approves key policies related to business conduct, such as the Code of Conduct, Probity and Anti-Bribery Policy, Fraud, and Gifts and Hospitality Policies, and the Modern Slavery Statement, to make sure that its high standards are maintained both within the organisation and in our business relationships. The Board has also approved a Whistleblowing Policy to encourage reporting of any concerns about business conduct. Sparrow is committed to ensuring that workforce training on these matters is kept up to date. The Board will also monitor Sparrow's culture to make sure our values are fully embedded in organisational behaviours.

(F) THE NEED TO ACT FAIRLY AS BETWEEN MEMBERS OF THE COMPANY

Sparrow Shared Ownership Limited is a single-member company and our investor has appointed Directors who participate in board meetings.





Governance

For the Sparrow Board, governance is not just a question of regulatory compliance but a rigorous approach to ensure we have the structures and practices in place to help us remain a successful and sustainable business, delivering high quality homes and excellent services for our customers.

Committed to the highest standards of corporate governance



The change from Sage Housing to Sparrow Shared Ownership gave the new Board an opportunity to review the governance of Sparrow and carefully consider how we can ensure it operates to the highest standards. In particular, we have been considering the future and how we transition from services provided by Sage, to having our own staff with a sole focus on our shared ownership customers.

Since August, the Board has given a lot of attention to our governance framework: Do we have the right skills on the Board? Do we have the right Committees with the right terms of reference? How should decisions be made or delegated, and how do we exercise scrutiny, monitor performance, assess risks and seek assurance around controls? How do we best consult with our customers, so we can deliver excellent services?

We believe that we have a strong corporate governance framework in place, but we are not complacent and will be monitoring our own performance closely in the year ahead.

David Avery
Chair of the Board

THE BOARD

An experienced team



David Avery

(Chair of the Board; Member of Remuneration and Nomination Committee)

David served on the board of Clarion Housing Group for nine years, stepping down in July 2024. He was Chair of the group board for the last five years of his term. David has served on the boards of various housing associations for 20 years, notably as Chair of the Boards of Saxon Weald Homes, Peabody subsidiaries CBHA and Gallions, and most recently Clarion's Housing Association. Prior to his NED appointments David held various management roles in the global semiconductor capital equipment industry concluding as President of European Operations for Novellus Systems Inc.



Amanda Davies

(Member of Audit, Risk and Assurance Committee)

Amanda has more than 30 years of experience as an executive in the affordable housing sector. Latterly she was CEO of Pobl Group, the largest RP in Wales. Pobl owns and manages over 21,000 homes and has 2,500 staff. Amanda is a qualified accountant and has held several non-executive roles which have included education, affordable housing, economic regeneration and the charity sector. She is currently Chair of Valleys to Coast Housing Association, a member of the Board of Marie Curie Cymru and has a governance role with Welsh Water recruiting its membership.



Eamon Ray

Eamon Ray is the Head of Private Credit and Alternative Income at USS. He is responsible for managing USS' activities across credit, alternative income and matching asset classes, including a team of 30 personnel and £10bn+ of assets under management. Eamon has led the team's sourcing, investment and asset management activities across a wide variety of sectors including social housing, equity release mortgages and property development finance. He holds multiple Board positions including at Registered Providers in the social housing space as well as at specialty finance businesses. Prior to joining USS, Eamon worked at GE Capital and Deloitte. He is a member of the Institute of Chartered Accountants of England and Wales, and is a CFA Charterholder.



Andrew Rose

(Member of Remuneration and Nomination Committee)

Andy is an experienced non-executive director. He is a former chief executive of the Homes and Communities Agency (HCA), the non-departmental public body that was responsible for the country's affordable housing investment and delivery programmes, until 2016. The HCA was replaced by Homes England in 2018. His previous roles include chief executive, Infrastructure UK, HM Treasury; executive board member, Partnerships UK PLC; Partner, AgFe; and Managing Director, Canadian Imperial Bank of Commerce.

Biographies of the Board of Directors can be found online at: <https://www.sparrowsharedownership.co.uk/about-us/our-people/>

THE BOARD



Sarah Wall

(Chair of Remuneration & Nomination Committee;
Member of Audit, Risk and Assurance Committee)

Sarah is a former independent member of the English social housing regulator's regulation committee. She was formerly a senior funder of social infrastructure within the pensions and insurance industry, at Prudential, the Pension Protection Fund and Aviva. She has extensive risk and governance experience, including as head of investment risk at insurance company the Pension Insurance Corporation. Previous Board roles have included Chairing the Credit Committee and sitting on the board of Saltire Housing, the funding vehicle for the UK Government's latest £6bn Affordable Homes Guarantee Scheme.



Jonathan Wallbank

(Chair of Audit, Risk and Assurance Committee)

Jonathan Wallbank is an independent non-executive director at Sparrow and chair of its Audit, Risk and Assurance Committee (ARAC). Jonathan is a certified chartered accountant with a wealth of experience in the social housing sector. He is currently Group Finance Director at a large Registered Provider and has just completed his term of office as an independent member of the Board at Rooftop Housing, where he was deputy chair of its Audit and Risk Committee. Prior to joining the social housing sector Jonathan worked for the US retail chain Gap.

KEY PERSONNEL



Mark Sater

(Acting Managing Director)

Mark joined Sage Homes in 2020, having previously been an adviser to Regis Group, and was appointed as an Executive Director in July 2021. Mark has led organisational transformation and growth across a range of sectors and geographies. His career includes two decades in consumer goods and retail, and a decade in regulated medical devices. His significant management and board level experience has included roles as Chief Executive Officer, AccuMED Corp LLC, Chairman of Amoena Medizin-Orthopadie Technik GmbH and Managing Director of Overland Group Ltd. He is a Chartered Accountant by training.



David Mullin

(Acting Finance Director)

David joined Sage in June 2021 taking on responsibility for the Finance function including FP&A, Financial Control and Tax and Treasury. In his current role, he is responsible for leading on the delivery of new homes for Sage, sales and lettings, and the IT function. Prior to Sage, David spent eight years at Berkeley Homes leading on finance and operational matters on large mixed-use multi-tenure regeneration schemes across South and East London.

Biographies of the Board of Directors can be found online at: <https://www.sparrowsharedownership.co.uk/about-us/our-people/>





Governance structure summary

Sparrow Shared Ownership Limited (Sparrow) is a UK-registered company limited by shares and a Registered Provider of social housing. It is a wholly-owned subsidiary of Sparrow Housing Group Limited – a REIT registered in Jersey, through which Universities Superannuation Scheme (USS) holds its investment in Sparrow. Sparrow's primary activity is the provision of shared ownership homes.

THE BOARD

ROLE AND RESPONSIBILITIES

In accordance with its Articles of Association, the Directors are responsible for the management of Sparrow's business. The Board consists of six Directors, the majority of whom are independent of the investor. The Board leads the organisation through a framework of prudent and effective controls. It sets Sparrow's strategy and is collectively responsible for the long-term success of Sparrow. The Board holds the executive management to account for the delivery of the Corporate Plan. The Board keeps in mind the requirements of all its stakeholders, in particular its customers and investors.

CHAIR

ROLE AND RESPONSIBILITIES

The Chair leads and manages the Board and is responsible for its overall effectiveness. The Chair sets the agenda, style and tone of discussions and promotes open debate and effective decision making. The Chair ensures that the Board delegates sufficient authority to its Committees as well as to the Acting Managing Director and their team to manage the day-to-day effectiveness of the organisation.

BOARD COMMITTEES

ROLE AND RESPONSIBILITIES

The Board delegates certain responsibilities to these Committees. The Committees help ensure Sparrow meets best practice by providing increased capacity to focus on key areas of governance. The Committee members are Non-Executive Directors.

AUDIT, RISK AND ASSURANCE COMMITTEE

ROLE AND RESPONSIBILITIES

Monitors the integrity of Sparrow's financial statements and reviews significant accounting and reporting judgements. Monitors the effectiveness of the organisation's internal control framework. Oversees the relationship with, and work of, the internal and external auditors. Advises the Board on risk appetite, tolerance and strategy. Oversees the organisation's identification and management of risk.

> See page 34

REMUNERATION AND NOMINATION COMMITTEE

ROLE AND RESPONSIBILITIES

Determines the remuneration of the Leadership Team and the Chair and makes recommendations to the Board on the remuneration of the non-executive Directors. Advises the Board on the structure, size and composition of the Board. When required, oversees Board recruitment, taking into account the challenges and opportunities facing the organisation, and the skills, knowledge, experience and diversity needed on the Board in the future.

> See page 36

ACTING MANAGING DIRECTOR

ROLE AND RESPONSIBILITIES

The Acting Managing Director leads the Executive Team and is accountable for Sparrow's performance, consistent with the purpose, strategic plan and risk appetite agreed by the Board. They ensure that the flow of information to the Board is accurate, timely and clear. They are responsible for developing and maintaining effective management systems and internal controls.

NON-EXECUTIVE DIRECTORS

ROLE AND RESPONSIBILITIES

The Non-Executive Directors contribute to the development of the organisation's strategy. They scrutinise and constructively challenge the performance of management in the execution of Sparrow's strategy. They advise and contribute to Board debate based on their broad business experience, professional skills and knowledge of the housing sector. The majority of Non-Executives are independent as defined by the Code.

CUSTOMER SCRUTINY PANEL

ROLE AND RESPONSIBILITIES

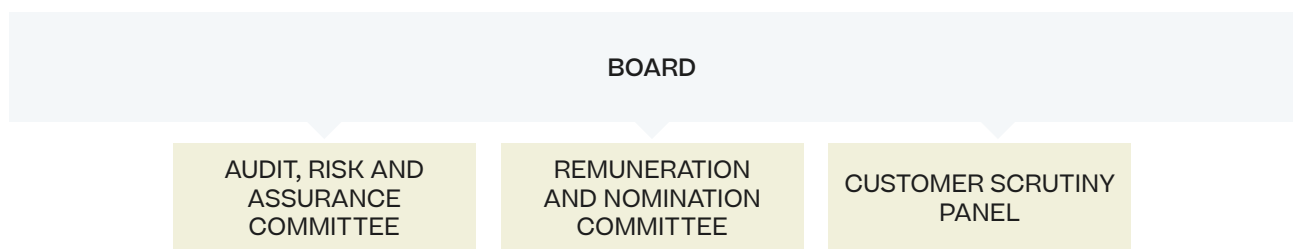
A customer panel chaired by a Non-Executive Director. Aims to drive service improvement by helping Sparrow listen to and understand what customers have liked or disliked about living in a Sparrow home.

Corporate Governance Report

GOVERNANCE FRAMEWORK

The Board of Sparrow understands that good governance is of fundamental importance in achieving its corporate purpose. A sound corporate governance framework provides the structure to enable the Board and Sparrow to operate in an effective way for the benefit of its investors, customers and other stakeholders.

The Chair and the Acting MD maintain a close working relationship to ensure the integrity of the Board's decision-making process and the successful delivery of Sparrow's strategy. The Board evaluates the membership of its individual Board committees on an annual basis and the Board committees are governed by terms of reference which detail the matters delegated to each committee and for which they have authority to make decisions. The terms of reference for the Board and the Committees can be found on Sparrow's website.



COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2024 (THE CODE)

Sparrow Shared Ownership Limited has adopted the Code, which operates on a 'comply or explain' basis. Certain provisions of the Code are designed to apply to listed companies with multiple shareholders and during 2024 the Company did not comply with those provisions:

- Provision 4:** Actions to be taken regarding votes cast against AGM resolutions
 This provision is not applicable as Sparrow is a private company with one shareholder and has decided not to hold an AGM.
- Provision 12:** Board to appoint a Senior Independent Director (SID)
 Owing to the small size of the Sparrow Board, no SID has been appointed since its inception in August 2024. The Board will keep its decision not to appoint a SID under review. As a suitable, alternative arrangement, the Chair of the Remuneration and Nominations Committee will lead on the assessment of the Chair's performance.
- Provision 15:** Additional external appointments should not be undertaken without the prior knowledge of the Board
 As appropriate for the Directors of a private company, new external appointments are undertaken with the approval of the Chair and ratified at the next meeting of the Board.
- Provision 18:** All Directors should be subject to annual re-election
 This is not appropriate for a single-member private company. Directors are appointed for terms of office of up to three years, and may serve further terms of office up to a maximum total of nine years. Sparrow's parent retains the ability to appoint or remove any Director.

- Provision 21:** Annual Review of Board Performance
 The Sparrow Board did not assess its collective effectiveness during the year ending 2024 as it was an entirely new Board which had only been operating since August. The new Board members' skills and expertise were assessed during recruitment and they also completed a self-assessment on joining Sparrow. Sparrow anticipates carrying out a review of its board's performance during 2025.
- Provision 36:** Director share schemes
 This is not applicable to Sparrow as a single-member private company.
- Provision 38:** Annual Report on remuneration to include description of malus and clawback provisions
 Sparrow is in its first year of operation as a standalone organisation and is still developing a bonus scheme which will include malus and clawback provisions as appropriate.
- Provision 41:** Report of Remuneration and Nominations Committee to include description of remuneration principles
 Although Sparrow materially complies with the main elements of the provision in its reporting, it did not comply with the following detailed requirements, as it did not employ any staff during 2025:
 - reference to pay ratios and pay gaps
 - whether the remuneration policy operated as intended in terms of company performance and quantum
 - what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy
 The company expects to be fully compliant with this provision for the financial year 2025.

Subject to those explanations, Sparrow was compliant with the Code during 2024.

REGULATORY STANDARDS

During 2023, Sage Housing Limited underwent an In-Depth Assessment (IDA) by the Regulator of Social Housing (RSH) and was judged as reaching the highest G1* standard for governance and the second highest V2* standard for viability. This means that Sage Housing Limited met the RSH's governance requirements. It also met the viability requirements, and had the financial capacity to deal with a reasonable range of adverse scenarios, but needed to manage material risks to ensure continued compliance. Following the sale of Sage Housing Limited and the change of name to Sparrow Shared Ownership Limited, the new Board has reviewed its ongoing compliance and can confirm that Sparrow has complied with the Governance and Viability Standard and all other relevant economic and consumer standards as set out by the RSH during the 2024 financial year. Following the transfer, as per normal practice, Sparrow has had its regulatory judgment withdrawn.

AN EFFECTIVE BOARD

Sparrow's Board consists of four independent Non-Executive Directors, one non independent Non-Executive Director and one investor Director, and is responsible for overseeing Sparrow's activities. In particular, the Board is responsible for establishing Sparrow's purpose, values and strategy, and satisfying itself that these and its culture are aligned. The Board is required to ensure that the necessary resources are in place for Sparrow to meet its objectives and measure performance against them. All Directors must act with integrity, lead by example and promote Sparrow's culture. Non-Executive Directors are required to allow sufficient time to meet their Board responsibilities and provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

The Board is the governing body of the organisation and is collectively responsible for the success of the business. It provides leadership to the organisation and has established a framework of prudent and effective controls that enable risk to be assessed and managed.

Prior to 12 August 2024 the Board comprised:

- Alison Thain OBE, Chair;
- John Brace, Senior Independent Non-Executive Director;
- Cedi Frederick, Independent Non-Executive Director;
- David Godden, Independent Non-Executive Director;
- Gemma Katoky, Non-Executive Director;
- Gareth Llewellyn, Independent Non-Executive Director; (to 3 August 2024)
- Cindy Rampersaud, Non-Executive Director;
- Sydney Taylor, Non-Executive Director and,
- Mark Sater, Chief Executive Officer.

On 12 August 2024, the above directors resigned and the following Directors were appointed:

- David Avery (Chair)
- Amanda Davies, Independent Non-Executive Director
- Eamon Ray, Investor representative Non-Executive Director
- Andrew Rose, Non-Executive Director
- Sarah Wall, Independent Non-Executive Director

On 25 November 2024, Jonathan Wallbank joined the Board as an Independent Non-Executive Director.

DECISION MAKING

A clear division of responsibilities is in place at the head of the organisation. The Chair is responsible for the smooth running of the Board and the Acting Managing Director is responsible for the day-to-day management of the business and the building of an effective executive management team to deliver the objectives of the organisation.

The Board operates within a schedule of matters reserved for its decision. The Board has delegated certain activities to formal committees which operate within defined terms of reference. The Board and its committees have a timetable of work to ensure all these matters are considered as well as additional issues that arise during the year. The Board is provided with good quality papers as a basis for sound decision making and discusses and challenges matters brought to it for decision. Detailed minutes summarise the debate and record the decisions made at each meeting.

The Board has established procedures to ensure that the disclosure and management of any actual or potential conflicts of interest are carried out correctly.

The biographical details of the Directors of Sage Homes RP Limited are shown on pages 24 to 25.

DIVERSITY AND INCLUSION

At Sparrow, we firmly believe that having an inclusive and diverse workplace will support us in our ambition to deliver excellent customer service and aims to promote diversity in the hiring of new employees and in creating opportunities for individuals to progress their career within Sparrow.

The gender diversity of the Board reflects Sparrow's commitment to gender equality. The Board members bring a broad base of professional experience. The Remuneration and Nomination Committee is responsible for reviewing the composition and balance of skills of the Board, to ensure they remain appropriate and diverse. The Remuneration and Nomination Committee will also oversee the comprehensive and tailored induction programme offered when new Directors join the Board. The gender balance of the Board at the end of 2024 was 66% men, 44% women.

DIVISION OF RESPONSIBILITIES

The Board's primary role is to provide leadership and to ensure that Sparrow is appropriately managed within a framework of prudent and effective controls and core values, while delivering long-term shareholder value. The Board is responsible for Sparrow's strategy, corporate culture, governance framework, risk management and internal controls, risk tolerances and its compliance obligations under the regulatory system.

The Board is committed to ensuring good governance throughout Sparrow and for instilling its culture, customer focus, sustainable decision making, and social responsibility. These values are reflected in the policies and directions from the Board, as well as in its support, review and challenge of Sparrow's affairs when engaging with executive management and other stakeholders.

EXECUTIVE MANAGEMENT TEAM

Day-to-day execution of the strategic plan through their operation of Sparrow's business is the responsibility of the executive management team whose authorities are delegated from the Board and set out in the Standing Orders and Financial Regulations.

BOARD AND COMMITTEE ATTENDANCE AT SCHEDULED MEETINGS IN 2024

In 2024, the Board and Committees held a number of scheduled meetings at which senior executives, external advisors and independent advisors were invited, as required, to attend and present on business developments and governance matters. The meetings either took place by Microsoft Teams, or in person. There is a comprehensive Board pack and agenda which is circulated beforehand so that Directors have the opportunity to consider the issues to be discussed. Company secretarial services are provided by Sage Housing Group Limited (SHGL), and a suitably experienced employee attended all Board meetings.

At its meetings, the Board scrutinises the performance of Sparrow and the services provided to it by Sage Homes. The Board has set clear agreed goals and objectives and through strategic and operational reporting effectively monitors the performance and the delivery of these goals as well as risks, uncertainties and future prospects.

The Board has delegated certain of its activities to standing committees. These committees operate within defined terms of reference which are reviewed annually. During 2024 the committees were:

- Audit, Risk and Assurance Committee (page 34)
- Remuneration and Nominations Committee (page 36).

The Board of Sparrow met five times between its inception in August 2024 and the year's end in December 2024.

ACTIVITIES AND CONSIDERATIONS DURING 2024

During the year the Board received regular reports on plans and performance from senior managers and updates from the Board Committees, in addition to the minutes of their meetings.

Prior to the sale of the Company to USS, the Board focused on satisfying itself that the sale was in the best interests of the Company and that the new Board and investor would be able to continue to meet the regulatory requirements for a Registered Provider.

Following the sale, the new Board has focused on improving performance for customers and on preparing to transfer management services in-house.

REGULATORY SELF-ASSESSMENT

Over the course of 2024, Sparrow has worked to strengthen its compliance with the Regulatory Standards through requiring high standards of Sage Homes in the delivery of services.

TRAINING

Training in matters relevant to their role on the Board is available to all Directors. When appointed, new Directors are provided with a full and tailored induction to introduce them to the business and management of Sparrow. The Board has agreed what training or development is needed for the Board as a whole. This is generally delivered either before Board meetings or at away days. In 2024, sessions covered governance requirements, consumer regulations and the requirements of the Regulator of Social Housing.

SUPPORT

The Board is supported by Sage Homes staff who are available to give ongoing advice to all Directors on Board procedures and corporate governance. Directors are also entitled to seek independent advice in relation to the performance of their duties at Sparrow's expense, subject to having first notified the Chair.

RELATIONS WITH STAKEHOLDERS

It is important that the engagement mechanisms with Sparrow's stakeholders remain sufficient.

The Directors have a duty under s172 of the Companies Act to have regard to the interests of key stakeholders and the stakeholder engagement statement is on page 19.

SHAREHOLDER AND INVESTORS

The Board of Sparrow is committed to engaging and communicating with its parent shareholder and investor

in respect of strategy, key decisions and business and operational performance. To this end the investor has nominated and appointed two Directors to the Board. There is a regular dialogue with the investor, which enables the Board to have a clear understanding of their views. Representatives of the investor participated in the Board Strategy Day and attend Board meetings. By mutual consent, the Board and parent have decided to waive the need to hold an Annual General Meeting.

CUSTOMERS

Sparrow aims to put customers at the heart of its business. As a Registered Provider, Sparrow has a duty to engage with its customers and is satisfied that engagement processes are in place so that the views and concerns of customers receive sufficient attention and action from the Board and the executive management team. The Board particularly values the work of the Customer Scrutiny Panel, which is chaired by a Director, Amanda Davies, with customers drawn from across Sparrow's homes.

INTERNAL CONTROL ASSURANCE STATEMENT

The Board has overall responsibility for establishing and maintaining the system of internal control for Sparrow Shared Ownership Limited and for reviewing its effectiveness. The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to identify and manage key risks and to provide reasonable, but not absolute, assurance that planned business objectives and outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of Sparrow's assets and interests.

Under the governance structure, the Board has set up a specialist Audit, Risk and Assurance Committee (ARAC). All audit and risk matters remain the responsibility of the Board, but it delegates detailed scrutiny and evaluation of these matters to ARAC. In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls that is embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which Sparrow is exposed and is consistent with principles set out in the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014. The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, includes the items listed below.

IDENTIFICATION AND EVALUATION OF KEY RISKS

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the significant risks. There is a regular reporting framework on risks to Audit, Risk and Assurance Committee and the Board by the executive team on any significant changes affecting key risks.

EFFECTIVENESS OF CONTROLS

Sparrow Shared Ownership has a comprehensive internal audit programme that is driven by the key risks facing the organisation. A report on the effectiveness of the controls is provided for each internal audit and these are reviewed by the Audit, Risk and Assurance Committee. Reports with Limited or Weak levels of assurance are also considered by the Board.

An annual report summarising the overall opinion on the effectiveness of controls reviewed by Internal Audit during the year is provided to the Audit, Risk and Assurance Committee and the results are reported to the Board.

The Board also receive assurance over the effectiveness of controls from other independent sources, such as through the external audit and ad hoc reviews requested by management and the Board.

