HALF YEAR FINANCIAL REPORT 2022

Campbell Wharf, Milton Keynes

Contents

CEO Statement

Whilst this is in essence a financial report, I want to talk about the performance of bpha more 'in the round'. That said, I am delighted to report that our financial performance remains strong with a core operating margin comfortably above 40%. The underlying surplus from operations after interest costs was £15.7m (September 2021: £18.2m) following lower sales than last year and this provides a satisfying backdrop to the achievements of a very busy six months. Here are just a few examples:

Our customers at the heart of what we do

After 15 months of planning and preparation we launched our new bpha Repairs and Maintenance Service at the end of September. The prime aim is to take our customer service to the next level. Our start point was a list of customer asks developed through an in-depth engagement process. With the goals set for us, we bought a state-of-the-art management system, connected it to our CRM and set about developing our model. The final element of the plan was a three week training programme to align all members of the team to the customer imperative goal. We will share an update in our annual Financial Statement but a few weeks in, we have excellent 'live' customer feedback, a happy team and a cost structure that is very encouraging for the future.

bpha CEO, Kevin Bolt

Safety, efficiency and a better place to live

Again, after an extensive period of planning, the first of our Bedford Tower Block refurbishments is almost complete. Ashburnham Court, which was built in the 1950s, is being transformed through the installation of a district heating system, the application of a terracotta thermal cladding system, up-graded fire safety equipment and the installation of Winter Gardens to make balconies a usable feature all year around. Throughout this complex process, our customers in the 55 apartments have been central to what we have done and how things have been achieved. The lessons learnt will now be taken on to benefit our customers in our other historic high-rise schemes.

It's good to talk

A new telephony system has been installed to help make our Customer Contact Centre more accessible. This new tool is an integral part of our on-going systems development programme. The new telephony integrates with our CRM, helping us get one step closer to our ultimate aim of achieving a single view of our customers and their history to make every conversation and contact more efficient and effective.

IDA number three, G1 and a regrade back to V1

In June the Regulator of Social Housing (RSH) completed its third In-depth Assessment (IDA) of bpha. Whilst some people find this process somewhat daunting, bpha's Executive Team embrace it and use it as an opportunity to check-in on our progress. The re-grade to V1 was satisfying and reflects the professionalism with which we manage our finances.

The world is becoming a trickier place

The reason for picking a few examples of our progress is to demonstrate that we are more than just financially fit. Through following the aims of our established Corporate Strategy, we are looking after our customers and their homes whilst building a more efficient and resilient organisation.

The value of our 'continuous improvement' investment strategy is soon to be put to the test. Sadly, our customers are already being challenged by excessive energy costs and food inflation and we, like all Housing Associations, will have to deal with rising interest costs, raw material price rises and the likelihood of a sub CPI rent cap. Now is a good time to be 'fit for the future' because the outlook for the next couple of years is somewhat uncertain for everyone.

Kevin Bolt
Chief Executive Officer

Our highlights

97
Affordable homes built
(Sep 2021: 172)

£24.7m
Invested in new homes
(Sep 2021: £28.9m)

19,664
Homes owned or managed
(Sep 2021: 19,527)

G1
Regulator of Social Housing Governance Rating
(Sep 2021: G1)

V1
Regulator of Social Housing Viability Rating (Sep 2021: V2)

A+(stable)
Standard and poor Rating
(Sep 2021 A+(Stable))


bpha Customer, Wesley

100%
All homes have met Decent Homes Standard (Sep 2021: 100%)

£17.2m
Invested in maintaining and improving existing homes (Sep 2021: £13.1m)

56
Shared Ownership sales
(Sep 2021: 103)

£31.9m
Operating surplus
(Sep 2021: £36.1m)

43%
Operating margin on core operating business
(Sep 2021: 45%)

149%
EBITDA MRI (% of similar interest payable and similar charges)
(Sep 2021: 167%)

CFO Statement


bpha Chief Financial Officer, Julian Pearce

Our core business continues to perform strongly despite the ongoing uncertainty in the political and 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 cyclical development and sales business. I am very pleased that the excellent performance in both businesses has contributed to an improved viability rating from the Regulator of Social Housing to the highest rating of V1 (last September this rating was V2).

