Building homes, independence and aspirations

Unaudited results for the year ended 31 March 2022

Home Group Limited (Home Group) issues its unaudited results for the year ended 31 March 2022.

These figures are provided for information purposes only.

Annual Highlights

- Home Group own and manage over 55,000 homes across 200 local authority areas with 50% of stock within 14 local authorities.
- Continued delivery of our mission of Building Homes, Independence and Aspirations with the launch of our new five-year strategy.
- Delivery of 1,047 new homes, 623 of which are affordable tenures.
- Engaged 4,000 customers to enhance our services. Customers actively played a role in areas such as scrutiny, procurement, recruitment and complaints.
- Surplus before tax of £28.1 million.
- Liquidity of £367.8 million.
- Rating from Regulator of Social Housing reaffirmed at G1 V1 following in-depth assessment published 30 June 2021.
- S&P reaffirmed rating at A- (stable outlook).
- 5th best workplace in the UK in the 2022 Great Place to Work Survey (super large employer category).
- Our gender and ethnicity pay gaps have both reduced by at least 1% due to our work on targeting recruitment and focussing on our internal talent through our new grow our own policy.
- First Environmental, Social and Governance report produced in line with Sustainability Reporting Standard for Social Housing covering 12 months to 31 March 2021.

Commenting on the results, **Mark Henderson, Chief Executive** said:

"As we emerge from the pandemic, we have seen an increasingly uncertain and changeable business environment. Rising prices, particularly for food and energy costs, combined with wages and benefits not keeping pace with inflation, have created a cost of living crisis.

That is why we have been working extremely hard to support our customers. On average, our financial inclusion team has saved those customers who we've engaged with around £500 each. We are continually looking at ways to improve the support we provide.

Rising energy prices represent an increasing challenge to many, and in addition to providing proactive support and advice, we recognise that improving the energy efficiency of our homes will help reduce the risk of fuel poverty. It is not only the right thing to do for our customers, but of critical importance to the environment. We have a clear plan for all our homes to meet the challenge of net zero.

Against this backdrop we are pleased to report a surplus before tax of £28.1 million in 2022, which is slightly lower than the previous year. This has been a year focussed on recovery, with a significant increase in spend on maintenance, reflecting catch up of work which had to be deferred during periods of lockdown."

Key Financials

Key Financial Indicators	12 months ended 31 March 2022	12 months ended 31 March 2021
Turnover (£000)	420,051	429,894
Operating surplus (£000)	66,243	68,945
Operating margin[1]	13.0%	13.8%
Operating margin (social housing lettings)[1]	19.0%	21.7%
Operating margin (property sales)	9.8%	7.6%
Surplus before tax (£000)	28,129	28,770
Gearing[1]	41.8%	43.2%
Interest cover (EBITDA MRI)[1]	160.0%	171.0%
Net debt per unit (£)	21,598	21,686

The year ending 31 March 2022 was very much a recovery year following the Covid-19 pandemic but has delivered continued strong performance with surplus before tax only marginally below the previous year. We remain a social enterprise and one of the UK's largest providers of high-quality affordable housing and supported housing products and services. The majority of our turnover (67%) continues to be derived from social housing lettings.

Turnover decreased by 2.3% to £420.1 million, reflecting a reduction in new build sales income of £37.5 million. This was predominantly driven by sales numbers for affordable home ownership and outright sale reducing to 352 (2021: 516) as a result of our development programme handing over lower numbers of homes for sale this year, with more schemes delivering homes for rent.

Offsetting the reduction in turnover from new build sales, rental income increased by £10.6 million reflecting rent increases which applied from 1 April 2021, and the addition of 514 new build homes for social or affordable rent. We also derived one-off turnover of £9.5 million from the sale of a piece of land following a strategic review of our development schemes.

The operating margin on social housing lettings reduced from 21.7% to 19.0% reflecting the higher maintenance costs experienced in 2022. As our planned maintenance programme had been delayed in 2021 as a result of restricted access during lockdowns, we saw an element of 'catch up' in 2022. The reduction in margin on social housing lettings is the main driver of the reduction in overall operating margin, but this is also influenced by an increase in turnover from care and support contracts which are typically lower margin than social housing lettings but are an area which Home Group is highly experienced at delivering stable financial returns.

Surplus before tax is only £0.6 million lower than in 2021 with good performance in our development joint ventures and higher surpluses from the sale of previously rented properties mostly compensating for the reduction in operating surplus from the core business.

Gearing and net debt remain stable as additions to housing properties have been funded from operating cash flows, making borrowings £3.4 million lower at 31 March 2022 than at 31 March 2021.

Treasury and financing

As at 31 March 2022 net debt was £1,099 million (2021: £1,096 million) and available liquidity in the form of committed, undrawn facilities and cash was £367.8 million (2021: £376.8 million). The proportion of drawn debt that was fixed at 31 March 2022 was 82.5% (2021: 80.6%). We continue to have a substantial pool of unencumbered properties available to charge as security against future borrowings.

