

1. Financial update: Consolidated Statement of Comprehensive Income Summary (SOCI) To 30 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Full Year Budget	Full Year Forecast	Full Year Variance	YTD Budget	YTD Actual	YTD Variance
	(approved March 2020)	(proposed restated budget July 2020)		(approved March 2020)		
	£000's	£000's	£000's	£000's	£000's	£000's
Income						
Social housing lettings	48,600	47,917	(682)	13,120	12,816	(304)
Other social housing activities	7,489	6,152	(1,337)	1,872	352	(1,520)
Non social housing activities	8,545	8,289	(256)	2,151	2,199	49
	64,633	62,358	(2,275)	17,143	15,368	(1,775)
Expenditure						
Social housing lettings	(31,884)	(32,254)	(370)	(7,983)	(6,625)	1,357
Other social housing activity	(6,659)	(6,253)	406	(1,652)	(285)	1,367
Non-social housing activity	(7,378)	(7,115)	263	(1,845)	(1,740)	105
	(45,921)	(45,621)	300	(11,479)	(8,650)	2,829
Operating Profit	18,712	16,737	(1,975)	5,663	6,718	1,054
Operating profit %	29%	27%	2%	33%	44%	11%
Gain or (loss) on disposals	1,440	748	(692)	360	108	(252)
Net interest (payable)/receivable	(9,248)	(9,741)	(493)	(2,447)	(2,425)	23
Total comprehensive income for the year	10,904	7,744	(3,160)	3,576	4,401	825

Other social housing costs £1,367k favourable to YTD Budget predominantly due Shared Ownership related costs as explained above.

Non social housing costs £105k favourable to YTD Budget due to timing of open market sales.

Gain/(Loss) on Disposals £252k unfavourable to YTD Budget due to the slowing of sales as a result of lockdown. The full year forecast is based on the number of sales in the pipeline plus an estimate of sales to complete by the end of the financial year. The number of sales may still reach the original budget of 40 sales, however the previously budgeted for VRTB income has now been removed.

Net interest (payable)/receivable £23k favourable to YTD Budget but will be unfavourable by the year end as a result of acceleration of the £50m bond sale.

Social Housing Lettings income £304k unfavourable to YTD Budget made up of rental income (£103k) due to the number of completions being reduced and void rent loss (£168k) being higher as a result of lockdown and reduced repairs service running for the first quarter year. FYF has been set in line with the proposed restated budget.

Other social housing activities income £1,520k unfavourable to YTD predominantly due Shared Ownership sales income with 3 (FHL) units sold YTD compared with 27 (20 FHL & 7 FHW) budgeted. Sales have been re-profiled in the FYF in order to reflect updated scheme completion timings, accounting for the 3 month pause with schemes on site, and possible further delays that may result from revised building practices to accommodate new government guidelines such as social distancing. In addition, there may be delays to sales being completed as a result of a general slowing of the property market.

Non social housing activities income currently on track YTD with Open Market Sales at 9 units. FYF revised by as a result of open market sales units being re-profiled to 26 units, following the same principles as explained for shared ownership.

Social Housing Lettings costs £1.4m favourable to YTD Budget due to :

- £1.2m favourable on all categories of repairs, largely due to only undertaking emergency repairs during Q1, and all programmes suspended from 23rd March, and slowly recommenced from mid June.
- £330k favourable on depreciation as a result of pausing the capital repairs programme and new development handovers also being paused.

Offset by:

- £211k on bad debts provision as arrears have increased and therefore the amount provided increases.

2. Financial update: Consolidated Statement of Financial Position (SOFP)

To 30 June 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Full Year Budget £000's (approved March 2020)	Full Year Forecast £000's (proposed restated budget July 2020)	Full Year Variance £000's	YTD Budget £000's (approved March 2020)	YTD Actual £000's	YTD Variance £000's
Fixed assets	341,615	336,367	(5,249)	307,822	296,371	(11,451)
Current assets						
Debtors	2,533	4,600	2,067	4,715	5,374	659
Stock	86	139	53	126	140	14
Properties held for sale	4,173	1,958	(2,214)	6,091	5,905	(186)
Cash	3,752	16,854	13,102	14,334	38,632	24,298
Investments	2,993	41,000	38,007	29,036	45,305	16,269
Current liabilities	(11,499)	(17,095)	(5,596)	(17,030)	(15,643)	1,387
Net current assets/(liabilities)	2,037	47,456	45,419	37,272	79,713	42,441
Total assets less current liabilities	343,652	383,823	40,171	345,093	376,084	30,991
Creditors due > 1 yr	(239,677)	(267,661)	(27,984)	(252,105)	(267,708)	(15,603)
Loan arrangement fee	2,050	1,631	(420)	1,613	1,443	(170)
Loan premium	0	(15,374)	(15,374)	668	(14,877)	(15,545)
Loan premium amortisation	0	678	678	0	0	0
Deferred capital grant	(39,530)	(38,926)	604	(35,083)	(33,811)	1,272
Net pension liability	(16,271)	(8,422)	7,849	(8,422)	(8,422)	0
Total net assets	50,225	55,749	5,524	51,764	52,709	945
Capital and reserves						
Revenue reserves	50,225	55,749	5,524	51,764	52,709	945