Our core operating turnover has increased by £2.6m 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 a period of high inflation which is putting additional pressure on customers' finances.

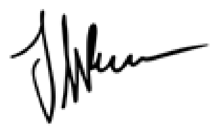
Following an exceptional year, sales of first tranche shared ownership returned to normal activity levels. This has impacted the total operating surplus which fell to £31.9m (September 2021: £36.1m). The underlying surplus from operations after interest costs was £15.7m (September 2021: £18.2m) and the surplus before tax, including the movement in fair value of financial instruments, was £16.8m (September 2021: £21.8m).

Our operating surplus before interest costs for both businesses combined was £31.9m, which is £4.1m lower than last year and driven by the expected lower sales activity. Our operating margins remain strong and in line with our expectations.

Repairs and maintenance spend of £17.2m is £4.1m higher than last year when our service was impacted by shortages in the supply of materials and labour, which slowed our repairs and maintenance delivery below planned levels. We are very pleased to have launched our new in-house maintenance service at the start of the second half of the year. By giving us direct control over the delivery of our repairs and maintenance, the in-house repairs service will allow us to improve both delivery and customer experience.

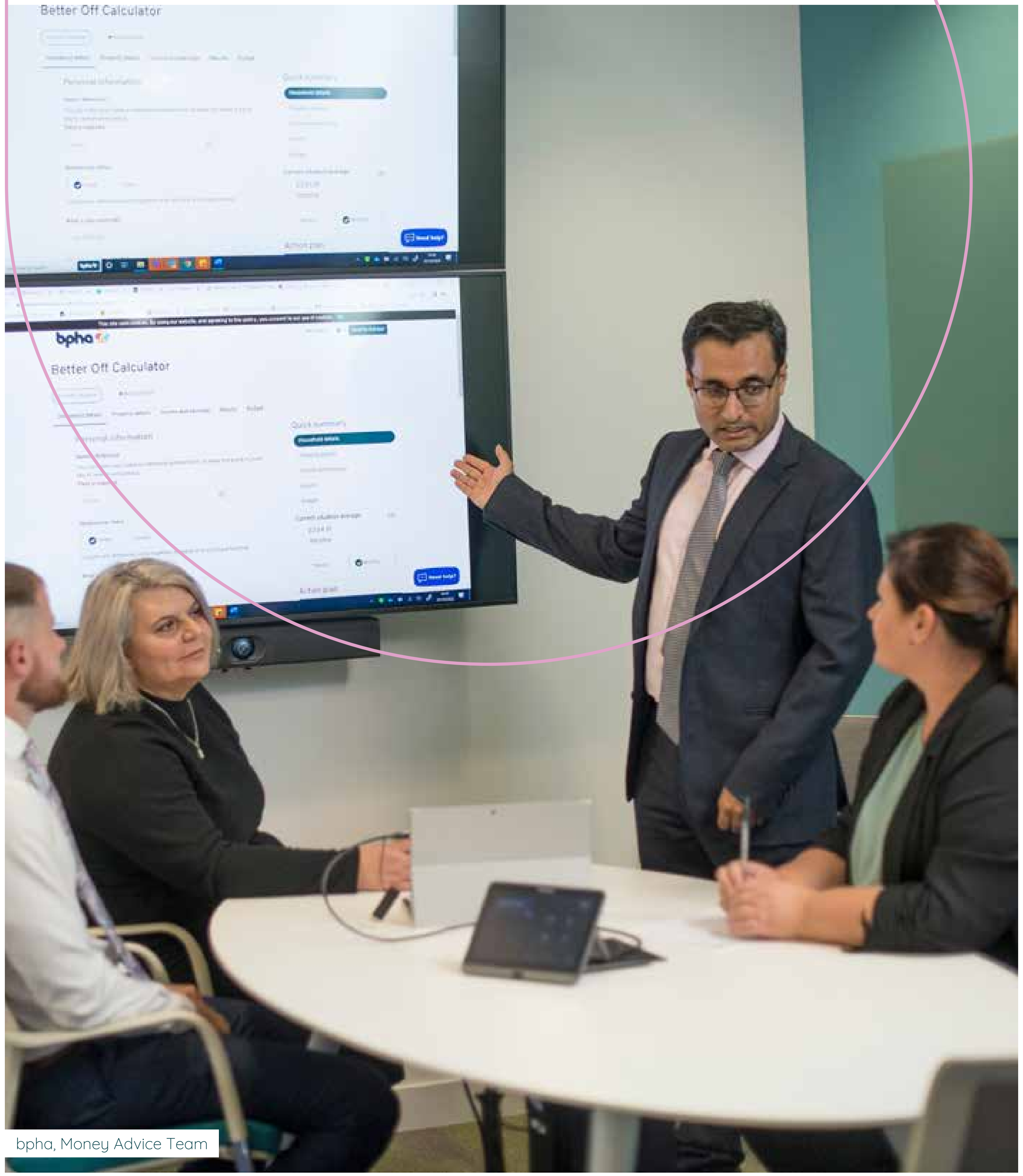
We continue to see strong and steady cash flow from our core operating business which improved to £33.1m (September 2021: £32.1m). Our operating cash flow net of interest, capex, and other costs in the first half of the year comfortably covered our interest costs with a surplus of £6.5m to contribute to development spend. Cash holding on the balance sheet has decreased to £35.8m from £40.8m at 31 March 2022 year end.

