

**bpha Group**  
**half year financial report**  
for the six months ended  
30 September 2018



1	CFO statement
2	Our highlights
3	Customer services
3	Margins and underlying surplus
4	Investment in homes
4	Liquidity and funding
5	Results for the period
5	Statement of cash flows
6	Summary balance sheet
6	Board and Executive Leadership Team



Our strong financial performance in recent years has continued into the first six months of this year.

We set out 6 strategic themes within bpha's 2017/18 Financial Statements and have made progress against each of these including delivery of new homes and developing people, systems and technology. The aim is to ensure that the organisation is fit for the future in terms of the challenges it will face to build more homes, to meet changing customer expectations and to be resilient to the uncertainties of Brexit. The team has been strengthened through recent appointments to the Board, Executive and Senior Management. These investments, whilst having a shorter-term impact on margins, will give bpha the capability and capacity to continue delivering the strong results that will enable the business to deliver its Corporate Plan.

Our business model, which remains focussed on the Oxford to Cambridge corridor, is cash generative and strong liquidity has been further augmented by new funding arranged in September/October 2018, putting us in a good position to continue delivering new homes.



**Paul Gray, FCA**  
Chief Financial Officer, bpha Group

27 November 2018

OUR HIGHLIGHTS



321

homes built or acquired



105

first tranche shared ownership sales



18,506

properties owned or managed



£31.1m

EBITDA MRI  
(excluding surplus from asset sales)



£21.6m

surplus before tax



£11.2m

invested in maintaining and  
improving our existing homes



175%

EBITDA MRI  
(% of interest payable)



42.8%

operating margin on  
social housing lettings



100%

of homes have met the  
Decent Homes Standard  
since 2010



A+

credit rating from Standard & Poor's



V1

Regulator of Social Housing  
viability rating



G1

Regulator of Social Housing  
governance rating

**Customer services**

Excellent customer service is at the core of our business. In the six months to September 2018 progress has been made on accelerating the delivery of digital services and systems and approaches for improving customer engagement and feedback, which will be in addition to existing channels of engagement.

Our total income from social housing lettings has grown by 1.6% compared to the previous half year, reflecting:

- Growth in the number of properties owned and managed;
- Strong operational performance, including reduction in average void times;
- Improvements in rent collection.

Our repairs and maintenance programmes are proceeding according to plan and other costs are in line with expectations.

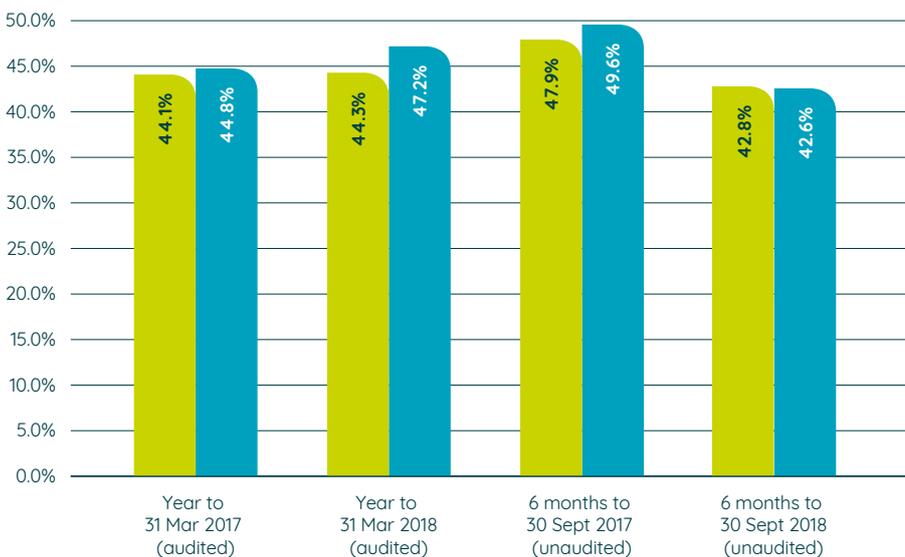
The increased investment we are making in people and technology to enhance our service offering, is expected to have some cost impact in the second half year.

**Margins and underlying surplus**

Our overall surplus before tax for the half year was £21.6m. Within this, our underlying surplus from operations for the half year was £17.1m (2017: £18.4m). This includes contributions from all business streams:

- Social housing lettings cover all management costs and interest charges.
- First tranche shared ownership sales and asset sales continued to perform strongly in the first half of the year but given current economic and political uncertainties, we have taken a prudent approach to the recognition of profit on sales from sites that have further units to be completed in the year.
- The total operating surplus of £26.9m includes an operating surplus on social housing lettings for the first six months of the year of £19.0m (2017: £21.0m) at a margin on social housing lettings of 42.8% (2017: 47.9%). This reflects the investments being made to improve future operational efficiency and customer service delivery.