MONITORING AND CORRECTIVE ACTION

A process of control self-assessment and regular management reporting on control issues provides assurance to management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements or delivery of Sparrow's services. During the financial year, Sage Homes was the main provider of services to Sparrow. Sage has its own internal audit team, which is supported by PwC, which carries out additional internal audit reviews on Sage Homes' behalf.

CONTROL ENVIRONMENT AND CONTROL PROCEDURES

The Board retains responsibility for a defined range of matters covering strategic, operational, financial and compliance issues, including treasury strategy and new investment projects.

Sparrow has clear administrative, management and supervisory systems of control, agreed and set out by the Board in its Standing Orders and Financial Regulations. These Standing Orders set out the governance structure of Sparrow and the delegated authorities given by the Board to govern its operation. They are reviewed and updated by the Board at least once a year.

INFORMATION AND FINANCIAL REPORTING SYSTEMS

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews management accounts and key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

FRAUD

The Board has a policy on fraud covering prevention, detection and reporting of fraud. A register is maintained of any fraud or potential fraud. The Audit, Risk and Assurance Committee regularly reviews the fraud register.

ANTI-BRIBERY POLICY STATEMENT

Sparrow seeks to maintain the highest standards of ethics and integrity in the way it conducts its business with relevant policies adopted by the Board.


David Avery
 Chair of the Board

13 June 2025

AUDIT, RISK AND ASSURANCE REPORT

Maintaining effective internal controls and risk management



Sparrow Shared Ownership Limited began the year as part of the Sage Homes Group. Its Audit and Risk Committee (chaired by John Brace) operated to a pattern of work around the Sage Homes annual financial reporting cycle, maintaining oversight over the adequacy and effectiveness of the Sage Homes Group's internal control and risk management mechanisms.

Naturally, membership of the Audit and Risk Committee changed completely after the share sale of Sparrow Shared Ownership Limited was completed in August 2024 and the Company left the Sage Homes Group, at which point the new committee was named the Audit, Risk and Assurance Committee (ARAC).

The Committee now comprises:

- Jonathan Wallbank (Chair and Member)
- Amanda Davies (Member)
- Sarah Wall (Member)

The members of the Committee are all Independent Non-Executive Directors of Sparrow. They are appointed by the Board, for a period of three years. This appointment may be extended if the director has performed satisfactorily over their term and still meets the criteria for membership.

Jonathan Wallbank is a chartered certified accountant with extensive and relevant experience in the social housing sector, including a role as the group finance director of a large housing association. Amanda Davies

is a qualified accountant with extensive leadership experience (executive and non-executive) in various roles in and outside the social housing sector, including many years as CEO of the largest social housing provider in Wales. Sarah Wall is an experienced investment risk professional and has previously served as a non-executive director of the Regulator of Social Housing.

The Committee's remit remains the same: oversight of financial reporting, internal controls, audit and compliance and leading on matters of probity and risk. Risk and internal controls are particularly important during this year, as Sparrow begins its life outside the Sage Homes Group. In addition to fulfilling its usual responsibilities, the Committee will be overseeing Sparrow's assurance programme, under which its third-party advisers review, audit and report on the adequacy of the business systems and services that the Sage Homes Group has provided or will provide to Sparrow.

KEY RESPONSIBILITIES OF THE COMMITTEE

Full details of the Committee's Terms of Reference can be found on Sparrow's website. These are reviewed annually and updated whenever laws, regulation or best practice demands this. The key responsibilities of the Committee include, but are not limited to:

- providing advice to the Board on whether the annual report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for stakeholders to assess Sparrow's position and performance, business model and strategy;
- approving Sparrow's Value for Money, Going Concern and Viability statements, included in the annual report;
- reviewing Sparrow's internal financial controls and internal control and risk management systems;
- considering and making recommendations to the Board about the appointment of the external auditor;
- overseeing the Risk Register; and
- advising the Board on Sparrow's risks and overall risk appetite, tolerance and strategy.

ARAC met twice in the year since inception, in September 2024 and December 2024.

SIGNIFICANT AREAS OF RISK

Areas of significant risk encompass risks related to data quality, income reduction, regulatory non-compliance, asset management, and contractor performance, all of which impact service quality and reputation.

Sparrow has in place a risk management and internal control system. The Company's risk register is reviewed at each Committee meeting.

INTERNAL AUDIT

Prior to August 2024 the internal audit service was provided by Sage's in-house internal audit team, supported by PwC where there were conflicts of interests, a need for additional resources, or where the Sage team did not have the appropriate expertise.

The Committee remains responsible for overseeing Sparrow's internal audit function and for monitoring the effectiveness of its work. Beevers & Struthers has been appointed as Sparrow's internal auditors and will be undertaking a number of independent audit reviews during the year on areas of Sparrow's business.

GOVERNANCE

The Committee reviews its Terms of Reference annually, taking into account any legislative and regulatory changes and developments in best practice, to ensure it is operating at maximum effectiveness.

After every Committee meeting, the Committee Chair provides an update to the next Board meeting, and the Board receives copies of the Committee's minutes. During the year, the Committee has had unrestricted access to management, external advisors and training. The Committee is satisfied it has received appropriate, timely and reliable information in order to discharge its responsibilities effectively.

Jonathan Wallbank

Chair of the Audit, Risk and Assurance Committee

13 June 2025

REMUNERATION AND NOMINATION COMMITTEE REPORT

Setting Sparrow up for success



MEMBERSHIP

The Remuneration & Nomination Committee ('R&N Committee' or 'Committee') was formed following Sparrow's sale by Sage Homes on 12 August 2024. Each of the members for the financial year ending 31 December 2024 was appointed to the R&N Committee on 12 August 2024 and continues to be a member. The Committee met five times during the year.

R&N Committee members:

- Sarah Wall (Chair)
- David Avery
- Andrew Rose (also Chair of the Parent)

SUPPORT TO THE COMMITTEE

By invitation of the R&N Committee, senior meetings are attended, when appropriate, by senior executives. For 12 months following Sparrow's inception, the management services agreement between Sage and Sparrow has meant that support services are being provided to Sparrow by the Acting MD, the Acting FD and the Acting HR Director, all of whom are employees of Sage Homes, and representatives of the Acting Company Secretary. Advice and information has also been sought directly where the Committee has felt that such additional contributions would assist the decision-making process. During the year, for example, the Committee has sought advice on recruitment and on remuneration benchmarking in both cases from independent professional services firms.

The Committee's Terms of Reference make clear that the Committee is authorised to take such internal and external advice as it considers appropriate in connection with carrying out its duties.

Sparrow's investor, and the ultimate parent of its group, is kept updated with the deliberations of the Committee and their views are taken into account on proposals put to the Board. Representatives of the investor have attended all R&N Committee meetings as observers.

THE KEY RESPONSIBILITIES OF THE COMMITTEE

The overarching objectives of the R&N Committee are to ensure the recruitment of both Board members and the senior executive team and to ensure that they have the right skills and experience to operate effectively. The Committee also develops and operates remuneration policies which support the strategy, risk culture and promote the long-term sustainable success of the Company. In fulfilment of these objectives, both in respect of nominations and remuneration, the Committee takes into account the provisions of the UK Corporate Governance Code including the requirement, when making decisions on remuneration, to consider clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture – to the extent possible for a quasi-start-up 'for profit' company in the social housing sector. The Committee also seeks to balance the Company's ethos and values, its commercial culture as a 'for profit' Registered Provider and its overriding purpose as a force for good and to provide excellent customer service (taking into account the need to attract and retain people from both the social housing sector and elsewhere who have the right sense of purpose combined with the skills and attitude to deliver against stretching targets).

Key responsibilities of the Committee include:

- recommending to the Board the remuneration of the Chair of the Company, the Managing Director and other designated senior executives;
- reviewing workforce remuneration and related policies and the alignment of performance-related remuneration with culture;
- reviewing the skills, structure, size and composition of the Board and making recommendations to the Board;
- agreeing the appointment and reappointment of any designated senior executives (including the Managing Director and other members of the senior team), the Chair of the Company and the independent Non-Executive Directors; and
- formulating plans for succession for both senior executives and Non-Executive Directors.

ACTIVITIES OF THE R&N COMMITTEE DURING THE YEAR

Key activities during the year ended 31 December 2024 included:

- the recruitment of an additional independent Non-Executive Director to the Board and as Chair of the Audit, Risk and Assurance Committee (Jonathan Wallbank – appointed 25 November 2024);
- the development of the remuneration package for, and the appointment of a permanent Managing Director and oversight of the recruitment process;
- setting in motion and overseeing the recruitment process for other key senior executive roles; and
- the development of a remuneration framework and set of principles on pay.

The Committee has provided oversight for various internalisation related activities; including key operations aspects of HR change management. This has included holding acting executives to account on the Company's planned staffing structure and recruitment process, overseeing staff induction, reviewing and approving Sparrow's new Equality, Diversity and Inclusion (EDI) and other HR policies, reviewing the standard staff contract and developing the Company's corporate culture.

The Committee has sought to reflect the Company's emerging corporate values and culture in all aspects of its operational HR change management. This has encompassed recruitment and remuneration principles, bonus scheme development and the governance framework. This has enabled the Company to build out its bespoke staff offer.

Sarah Wall

Chair of the Remuneration and Nomination Committee

13 June 2025

Directors' Report

The Directors present their report and audited financial statements for Sparrow Shared Ownership Limited (Sparrow) for the year ended 31 December 2024.

It is the Directors' responsibility to prepare the annual report and financial statements and they consider that the annual report and financial statements 2024, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy during 2024.

The Chair's statement and the strategic report, financial report, disclosures of the key performance indicators used to manage the business, and likely future development, together with this section fulfil section 414C of the Companies Act 2006.

PROPOSED DIVIDEND

Prior to the sale of the Company, a dividend of £5m (2023: £nil) was paid. The Directors do not recommend the payment of a further dividend for the period.

CORPORATE GOVERNANCE

Corporate Governance Report is set out on pages 30 to 33.

THE DIRECTORS OF THE BOARD

The Directors who held office during the period, and up to the date of signing the financial statements were:

- John Brace (to 12 August 2024)
- Cedi Frederick (to 12 August 2024)
- David Godden (to 12 August 2024)
- Gemma Katakya (to 12 August 2024)
- Gareth Llewellyn (to 3 July 2024)
- Cindy Rampersaud (to 12 August 2024)
- Sydney Taylor (to 12 August 2024)
- Alison Thain OBE (to 12 August 2024)
- David Avery (from 12 August 2024)
- Amanda Davies (from 12 August 2024)
- Eamon Ray (from 12 August 2024)
- Andrew Rose (from 12 August 2024)
- Sarah Wall (from 12 August 2024)
- Jonathan Wallbank (from 25 November 2024)

The Company Secretary is Sage Housing Group Limited.

The Articles give the Directors the power to appoint additional or replacement Directors within the limits set out. The Directors may exercise all the powers of the Company subject to statute, relevant regulation, the Articles and Standing Orders and Financial Regulations. Directors are not subject to annual re-election. However, the Company's parent retains the ability to appoint or remove (subject to the parental obligations in the ring fencing agreement) any Director from time to time.

DIRECTORS' INTERESTS

Apart from service contracts or Non-Executive Directors' letters of engagement, no contract subsisted during or at the end of the financial year in which a Director is or was materially interested and which is or was significant in relation to the Company's business during the period under review. No Director has any beneficial interest in the Company.

DIRECTORS' AND OFFICERS' LIABILITY

The Company has maintained, throughout the year and to the date of this report, directors' and officers' liability insurance cover in respect of the acts or omissions of its directors and executives and continues to do so. Details of the policy are provided to new Directors on appointment. In common with other companies, Sparrow

has made qualifying third-party indemnity provisions for the benefit of its Directors against liabilities incurred in the execution of their duties.