Our development programme remains behind expectations due to labour and material shortages. Consequently, development spend during the first half of the year of £24.7m is £4.2m lower than this period last year. Although our development programme continues to be delayed due to supply issues suffered by the whole development sector, we have the financial resources to ensure that we can continue to pursue our ambitious development programme and to invest in the maintenance of our existing homes.



Julian Pearce
Chief Financial Officer

Operating and Financial Review



bpha, Money Advice Team

Following an exceptional year, sales of first tranche shared ownership returned to normal activity levels. This has impacted the total operating surplus which fell to £31.9m (September 2021: £36.1m). The underlying surplus from operations after interest costs was £15.7m (September 2021: £18.2m) and the surplus before tax, including the movement in fair value of financial instruments, was £16.8m (September 2021: £21.8m).

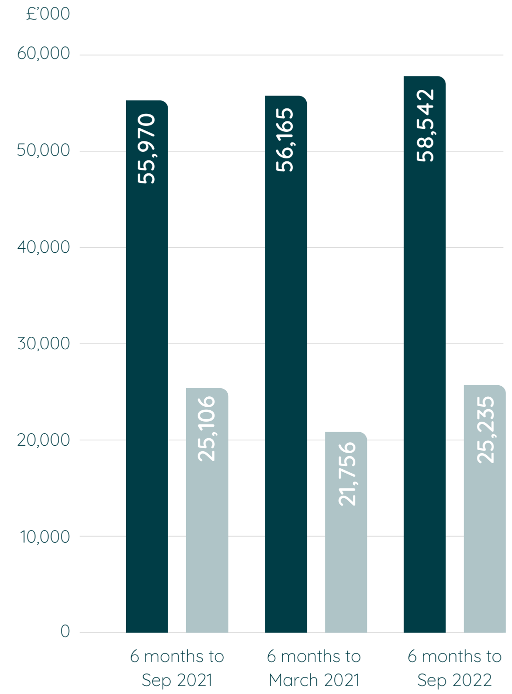
The Core Operating Business

The core operating business continued to perform strongly as turnover increased to £58.5m from £56.0m in the same period last year. This increase results from a rent increase at the start of the year, combined with our development programme which delivered 97 properties for rent in the period. Our core operating business achieved a 43.1% margin, above our 40% target. This margin is in line with expectations but lower than the same period last year as the impact of rising inflation begins to be felt.