**Operating margin remains strong**



■ Operating margin (social housing lettings only) %  
 ■ Operating margin (overall) %

### Investment in homes

We are strongly focussed on the delivery of new homes and have the financial capacity to make further commitments provided these meet our strict development hurdles. During the period we delivered 321 new homes and acquired 4 other properties in associated developments.

	No. of units at 31 Mar 2018	Additions	Disposals	No. of units at 30 Sept 2018
Homes owned	16,703	321	(36)	16,988
Other properties owned	33	4	–	37
<b>Properties owned</b>	<b>16,736</b>	<b>325</b>	<b>(36)</b>	<b>17,025</b>
Properties managed on behalf of others	1,517	22	(58)	1,481
<b>Total</b>	<b>18,253</b>	<b>347</b>	<b>(94)</b>	<b>18,506</b>

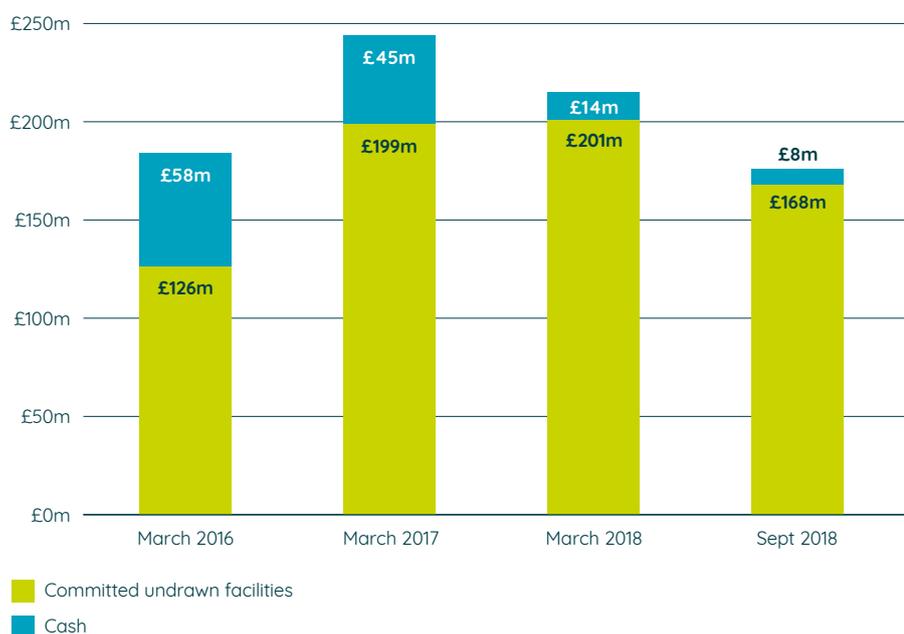
We have a strong development pipeline which remains focussed upon affordable rented and shared ownership homes with a limited exposure to development for market sale.

In the first six months of the year, we have invested £11.2m in improving and maintaining existing assets (£5.1m repairs plus £6.1m capital improvements) and £73.9m in developing new homes.

### Liquidity and funding

At 30 September we had £176m of immediately available liquidity and all of our development commitments are fully funded. The liquidity trend is shown below:

#### Liquidity



In September 2018 we completed a 10 year £50m revolving credit facility with Clydesdale Bank. This replaced a previous £50m facility, which was due to expire in 2019.

As we can access a large portion of our undrawn facilities within 48 hours, our policy is to hold low cash balances. Previous higher cash holdings were the result of timing in relation to fundraising activities and as a risk management measure against market uncertainty at the time.

In October 2018 we issued a £150m tap of our existing £200m 4.816% 2044 Bond, taking this to £350m, which is above benchmark size. £75m of the bonds were sold raising over £90m which further strengthened our liquidity position. £75m of the bonds were retained.

In October, Standard & Poor's reaffirmed bpha's long-term credit rating of A+. A copy of the rating update is available on the investor relations section of the bpha website at <https://investors.bpha.org.uk>.

## SUMMARY RESULTS

### Results for the period

Financial year	Unaudited results for six months to			Audited results year to	
	30 Sept 18 2018/19 £'000	31 Mar 18 2017/18 £'000	30 Sept 17 2017/18 £'000	31 Mar 18 2017/18 £'000	31 Mar 17 2016/17 £'000
<b>Turnover</b>	<b>63,188</b>	60,373	56,949	117,322	122,366
<b>Operating surplus</b>	<b>26,898</b>	27,146	28,231	55,377	54,863
<i>Operating surplus as a % of turnover</i>	<b>42.6%</b>	45.0%	49.6%	47.2%	44.8%
Net interest	<b>(15,720)</b>	(15,850)	(15,675)	(31,525)	(33,007)
Surplus from asset sales	<b>5,927</b>	5,375	5,820	11,195	8,561
<b>Underlying surplus from operations</b>	<b>17,105</b>	16,671	18,376	35,047	30,417
Movement in fair value of financial instruments	<b>4,523</b>	1,778	7,364	9,142	(1,967)
Valuation (loss)/gain on investment properties (Note)	–	(2,530)	–	(2,530)	505
<b>Surplus before tax</b>	<b>21,628</b>	15,919	25,740	41,659	28,955

Note: Investment properties are subject to a Directors' valuation at half year and are externally professionally valued at March year end.

