Notting Hill Genesis trading update for the financial year ending 31 March 2021

FY 2020/21 Trading Update

Notting Hill Genesis ("NHG") intends to publish its FY 2020/21 audited accounts by the end of July. In the unlikely event of a delay beyond July, we will notify the market of the updated timing via an RNS announcement.

Ahead of publication of our FY 2020/21 audited accounts we provide within this announcement an update on:

- Operational performance
- Key events and areas of focus
- ESG and our Sustainable Finance Framework
- Development and sales
- Treasury position

Operational Update

Operationally, the year has been dominated by COVID-19. Administrative staff transferred to working from home during the week commencing 16 March 2020 and most have not been in the office since. We expect to operate a hybrid model going forwards, with most office staff returning to their respective office for part of the time.

Initially, COVID-19 had a considerable effect on development, with most sites closing completely, however most opened up again quickly, albeit with some delayed expenditures.

We initially provided emergency repairs only, including repairs to the homes of vulnerable people and communal repairs. We are continuing to carry out routine gas safety inspections with a 99.93% level of compliance at 31 March 2021. Full repairs were re-instated in summer 2020 and this has been the case through most of the financial year. Although some major works were delayed, preparations to re-start are in place and we expect to implement a full asset repairs programme, including major and cyclical works, in 2021/22.

The pandemic has led to increases in re-let times and arrears, particularly within the market rent business. We do however have plans in place to address this going forward and anticipate (subject to no further lockdowns) that re-let metrics will be back to pre-pandemic levels by the end of 2022, albeit arrears metrics will take longer and are dependent on the courts being fully opened.

During 2019/20 we completed the transformation of our operating model, which means that each resident has a nominated housing officer. We had intended to visit all residents in person as part of this but have instead been regularly talking to them by phone. This has allowed us to, for example, ensure access to food banks for isolated customers. With lockdown restrictions lifting, we are now planning to roll out face to face visits.

We have also implemented significant improvements to our IT systems as part of the new operating model with a particular focus on "Workwise", our proprietary system for allowing tenants access to their own information and to enable them to initiate transactions such as repairs or complaints.

We operate a number of extra care facilities across London for elderly people, many of whom are at particular risk from COVID-19. During the pandemic, we have followed Public Health England guidelines and were able to secure the required staffing cover for our homes through a successful recruitment drive for additional staff.

Summary of Key Operational Indicators

Figure 1: A summary of key operational performance indicators

Indicator	Description	FY 2021	FY 2020
Occupancy	Number of homes let as a % of those available	98.00%	98.89%
Re-let time	Number of days taken to re-let a home	66 days	38 days
Rent collection rate	Rent collected as a % of rent receivable	100.50%	99.35%
Current Arrears	Current tenant arrears as a % of annual rent due	5.50%	4.70%
Housing Benefit Tenants	Tenants who have some/all rent paid by Housing Benefit direct	36%	38%
Universal Credit Tenants	Tenants who have some/all rent paid by Universal Credit direct	20%	15%

Gas servicing	Homes with landlord's gas certificate as % of those requiring one	99.93%	99.86%

