2022-23 Performance to September 2022

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Key messages and highlights

- There have been no changes to the Board during 2022-23.
- G1/V1 grading reaffirmed in November 2022.
- A+ (stable outlook) Standard & Poor's reaffirmed in October 2022.
- All financial covenants have been comfortably achieved, each maintaining significant headroom.
- Substantial cash reserves and undrawn facilities
- On 6 April 2022, FHG announced it is in early talks with bpha and Flagship Group to enter a partnership. In October 2022, the Board as well as the Boards and Chief Executives of bpha and Flagship Group agreed not to proceed with the proposed partnership. The current economic circumstances mean it is now extremely challenging to secure the additional financial capacity required to deliver the ambitious vision of doing more together.

Financial highlights for the period: April to September 2022 (unaudited)

- Turnover for the period is £30.7m (2021: £32.4m) – reduction due to open market sales
- Social housing contributed to 91% of total turnover (2021: 82%)
- Operating surplus for the period was £9.6m (2021: £10.5m)
- Operating margin on social housing lettings was 32% (2021: 35%)
- Overall operating margin was 31% (2021: 32%)
- Overall operating margin (excluding asset sales) was 32% (2021: 34%)
- The overall surplus for the period was £5.1m (2021: £5.7m)
- Interest cover forecast for 2022-23 is 1.38 (covenant 1.10)
- Gearing forecast for 2022-23 is 53% (covenant 80%)

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Financial Performance - April to Sept 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Apr - Jun Budget	Apr - Jun Actual	Variance
	£000's	*£000's*	*£000's*
Income			
Social housing lettings	28,462	27,851	(611)
Other social housing activities	3,349	1,361	(1,988)
Non social housing activities	1,515	1,493	(22)
	33,326	30,705	(2,621)
Expenditure			
Social housing lettings	(19,107)	(19,063)	44
Other social housing activity	(3,458)	(1,153)	2,305
Non-social housing activity	(772)	(839)	(67)
	(23,337)	(21,055)	2,282
Operating Profit	**9,988**	**9,650**	**(338)**
Operating profit %	30%	31%	1%
EBITDA MRI as % Revenue	31%	29%	-2%
Gain or (loss) on disposals	544	986	442
Net interest (payable)/receivable	(5,600)	(5,575)	25
Tax	0	(5)	(3)
Total comprehensive income for the year	**4,933**	**5,056**	**125**

Financial Performance April 2022 to December 2022 - variance to budget

Operating profit of £9.6m is slightly below budget, returning an operating margin of 31%. This is a strong result and is due to a combination of factors as outlined below.

Income was £2.6m lower than budget, the main variances being:

- Delays in the prior year and current year property handovers has resulted in reduced social housing rent.
- Shared ownership sales volume is lower than expected as some schemes have been re-phased into later this year. The average first tranche sales profit is greater than budgeted assumptions due to increased market values.

Expenditure was lower than budget by £2.3m, the main variances being:

- Bad debt savings as actual YTD performance is 1.0% compared to a budget of 1.5%.
- Shared ownership costs are lower, in line with the income variance.
- Depreciation is lower due to delays in handovers.

Overall, total comprehensive income of £5.1m is £0.1m better than budgeted.