Fixed Assets are currently £11.5m lower than YTD Budget due to a minimal spend on development for the majority of the 1st Qtr as a result of lockdown. The restated budget report provides more information on the revised capital spend expectations.

Debtors favourable variance is due to the timing of receipts.

Properties held for sale is forecast to decrease throughout the year as properties are sold.

Cash and Investments favourable variance due to the £50m bond being sold early and generating a £16m cash premium.

Current liabilities variance is as a result currently lower development spend than budgeted.

Creditors over one year represents bank loans and bond finance. The variance to YTD Budget is as a result of the retained bond sale offset by repayments of the RCF's that were drawn at the beginning of lockdown as a risk mitigation strategy.

Loan arrangement fee These are made up of the fees incurred for refinances, and are released to the SOCI over the life of the debt. This balance will reduce to zero on expiry of the loan facilities/bond.

Loan Premium & Amortisation The £50m retained bond was sold in June 2020. The interest rate associated with the £200m bond facility was fixed at 3.375% but due to preferential market conditions a lower rate was secured and a premium over and above the £50m cash receipt was obtained.

Capital grants will increase as the Group progresses with grant funded schemes. It should be noted that business plans are not reliant on these grant monies being secured in order to meet future cash needs and loan covenants. The deferred grant balance is written down over a period of 100 years in line with the depreciation of housing structure.

3. Financial update: Group Statement of Cash Flows

To 30 June 2020

CONSOLIDATED CASHFLOW STATEMENT

	Full Year Budget	Full Year Forecast	Full Year Variance	YTD Budget	YTD Actual	YTD Variance
	£000's (approved March 2020)	£000's (proposed restated budget July 2020)	£000's	£000's (approved March 2020)	£000's	£000's
OPERATING PROFIT	18,712	16,737	(1,976)	5,663	6,718	1,054
<i>Adjustments for non cash items:</i>						
Depreciation	7,319	7,301	(19)	1,830	1,500	(330)
Amortisation of Government Grants	(821)	(821)	0	(205)	(175)	30
(Increase)/decrease in debtors	(402)	(842)	(440)	1,921	4,749	2,828
Increase/(decrease) in creditors	535	(597)	(1,132)	(3,477)	(8,364)	(4,887)
(Increase)/decrease in stock of housing	4,257	4,476	219	640	825	185
Cash generated from operations	29,600	26,253	(3,347)	6,373	5,254	(1,119)
Cash flow from investing activities						
Capitalised repairs	(6,418)	(6,098)	320	(1,603)	(467)	1,136
Income/(expenditure) on other fixed assets	(7,476)	(6,632)	844	(1,774)	(50)	1,725
Development spend	(35,657)	(34,853)	803	(7,777)	(1,191)	6,586
Grants and other income	4,616	6,146	1,530	1,051	385	(666)
Proceeds from sale of fixed assets	380	1,259	879	95	494	399
Interest received		1,193	1,193			
Cash (outflow)/inflow before interest	(14,955)	(12,733)	2,222	(3,635)	4,425	8,060
Net interest paid	(8,183)	(11,098)	(2,915)	(1,487)	(2,425)	(938)
TOTAL NET CASH INFLOW/ (OUTFLOW) FOR THE YEAR	(23,138)	(23,831)	(693)	(5,122)	2,000	7,122
Financed by:						
Increase/(decrease) in bank loans	18,457	27,001	8,544	(4,450)	27,252	31,702
(Increase)/decrease in cash	4,681	(3,170)	(7,851)	9,572	(29,252)	(38,824)
	23,138	23,831	693	5,122	(2,000)	(7,122)

Cash generated from operations the Group has generated c£6.7m cash from operations but by the year end will be below budget, as explained by the commentary in the restated budget report.

Cash flow from investing activities The Group's main investment spend is on new development (c£1.2m) followed by component replacements (c£0.5m), both of which are currently tracking under budget due to the lockdown restrictions placed as a result of Covid-19.

The financing section reflects the £50m bond sale.