bpha

Half Year Financial Report

For the six months ended 30 September 2021

Love where you live

Contents

CEO Statement – Half year 2021/22

I am very happy that bpha can present such a positive half year report, the details of which are highlighted within the CFO's report. What makes this performance so satisfying is the progress on both the financial and the non-financial aspects, these ensure bpha is able to continue working effectively towards the goals of its 2025/30 Corporate Strategy.

This work falls into three areas;

1. Developing the relationship with and service delivery to our customers
2. Investing in our future operational efficiency / resilience
3. Ensuring that our homes live up to our strapline of, "Love where you live"

To illustrate this progress, I have picked out one element from each of these areas. These examples show two things; firstly, the ambition of our plans and, secondly, how each of these areas is intimately linked in ensuring we meet our purpose and deliver a high quality and reliable customer experience.

Customer Relationship

We have added further modules into our Customer Relationship Management system to respond dynamically to people's enquiries and needs through a single system. There is nothing more frustrating to customers than being 'passed around' inside the organisation in search of someone who can help! Furthermore, we have widened our direct engagement activities through the launch of a bespoke portal which we call 'The Place'. This widens the reach of our conversations and augments the work of our community team and those working with customers to deliver specific programmes. We are clear, the more we hear and understand of our customers' views, the better our service delivery will be.

Operational Efficiency

We have started the implementation of our new Inhouse Maintenance Service. Our goal here is not to replicate an outsourced service internally but to build a 'system' that intrinsically links all elements of service delivery across the organisation. The customer and tenants want the repair done well and within a reasonable timeframe and we will never lose sight of that simple truth. However, we want to build a meaningful and proactive relationship with the customers and tenants that mirrors their needs. To do this their home needs to be at the centre of our world and the primary linkage will be through our new service delivery model. There is an investment cost but, ultimately, we are driven by the fact that if we can do the right things correctly the first time, every time, we will do it more efficiently

Love where you live

The next iteration of our asset management strategy is being developed. As well as addressing the financial fundamentals and component renewal requirements of our properties, it aligns to our new environmental strategy, giving full consideration to the short and medium term 'net carbon zero' goals. The scope takes in the 'place' that our properties are located in so also addresses the quality of communal areas, security and access to open spaces.

I have deliberately avoided talking about the impact of the pandemic and Brexit, although this is referenced elsewhere in this report. Over the last six months our focus has remained firmly on the needs of our customers now but with a very deliberate investment policy to ensure we can continue to do this into the future … whatever that brings.

Kevin Bolt
Chief Executive Officer

Our highlights

172
Affordable homes built
(Sept 2020: 153)

£28.9m
Invested in new homes
(Sept 2020: £21.1m)

19,527
Homes owned or managed
(Sept 2020: 19,323)

G1
Regulator of Social Housing Governance Rating
(Sept 2020: G1)

V2
Regulator of Social Housing Viability Rating
(Sept 2020: V1)

A+ (stable)
Standard & Poor's Rating
(Sept 2020: A+ negative)

£36.1m
Operating surplus
(Sept 2020: £28.4m)

45%
Operating margin on core operating business
(Sept 2020: 45%)

167%
EBITDA MRI (% of similar interest payable and similar charges)
(Sept 2020: 154%)

100%
All homes have met Decent Homes Standard since 2010
(Sept 2020: 100%)

£13.1m
Invested in maintaining and improving existing homes
(Sept 2020: £10.1m)

103
Shared ownership sales
(Sept 2020: 47)

CFO Statement

Our development & sales business delivered an exceptional result for the first half with record property sales at £32.8m. Continued strong performance from our core business gives us significant financial resources to invest in our existing homes and the development program - despite the ongoing uncertainty in the economic environment.

Our organisation delivers across two distinct areas: The core operating business which primarily comprises the stable and resilient social housing lettings; and our more volatile development and sales business. I am very pleased that the excellent performance in both has contributed to an improvement in our credit rating outlook from negative to stable.

Property sales have recovered following the easing of Government restrictions with strong contributions from staircasing in addition to first tranche sales. Turnover for the development and sales business of £32.8m was £18.4m higher than the same period last year.