During the year we extended or renegotiated revolving credit facilities totalling £250 million including our first sustainability linked loan.

[1] Value for Money metric as defined by the Regulator of Social Housing

Development and sales

Development	12 months ended 31 March 2022 No. of homes	12 months ended 31 March 2021 No. of homes
Social/affordable rent	514	359
Affordable home ownership	109	195
Outright sale	172	307
Joint ventures	252	158
Total homes handed over	1,047	1,019

This year we and our joint ventures have delivered 1,047 new homes, 623 of which were affordable. Build completions were slightly behind expectation with materials and contractor labour shortages contributing to some delays. We continue to work closely with our contractors and partners to ensure timely completion of new homes. Although we are insulated from cost volatility to some extent through fixed price contracts, we remain cautious as supply chain pressures continue to create blockages and delays. Our development activity is subject to a robust risk management framework with development schemes subject to scrutiny at our Development Committee and Board and schemes will only proceed if target development KPIs are achieved.

New build sales	12 months ended 31 March 2022 No. of homes	12 months ended 31 March 2021 No. of homes
Affordable home ownership	165	278
Outright sale	187	238
Joint ventures	269	181
Total sales completed	621	697
Homes held for sale as at 31 March	172	300

We continue to see good levels of interest on our sales sites. Cost of living pressures and interest rate increases could make buyer affordability an issue, however mortgages currently remain readily available and relatively affordable.

In recent years we have deliberately sought to reduce the number of completed properties held for sale, and this has driven a 43% decrease over the course of the last year.

Asset management

Maintenance	12 months ended 31 March 2022 £'000	12 months ended 31 March 2021 £'000
Routine maintenance	48,609	46,426
Planned maintenance	22,212	17,960
Major repairs expenditure	13,018	3,775
Capitalised works	26,368	16,234
Amount spent on improving and maintaining customers' homes	110,207	84,395

Total maintenance spend was over 30% higher than 2021. Access issues during the pandemic slowed maintenance activity considerably in the previous year and we have seen an element of catch up in 2022. Our 2022 spend also includes £8.7 million in relation to building safety works, following proactive surveys of our properties (2021: £2.2 million). We will continue to focus investment in our existing homes to ensure they are safe, maintained to a good standard and improved to deliver better energy efficiency.

Last year we diversified our maintenance delivery models to include a direct labour organisation, a partnership agreement with another social landlord, and the use of a technological marketplace solution linking us directly to contractors. This allows us to retain flexibility and resilience in a challenging environment where we are experiencing cost pressures from contractors and on material and labour prices.

We intend to consolidate these changes in the coming year, partnering with an existing contractor to expand direct delivery of maintenance in one of our regions. We have already seen significant benefits from new delivery models, such as improved cost effectiveness, greater agility, and improved levels of customer service.

Sustainability

Our customers, colleagues, and partners care about our impact on the environment, and we're acutely aware of the need to reduce our carbon footprint. We are fully behind the UN's goal to stabilise the amount of human-induced greenhouse gases in the atmosphere and have committed significant investment within our 30 year financial plan to drive towards our sustainability goals. We are committed to achieving a minimum EPC C rating for our homes in England by 2030 with a minimum EPC B rating for our homes in Scotland by 2032.

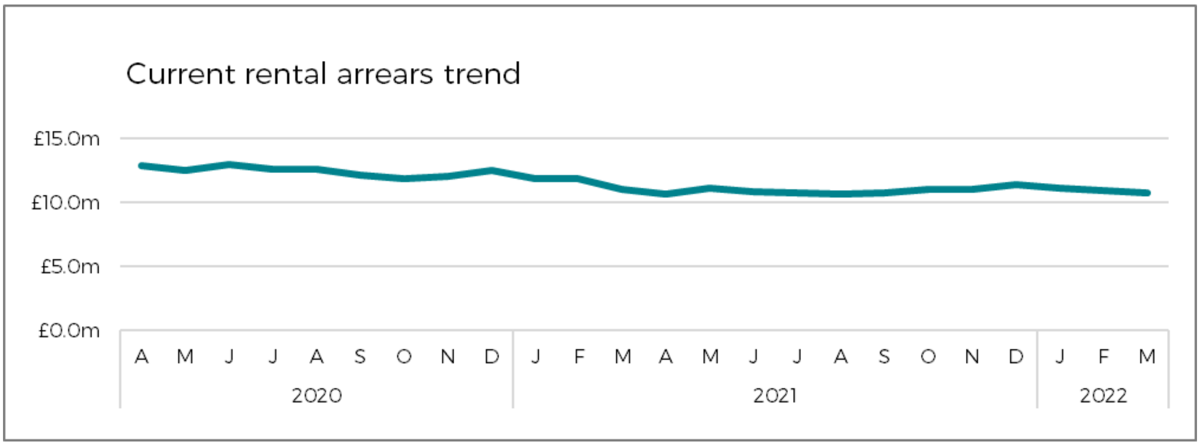
During 2022 we partnered with the Department for Business, Energy and Industrial Strategy (BEIS) and took part in wave 1 of the Social Housing Decarbonisation Fund. This partnership has allowed us to commit investment of £5.5 million, including funding of £1.2 million from the Treasury, to deliver whole house retrofit programmes including the installation of external wall insulation, air source heat pumps and solar panels to 90 homes in Cumbria. We are currently working with BEIS and the Greener Future Partnership (five like-minded housing associations with a core objective of creating sustainable tenancies, homes, and communities) in defining wave 2 with a view to expanding our partnership and investment plans over the medium term.

