Notting Hill Genesis trading update
Half year ended 30 September 2022

Overview

Notting Hill Genesis (NHG) was formed in April 2018 from the merger of Notting Hill Housing and Genesis Housing Association. Our primary purpose is to build and maintain quality, affordable homes, creating diverse and thriving communities. Everything else we do supports that aim. We are one of the largest housing associations in England, providing around 67,700 homes across London and surrounding areas.

The following trading update compares the NHG unaudited accounts for the half year ended 30 September 2022 and comparative (half year ended 30 September 2021).

Statement of comprehensive income

	Half year ended 30 Sep 2022 £m	**Half year ended 30 Sep 2021 £m**	**Movement £m**
Turnover	368.9	419.3	(50.4)
Cost of sales	(57.9)	(117.5)	59.6
Operating costs	(215.2)	(216.2)	1.0
Surplus on disposal of fixed assets	26.6	29.1	(2.5)
Gains from joint ventures	1.7	0.8	0.9
Operating surplus	**124.1**	**115.5**	**8.6**
Net interest payable	(67.1)	(66.1)	(1.0)
Movements in financial derivatives	30.0	5.5	24.5
Surplus to 30 September	**87.0**	**54.9**	**32.1**

Overall, turnover decreased by 12.0% to £368.9m (from £419.3m), while operating surplus increased by 7.4% to £124.1m (from £115.5m). The increase in surplus can be attributed to an increased social housing lettings surplus up 19.1% to £73.0m (from £61.3m). Other social and non-social income increased by 181% to £13.2m (from £4.7m).

We sold 242 homes (30 September 2021: 314 homes) during the half year ended 30 September 2022. Due to the lower number of units staircased, the surplus on sale of fixed assets decreased by 8.6% to £26.6m (from £29.1m).

Operating costs have decreased by 0.5% to £215.2m (from £216.2m).

Net interest and financing costs increased by 1.5% to £67.1m from a combination of rising interest rates, addition and drawing down of new revolving credit facilities.

Statement of financial position

	As at 30 Sep 2022 £m	As at 31 Mar 2022 £m	Movement £m
Housing properties	6,777.1	6,741.8	35.3
Other tangible assets	131.1	127.9	3.2
Investments	1,139.1	1,200.1	(61.0)
Net current assets	218.4	254.0	(35.6)
Total assets less current liabilities	**8,265.7**	**8,323.8**	**(58.1)**
Loans due in more than one year	3,272.8	3,328.5	(55.7)
Unamortised grant liability	1,085.3	1,126.9	(41.6)
Other long-term liabilities	147.5	238.5	(91.0)
Capital and reserves	3,760.1	3,629.9	130.2
Total funding	**8,265.7**	**8,323.8**	**(58.1)**

Housing properties have increased by £35.3m to £6,777.1m as at 30 September 2022. The increase is attributable to:

- Affordable homes development £83.6m
- Works to existing properties £9.7m
- Transfers from stock held for sale £1.0m

The above has been partially offset by £30.1m of housing property disposals (mainly staircasing) and a £28.9m depreciation charge.

Investment properties have decreased by £61.0m to £1,139.1m during the first half of the current financial year. The reduction is driven mainly by the disposal of 182 market rent units at Royal Albert Wharf (carrying value £67.2m) and a commercial unit at Warton Road (carrying value £0.8m). The decrease has been partially offset by £7.0m continued spend on the development programme of 99 market rent properties at Aylesbury plot 18.

Due to the continued uncertain political, economic and market environment, the board and management continue to review the carrying value of investments. Management has also evaluated 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 2022 was £3,296.8m (31 March 2022: £3,352.5m) and undrawn facilities as at 30 September 2022 were £916.7m (31 March 2022: £964.7m).

NHG remains a financially robust organisation with substantial liquidity. We retain good relationships with our principal lenders and are ready and able to access the capital market as necessary.

We are mindful of the financial risks associated with our development pipeline and investment programme and manage these closely.

Other financial information

	Half year ended 30 Sep 2022 £m	Half year ended 30 Sep 2021 £m	Movement £m
Capitalised interest	4.4	4.7	(0.3)
Housing depreciation	29.0	37.4	(8.4)
Other depreciation	4.0	4.4	(0.4)

The capitalisation of the group's borrowing costs has been declining since the end of the 2020-21 financial year. This is mainly due to the completion of large land-led development schemes. Most of the new schemes that are being developed are largely S106 acquisitions from external developers, which would not require the capitalisation of borrowing cost over a prolonged construction period.

Housing depreciation has decreased in the six months to 30 September 2022 due to costs associated with the disposal of cladding which are written off as and when the costs are incurred.

Key performance statistics

	Half year ended 30 Sep 2022 %	Half year ended 30 Sep 2021 %
Surplus as % of turnover	23.6	13.1
Operating margin	33.6	27.6
Operating margin social housing lettings	28.2	25.0
Surplus as % of income from lettings	33.6	22.4
Rent losses *(voids and bad debts as % of rent and service charges receivable)*	2.2	2.7
Rent arrears *(gross arrears as % of rent and service charges receivable)*	9.7	10.2
Interest cover *(surplus before interest payable, depreciation and amortisation of housing properties as % of interest payable)*	246.9	267.0

Gearing (total loans as a % of housing properties at cost) fell from 39.2% at 31 March 2022 to 38.6% at 30 September 2022.

Full year position

The board set a budgeted surplus of £39.4m for the six months ended 30 September 2022 (with £87.0m achieved) and a full year budgeted surplus to 31 March 2023 of £69.2m. 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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