HALF YEAR FINANCIAL REPORT 2023

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CEO Statement

bpha Chief Executive Officer, Richard Hill

'We listen to customers every day in many ways. Things are extremely tough and the housing crisis continues to be compounded by the extra pressures of rising living costs. We know that good homes make a big difference, providing a foundation for health and wellbeing.'

As we report in our half year accounts, providing and upkeeping decent, affordable homes and working within our communities remains bpha's focus.

We work to understand customers' concerns and expectations and shape our work accordingly. We have prioritised areas that customers tell us matter most. This includes effective repairs, financial inclusion, and tenancy sustainment.

Customer preferences and needs have also determined the nature of our community work. Our new community hubs each have a different focus and include an ethnic foodbank, family zones and advice centres. All are welcoming environments that bring local people together, along with bpha colleagues and partner organisations.

Customers also rightly expect us to get the basics right, provide reliable services and fix things fast. We are pleased that customer satisfaction has improved since our repairs service has been delivered directly by bpha teams rather than contractors. Maintaining these higher standards requires constant attention and we continue to invest in our teams that work directly with customers.

As well as being warm and comfortable we have worked hard to make sure all homes are safe and efficient. Our large-scale investment in regenerating Bedford's tower blocks saw the first site, Ashburnham Court, completed in September 2023. The comprehensive work improved energy efficiency, updating the exterior of the building, replacing windows and transforming the gardens. Work on a second block is underway with more planned over the next few years.

From a solid base we look forward to continuing to develop homes that are both sustainable and warm (87% are currently EPC band C or above) and to provide and care for homes that can provide a foundation for so much more.

The CFO introduction and substance of this report headlines bpha's financial performance since April 2023. Despite operating in an environment of continued macroeconomic stress and having to respond to a range of challenging dynamics for the housing sector, bpha continues with a firm financial footing to deliver for our customers and communities.

I hope you find the report helpful.

Richard Hill
Chief Executive Officer

Our Highlights

158
Affordable homes built
(Sept 2022: 97)

£24.5m
Invested in new homes
(Sept 2022: £24.7m)

19,898
Homes owned or managed
(Sept 2022: 19,664)

G1
Regulator of Social Housing governance rating
(Sept 2022: G1)

V1
Regulator of Social Housing viability rating (Sept 2022: V1)

A+ (stable)
Credit rating from Standard & Poor's (Sept 2022 A+(Stable))

£29.6m
Operating surplus
(Sept 2022: £31.9m)

41%
Operating margin on core operating business
(Sept 2022: 43%)

139%
EBITDA MRI (% of similar interest payable and similar charges)
(Sept 2022: 149%)

100%
All homes have met Decent Homes Standard
(Sept 2022: 100%)

£19.9m
Invested in maintaining and improving existing homes
(Sept 2022: £17.2m)

66
Shared ownership sales
(Sept 2022: 56)

CFO Statement

Our core business continues to perform resiliently in the face of significant market headwinds which include a slowdown in the construction of new homes, increasing interest rates and inflationary pressure on the cost of housing repairs. Our credit rating of A+ (stable) was reaffirmed in October 2023 by Standard and Poor's.

bpha delivers across two distinct areas: The core operating business which primarily comprises the stable and resilient social housing lettings, and our more cyclical development and sales business.

Our core operating turnover has increased by £5.6m 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 are being closely managed as we continue through a period of high inflation which is putting additional pressure on customers' finances. We are also taking action to manage the increased cost of repairs; and overall, the occupational resilience of the core housing portfolio remains strong, with an increase in operating surplus.

Repairs and maintenance spend of £19.9m is £2.7m higher than last year due to an increase in the cost of materials and number of jobs. We launched the second phase of our in-house maintenance service in October 2023. This extends our direct influence over the delivery of electrical jobs, allowing us to further improve in both delivery and customer experience. We expect this will continue to drive long term efficiencies as the new service becomes further imbedded.

Sales of first tranche shared ownership properties have increased, but staircasing transactions have slowed due to high interest rates. As a result, total operating surplus has fallen to £29.6m (September 2022: £31.9m). Increased interest costs further reduced the underlying surplus from operations after interest costs to £12.1m (September 2022: £15.7m). Following the termination of our interest rate derivatives in 2022/23, the surplus before tax, did not benefit from last year's favourable movement in fair value of financial instruments, and reduced to £12.1m (September 2022: £16.8m).