Key Events and Areas of Focus

- **Canada Water sale** - as reported in our RNS announcement on 29 June 2020, NHG completed the sale of its remaining interest in a site in the Canada Water area of Southwark on 26 June 2020. The site sold for £140m to Art Invest Real Estate with £10m paid before 31 March 2020, £70m on 26 June 2020 and the balance payable in January 2022. After settling liabilities relating to the scheme, this led to net proceeds of about £62m in FY 2020/21.
- **Aylesbury sale -** NHG is the key partner with the London Borough of Southwark for the regeneration of the Aylesbury Estate. It was expected that we would build around 3,500 homes over a period of about 20 years. During 2020/21, the Borough approached NHG and asked if we would return the first two parts of the estate to them in return for a payment of NHG's sunk costs. The first site (of 229 homes) was on site and the second (of 352 homes) about to start. We agreed, and the transaction was completed on 31 March 2021. This led to a receipt of £63m, although £24m of grant was returned to the GLA on the same day.
- **The Paragon estate -** On 19 October 2020 NHG announced that it was to undertake a comprehensive safety review across this development in Brentford, West London which was completed in 2006 by Berkeley First, part of The Berkeley Group plc. Following expert advice provided by consultants employed by NHG, all residents living in the Paragon - about 1,000 people in total - were asked to leave immediately to protect their health and safety while further investigative work was undertaken. All residents living in the Paragon estate were able to access safe alternative accommodation that week. The investigations will establish the full extent of any required structural and fire safety works at the development and identify next steps. These are not yet complete however. NHG has been liaising with customers around long term housing solutions. As part of this, NHG has offered to buy back the leasehold homes (including shared ownership) on the estate and at 31 March 2021, we had purchased 73 of the 105 leasehold homes at an aggregate cost of £21.7m.
- **Fire Remedial Works -** Following the events at Grenfell Tower and in response to subsequent guidance and legislation, we have comprehensively assessed potential risks in our buildings. We have initially focused on buildings that are over 18m high, as well as more recently completed buildings where we may still have a claim against contractors. Most contractors have been positively engaged in rectifying any faults related to them. Our best estimate at the moment is that the gross cost of rectification that will have to be borne by NHG is about £230m. We expect to recover some of this from the Building Safety Fund, from the NHBC and from leaseholders, leaving a likely net cost of about £173m which has been included in our business plans.

At the commencement of financial year 2020/21, the Board set a budgeted surplus of £101.2m. After taking account of the above factors, we expect to publish results that show a surplus significantly higher than this.

ESG and our Sustainable Finance Framework

A robust ESG framework within our organisation is very important to us and we embed ESG principles across our entire business. To ensure we are able to report on our ESG performance in a transparent, consistent and comparable way, we will adopt the newly created Sustainability Reporting Standard for Social Housing ("SRS").

Making our ESG performance information more accessible will demonstrate to our residents and other stakeholders the positive impact that we are making against these goals. In particular, it will demonstrate that by investing in our organisation, stakeholders are contributing to positive social and environmental impacts.

We aim to develop new affordable and sustainable housing, as well as improving the sustainability of our existing housing stock. Through our strategic objectives we will carry out our mission to "build and maintain quality affordable homes, creating diverse and thriving communities." Customers are at the core of everything we do.

The establishment of our Sustainable Finance Framework aligns our strategic sustainability objectives with our funding and financial strategy. NHG has selected a number of eligible areas which are fundamental elements of our business model and deliver the most positive societal and environmental impacts. Our identified Eligible Assets, in line with ICMA and LMA principles, will comprise of Affordable Housing and Green Buildings.

This Framework will be used to govern all forms of green, social and sustainable finance including, but not limited to, Public Bonds, Private Placements, Revolving Credit Facilities and Bank Loans (together known as "Sustainable

Financing Instruments"). The Framework has been verified by DNV and can be found on our Investor Relations website www.nhg.org.uk/sustainability along with the DNV Second Party Opinion.

Development and Sales Update

When Notting Hill merged with Genesis in April 2018, we planned to build 2,700 homes per annum. However, in late 2018, we reviewed the speed of our sales and decided to reduce our development programme. This led to a reduction in spend on new housing from £654m in 2018/19, to £470m in 2019/20 and £335m in 2020/21.

We have now reset our aims as set out below, to target 1,400 homes per annum going forward. This includes a greater proportion of homes for low cost rental (including Social, Affordable and London Affordable Rent).