As a result, our overall operating surplus before interest costs has substantially increased to £36.1m, up 27%, which was primarily driven through a £7.1m increase in the surplus from the development and sales business.

The core operating business continues to be efficient at delivering a strong and stable financial performance. The operating surplus of this business at £25.1m was £0.5m higher than the same period last year.

Core operating turnover has increased by £1.6m compared with the same period last year due to a combination of a rent rise and the addition of new properties into the portfolio. Rental cash collections continue to be carefully monitored and managed as we move into the next phase of the hoped for recovery from the pandemic.

Repairs and maintenance spend of £13.1m is £3.0m higher than last year when our service was reduced to emergency and urgent repairs only for several months due to the pandemic. However, the pandemic combined with Brexit has resulted in issues with the supply of materials and labour which has slowed our repairs spend to below planned levels this year. We are beginning to see inflationary pressures building as a result of these shortages.

We continue to see strong and steady cashflow from our core operating business which improved to £32.1m (2020: £30.2m). Our operating cash flow net of interest, capex and other costs in the first half of the year comfortably covered our interest costs with a surplus of £5.7m to contribute to development spend. Last year we took the opportunity to terminate an interest swap derivative which was paid in April 2021 and this will improve our interest payments in the longer term. Cash holding on the balance sheet has increased to £69.1m from £65.5m at 31 March 2021 year end.

Last year, the pandemic impacted our development and sales business with both development programme and property sales unable to continue at the start of the year. This year has seen a recovery; however, the development programme remains behind expectations due to the same labour and material shortages that are impacting our repairs service. Consequently, development spend during the first half of the year of £28.9m is only £7.8m higher than this period last year. Although our development programme continues to be delayed, as the construction sector struggles to get back to full capacity, we have the financial resources to ensure that we can continue to pursue our ambitious development programme and to invest in the maintenance of existing homes.

Julian Pearce
Chief FinancialOfficer

Operating and Financial Review

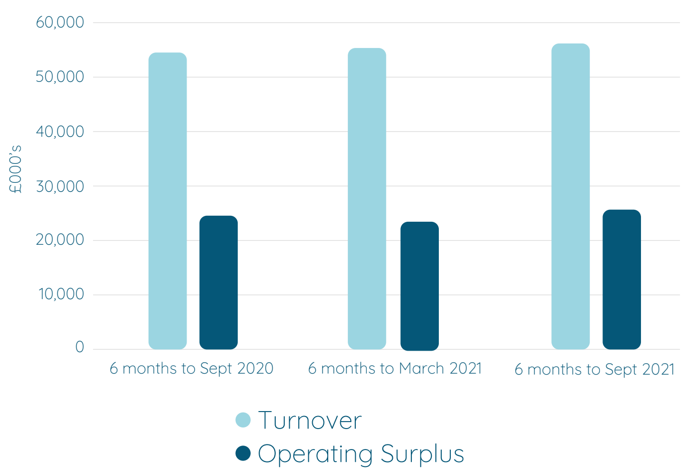
The core operating margin was maintained broadly in line with prior year at 44.9% (2020: 45.2%), as repairs and maintenance costs return to normal levels and we emerge from the pandemic. The total operating surplus grew to £36.1m (2020: £28.4m) and the underlying surplus from operations after interest costs grew to £18.2m (2020: £10.7m). The surplus before tax was £21.8m after movement in fair value of financial instruments in the period.