We are committed to engaging with our customers on sustainability and in 2021, we turned some of our empty properties into net-zero learning hubs to empower customers to take an active interest in the green evolution in their communities.

Last year we published our first environmental, social and governance (ESG) report under the Sustainability Reporting Standard for Social Housing, with the 2022 report to be published in Summer 2022. Feedback from stakeholders on our first report has been positive and we are very happy to engage with investors on our ESG activities. Our ESG reports are published on our website and can be found at:

www.homegroup.org.uk/about-us/corporate/transparency/financial-reports-and-annual-review/

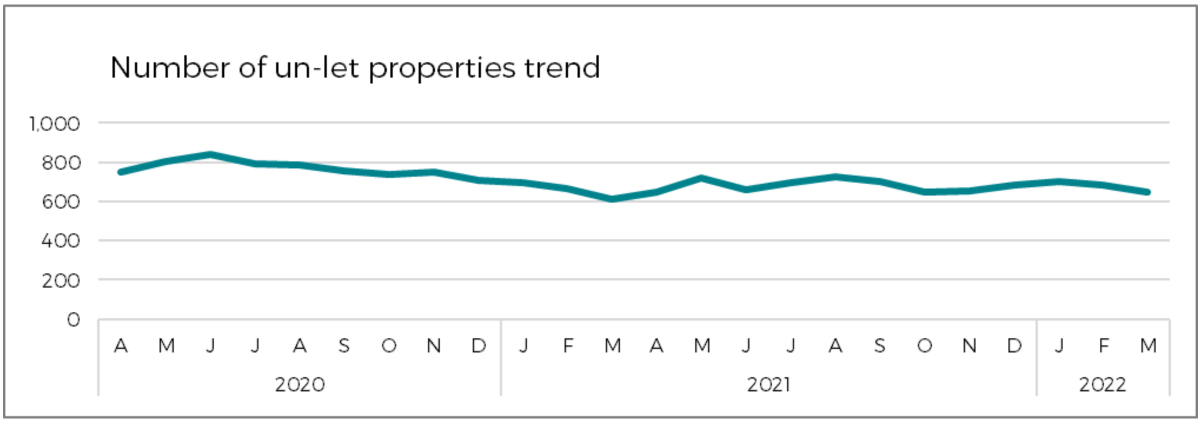
Operational performance



We have seen a decline in the amount of arrears owed by our rented customers since the start of the pandemic, with arrears reducing to £10.7 million at 31 March 2022 (2021: £11.1 million).

We continue to target reductions in arrears, however expect this to remain challenging. Household budgets remain strained due to the rising cost of living, and we expect some impact as the pause by the Department for Work and Pensions on managed migration to Universal Credit is lifted.

Our financial inclusion team continues to work with customers who are experiencing financial pressures, helping them to claim benefits they are entitled to. Additional resource will be added to the team in the coming year, with a focus on proactive campaign work in our communities to reach those who may not be digitally engaged or enabled.



The number of available rented properties to let at 31 March 2022 was 649 (2021: 613). Un-let properties peaked at 726 during the year, and numbers have been steadily reducing since then.

Summary financial statements

Income & expenditure	12 months ended 31 March 2022 £'000	12 months ended 31 March 2021 £'000
Turnover	420,051	429,894
Cost of sales	(67,979)	(93,196)
Operating expenditure	(297,316)	(277,272)
Surplus on disposal of housing properties	11,487	9,520
Operating surplus	**66,243**	**68,945**
Share of profit in joint ventures and associates	3,758	939
Interest receivable	2,064	2,728
Interest payable	(43,936)	(43,843)
Surplus before taxation	**28,129**	**28,770**

Summary balance sheet	At 31 March 2022 £'000	At 31 March 2021 £'000
Housing properties	2,629,350	2,539,561
Properties held for sale	132,023	154,774
Investments	71,863	86,567
Cash and cash equivalents	47,931	54,641
Loans and borrowings	(1,147,463)	(1,150,899)
Deferred capital grant	(841,958)	(826,289)
Other assets and liabilities	(160,494)	(173,893)
Net assets	**731,252**	**684,462**

Contact Information

For further information, please contact:

Steve Hallowell
Director of Treasury and Investor Relations
07736 097160
steve.hallowell@homegroup.org.uk

Steve Heywood
Media Manager
steve.heywood@homegroup.org.uk

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