ANNUAL GENERAL MEETING

By mutual consent, the Board and parent have decided to waive the need to hold an Annual General Meeting and to approve the annual report, financial statements and the appointment of the auditor by written resolution.

INDEPENDENT AUDITOR

Sparrow's auditor for the year ended 31 December 2024 was Deloitte LLP. At the time of signing the accounts Deloitte LLP had not been reappointed auditor for 2025.

POLITICAL AND CHARITABLE DONATIONS

There were no political donations made or political expenditure incurred in the financial year.

Prior to the sale, Sparrow made charitable donations of almost £60,000 (2023: £83,000) through Heart of Sage to help support charities, community groups and those customers most in need.

OFFICES

During the year, Sparrow operated from Sage's two offices, which are based in London and Northampton. Since the year end, Sparrow has licensed its own office premises in London.

EMPLOYEES

During the year, Sparrow had no employees, contracting with Sage Homes to provide services. In 2025, Sparrow will build its own team of directly employed staff.

EQUALITY AND DIVERSITY

Sparrow is committed to providing equal opportunities in employment for all employees and does not discriminate against job applicants or employees in relation to any protected characteristic.

Sparrow takes the issues of equality and diversity seriously. By using the talent and skills available it will build the strong team it requires to deliver the strategy for its business. Sparrow will use job-related objective criteria both in the selection of candidates and when considering development opportunities. Sparrow aims:

- to create an inclusive environment in which individual differences and the contribution of everyone are recognised and valued;
- to provide a working environment that promotes safety, dignity and respect for all;
- not to tolerate any form of intimidation, bullying or harassment;

- to ensure that all training and development is inclusive and accessible to enable the same progression opportunities to all;
- to promote equality in the workplace as a good management practice that makes sound business sense; and
- not to discriminate unlawfully against customers, suppliers or others using or seeking to use Sparrow's services

EMPLOYMENT OF PEOPLE WITH A DISABILITY

Sparrow strongly believes in providing equal opportunities for all employees, including those with a disability. The recruitment, training, career development and promotion of people with a disability are based on the aptitude and abilities of the individual. Where a person with a disability faces a substantial disadvantage in comparison with someone who is not disabled, we will embrace the opportunity to make reasonable adjustments to avoid the disadvantage.

Some examples of reasonable adjustments include:

- adaption of the working environment, for example seating, desk height, ramps and lifts.
- altering the lighting for someone with restricted vision
- allowing a person with a disability to work flexible hours to accommodate their needs
- providing extra support for someone whose disability leads to a lack of confidence
- allowing a person with a disability to take time off for medical check-ups and treatment related to their condition

If an employee becomes disabled while employed by Sparrow, every effort is made to enable them to continue working, either in their original job or in a suitable alternative role. This may include providing appropriate training or other reasonable adjustments.

STAKEHOLDER RELATIONSHIPS

To see how Sparrow engages with its stakeholders refer to the Section 172 statement on page 19.

RESEARCH AND DEVELOPMENT

Sparrow will undertake development to improve its technological and operational infrastructure and create efficiencies. The aim is to improve the service provided to its customers, to increase operational efficiency and to improve compliance with regulatory and economic requirements. Examples of these investments include areas that drive efficiencies and automate manual processes.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the business are detailed on pages 16 to 18.

FINANCIAL INSTRUMENTS

Details of the use and materiality of financial instruments are provided in note 1 to the financial statements.

SECURITIES AND SHARES

Sparrow has no listed securities and there were no shares purchased or acquired under Section 659 of the Companies Act 2006. All transactions relating to share capital are disclosed in note 19 to the financial statements.

During the year a share capital reduction was undertaken to increase distributable reserves. As a result, £202.4m was transferred from share capital to a share capital reduction reserve.

REGULATION

Sparrow Shared Ownership Limited is regulated under the Registered Social Housing Legislation and its Registration Number is 4636. It is incorporated in England and Wales with Company Number 05489096.

STREAMLINED ENERGY AND CARBON REPORTING (SECR) 2024

The Company is required to report under the SECR framework, under the Companies (Directors' report) and Limited Liability Partnerships (Energy and Carbon report) Regulations 2018.

The Company has begun to quantify its environmental impact and define medium and long-term carbon emissions targets, to place us on a course for reaching a zero-carbon future. All emissions reported are from activities over which the Company or has financial and operational control and are classified as follows:

Scope 1: Direct emissions. This includes gas used in void properties, offices and CHP plant.

Scope 2: Indirect emissions (i.e. electricity use): This includes electricity used in void properties, offices and owned communal areas.

Scope 3: Other indirect: This includes emissions from business travel by means not owned by the Company.

In addition to the Company's own corporate activities which are generally administrative in nature. We have also engaged with our supply chain to encourage them to report on their key environmental impacts to allow the Company to make informed procurement decisions.

In line with SECR requirements, the quantity of emissions in tonnes of carbon dioxide equivalent (tCO₂e) resulting from UK energy use relating to gas, electricity and transport fuel within the company has been calculated. A reduction in emissions can be seen which is primarily due to the reduction of the number of properties which were in void, and a reduction in the average number of void days, in 2024 compared to 2023.

The below table provides a breakdown of emissions associated with the Company only and consists of proportional voids and communal energy. The proportion of energy consumption attributable to the Company was estimated based on the number of units owned by the entity as a proportion of the total units across all properties managed by the appointed managing agent, which operates as part of a wider corporate group. There has been a decrease in company emissions between 2023 and 2024 due to the reduction in the proportion of units owned by the entity which were managed by the appointed managing agent as part of a wider corporate group.

ENERGY USE AND CARBON EMISSIONS FOR 2024

Total energy consumption	2024 kWh	2023 kWh
Mains gas	551,365	2,876,642
Mains electricity ¹	145,653	402,394
	697,018	3,279,036

¹The electricity supplied in our head office and the majority of our communal spaces is on a renewable energy tariff

Total gross emissions	2024 tCO ₂ e	2023 tCO ₂ e
Combustion of gas (scope 1)	100	520
Purchased electricity (scope 2)	30	83
	130	603

INTENSITY RATIOS

Our intensity ratios are based on three different drivers, completed homes at year end, per £'m of turnover and per £'m of housing assets.

	2024	2023
Carbon emissions intensity (tCO ₂ e per completed homes)	0.02	0.01
Carbon emissions intensity (tCO ₂ e per £'m turnover)	1.38	0.45
Carbon emissions intensity (tCO ₂ e per £'m housing assets)	0.21	0.08

EXCLUSIONS:

All mandatory fuels have been included with no exclusions. The consumption used by our partnerships which include most of our supply chain, our house builders, residents and property management services, fall out of the scope of our financial and operational control boundaries and for this reason have been excluded from the above calculations.

METHODOLOGY:

The Company occupied office space in two different buildings during the year. We have used actual meter readings and our proportioned square footage to determine consumption figures where the data was not available.

For temporary gas and electricity supplies to our void homes in our affordable housing portfolio we have calculated this based on actual meter readings for the majority of our properties. For any missing/incorrect data average consumption values based on the year are utilised.

Communal areas have been calculated using actual meter readings and carbon figures from invoice data where available. For meters where this information is missing, we have used an average figure for communal spaces to ensure these meters are accounted for.

The amount of transport fuel used by employees for business purposes through grey fleet has been calculated using consolidated mileage claims data and the GHG Conversion Factors for average passenger vehicles. Note we have fleet vehicles in 2024 which have been accounted for in scope 1 emissions, these were not applicable in 2023.

We have used the Governments Greenhouse gas reporting conversion factors for 2024 in all calculations.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Having made enquiries of fellow Directors and of the auditor, each of these Directors confirm that:

- So far as each of the Directors is aware, there is no relevant audit information of which the auditor is unaware; and
- The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

POST-BALANCE SHEET EVENTS

Following the sale of the Company, Sparrow entered into a management services agreement with Sage Housing Group Limited to oversee its operations. This agreement was extended for a further nine months, expiring in February 2026, after which all management services will be provided by Sparrow's own staff.

No other significant events occurred after the reporting period but before the financial statements were authorised for issue.

GOING CONCERN

The Directors have considered it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements. The Directors can report that there are no material uncertainties to Sparrow's ability to continue over a period of at least twelve months from the date of approval of the financial statements. This conclusion has been reached following a full review and scrutiny of the financial position of Sparrow, a review and assessment of the risks facing Sparrow, and discussions with Sparrow's shareholder and investor who have confirmed their intentions to continue to support Sparrow in line with the current business plan.

To support this process the Board has put in place a risk management and internal control system. The Board has determined the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board and the management of Sparrow have maintained sound risk management and internal control systems.

The Directors can report that Sparrow has a considered and well-developed business model to preserve and increase the value of Sparrow's assets and to deliver the objectives of Sparrow in the short and long term.

The Board keeps liquidity under constant review, a process that involves assessing short and long-term cash flow projections, as well as review of Sparrow's business plan. In doing so the Board can identify possible funding requirements and plan for these with Sparrow's management, its shareholder and investor. Key assumptions underpinning the projections are regularly reviewed and updated and are subject to stress testing and sensitivity analysis.

Post the American government's April 2025 trade tariff impositions and subsequent escalations, modifications and the counter tariffs impositions of other countries, the Company's management produced a list of potential impacts, and their severity upon Sparrow. In addition, these potential impacts were cross-referenced to the Company's existing stress-testing and mitigations plans and analysis. Management have undertaken a review of the Company's current and projected operating and financial positions with reference to this analysis. Having reviewed the preceding, the Company's limited exposure to these potential impacts and its resilience, the Directors have concluded there to be no need to qualify their opinion of the going concern nature of the Company pertaining to these matters.

Sparrow's shareholder and investor has confirmed their intentions to continue to ask Sparrow to operate in line with the current business plan. The Directors have a reasonable expectation that Sparrow has adequate resources to continue in operational existence for at least 12 months from the approval date of these financial statements.

VIABILITY STATEMENT

The Directors have assessed the ongoing viability of Sparrow. Each year, on a rolling basis, the Directors draw up a strategic plan for the business, looking ahead to the

next five years, as well as a 30-year financial forecast. The assumptions of the financial forecasts are regularly reviewed.

While the strategic plan reflects the Directors' best estimate of the future prospects of the business, they have tested the assumptions, considered sensitivities, and stress tested the financial forecasts in the context of solvency or liquidity by considering severe but plausible changes, singular and compounding, to the plan's assumptions.

Directors have also assessed Sparrow's ability to modify its plans and capital needs in response to an economic downturn. Finally, the Directors have discussed with Sparrow's shareholder and investor regarding the Company's business plan. The investor has indicated their support for the Company's strategic direction and continues to engage positively in relation to future capital planning.

Following their assessment of the above, and discussions with Sparrow's shareholder and investor who have confirmed their intentions to continue to support Sparrow in line with the current business plan, the Directors have a reasonable expectation that Sparrow has access to adequate liquidity to continue in operational existence for the foreseeable future.

The Directors' Report was approved by the Board on 13 June 2025.

By order of the Board.



David Avery

Chair Sparrow Shared Ownership Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. The Companies Act 2006 and Registered Social Housing Legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the private Registered Provider and of the profit or loss for that period. The Board has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Registered Provider will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the transactions and which disclose with reasonable accuracy at any time the financial position of the Company and to enable it to ensure that the financial

statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

The Board has general responsibility for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the Strategic report includes a fair review of the development and performance of the business and the position of Sparrow Shared Ownership Limited, together with the disclosure of the principal risks and uncertainties it faces.