We continue to see strong and steady cash flow from our core operating business which improved to £33.2m (September 2022: £33.1m). 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 £3.1m to contribute to development spend. Cash holding on the balance sheet has increased to £19.9m from £19.2m at 31 March 2023 year end.

Interest rates have risen sharply over the last 12 months, impacting the entire housing market. We have seen a corresponding impact on our development programme, which also faced inflationary pressures related to labour and material shortages. Despite these economic headwinds we have seen development spend during the first half of the year of £24.5m which is only slightly below the level in this period last year (September 2022: £24.7m). Strong development governance and clear hurdle rates help protect our business in a hostile environment for development whilst our strategy means that we continue to invest in the maintenance of our existing homes and remain agile in responding to market opportunities.

Julian Pearce
Chief Financial Officer

bpha Chief Financial Officer, Julian Pearce

Operating and Financial Review

Core performance has been maintained at targeted levels despite the increased cost of living impacting our rental customers. Sales of first tranche shared ownership properties have increased, but staircasing transactions have slowed due to high interest rates. Total operating surplus has fallen to £29.6m (September 2022: £31.9m).

The underlying surplus from operations after interest costs was £12.1m (September 2022: £15.7m) and the surplus before tax, including the movement in fair value of financial instruments, was £12.1m (September 2022: £16.8m).

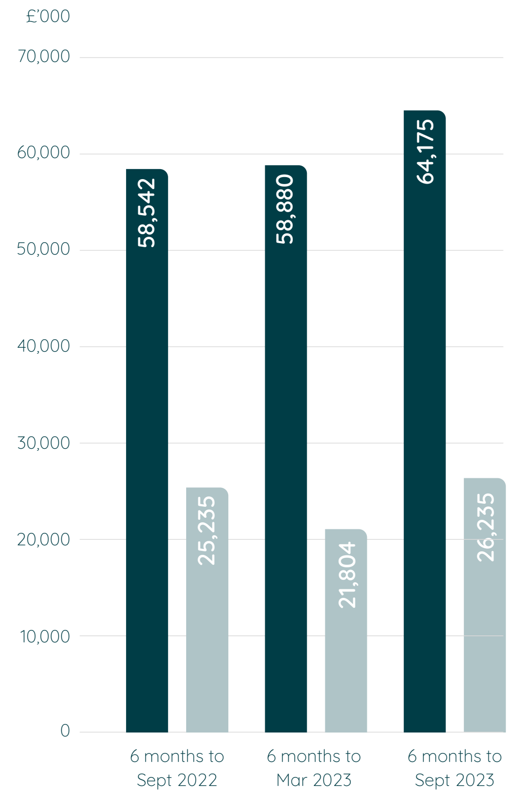
The Core Operating Business

The core operating business continued to perform strongly with turnover increasing to £64m (September 2022: £58.5m). This increase is due to a rent increase at the start of the year, combined with our development programme which delivered 158 rental properties in the period. Our core operating business achieved a 40.9% margin, above our 40% target. This margin is in line with expectations but lower than the same period last year due to the significant rise in repair volumes and costs. The business was also impacted from a higher level of bad debts and increased utility costs.