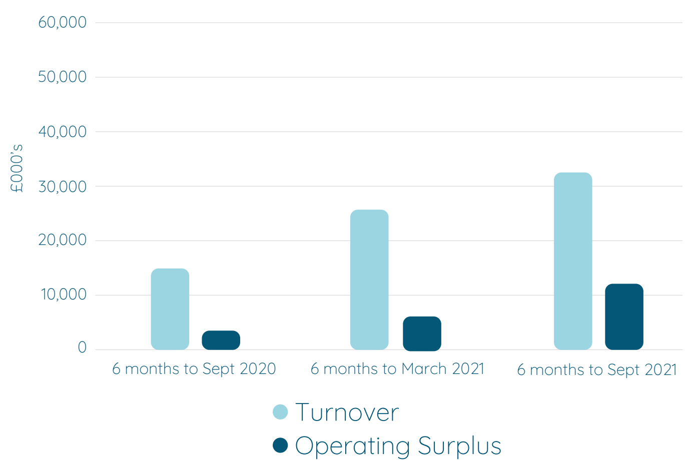
The Core Operating Business

The core operating business continued to perform strongly as turnover increased to £56.0m from £54.4m in the same period last year. This increase results from a rent increase at the start of the year combined with our development program which delivered 172 properties for rent in the period. We target our core operating business to achieve margins above 40% and this continued during the period at 44.9%, which is less than the same period last year, following a return to more normal levels of repairs and maintenance spend.

The Development and Sales Business

The development and sales business experienced reduced numbers of property sales during the first half of last year due to the pandemic. In the first half of this year, the number of first tranche shared ownership units sold has recovered to 103 (2020: 47). Asset sales have also performed well in the first six months of the year, and as a result, turnover has increased to £32.8m (2020: £14.5m). The sales volume increase has driven an increase in surplus of £7.1m compared to the same period last year.





Investment in homes

	No of units at 31 Mar 2021	Aditions	Disposals	No of units at 30 Sept 2021
Homes owned	18,044	172	(99)	18,117
Other properties owned	38	-	-	38
Properties owned	**18,082**	**172**	**(99)**	**18,155**
Properties managed on behlaf of others	1,382	20	(30)	1,372
Total	**19,464**	**192**	**(129)**	**19,527**

Financial Resources

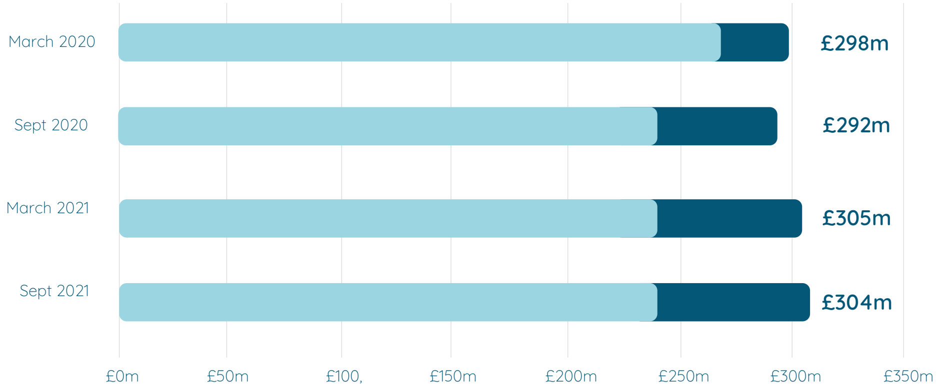
We have strict targets to ensure that sufficient liquidity is available to fund ongoing and planned activities. At 30 September 2021, £869m of funding was drawn against total facilities of £1,112m (includes £3m overdraft).

Our cash position has continued to strengthen during the period and at 30 September 2021 we held undrawn debt facilities of £243m with £61m of cash immediately available. This meant that our overall financial resources decreased slightly to £304m. During the six months to September 2021 our liquidity headroom (made up of undrawn facilities which are fully available to draw within 48 hours, plus cash on deposit) has also increased to £264m, which includes all available cash in the group. This strong liquidity means that all future committed developments can be funded from existing facilities, without the need to raise new funding.

Our loan covenants are predominantly based upon interest coverage, asset cover and net debt per unit ratios. Covenants are regularly monitored in accordance with our governance framework and were comfortably met in the period.

We are delighted that our Standard & Poor's rating was reaffirmed at A+ and the outlook was improved from negative to stable in October 2021. This result demonstrates the strong and steady cash flow from our core operating business and the resilience of our operating model. We continue to be one of the higher rated housing associations in our sector.