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

DIRECTORS' CONFIRMATIONS

The Directors consider that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for stakeholders to assess Sparrow Shared Ownership Limited's position, performance, business model and strategy. Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that Sparrow's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

The Statement of Directors' responsibilities was approved by the Board on 13 June 2025.

On behalf of the Board.



David Avery

Chair Sparrow Shared Ownership Limited

Financial statements

Independent Auditor's Report to the members of Sparrow Shared Ownership Limited

1. OPINION

In our opinion the financial statements of Sparrow Shared Ownership Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and the Housing Statement of Recommended Practice 2018 for registered social housing providers (Housing SORP 2018); and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Statement of Cashflows; and
- the related notes 1 to 29.

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).

2. 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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.

3. SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matter that we identified in the current year was: • Impairment of completed SO (Shared Ownership) housing units.
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Materiality

The materiality that we used was £3.6m which was determined on the basis of 1.0% of total assets.

The lower-level materiality that we used for class of transactions, account balances and disclosures which are not related to housing assets was £0.8m which was determined on the basis of 1.5% of revenue.

Scoping

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

4. CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- assessing the cash flow forecasts, sensitivity analysis performed by the Board, and supporting 18-month funding requirements, five-year and thirty-year business plans;
- assessing accuracy of forecasts by comparing actual performance against budget in the current and previous financial year;
- Universities Superannuation Scheme (USS), investor, has refinanced the entity with equity with a view that there will be positive return on investment. We have reviewed the cash flow forecasts and underlying financing assumptions, we note no debt or facilities are held and future forecasts are stable;
- considering the current regulatory requirements published by the Regulator of Social Housing and current macroeconomic conditions including geopolitical and tariff uncertainty in the US; and
- assessing the appropriateness of the entity's going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company'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.

In relation to the reporting on how the company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Impairment of completed SO housing units

Key audit matter description	The company holds a significant quantum of completed housing units. As per note 11 of the financial statements the net book value of completed housing units as at 31 December 2024 was £339.1m (2023: £955.0m). As per note 1 of the financial statements, at each reporting date, the company assesses completed housing units for indicators of impairment in line with the Housing SORP 2018 and FRS 102. Where indicators are identified, a detailed assessment is undertaken to determine the cash-generating unit's recoverable amount. We have identified a key audit matter in relation to carrying value of completed housing units due to the significant judgements required and assumptions used to estimate the recoverable amount. The key assumptions used are discount rate, estimating management and operating costs and expected yields which is subjective in nature. Details of the accounting policies applied are set out in Notes 1 and 11 of the financial statements.
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How the scope of our audit responded to the key audit matter

We obtained an understanding of relevant controls relating to the identification and assessment of impairment indicators of completed housing units.

We evaluated the methodology used by the company to identify impairments and assessed the reasonableness of this approach in line with the Housing SORP 2018 and FRS102. We evaluated management's assessment of potential impairment triggers using our knowledge of the company and wider social housing sector along with the current economic environment.

With the involvement of our property valuation specialists we assessed the assumptions used, such as management costs, operating costs, discount rate, rental yields and any mitigants outlined in management's assessment.

We tested the arithmetic accuracy of the calculation performed by management and performed testing over data utilised within management's assessment. This included agreeing external valuations and agreeing any inputs used in internal valuations.

Key observations

Based on our work performed, we concluded that the carrying value of completed SO housing units is fairly stated.

6. OUR APPLICATION OF MATERIALITY

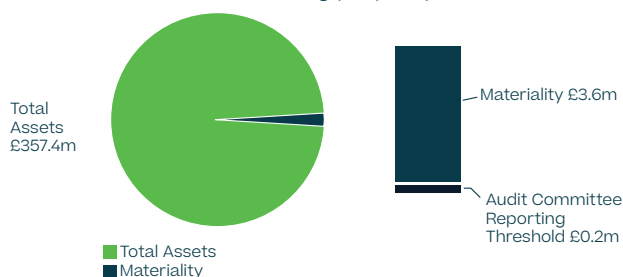
6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£3.6m (2023: £14.8m)
Basis for determining materiality	1.0% of total assets (PY: 1.0% of total assets)
Rationale for the benchmark applied	Total assets is a key performance indicator for users of the financial statements.

Based on our professional judgement, we used a lower level of materiality of £0.8m (2023: £3.3m) determined on the basis of 1.5% (2023: 1.5%) of revenue to apply to account balances, class of transactions and disclosures that are not linked to housing property.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 80% of materiality for the 2024 audit (2023: 80%).

In determining performance materiality, we considered the following factors:

- Our risk assessment, including our assessment of the Company's control environment; and
- The low number of corrected and uncorrected misstatements identified in the previous year's audit.

6.3. Error reporting threshold

We agreed with the Audit, Risk and Assurance Committee that we would report to the Committee all audit differences in excess of £0.2m (2023: £0.7m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit, Risk and Assurance Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

We have obtained the understanding of relevant control in areas including: valuation of housing units, journal entry review, financial reporting process, revenue and payroll. We have also held discussions with IT specialists around the IT control environment and related general IT controls. We have not taken controls reliance approach.

7.3. Our consideration of climate-related risks

Management has considered climate change risks as part of their risk assessment process when considering the principal risks and uncertainties facing the group as explained in their Principal Risks and Uncertainties section of their Strategic Report on page 16. We have:

- completed risk assessment procedures, including assessing whether the risks identified by management are complete and consistent with our understanding of the group; and
- read the climate risk disclosures in the Principal Risks and Uncertainties section of the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. 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 directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, the directors 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 Directors 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 Directors are responsible for assessing the Company'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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- results of our enquiries of management, internal audit, the Directors and the Audit, Risk and Assurance Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's sector;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including property valuation specialists, financial instrument specialists and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: Impairment of SO completed housing units. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Accounting Direction for Private Registered Provider of Social Housing 2022 and the Housing and Regeneration Act 2008.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Company's compliance with regulatory standards set by the Regulator of Social Housing.

11.2. Audit response to risks identified

As a result of performing the above, we identified impairment of SO completed housing units as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

- enquiring of management, the Audit, Risk and Assurance Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant regulatory authorities including HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

12. OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

13. CORPORATE GOVERNANCE STATEMENT

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 40;
- the Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 40;
- the Directors' statement on fair, balanced and understandable set out on page 41;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 17;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 32; and
- the section describing the work of the Audit, Risk and Assurance Committee set out on page 34.

14. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



James Wright (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor
London
United Kingdom

13 June 2025

Statement of Comprehensive Income

for the year ended 31 December 2024

	NOTE	2024 £'000	2023 £'000
Turnover	3	51,388	217,064
Cost of sales	3	(19,612)	(125,709)
Operating costs	3	(14,123)	(44,994)
Surplus on disposal of properties	3	1,968	1,839
Operating profit	7	19,621	48,200
Interest receivable and similar income	8	566	298
Interest expense and similar charges	8	(36,955)	(94,926)
Exceptional income/(expense)	9	19	(148)
Loss before tax		(16,749)	(46,576)
Tax credit/(charge) on loss	10	92	(14,971)
Loss for the year		(16,657)	(61,547)

The results for the current year and prior year derive from continuing operations.

The notes on pages 52 to 65 form part of these financial statements.

Statement of Financial Position

as at 31 December 2024

	NOTE	2024 £'000	2023 £'000
Tangible fixed assets			
Housing properties	11	339,143	1,252,146
Other fixed assets	12	-	1
Total fixed assets		339,143	1,252,147
Current assets			
Financial instruments	13	-	9,173
Stock	14	114	102,420
Debtors: amounts falling due within one year	15	6,589	46,545
Cash at bank and in hand	16	12,844	71,504
Total current assets		19,547	229,642
Creditors: amounts falling due within one year	17	(5,640)	(64,317)
Net current assets		13,907	165,325
Total assets less current liabilities		353,050	1,417,472
Creditors: amounts falling due after more than one year	18	(9,729)	(1,362,205)
Net assets/(liabilities)		343,321	55,267
Capital and reserves			
Share capital	19	429	202,414
Share capital reduction reserve	19	197,394	-
Share premium	19	309,302	-
Profit and loss account		(163,804)	(147,147)
Total shareholders' funds		343,321	55,267

The financial statements of the Company (registered number: 05489096) were approved by the Board of Directors and authorised for issue on 13 June 2025.

They were signed on its behalf by


David Avery
 Director

The notes on pages 52 to 65 form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2024

	Share capital	Share capital reduction reserve	Share premium	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2023	125,447	-	-	(85,600)	39,847
Issue of ordinary share capital	76,967	-	-	-	76,967
Total comprehensive loss for the financial year	-	-	-	(61,547)	(61,547)
At 31 December 2023	202,414	-	-	(147,147)	55,267
Issue of ordinary share capital	409	-	309,302	-	309,711
Transfer from share capital to share capital reduction reserve	(202,394)	202,394	-	-	-
Dividends paid	-	(5,000)	-	-	(5,000)
Total comprehensive loss for the financial year	-	-	-	(16,657)	(16,657)
At 31 December 2024	429	197,394	309,302	(163,804)	343,321

The notes on pages 52 to 65 form part of these financial statements.

Statement of Cashflows

for the year ended 31 December 2024

	NOTE	2024 £'000	2023 £'000
Cash flow from operating activities	20	(101,981)	52,747
Cash flow from investing activities			
Purchase of housing properties		-	(459,916)
Disposals of properties		29,936	518,025
Grants received		-	7,033
Interest received		566	239
Net cash inflows from investing activities		30,502	65,381
Cash flow from financing activities			
New share issues		-	76,967
Dividends paid		(5,000)	-
Loans received		45,601	391,138
Loans repaid		-	(487,876)
Purchase of financial instruments		2,166	(12,570)
Interest paid		(29,948)	(83,930)
Net cash inflow/(outflow) from financing activities		12,819	(116,271)
Net (decrease)/increase in cash and cash equivalents		(58,660)	1,857
Cash and cash equivalents at the beginning of the year		71,504	69,647
Cash and cash equivalents at the end of the year		12,844	71,504
Cash and cash equivalents consist of:			
Cash at bank and in hand		12,844	71,504
Total cash at bank and in hand		12,844	71,504

The notes on pages 52 to 65 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2024

1. ACCOUNTING POLICIES

Sparrow Shared Ownership (the “Company”) is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006, and is registered in England and Wales. The Company is a Registered Housing Provider. The address of the Company is provided on the “Professional Advisers” section, on the IBC.

Basis of accounting

The financial statements are prepared in accordance with FRS 102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and the Housing Statement of Recommended Practice 2018 for registered social housing providers (Housing SORP 2018) and comply with the Accounting Direction for Private Registered Providers of social housing from January 2022 (Accounting Direction).

The Company does not meet the definition of a qualifying entity set out in FRS 102 and has not taken advantage of the disclosure exemptions available to such entities.

The functional currency of the Company is Pounds Sterling (£) because that is the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pounds Sterling and are rounded to the nearest thousand pounds (£'000).

The financial statements have been prepared under the historical cost convention as modified by financial instruments recognised at fair value.

Going Concern

The Directors have considered it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements. The Directors can report that there are no material uncertainties to Sparrow's ability to continue over a period of at least twelve months from the date of approval of the financial statements. This conclusion has been reached following a full review and scrutiny of the financial position of Sparrow, a review and assessment of the risks facing Sparrow, and discussions with Sparrow's shareholder and investor who have confirmed their intentions to continue to support Sparrow in line with the current business plan.

To support this process the Board has put in place a risk management and internal control system. The Board has determined the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board and the management of Sparrow have maintained sound risk management and internal control systems.