The Development and Sales Business

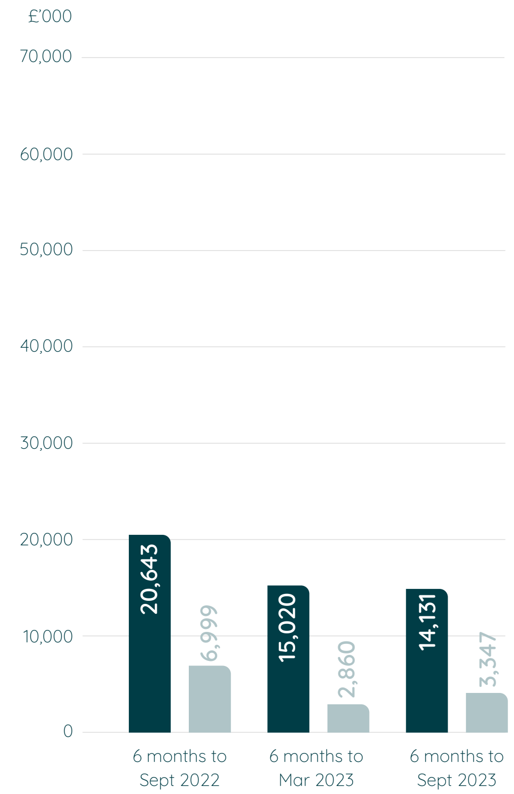
In the first half of this year, the number of first tranche shared ownership units sold increased to 66 (September 2022: 56). Asset sales performance has fallen short of expected levels, due to high interest rates slowing down the staircasing market. Overall turnover fell to £14.1m (September 2022: £20.6m) following the reduction in asset sales. Our regular review of development schemes resulted in a small impairment of £0.3m which contributed to the drop in surplus to £3.3m (September 2022: £6.7m).

The Core Operating Business



Key
- Turnover
- Operating Surplus

The Development and Sales Business



Key
- Turnover
- Operating Surplus

Investment in Homes

	No of units at 31 Mar 2023	Additions	Disposals	No of units at 30 Sept 2023
Homes owned	18,359	158	17	18,500
Other properties owned	31	-	-	31
Properties owned	**18,390**	**158**	**17**	**18,531**
Properties managed on behalf of others	1,367	15	15	1,367
Total	**19,757**	**173**	**32**	**19,898**

Financial Resources

We maintain strict targets to ensure that sufficient liquidity is available to fund ongoing and planned activities. At 30 September 2023, £873m of funding was drawn against total facilities of £997m (includes £3m overdraft).

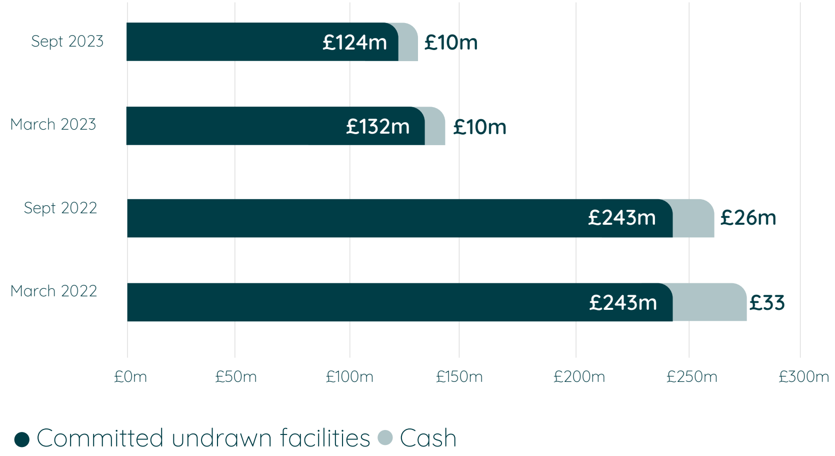
After the reduction of undrawn facilities in March 2023 to reflect our reduced development pipeline, we still retained strong liquidity during the first six months of this year. This strong liquidity means that all future committed developments can be funded from existing facilities, without the need to raise additional funding. Our liquidity headroom (made up of undrawn facilities which are fully available to draw within 48 hours, plus immediately available cash), was £134m as at 30 September 2023.

Strong operational cashflow along with asset sales covered a major part of our development spend, with the remaining costs met by £8.0m of borrowing from our liquidity facilities.

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.

In October 2023 Standard & Poor's reaffirmed our credit rating as A+ (stable) and the Regulator of Social Housing reaffirmed our governance (G1) and financial viability (V1) ratings in November 2023.