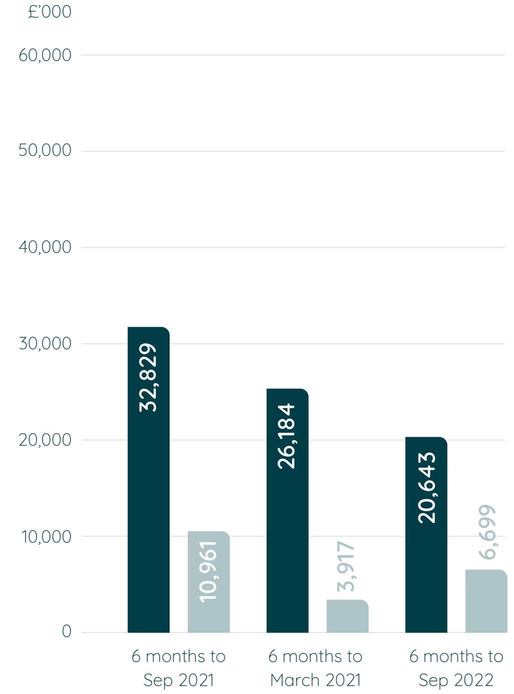
The Development and Sales Business

In the first half of this year, the number of first tranche shared ownership units sold was 56 (September 2021: 103). Asset sales continue to perform well in the first six months of the year, although below the level achieved this time last year. Overall turnover fell to £20.6m (September 2021: £32.8m) in line with expectations. The sales volume decrease has driven a drop in surplus to £6.7m (September 2021: £11.0m).

The Core Operating Business



The Development and Sales Business



Investment in homes

	No of units at 31 Mar 2022	Additions	Disposals	No of units at 30 Sept 2022
Homes owned	18,212	97	54	18,255
Other properties owned	38	-	1	37
Properties owned	**18,250**	**97**	**55**	**18,292**
Properties managed on behalf of others	1,368	25	21	1,372
Total	**19,618**	**122**	**76**	**19,664**

Financial Resources

We have strict targets to ensure that sufficient liquidity is available to fund ongoing and planned activities. At 30 September 2022, £856m of funding was drawn against total facilities of £1,099m). We completed our programme of closing out our remaining stand-alone derivatives.

Our undrawn facilities remained at £243m with immediately available cash reducing to £26m, meaning that our overall financial resources remained strong at £269m. During the six months to September 2022 our liquidity headroom (made up of undrawn facilities which are fully available to draw within 48 hours, plus cash on deposit) also fell slightly to £229m. 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.

The strong and steady cashflow from our core operating business continues to secure our A+ (stable) Standard & poor rating which was reaffirmed in October 2022.