The Directors can report that Sparrow has a considered and well-developed business model to preserve and increase the value of Sparrow's assets and to deliver the objectives of Sparrow in the short and long term.

The Board keeps liquidity under constant review, a process that involves assessing short and long-term cash flow projections, as well as review of Sparrow's business plan. In doing so the Board can identify possible funding requirements and plan for these with Sparrow's management, its shareholder and investor. Key assumptions underpinning the projections are regularly reviewed and updated and are subject to stress testing and sensitivity analysis.

Post the American government's April 2025 trade tariff impositions and subsequent escalations, modifications and the counter tariffs impositions of other counties, the Company's management produced a list of potential impacts, and their severity upon Sparrow. In addition, these potential impacts were cross-referenced to the Company's existing stress-testing and mitigations plans and analysis. Management have undertaken a review of the Company's current and projected operating and financial positions with reference to this analysis. Having reviewed the preceding, the Company's limited exposure to these potential impacts and its resilience, the Directors have concluded there to be no need to qualify their opinion of the going concern nature of the Company pertaining to these matters.

Sparrow's shareholder and investor has confirmed their intentions to continue to ask Sparrow to operate in line with the current business plan. The Directors have a reasonable expectation that Sparrow has adequate resources to continue in operational existence for at least 12 months from the approval date of these financial statements.

Turnover

Turnover represents rental and service charge income receivable (net of void losses) and amortisation of social housings grants in accordance with Housing SORP 2018.

Rent and service charge income is recognised on an “accruals” basis from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from first tranche sales is recognised at the point of legal completion of the sale. The first tranche sales value is recognised as the proportion of the property sold, multiplied by the market value determined at the time.

Social housing property grant income is recognised under the accrual model and is amortised over 100 years, starting from when the property is completed, in line with the Company's depreciation policy for the structure of rental-only social housing properties, and as required by Housing SORP 2018.

Value Added Tax

Value added tax (VAT) is charged on income, which forms a taxable supply for VAT purposes and therefore the VAT incurred on related expenditure is recoverable. VAT is not recoverable on exempt supplies. Turnover is shown net of any VAT charged. The financial statements include VAT on expenditure, alongside the cost to which the VAT relates, to the extent that it is not recoverable from HMRC.

Leased assets

The total rental payable under operating leases is recognised on a straight-line basis over the lease term. The Company has not entered into any finance leases.

Housing properties and depreciation

All housing properties are classified as “rented” and are disaggregated into land, structure and a specific set of major components that require periodic replacement. Each component is recognised on the basis of materiality and if the useful economic life is substantially different from the rest of the structure. Depreciation of housing property components is charged so as to write

down the cost of the components to their estimated residual value (the assumption is they are of no residual value), on a straight-line basis, over their estimated useful economic lives. Freehold land is not depreciated.

Component	Years
Housing Structure	100
Roof	50
Windows and Doors	25
Electrical and Heating	25
Bathrooms	25
Kitchens	20
Boilers	10

Under Shared Ownership arrangements, the Company disposes of a long lease equal to between 25% and 75% of the value of Shared Ownership housing units to the occupying leaseholders. The leaseholder has the right to purchase further proportions up to 100% at the then-current valuation. Shared Ownership properties are split between current and fixed assets on initial recognition.

Shared Ownership properties for sale, held as stock in current assets, are stated at the lower of cost or estimated sale proceeds less selling costs and remaining construction costs. The proceeds from the sale of the current asset element (first tranche) are included in turnover and the proportionate cost of the related asset expensed through the profit and loss statement as a cost of sale. The unsold portion of the property (staircasing element) is accounted for as a fixed asset and any subsequent tranche sale is treated as a part disposal of a fixed asset.

Shared Ownership social housing properties are not broken down into components as their tenants are liable for any repairs, and they are not depreciated due to their high residual value.

Other fixed assets and depreciation

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on the following asset categories on a straight-line basis, to write down the cost less estimated residual values over the expected useful economic lives of the assets:

Asset category	Years
Computer Equipment and Software	3
Furniture, Fixtures and Fittings	4
Leasehold Office Properties and Improvements	Over the period of the lease

Impairment of tangible fixed assets

Tangible fixed assets (mainly housing properties) are assessed for indicators of impairment at each reporting date. Where indicators are identified, a detailed assessment is then undertaken to determine the asset's or cash-generating unit's (CGUs) recoverable amount. The recoverable amount will be the higher of fair value less costs to sell, existing use valuation for Social Housing (EUV-SH), or value in use (in respect of assets held for their service potential) (VIU-SP). As allowed by Housing SORP 2018, the Company uses depreciated replacement cost (DRC) as a reasonable estimate of VIU-SP.

Where the carrying amount of an asset or CGU is deemed to exceed its recoverable amount, the resulting impairment loss is recognised in other comprehensive income.

The Company defines CGUs as schemes, except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger CGUs.

Cost of Sales

Cost of sales represents those costs incurred during the course of development of those properties and marketing and other incidental costs incurred during the course of sale of those properties. At the date a sale is recognised all costs are taken to cost of sales.

Exceptional income and expense

Exceptional income and expense represent significant or non-recurring gains or losses arising from transactions or events that are outside the ordinary activities of the Company. This income or expense is recognised when it is probable that the settlement of which is expected to result in an inflow or outflow of economic benefits and can be reliably measured.

Financial assets

Basic financial assets, including tenant debtors, other receivables, cash and bank balances are initially recognised at the transaction price unless the arrangement constitutes a financing transaction, in which case then the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting year, basic financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

Social Housing Property Grant

The grants which have been provided by central and local government to part-fund the construction of the Company's social housing properties are recognised using the accrual model as required by Housing SORP 2018. These are treated as deferred income and amortised as detailed in the turnover policy. The amount due to be amortised in the following year is included in creditors due within one year. The original amount granted may become repayable if the conditions of the grant and not complied with. Social housing property grants, which the Company is entitled to and is reasonably certain of receiving, are included in debtors.

Recycled Capital Grant Fund (RCGF)

The Company has the option to recycle social housing property grants which would otherwise be repayable to Homes England or the GLA to the RCGF. If the amounts set aside in this manner are not used to fund the development of new social housing within a three-year period, they again become repayable, with interest, unless a time extension or waiver is received.

The amounts held within the RCGF which are not anticipated to be recycled or become repayable within one year are included under "creditors due after more than one year". The remainder is included under "creditors due within one year".

Financial liabilities

Financial liabilities, including trade and other payables, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, in which case the instrument is measured at the present value of the future payments discounted at a market rate of interest. These instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Unamortised debt costs are offset against the loan to which they relate.

Derivative financial instruments

The Company entered into derivative financial instruments to manage its exposure to interest rate risk, principally interest rate caps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately irrelevant of whether the derivative is designated as effective hedging instrument.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Provisions

Provisions are recognised for liabilities of uncertain timing or amounts. Provisions are made for specific and quantifiable liabilities, measured at the best estimate of expenditure required to settle a legal or constructive obligation at the year-end reporting date.

Interest payable and financing costs

Interest payable is recognised over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Interest payable on loans is recognised in the statement of comprehensive income and not capitalised to housing properties. Finance costs are amortised across the length of the loan.

Taxation

The tax charge represents the sum of current tax and deferred tax.

The current tax is based on taxable result for the year. Taxable result differs from net result as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable loss and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income,

except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Stock

Stock represents Shared Ownership work in progress and completed properties. Stock is stated at the lower of cost and net realisable value. Cost includes the cost of acquiring land and buildings and development costs incurred during the development period. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

The value of Shared Ownership work in progress and Shared Ownership unsold completed properties is split between fixed assets and stock in the ratio 60:40. This stock is available for sale to the occupier of the completed Shared Ownership property after the first tranche sale has occurred. The occupier has the option, but not the requirement, to acquire additional shares (staircase) until they possess the entire property. The revenue and cost of the staircasing is included in disposals.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, which are described in note 1, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Critical judgements and estimation uncertainty in applying the Company's accounting policies

The preparation of financial statements in conformity with FRS 102 requires management to exercise its judgement in the process of applying the Company's accounting policies. Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the significant management judgements made in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Determining whether an impairment review is required

Determining whether there are indicators of impairment of the Company's housing properties, including those held as tangible fixed assets and current assets, requires judgement. The following are considered to be indicators of impairment, but other events may indicate that an impairment review is required:

- Any issue that was not identified as part of a development's appraisal which results in a material increase in the cost of the development;
- A change in government policy, regulation or legislation;
- A reduction in demand for a property (either by type or location, possibly evidenced by increased voids);
- A reduction in the market value of shared ownership properties; and
- Obsolescence of a property, (i.e. it is planned to regenerate the property by demolishing it). As a result of the impairment consideration conducted at year end, no impairment has been identified and no provisions. Refer to note 11 for

details of the housing properties balance subject to impairment review.

Classification of discontinued operations

Management has considered the requirements of FRS 102 in relation to the classification of discontinued operations and concluded that the transfer of the remaining affordable rent units during the year does not meet the criteria for such classification. The Company has not ceased a separate major line of business, nor has it undergone a fundamental change in its principal activities. It continues to operate within the regulated social housing sector, with its core purpose remaining the provision of affordable housing.

To comply with Accounting Direction 2022, management is required to present a split of tenure type, as presented in notes 3 and 4 of the financial statements. However, as per the above, management notes that the Company continues to operate a single line of business which is to provide affordable housing to tenants on a rent and sale basis. Accordingly, management considers this to be a continuation of the Company's ongoing operations and not one that warrants separate presentation as a discontinued operation.

3. TURNOVER, OPERATING COSTS AND OPERATING LOSS

	2024					2023				
	Turnover	Cost of sales	Operating costs	Surplus on disposal	Operating profit	Turnover	Cost of sales	Operating costs	Surplus on disposal	Operating profit
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing activities										
Social housing lettings	25,460	-	(9,579)	-	15,881	50,635	-	(26,872)	-	23,763
Other social housing activities										
Shared ownership first-tranche sales	25,928	(19,612)	-	-	6,316	166,429	(125,709)	-	-	40,720
Charges for support services	-	-	(4,544)	-	(4,544)	-	-	(18,122)	-	(18,122)
Surplus on disposal of housing properties	-	-	-	1,968	1,968	-	-	-	1,839	1,839
Total other social housing activities	25,928	(19,612)	(4,544)	1,968	3,740	166,429	(125,709)	(18,122)	1,839	24,437
Total	51,388	(19,612)	(14,123)	1,968	19,621	217,064	(125,709)	(44,994)	1,839	48,200

Of the total revenue above, £nil (2023: £nil) was derived from outside the UK.

4. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2024			2023		
	General needs	Shared ownership	Total	General needs	Shared ownership	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from social housing lettings						
Rents receivable net of identifiable service charges	3,787	18,619	22,406	25,714	21,265	46,979
Service charge income	29	2,873	2,902	128	3,369	3,497
Amortised government grants	22	130	152	4	155	159
Total turnover from social housing lettings	3,838	21,622	25,460	25,846	24,789	50,635
Management costs						
Management costs	(1,325)	(3,584)	(4,909)	(10,625)	(4,079)	(14,704)
Service charge costs	(29)	(2,376)	(2,405)	(117)	(2,218)	(2,335)
Maintenance and repairs	(147)	(936)	(1,083)	(2,184)	(1,933)	(4,117)
Bad debts	(2)	(21)	(23)	(162)	(23)	(185)
Depreciation on housing properties	(1,002)	-	(1,002)	(5,351)	-	(5,351)
Other costs	(113)	(44)	(157)	(68)	(112)	(180)
Total operating costs from social housing lettings	(2,618)	(6,961)	(9,579)	(18,507)	(8,365)	(26,872)
Operating profit on social housing letting activities	1,220	14,661	15,881	7,339	16,424	23,763
Void losses	202	325	527	1,069	1,647	2,716

5. KEY MANAGEMENT PERSONNEL

The Company does not employ any staff and all personnel services in relation to the operations of the Company are performed by Sage Housing Group Limited (SHGL), these services are recharged under its services agreement with Sage Housing Limited (now known as Sparrow Shared Ownership Limited), prior to the transaction in August 2024.