Liquidity



Committed undrawn facilities Cash

Summary Results

Results for the Period

	Unaudited results for six months to			Audited results year to	
	30 Sept 21 2021/22 £'000	31 Mar 21 2020/21 £'000	30 Sept 20 2020/21 £'000	31 Mar 21 2020/21 £'000	31 Mar 20 2019/20 £'000
Turnover					
Core operating business	55,970	55,821	54,379	110,200	102,961
Development & Sales Business	32,829	25,389	14,471	39,860	41,827
	88,799	**81,210**	**68,850**	**150,060**	**144,788**
Operating Surplus					
Core Operating Business	25,106	23,143	24,589	47,732	44,705
Development & Sales business	10,961	6,653	3,818	10,471	14,812
Fair value adjustments on investment properties	-	1,321	-	1,321	863
	36,067	**31,117**	**28,407**	**59,524**	**60,380**
Operating surplus - Core Operating as a % of turnover	44.9%	41.5%	45.2%	43.3%	43.4%
Operating surplus - Development & Sales as a % of turnover	33.4%	26.2%	26.4%	26.3%	35.4%
Operating surplus - Overall as a % of turnover	40.6%	38,3%	41.3%	39.7%	41.7%
Net interest	(17,888)	(16,686)	(17,754)	(34,440)	(32,653)
Underlying surplus from operations	**18,179**	**14,431**	**10,653**	**25,084**	**27,727**
Movement in fair value of financial instruments	3,663	14,108	(1,582)	12,526	(9.712)
Surplus before tax	**21,842**	**28,539**	**9,071**	**37,610**	**18,015**
Repairs and maintenance	6,766	7,143	6,031	13,174	12,082
Capitalised spending on improvements to housing properties	6,322	8,284	4,073	12,357	14,473
Total spending on repairing and maintaining our housing properties	**13,088**	**15,427**	**10,104**	**25,531**	**26,555**
Earnings before interest, tax, depreciation and amortisation, major repairs included (EBITDA MRI)	33,428	28,845	30,759	59,604	55,438
EBITDA MRI as a percentage of interest payable and similar charges	167%	148%	154%	151%	144%

Statement of cash flows

	Unaudited results for six months to			Audited results year to	
	30 Sept 21 2021/22 £'000	31 Mar 21 2020/21 £'000	30 Sept 20 2020/21 £'000	31 Mar 21 2020/21 £'000	31 Mar 20 2019/20 £'000
Net cash flows from operating activities	32,057	30,004	30,177	60,181	58,683
Interest paid	(19,293)	(19,380)	(19,392)	(38,772)	(38,024)
Operating cash flow net of interest	**12,764**	**10,624**	**10,785**	**21,409**	**20,659**
Improvements to housing properties	(6,577)	(7,706)	(5,864)	(13,570)	(14,063)
Other items	(481)	273	1,561	1,834	839
Operating cash flow net of interest, capex and other	**5,706**	**3,191**	**6,482**	**9,673**	**7,435**
Proceeds from asset sales	15,100	11,773	6,724	18,497	18,536
First tranche shared ownership sales	17,729	13,888	7,476	21,364	23,293
Operating and sales cash flow	**38,535**	**28,852**	**20,682**	**49,534**	**49,264**
Development spend	(28,921)	(24,309)	(21,103)	(45,412)	(82,651)
Net movements in borrowings and deposits	(550)	1,880	18,800	20,680	57,434
Swap breakage costs	(5,440)	-	-	-	-
Net cash flow after development activities	**3,624**	**6,423**	**18,379**	**24,802**	**24,047**

Summary balance sheet

	Unaudited	Audited	Unaudited	Audited
	30 Sept 21 2021/22 £'000	31 Mar 21 2020/21 £'000	30 Sept 20 2020/21 £'000	31 Mar 20 2019/20 £'000
Housing fixed assets	1,263,634	1,248,598	1,232,220	1,224,631
Other assets less current liabilities	117,067	117,305	139,830	117,857
Total assets less current assets	**1,380,701**	**1,365,903**	**1,372,050**	**1,342,488**
Debt (due over one year)	850,578	850,414	862,820	841,307
Other long term liabilities	189,555	196,762	208,679	209,702
Total long term liabilities	**1,040,133**	**1,047,176**	**1,071,499**	**1,051,009**
Reserves	340,568	318,727	300,551	291,479
Total long term funding and reserves	**1,380,701**	**1,365,903**	**1,372,050**	**1,342,488**

Love where you live

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