Notting Hill Genesis Trading Update

Six months ended 30 September 2021

Overview

Notting Hill Genesis (NHG) was formed in April 2018 from the merger of Notting Hill Housing and Genesis Housing Association. We build and maintain quality, affordable homes, creating diverse and thriving communities. This is our primary purpose, and everything else we do supports that aim. We are one of the largest housing associations in England, providing around 66,000 homes across London and the south east.

The first half of the year was dominated by various lockdowns due to the Covid-19 coronavirus pandemic. We continued to evaluate the potential impact on various areas of the business, which is discussed further throughout the trading update.

The following trading update compares our unaudited accounts for the six months ended 30 September 2021 with the unaudited equivalent position, being the six months ended 30 September 2020.

Statement of comprehensive income

	6 months ended 30 Sep 2021	**6 months ended 30 Sep 2020**	**Movement**
	£m	**£m**	**£m**
Turnover	419.3	483.9	(64.6)
Cost of sales	(117.5)	(147.7)	30.2
Operating costs	(216.2)	(190.2)	(26.0)
Surplus on disposal of fixed assets	29.1	9.2	19.9
Gains from joint ventures	0.8	3.0	(2.2)
Operating surplus	**115.5**	**158.2**	**(42.7)**
Net interest payable	(66.1)	(71.5)	5.4
Movements in respect of financial derivatives	5.5	2.1	3.4
Surplus to 30 September	**54.9**	**88.8**	**(33.9)**

Trading update

Overall, turnover decreased by 13.3% to £419.3m, while operating surplus decreased by 27.0% to £115.5m from £158.2m. The decline in surplus can be attributed to the reduction of private sales, down 41.5% from £177.5m to £103.8m primarily due to a higher level of sales, last year, at Canada Water, Wooddene and Manor Place Depot sites.

We sold 314 homes (30 September 2020: 243 homes) during the six months ended 30 September 2021. Due to the higher number of units staircased, the surplus on sale of fixed assets increased by 216.3% from £9.2m to £29.1m.

Operating costs have increased by 13.7% from £190.2m to £216.2m. This is mainly due to the increase in accelerated depreciation in respect to the write-off of cladding on buildings, and flood costs.

Joint venture income has decreased by 73.3% from £3.0m to £0.8m.

Net interest paid has decreased by 7.6% to £66.1m due to the reduction of drawn loans by £92.0m and the utilisation of the Bank of England Covid Corporate Finance facility for approximately 18 months at a favourable rate.

The fair value movement of hedged financial derivatives has resulted in a positive movement of £5.5m (30 September 2020: £2.1m).

Statement of financial position

	30 Sep 2021	**31 Mar 2021**	**Movement**
	£m	**£m**	**£m**
Housing properties	6,591.5	6,594.1	(2.6)
Other tangible assets	122.4	118.6	3.8
Investment properties	1,139.8	1,109.5	30.3
Net current assets	99.2	185.0	(85.8)
Total assets less current liabilities	**7,952.9**	**8,007.2**	**(54.3)**
Loans due in more than one year	2,962.6	3,048.1	(101.2)
Unamortised grant liability	1,157.8	1,165.3	(7.5)
Other long-term liabilities	288.2	312.7	(8.8)
Capital and reserves	3,544.3	3,481.1	63.2
Total funding	**7,952.9**	**8,007.2**	**(54.3)**

Investment and debt analysis

Housing properties have decreased by £2.6m during the six months ended 30 September 2021. The decrease is mainly due to the disposal of housing assets of £60.3m and deprecation charge of £37.4m, which has been partially offset by £91.7m spend on affordable homes under development. The group has also incurred £5.2m capitalised reinvestment work on existing properties during the period.

We completed 683 properties (30 September 2020: 442 properties) since 1 April 2021, of which 269 (39%) (30 September 2020: 81 (18%)) were specifically built for social or affordable rent. An additional 36 (30 September 2020: 41) homes have been delivered via stock transfers or the purchase and repair programme.

We currently have more than 8,921 (30 September 2020: 10,082) homes in our overall development programme, of which 60% (30 September 2020: 61%) are designated as affordable or social tenure types. The movement of 1,161 relates primarily to handovers and sale of part the Aylesbury Estate first development scheme (581 homes).

Investment properties have increased by 2.7%, which is primarily due to additional spend on investment properties under development. Investment properties are revalued annually by an external third party valuer at 31 March. Investment properties have not been revalued at 30 September in either year.

Due to the pandemic and the ensuing market uncertainties, the board and management continue to review the carrying value of investments. Management have also considered the likelihood of recovery of all debtors with specific consideration to the level of arrears, and likelihood of non-payment.

Group debt as at 30 September 2021 was £3,293.8m (as at 31 March 2021: £3,379.3m) and undrawn facilities as at September 2021 were £820.1m (as at 31 March 2021: £879.3m).

We continue to monitor the impact of the Covid19 crisis on every area of operations where restrictions were placed. However, we remain a financially robust organisation with substantial liquidity. We also retain good relationships with our principal lenders and are ready and able to access the capital market as necessary.

Work has recommenced on our development pipeline and remediation and is likely to affect cashflow, which we continue to manage carefully. Furthermore, we issued a £250m sustainable bond in June 2021, and repaid the £300m Bank of England Covid Corporate Finance facility.

Other financial information

	6 months ended 30 Sep 2021	6 months ended 30 Sep 2020	Movement
	£m	£m	£m
Capitalised interest	4.7	8.7	(4.0)
Housing depreciation	37.4	25.7	11.7
Other depreciation	4.4	4.9	(0.5)

The decrease in capitalised interest is mainly attributable to the carrying value of on-site schemes at 30 September 2021, which is £242.9m lower than the carrying value of schemes on-site at 30 September 2020.

Housing depreciation has increased in the six months to September 2021 due to costs associated with the write-off of cladding.

Key performance statistics

	6 months ended 30 Sep 2021	6 months ended 30 Sep 2020	Movement
	%	%	%
Surplus as % of turnover	13.1	18.4	(5.3)
Operating margin	27.6	32.7	(5.1)
Operating margin - social housing lettings	25.0	33.7	(8.7)
Surplus as % of income from lettings	22.4	36.7	(14.3)
Rent losses (voids and bad debts as % of rent and service charges receivable)	2.7	2.6	(0.1)
Rent arrears (gross arrears as % of rent and service charges receivable)	10.2	9.0	(1.2)
Interest cover (surplus before interest payable, depreciation and amortisation of housing properties as % of interest payable)	267.0	246.0	21.0

Gearing (total loans as a % of housing properties at cost) fell from 40.0% at 31 March 2021 to 39.1% at 30 September 2021.

Full year position

Following the evacuation of approximately 1,000 residents across the Paragon six-block residential development in west London in October 2020, we continue to monitor the situation carefully. Over the past year, we have endeavoured to rehouse all social tenants, either within our own stock or in suitable alternatives with other providers and to buy back leasehold/shared ownership interests. These activities continue; currently, we have more than 85% vacant possession and are reviewing future options.

The board set a budgeted surplus of £46.5m for the six months ended 30 September 2021, and we achieved £54.9m, an uplift of £8.4m. Full year budgeted surplus to 31 March 2022 remains at £82.7m. The budget includes no allowance for mark to market movements in financial derivatives, or for movements in the value of investment properties.

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