The costs disclosed below represent the costs which are recharged to the Company based upon their utilisation of the resources of SHGL and the costs incurred, under the services agreement prior to the transaction in August 2024, and the cost of Directors since the transaction. The proportion of costs recharged is included within amounts disclosed in note 4 and note 26. The key management personnel are defined as members of the Board, and any other person who is a member of the Executive Team.

	2024 £'000	2023 £'000
Non-Executive Directors' remuneration		
Remuneration	130	114
Social security costs	12	12
Total Non-Executive Directors' remuneration	142	126
Average number of Non-Executive Directors for the Company in the year	8	8
Executive Team remuneration for the Company		
Remuneration	566	1,856
Social security cost	43	262
Defined contribution pension contributions	10	39
Total Executive Team remuneration	619	2,157
Average number of Executive Team members for the Company in the year	7	8

During the year, defined contribution pension contributions were made for five (2023: four) key management personnel of SHGL, totalling £10,000 (2023: £39,000). The Chief Executive is a member of SHGL's defined contribution pension scheme. He is an ordinary member of the pension scheme, and no enhanced or special terms apply. The association does not make any further contribution to an individual pension arrangement.

The average number of full-time equivalent Directors during the year ended 31 December 2024 was seven (2023: nine).

	2024 £'000	2023 £'000
Remuneration of the highest-paid Director recharged to the Company		
Remuneration (excluding pension contributions)	155	590
Pension contributions	1	10
	156	600

The table below shows the remuneration including pension contributions for each Director of the Company for their services to Sparrow. Shareholder representative Directors Gemma Katakay, Sydney Taylor and Eamon Ray are not paid for their services. Executive Director, Mark Sater, also receives no separate compensation for his Director role, and his remuneration relates to his role as Chief Executive Officer.

Director remuneration (including pension)		2024 £'000	2023 £'000
Director	Role		
Alison Thain OBE	Independent Non-Executive Director/Chair	10	38
Amanda Davies	Independent Non-Executive Director	15	-
Andrew Rose	Non-Executive Director	20	-
Cedi Frederick	Independent Non-Executive Director	6	21
Cindy Rampersaud	Independent Non-Executive Director	6	21
David Avery	Independent Non-Executive Director/Chair	29	-
David Godden	Independent Non-Executive Director	6	21
Eamon Ray	Non-Executive Director	-	-
Gareth Llewellyn	Independent Non-Executive Director	5	21
Gemma Kataký	Non-Executive Director	-	-
John Brace	Independent Non-Executive Director	7	24
Jonathon Wallbank	Independent Non-Executive Director	3	-
Mark Sater	CEO, Executive Director	156	600
Sarah Wall	Independent Non-Executive Director	23	-
Sydney Taylor	Independent Non-Executive Director	-	-
		286	746

6. EMPLOYEES' INFORMATION

All employees supporting the Company's operations are employed by Sage Housing Group Limited (SHGL), as detailed in note 5. Accordingly, the Company itself does not directly employ any personnel, apart from those acting in their capacity as Directors. The average monthly number of employees (incl. Directors) expressed as headcount and not full-time equivalents during the year was:

	2024 Number	2023 Number
Non-Executive Directors	6	8
Senior managers and executives	1	1
	7	9

	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	129	208
Social security costs	16	21
Defined benefit contribution	-	-
	145	229

None of the Directors had total remuneration exceeding £60,000 in the year (including salaries, performance-related pay, compensation for loss of office and pension contributions paid by the employer).

7. OPERATING PROFIT

	2024 £'000	2023 £'000
Operating profit is stated after charging the following:		
Depreciation of housing properties	1,002	5,351
Depreciation of other fixed assets	1	25
	1,003	5,376
Auditor remuneration (exclusive of VAT)		
In its capacity as auditor of the Company ¹	56	133

¹No other services were provided by the auditor.

8. NET FINANCE EXPENSE AND SIMILAR CHARGES

	2024 £'000	2023 £'000
Interest receivable and similar income		
Interest received on deposits	566	298
Interest payable and similar charges		
Interest expense on loans repayable	(26,430)	(64,035)
Interest expense on amounts owed to related parties	(3,418)	(12,573)
Interest expense on tax payable	(100)	(154)
Revaluation of interest rate caps	(7,007)	(18,164)
Total interest payable and similar charges	(36,955)	(94,926)
Net finance expense	(36,389)	(94,628)

During the year, Sparrow Shared Ownership Limited utilised SONIA derivatives to cap its SONIA rate exposure related to the RCF. These derivatives limited SONIA exposure to an effective rate of no more than 2.50% on £965m of floating rate exposure. On 12 August 2024, the RCF and all unexpired, associated interest rate cap derivatives, were transferred to Sage Homes RP as part of a wider group exercise. Further detail on the interest rate cap derivatives is provided in note 13.

9. EXCEPTIONAL INCOME/(EXPENSE)

	2024 £'000	2023 £'000
Exceptional income/(expense)	19	(148)

As a result of the Company having a mix of taxable and exempt supplies, it has agreed a partial exemption methodology with HMRC and VAT incurred on costs will be recoverable where it relates to taxable supplies and irrecoverable where it relates to exempt supplies. The income/(expense) in the year relates to the partial exemption special method (PESM) adjustment.

10. TAX ON LOSS

	2024 £'000	2023 £'000
Current tax		
UK corporation tax at 25% (2023: 23.5%)	(2,688)	(5,929)
Adjustments in respect of prior periods	799	(4,167)
Tax credit on loss on ordinary activities	(1,889)	(10,096)
Deferred tax		
Origination and reversal of temporary differences	2,896	981
Adjustments in respect of prior periods	(939)	(5,719)
Effect of changes in tax rates	24	(137)
Total deferred tax	1,981	(4,875)
Total tax credit/(charge) for the year	92	(14,971)

The differences between the total tax credit/(charge) shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows:

	2024 £'000	2023 £'000
Loss before tax	(16,749)	(46,576)
Tax credit on loss at standard UK corporation tax rate of 25% (2023: 23.5%)	4,187	10,955
Effects of:		
- Fixed asset differences	-	(909)
- Expenses not deductible for tax purposes	(479)	(75)
- Corporate interest restriction	(6,728)	(14,977)
- Adjustments to tax charge in respect of previous periods	799	(4,167)
- Movement in deferred tax in respect of previous periods	(940)	(5,719)
- Remeasurement of deferred tax for changes in tax rates	-	(79)
- Group relief claim	1,981	-
- Group relief payable	1,272	-
Total tax credit/(charge) for the year	92	(14,971)

The above taxation credit/(charge) is calculated on the basis that the Company will pay for or receive in full, any losses in respect of Group relief claimed or surrendered from related parties.

An increase in the corporation tax rate to 25% effective 1st April 2023, was substantively enacted on 24th May 2021. The UK Corporation tax rate applied for the year was therefore 25% (2023: 23.5%). Deferred tax is calculated using the tax rate for the year in which the temporary differences are expected to reverse. The impact of the rate change is included above.

Gross timing differences:	At 1 January 2024 £'000	Movement in the year £'000	At 31 December 2024 £'000
Tangible fixed assets	(3,843)	3,843	-
Short-term timing differences – financial instrument	(4,080)	4,080	-
	(7,923)	7,923	-

Movement in deferred tax during the year:	At 1 January 2024 £'000	Recognised in income £'000	Recognised in equity £'000	At 31 December 2024 £'000
Tangible fixed assets	(961)	961	-	-
Short-term timing differences – financial instrument	(1,020)	1,020	-	-
Deferred tax liability	(1,981)	1,981	-	-

Movement in deferred tax during the prior year:	At 1 January 2023 £'000	Recognised in income £'000	Recognised in equity £'000	At 31 December 2023 £'000
Tangible fixed assets	10	(971)	-	(961)
Short-term timing differences – financial instrument	(2,149)	1,129	-	(1,020)
Provisions and accruals	2	(2)	-	-
Losses carried forward	5,031	(5,031)	-	-
Deferred tax asset/(liability)	2,894	(4,875)	-	(1,981)

Deferred tax is calculated using the tax rate for the year in which the temporary differences are expected to reverse. An increase in the corporation tax rate to 25% effective 1st April 2023, was substantively enacted on 24th May 2021. The impact of the rate change is included above.

11. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	COMPLETED PROPERTIES FOR LETTING			Housing properties under construction	Total
	Affordable rent	Shared ownership	Total		
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 January 2024	296,867	659,309	956,176	297,159	1,253,335
Under construction	-	-	-	45,230	45,230
Completed	43,659	26,822	70,481	(70,481)	-
Transfers to sister-Registered Providers	(340,526)	(342,246)	(682,772)	(271,908)	(954,680)
Disposals	-	(4,742)	(4,742)	-	(4,742)
At 31 December 2024	-	339,143	339,143	-	339,143
Depreciation:					
At 1 January 2024	(1,189)	-	(1,189)	-	(1,189)
Charge for the year	(993)	-	(993)	-	(993)
Transfers to sister-Registered Providers	2,182	-	2,182	-	2,182
At 31 December 2024	-	-	-	-	-
Net book value:					
At 31 December 2024	-	339,143	339,143	-	339,143
At 31 December 2023	295,678	659,309	954,987	297,159	1,252,146
			2024 £'000		2023 £'000
The net book value of completed housing properties which excludes work in progress and land banked comprises: Freeholds			313,166		788,000

12. TANGIBLE FIXED ASSETS – OTHER FIXED ASSETS

	Leasehold property improvements	Furniture, fixtures and fittings	Computer equipment	Software	Total
	£'000	£'000	£'000	£'000	£'000
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 January 2024	182	218	338	50	788
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 2024	182	218	338	50	788
Depreciation:					
At 1 January 2024	(182)	(217)	(338)	(50)	(787)
Charge for the year	-	(1)	-	-	(1)
At 31 December 2024	(182)	(218)	(338)	(50)	(788)
Net book value:					
At 31 December 2024	-	-	-	-	-
At 31 December 2023	-	1	-	-	1

13. FINANCIAL INSTRUMENTS

	2024 £'000	2023 £'000
Interest rate cap derivatives	-	9,173

Financial instruments consist of interest rate cap derivatives and are recognised at initial cost. The balance includes fair value adjustments related to interest rate cap derivatives which were acquired by the Company to manage its exposure to SONIA-based interest rate risk on the RCF (note 18). In accordance with the Company's policy to ensure at least 80% of the RCF loan balance is hedged using derivatives, the Company acquired two interest rate cap derivatives in the prior year.

On 12 August 2024, the RCF and all unexpired, associated interest rate cap derivatives, being the £215m interest rate cap referenced in the table below, were transferred to Sage Homes RP as part of a wider strategic exercise. The £250m and £500m interest rate caps referenced in the table below expired in February 2024 and were repurchased in Sage Homes RP.

These financial instruments are revalued and adjusted to their fair value through profit and loss during each reporting period. Upon maturity, the cost and any subsequent fair value adjustments of each derivative will be recorded in full in the profit and loss statement. The mid-market valuations are performed by an external industry expert, credit risk is not taken into consideration as the valuation adjustment for credit risk is immaterial. Besides the initial cost of the derivative, no additional collateral is necessary, thereby eliminating any further risk for the Company.