### Statement of cash flows

Financial year	Unaudited results for six months to			Audited results year to	
	30 Sept 18 2018/19 £'000	31 Mar 18 2017/18 £'000	30 Sept 17 2017/18 £'000	31 Mar 18 2017/18 £'000	31 Mar 17 2016/17 £'000
Net cash flows from operating activities	<b>29,383</b>	29,464	26,218	55,682	65,544
Interest paid	<b>(17,775)</b>	(17,347)	(16,963)	(34,310)	(36,297)
<b>Operating cash flow net of interest</b>	<b>11,608</b>	12,117	9,255	21,372	29,247
Improvements to housing properties	<b>(6,153)</b>	(6,880)	(4,113)	(10,993)	(10,645)
Other items	<b>(130)</b>	2,821	1,508	4,329	3,111
<b>Operating cash flow net of interest, capex and other</b>	<b>5,325</b>	8,058	6,650	14,708	21,713
Proceeds from assets sales	<b>12,750</b>	12,059	12,840	24,899	20,962
First tranche shared ownership sales	<b>14,296</b>	11,940	9,437	21,377	20,775
<b>Operating and sales cash flow</b>	<b>32,371</b>	32,057	28,927	60,984	63,450
Development spend	<b>(73,867)</b>	(45,032)	(36,517)	(81,549)	(71,393)
Net movements in borrowings and deposits	<b>33,782</b>	15,850	(19,470)	(3,620)	30,850
<b>Net cash flow after development activities</b>	<b>(7,714)</b>	2,875	(27,060)	(24,185)	22,907

**SUMMARY BALANCE SHEET  
BOARD AND EXECUTIVE LEADERSHIP TEAM**

**Summary balance sheet**

Financial year	Unaudited 30 Sept 18	Audited 31 Mar 18	Unaudited 30 Sept 17	Audited 31 Mar 17
	2018/19 £'000	2017/18 £'000	2017/18 £'000	2016/17 £'000
Housing fixed assets	1,131,141	1,073,372	1,033,207	1,008,232
Other fixed assets	52,250	54,561	60,162	63,748
Net current assets	16,630	21,113	23,375	45,790
<b>Total assets less current liabilities</b>	<b>1,200,021</b>	<b>1,149,046</b>	<b>1,116,744</b>	<b>1,117,770</b>
Debt (due over one year)	764,243	731,394	716,929	737,803
Other long term liabilities	177,396	180,899	179,969	185,863
Total long term liabilities	941,639	912,293	896,898	923,666
Reserves	258,968	236,753	219,846	194,104
<b>Total long term funding and reserves</b>	<b>1,200,021</b>	<b>1,149,046</b>	<b>1,116,744</b>	<b>1,117,770</b>

**Board and Executive Leadership Team**

**Board non-executive directors**

Paul Leinster	Chair (appointed 23 April 2018)
Ian Ailles	Chair - Audit and Risk Committee
Jill Ainscough	Chair - Remuneration and Nominations Committee
Paul High	Chair - Development Committee and Bushmead Board
ClIr Shan Hunt	Independent
Martin Hurst	Chair - Finance and Treasury Committee
Peter Male	Senior Independent Director (retired 31 July 2018)

**Board executive directors**

Kevin Bolt	Chief Executive Officer
Jeff Astle	Director of Development and Sales
Paul Gray	Chief Financial Officer
Julie Wittich	Director of Assets

**Executive Leadership Team** - The Executive Leadership Team consists of the Board executive directors together with the following:

Anna Humphries	Director of Customers and Services (appointed 2 July 2018)
Adrian Moore	Director of IT
Liz Parsons	Director of Quality and Communications

**Company Secretary**

Philippa Spratley	Company Secretary
-------------------	-------------------



Registered Office  
bpha Limited  
Bedford Heights  
Manton Lane  
Bedford  
MK41 7BJ

Tel: 01234 221201  
info@bpha.org.uk

<https://investors.bpha.org.uk>



bpha Limited  
Registered as a registered society under the Co-operative and Community Benefit Societies Act 2014  
Register No: 26751R  
Registered with the Regulator of Social Housing No: LH 3887