Figure 2: Composition of Development targets

Tenure	April 2018 – Development ambitions (per annum)	% of overall developments	Updated Development Ambitions by 2026 (per annum)	% of overall developments
Low cost rental	690	26%	500	36%
Shared ownership	970	36%	350	25%
Intermediate market rent	-	0%	150	11%
Market rent	520	19%	200	14%
Private sale	520	19%	200	14%
Total	**2,700**		**1,400**	

The following table provides details of acquisitions, starts and completions in 2020/21 compared to 2019/20. Note that some homes have been converted from sale tenures to rental tenures after construction commenced. The first table is based on their original intended use and the tenure transfers are shown in the second table below. The joint venture sales are being managed by our JV partner and are not included in the unsold homes numbers.

Despite disruption caused by the COVID-19 pandemic, NHG completed 1,962 homes in 2019/20 and 1,342 homes in 2020/21.

Figure 3: Development programme as at 31 March 2021

	Acquisitions		Starts		Completions	
Tenure	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**
Low cost rental	354	140	465	321	391	604
Shared ownership	206	72	290	190	495	581
Market rent	-	152	-	152	37	259
Private sale	219	154	192	2	299	392
Joint ventures	-	-	-	-	120	126
Total	**779**	**518**	**947**	**665**	**1,342**	**1,962**

During 2020/21 we completed a large number of homes intended for sale on a shared ownership and outright sale basis. Given the slowdown in the sales market, as a result of the pandemic, we converted a number of homes to rental tenures. The following table details our unsold homes throughout 2020/21.

Of the 548 homes unsold as at 31 March 2021, 35% have been unsold for over six months.

Figure 4: Unsold homes as at 31 March 2021

Category	Shared ownership	Private sale	2020/21 Total	2019/20 Total
Unsold homes as at 1 April	376	234	610	605
Homes completed – as originally intended	495	299	794	973
Homes transferred to London Living Rent tenure	(43)	-	(43)	(165)
Homes transferred to market rent tenure	(105)	(123)	(228)	(132)
Homes transferred between sales tenures	34	(34)	-	-
Homes sold on a plot by plot basis	(336)	(141)	(477)	(596)
Bulk sale to private investor	(108)	-	(108)	(75)
Unsold homes as at 31 March (Units)	**313**	**235**	**548**	**610**

Treasury Update

As at 31 March 2021, NHG had £923.3m of available liquidity, comprising £879.3m of undrawn available bank facilities and £44m cash. Our average life of drawn debt is 15.3 years and our average costs of drawn debt is 3.93%.

Figure 5: Group Debt Position as at 31 March 2021

£'m	Facilities	Drawn	Undrawn
Notting Hill Genesis	3,480.7	2,734.5	746.2
Notting Hill Home Ownership Limited	279.2	146.1	133.1
Folio Treasury Limited	250.0	250.0	-
GenFinance II plc	250.0	250.0	-
Other subsidiaries	6.0	6.0	-
Group	**4,265.9**	**3,386.6**	**879.3**

Figure 6: NHG Debt Maturity Profile

Years	Debt maturity £'m	Debt maturity %
2022	333.4	9.8%
2023	49.3	1.5%
2024	71.0	2.1%
2025	30.9	0.9%
2026	27.8	0.8%
2027-31	815.9	24.1%
2032-41	953.0	28.1%
> 2041	1,105.2	32.6%
	3,386.6	**100.0%**

Our fixed / floating mix as at 31 March 2021 was as follows:

Category	Target			Actual
	Lower	Central	Upper	
Fixed	50%	75%	95%	93%
Floating	5%	20%	40%	5%

Inflation-Linked	0%	5%	15%	2%

As at 31 March 2021 our security position and unencumbered asset position was as follows:

	Units	Security Value (£m)
Charged & allocated	38,723	7,296
Numerical apportionment security pool	2,245	357
Unencumbered	17,402	2,753

Under the £2,000,000,000 Secured Note Programme, 2,245 units are currently charged to the Numerical Apportionment Security Pool.

This trading update contains certain forward looking statements about the future outlook for NHG. Although the Directors believe that these statements are based upon reasonable assumptions, any such statements should be treated with caution as future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Enquiries

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