Liquidity

● Committed undrawn facilities ● Cash

bpha, Involved Resident, Sharren at Box End, Bedford

Summary Results

Results for the Period

	Unaudited results for six months to			Audited results year to	
	30 Sept 22 2022/23 £'000	31 Mar 22 2021/22 £'000	30 Sept 21 2021/22 £'000	31 Mar 22 2021/22 £'000	31 Mar 21 2020/21 £'000
Turnover					
Core operating business	58,542	56,165	55,970	112,135	110,201
Development & Sales Business	20,643	26,184	32,829	59,013	39,860
	79,185	**82,349**	**88,799**	**171,148**	**150,061**
Operating Surplus					
Core Operating Business	25,235	21,756	25,106	46,862	47,734
Development & Sales business	6,699	3,917	10,961	14,878	10,471
Fair value adjustments on investment properties	-	311	-	311	1,321
	31,934	**25,984**	**36,067**	**62,051**	**59,526**
Operating surplus - Core Operating as a % of turnover	43.1%	38.7%	44.9%	41.8%	43.3%
Operating surplus - Development & Sales as a % of turnover	32.4%	15.0%	33.4%	25.2%	26.3%
Operating surplus - Overall as a % of turnover	40.3%	31.6%	40.6%	36.3%	39.7%
Net interest	(16,229)	(15,814)	(17,888)	(33,702)	(34,440)
Underlying surplus from operations	**15,705**	**10,170**	**18,179**	**28,349**	**25,086**
Movement in fair value of financial instruments	1,080	8,003	3,663	11,666	12,526
Surplus before tax	**16,785**	**18,173**	**21,841**	**40,015**	**37,611**
Repairs and maintenance	7,410	8,019	6,766	14,785	13,174
Capitalised spending on improvements to housing properties	9,744	14,163	6,322	20,485	12,357
Total spending on repairing and maintaining our housing properties	**17,154**	**22,182**	**13,088**	**35,270**	**25,531**
Earnings before interest, tax, depreciation and amortisation, major repairs included (EBITDA MRI)	27,170	17,663	33,428	51,092	59,604
EBITDA MRI as a percentage of interest payable and similar charges	149%	97%	167%	134%	151%

Statement of cash flows

	Unaudited results for six months to			Audited results year to	
	30 Sept 22 2022/23 £'000	31 Mar 22 2021/22 £'000	30 Sept 21 2021/22 £'000	31 Mar 22 2021/22 £'000	31 Mar 21 2020/21 £'000
Net cash flows from operating activities	33,127	32,117	32,057	64,174	60,181
Interest paid	(17,327)	(17,931)	(19,293)	(37,224)	(38,772)
Operating cash flow net of interest	**15,800**	**14,185**	**12,764**	**26,950**	**21,409**
Improvements to housing properties	(8,070)	(14,575)	(6,577)	(21,152)	(13,570)
Other items	(1,190)	402	(482)	(79)	1,422
Operating cash flow net of interest, capex and other	**6,539**	**13**	**5,706**	**5,719**	**9,261**
Proceeds from asset sales	12,153	11,730	15,100	26,831	18,497
First tranche shared ownership sales	8,490	14,454	17,729	32,183	21,364
Operating and sales cash flow	**27,183**	**26,197**	**38,535**	**64,732**	**49,121**
Development spend	(24,711)	(23,490)	(28,921)	(52,411)	(45,412)
Net movements in borrowings and deposits	2	(2,118)	(550)	(2,667)	20,680
Swap breakage costs	(7,521)	(28,857)	(5,440)	(34,297)	-
Net cash flow after development activities	**(5,048)**	**(28,268)**	**3,624**	**(24,643)**	**24,389**

Summary balance sheet

	Unaudited	Audited	Unaudited	Audited
	30 Sept 22 2022/23 £'000	31 Mar 22 2021/22 £'000	30 Sept 21 2021/22 £'000	31 Mar 21 2020/21 £'000
Housing fixed assets	1,296,389	1,282,918	1,263,634	1,248,598
Other assets less current liabilities	72,403	80,221	117,067	117,305
Total assets less current assets	**1,368,792**	**1,363,138**	**1,380,701**	**1,365,903**
Debt (due over one year)	838,362	838,209	850,578	850,414
Other long term liabilities	144,591	155,876	189,555	196,762
Total long term liabilities	**982,953**	**994,084**	**1,040,133**	**1,047,176**
Reserves	385,839	369,054	340,568	318,727
Total long term funding and reserves	**1,368,792**	**1,363,138**	**1,380,701**	**1,365,903**

Registered as a society under the Co-operative and Community Benefit Societies Act 2014
Registered number: 26751R | Registered with the Regulator of Social Housing | Registered number: LH 3887

Tel: 0330 100 0272 www.bpha.org.uk/investor-relations