The specific details and fair values of these derivatives are provided in the table below:

Interest rate cap derivatives	Purchase date	Maturity date	Rate capped	2024 £'000	2023 £'000
£215m interest rate cap	20 July 2023	15 August 2024	2.50%	-	4,062
£250m interest rate cap	15 February 2023	15 February 2024	2.50%	-	1,704
£500m interest rate cap	15 February 2022	15 February 2024	2.50%	-	3,407
				-	9,173

14. STOCK

Shared Ownership	Under construction £'000	Completed properties £'000	Total 2024 £'000	Total 2023 £'000
At 1 January	67,603	34,817	102,420	132,465
Additions	13,336	-	13,336	90,829
Transfers to sister-Registered Providers	(69,499)	(27,729)	(97,228)	-
Properties completed	(11,440)	11,440	-	-
Cost of first-tranche shared ownership properties sold	-	(18,414)	(18,414)	(120,874)
At 31 December	-	114	114	102,420

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2024 £'000	2023 £'000
Current tenant arrears	84	208
Amount owed from related parties (note 26)	1,058	13,675
Prepayments	4,691	13,303
Other taxes and social security costs	-	3,397
Corporation tax receivable	730	-
Deposits	25	8,408
Cash held by solicitors	-	6,516
Other debtors	1	1,038
Total debtors: amounts falling due within one year	6,589	46,545

Amounts owed from related parties are unsecured, interest free and repayable on demand.

16. CASH AT BANK AND IN HAND

	2024 £'000	2023 £'000
Cash at bank and in hand	12,844	71,504

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2024 £'000	2023 £'000
Trade creditors	1,440	42,923
Amounts due to related parties (note 26)	-	1,403
Deferred government grant (note 22 and 23)	102	337
Corporation tax payable	-	3,332
Other taxes and social security	9	69
Deferred tax liability (note 10)	-	1,981
Accruals	3,934	13,919
Provisions	-	290
Other creditors	155	63
Total creditors: amounts falling due within one year	5,640	64,317

Amounts due to related parties are unsecured, interest free and repayable on demand.

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2024 £'000	2023 £'000
Bank loans	-	957,491
Amounts due to related parties (note 26)	-	359,338
Deferred government grant (note 22 and 23)	9,729	45,376
Total creditors: amounts falling due after more than one year	9,729	1,362,205
between one and five years	408	1,350
after five years	9,321	1,360,855
	9,729	1,362,205

During the year, the Company held bank loans, supplied on the basis of a five-year revolving credit facility (RCF) entered into in 2019, and upsized and extended in January 2023. The Company was a joint obligor with sister-Registered Provider, Sage Homes RP Limited. During the year, as part of a wider exercise, the RCF was transferred, in its entirety, to Sage Homes RP Limited. At the year-end, the Company was no longer an obligor to the RCF and had an outstanding balance of £nil (2023: £957,491,000).

As part of the wider exercise above, the Company repaid the amounts owed to related parties in full. The Company's weighted average interest rate for amounts owed to related parties is 3% (2023: 3%). These intercompany loans are for a ten-year term. These loans are not secured on the assets of the Company.

19. SHARE CAPITAL

Share capital	2024 £'000	2023 £'000
Shares of £0.0001 (2023: £1.00) each issued and fully paid		
At the beginning of the year	202,414	125,447
Issued during the year	409	76,967
Transfer to share capital reduction reserve	(202,394)	-
At the end of the year	429	202,414
Share capital reduction reserve		
At the beginning of the year	-	-
Transfer from share capital	202,394	-
Dividends paid	(5,000)	-
At the end of the year	197,394	-
Share premium		
At the beginning of the year	-	-
Issued in the year	309,302	-
At the end of the year	309,302	-
At the end of the year	507,125	202,414

The Company has one class of ordinary shares which carries no right to fixed income.

On 18 March 2024, the Directors undertook a capital reduction by reducing the nominal value of each of its 202,414,263 issued fully paid shares from £1.00 to £0.0001 to create distributable reserves in accordance with the solvency procedure set out in section 642 of the Companies Act 2006.

On 12 August 2024, the Company issued 4,085,839,464 shares were issued at a value of £0.075801, with the nominal value of £0.0001 issued to share capital, and the excess to share premium.

20. NOTES TO THE STATEMENT OF CASH FLOWS

	2024 £'000	2023 £'000
Total comprehensive loss for the year	(16,657)	(61,547)
Depreciation	1,003	5,376
Amortised grant	(152)	(159)
Surplus on sale of housing properties	(1,968)	(1,839)
Net interest payable and similar charges	29,382	76,523
Fair value loss on financial instruments	7,007	18,164
Taxation	(92)	14,971
Decrease in debtors	40,521	5,425
(Decrease)/increase in stocks	(102,305)	30,045
Decrease in creditors	(52,769)	(27,719)
Net cash (outflow)/inflow from operating activities	(96,030)	59,240
Tax paid	(5,951)	(6,493)
Total net cash (outflow)/inflow from operating activities	(101,981)	52,747

21. NET DEBT RECONCILIATION

	At 1 January 2024	Cash flows	Non-cash changes	At 31 December 2024
Cash at bank and in hand	71,504	(58,660)	-	12,844
Creditors: amounts falling due within one year	(64,317)	55,058	3,619	(5,640)
Creditors: amounts falling due after more than one year	(1,362,205)	40,601	1,311,875	(9,729)
Net debt	(1,355,018)	36,999	1,315,494	(2,525)

22. HOUSING UNITS

Units owned and managed	2024 Number	2023 Number
General needs rented housing - affordable	-	1,876
General needs rented housing - social	-	153
Shared ownership	3,059	5,652
Total units owned and managed by the Company	3,059	7,681

23. CAPITAL GRANTS

	2024 £'000	2023 £'000
At 1 January	45,342	38,763
New grant recognised	549	17,023
Amortisation	(152)	(159)
Transfers to recycled capital grants fund	(107)	(244)
Transfers to other sister Registered Providers	(35,866)	(10,041)
At 31 December	9,766	45,342
Amounts falling due within one year (note 17)	102	337
Amounts falling due after more than one year (note 18)	9,664	45,005

24. RECYCLED CAPITAL GRANTS

	2024 £'000	2023 £'000
At 1 January	371	107
Grant recycled	98	244
Transfers to other sister Registered Providers	(418)	-
Uplift on grants recycled	11	16
Interest accrued	3	4
At 31 December	65	371
Amounts falling due after more than one year (note 18)	65	371
	65	371

25. CAPITAL COMMITMENTS

	2024 £'000	2023 £'000
Expenditure contracted for but not provided for in the financial statements	-	918,430

In March 2024, as part of a wider group strategy, all affordable rental units and development activities were transferred to its then sister Registered Provider, Sage Homes RP Limited.

26. CONTINGENT LIABILITIES

The original amount of social housing property grants may become repayable. In addition to the amounts disclosed in creditors in note 17 and 18, £311,000 (2023: £159,000) of grant has been credited to statement of comprehensive income to date through amortisation.

The timing of any future repayment is uncertain.

27. RELATED PARTY TRANSACTIONS AND BALANCES

On 12 August 2024, the Company was acquired by a UK-based pension fund. Leading up to the acquisition, Sage Housing Limited (now known as Sparrow Shared Ownership Limited) transferred completed and work-in-progress affordable rent and shared ownership units to its then sister-Registered Provider, Sage Homes RP Limited. All completed and work-in-progress units were transferred at cost, and no profit or loss was made on the transfer. These transfers largely completed in March 2024 and repositioned the Company as a Registered Provider focused solely on shared ownership housing.

Alongside the transfer of completed and work-in-progress units, the Company also transferred the associated revolving credit facility (RCF) and any unexpired interest rate caps with the units.

Prior to 12 August 2024, Sage Investments Sàrl was the Company's immediate parent undertaking. Sage Investments Sàrl provided the Company with an unsecured loan. Interest was charged on an arm's length basis at 3% and was capitalised on the loan. The maximum value of which at any time was £244,528,000 (2023: £368,211,000). Following the acquisition of the Company, the loan balance was repaid in full, and the loans were subsequently cancelled. The outstanding balance at the year-end was £nil (2023: £244,528,000). The balance was classified as amounts due to related parties in note 18.

Sage Rented Limited had provided the Company with a £100,000,000, interest-bearing facility. The facility was unsecured and charged interest at 3.0%. On 12 August 2024, following the acquisition of the Company, Sage Rented Limited novated the loan from Sage Housing Limited to Sage Homes RP Limited. The maximum value of the facility at any time was £76,200,000 (2023: £76,200,000). The outstanding balance at the year-end was £nil (2023: £76,200,000). The Company has accrued interest of £nil (2023: £2,286,000) in relation to this debt on the balance sheet. This balance was classified as amounts due to related parties in note 18.

Sage Rented Limited had provided the Company with an additional interest-free loan, which is redeemable on demand. Following the acquisition of the Company, the Company repaid the loan balance in full. The maximum value of the loan at any time was £3,878,000 (2023: £1,738,000). The outstanding balance at the year-end was £nil (2023: £nil). This balance was classified as amounts due to related parties in note 17.

The Company had also provided Sage Rented Limited with an interest-free unsecured loan, which is redeemable on demand. Following the acquisition of the Company, Sage Rented Limited repaid the loan balance in full. The maximum value of the loan at any time was £26,486,000 (2023: £7,387,000). The outstanding balance at the year-end was £nil (2023: £7,387,000). This balance was classified as amounts owed from related parties in note 15.

Sage Housing Group Limited is a related party and provides all management services to the Company. Prior to the transaction, these services were delivered under a group-wide services agreement with Sage Group. Following the transaction, management services have been provided under a separate service level agreement entered into specifically between Sage Housing Group Limited and Sparrow. Following the acquisition of the Company, all amounts owed to Sage Housing Group Limited were settled in full. The Company owed Sage Housing Group Limited £nil (2023: £1,403,000) in relation to these services rendered across the year. This balance is classified as amounts due to related parties in note 17.

The Company provided Sage Homes RP Limited with an interest-free loan, which is repayable on demand. Following the acquisition of the Company by USS, Sage Homes RP Limited repaid the loan balance in full. The maximum value of which at any time was £103,741,000 (2023: £3,919,000). The outstanding balance at year-end was £1,058,000 (2023: £3,919,000). This balance was classified as amounts owed from related parties in note 15.

In 2021, The Blackstone Group International Inc. gained control of St. Modwen properties PLC (St. Modwen) through a share acquisition. The Sage Group has entered into contracts for St. Modwen to deliver affordable homes, for which the Sage Group does not receive any preferential pricing. In March 2024, all affordable rental units and development activities were transferred to its then sister-Registered Provider, Sage Homes RP Limited. Following the acquisition of the Company, St Modwen is no longer a related party. There is no balance provided for in the financial statements although the contracted spend prior year comparative is disclosed in note 24.

Prior to 12 August 2024, The Regis Group was a related party due to its minority shareholding in the Company's parent, Sage Investments Sàrl.

28. ULTIMATE PARENT COMPANY AND CONTROL

The Company's parent undertaking is Sparrow Housing Group Limited, a company registered at IFC 5, St. Helier, JE1 1ST, Jersey. At 31 December 2024, the Company's ultimate parent undertaking and controlling party was Universities Superannuation Scheme Limited, registered in the UK, which is the largest group for which Group accounts are prepared.

29. POST YEAR END EVENTS

Following the sale of the Company, Sparrow entered into a management services agreement with Sage Housing Group Limited to oversee its operations. This agreement was extended for a further nine months, expiring in February 2026, after which all management services will be provided by Sparrow's own staff.

No other significant events occurred after the reporting period but before the financial statements were authorised for issue.

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Registered at Companies House
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