Liquidity



Summary Results

Results for the Period

	Unaudited results for six months to			Audited results year to	
	30 Sept 23 2023/24 £'000	31 Mar 23 2022/23 £'000	30 Sept 22 2022/23 £'000	31 Mar 23 2022/23 £'000	31 Mar 22 2021/22 £'000
Turnover					
Core Operating Business	64,175	58,880	58,542	117,422	112,135
Development & Sales Business	14,131	15,020	20,643	35,663	59,013
	78,306	**73,900**	**79,185**	**153,085**	**171,148**
Operating Surplus					
Core Operating Business	26,235	21,804	25,235	47,039	46,862
Development & Sales Business	3,347	2,858	6,699	9,557	14,878
Aborted Partnership Costs	-	(582)	-	(582)	-
Fair value adjustments on investment properties	-	(660)	-	(660)	311
Underlying Operating Surplus	**29,582**	**23,420**	**31,934**	**55,354**	**62,051**
Pension Cessation Cost	-	(6,682)	-	(6,682)	-
Total Operating Surplus	**29,582**	**16,738**	**31,934**	**48,672**	**62,051**
Operating surplus - Core Operating as a % of turnover	40.9%	37.0%	43.1%	40.1%	41.8%
Operating surplus - Development & Sales as a % of turnover	23.7%	19.0%	32.4%	26.8%	25.2%
Operating surplus - Overall as a % of turnover	37.8%	22.6%	40.3%	31.8%	36.3%
Net interest	(17,438)	(17,038)	(16,229)	(33,267)	(33,702)
Underlying surplus from operations	**12,144**	**(300)**	**15,705**	**15,405**	**28,349**
Movement in fair value of financial instruments	-	-	1,080	1,080	11,666
Surplus before tax	**12,144**	**(300)**	**16,785**	**16,485**	**40,015**
Repairs and maintenance	10,069	10,194	7,410	17,604	14,785
Capitalised spending on improvements to housing properties	9,821	11,449	9,744	21,193	20,485
Total spending on repairing and maintaining our housing properties	**19,890**	**21,643**	**17,154**	**38,797**	**35,270**
Earnings before interest, tax, depreciation and amortisation, major repairs included (EBITDA MRI)	28,364	20,979	27,170	48,149	51,092
EBITDA MRI as a percentage of interest payable and similar charges	139%	109%	149%	129%	134%

Statement of Cash Flows

	Unaudited results for six months to			Audited results year to	
	30 Sept 23 2023/24 £'000	31 Mar 23 2022/23 £'000	30 Sept 22 2022/23 £'000	31 Mar 23 2022/23 £'000	31 Mar 22 2021/22 £'000
Net cash flows from operating activities	33,237	29,597	33,127	62,724	64,174
Interest paid	(19,962)	(17,805)	(17,327)	(35,132)	(37,224)
Operating cash flow net of interest	**13,275**	**11,792**	**15,800**	**27,592**	**26,950**
Improvements to housing properties	(9,182)	(13,508)	(8,070)	(21,578)	(21,152)
Other items	(942)	(728)	(1,190)	(1,918)	(79)
Operating cash flow net of interest, capex and other	**3,151**	**(2,444)**	**6,539**	**4,096**	**5,719**
Proceeds from asset sales	5,330	7,927	12,153	20,080	26,831
First tranche shared ownership sales	8,801	7,093	8,490	15,583	32,183
Operating and sales cash flow	**17,282**	**12,576**	**27,183**	**39,759**	**64,732**
Development spend	(24,515)	(27,923)	(24,711)	(52,634)	(52,411)
Net movements in borrowings and deposits	7,953	8,425	2	8,427	(2,667)
Pension cessation costs	-	(9,700)	-	(9,700)	-
Swap breakage costs	-	-	(7,521)	(7,521)	(34,297)
Net cash flow after development activities	**720**	**(16,622)**	**(5,048)**	**(21,669)**	**(24,643)**

Summary Balance Sheet

	Unaudited	Audited	Unaudited	Audited
	30 Sept 23 2023/24 £'000	31 Mar 23 2022/23 £'000	30 Sept 22 2022/23 £'000	31 Mar 22 2021/22 £'000
Housing fixed assets	1,333,764	1,314,604	1,296,389	1,282,918
Other assets less current liabilities	58,812	59,662	72,403	80,221
Total assets less current assets	**1,392,576**	**1,374,266**	**1,368,792**	**1,363,138**
Debt (due over one year)	855,115	847,323	838,362	838,209
Other long term liabilities	115,232	116,860	144,591	155,876
Total long term liabilities	**970,347**	**964,183**	**982,953**	**994,084**
Reserves	422,229	410,081	385,839	369,054
Total long term funding and reserves	**1,392,576**	**1,374,264**	**1,368,792**	**1,363,138**

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