Arrears

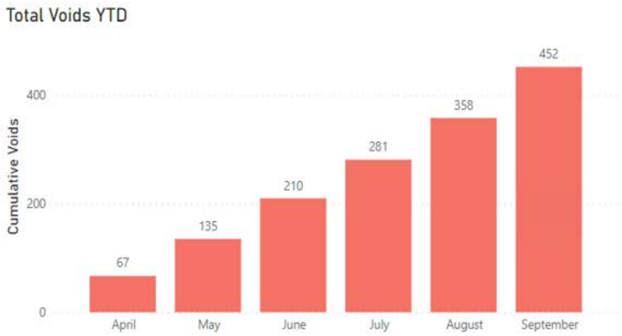
Current Arrears - Using New Month End

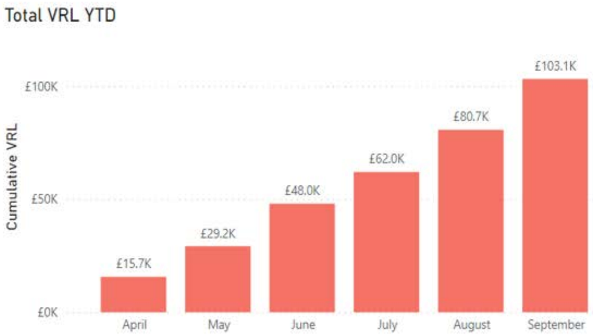
September 2022 arrears position

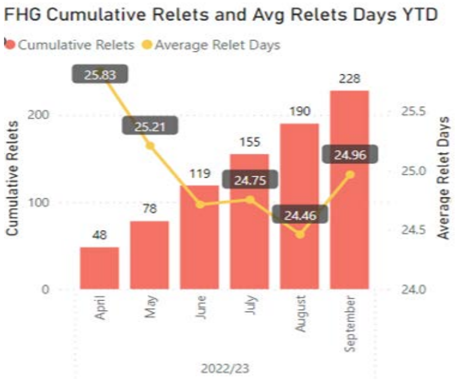
Arrears for the Group are 2.5%, and 0.1% higher than for the same period in the previous year.

Customers are beginning to feedback that they are experiencing financial hardship due to the increased cost of living. Alongside working with partnering agencies, a fund has been set aside to assist customers in immediate crisis.

Social / affordable void rent loss & relets







September 2022 position

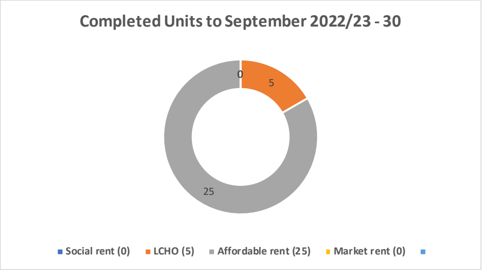
Void rent loss (VRL)

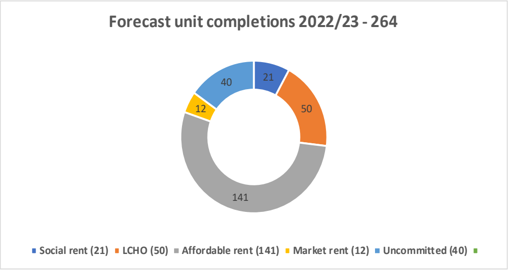
The quarter to September 2022 ended with an overall void rent loss for social and affordable homes of £103k (2021: £111k) resulting in an improved position compared to the previous year.

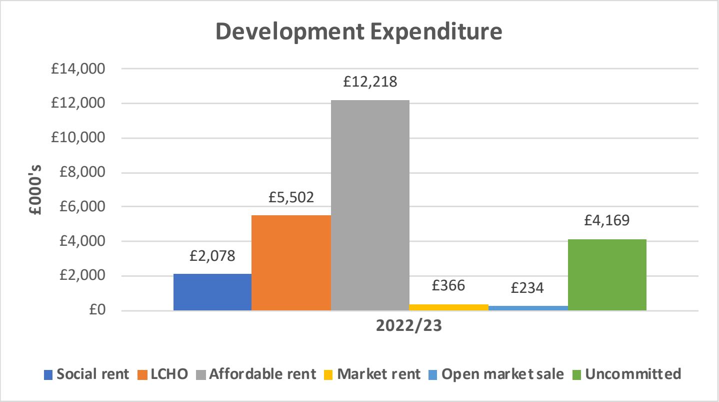
Void relets

The average turnaround to September 2022 is 25.0 (2021: 26.1) and is slightly improved when compared to the previous year.

Development performance







Development forecast performance to September 2022

Total forecast spend in 2022-23 of £24.5m is in line with budget; £4.1m of the total forecast spend relates to uncommitted costs and work is on-going to secure schemes. 30 homes have been handed over to September, and the forecast for the year is 264 homes (includes 40 uncommitted homes).

Sales activity to September has generated £1.3m, shared ownership income is lower due to the timing of sales, however the average profit per sale is benefitting from market value increases.

As at the 30th September 2022, 540 units are secured, and 99 units are in the pipeline. 19% of approved development expenditure is committed and 5% is awaiting approval.

Business plans are built with prudent assumptions to effectively manage risks associated with new development such as falling property values, rent values and sales risk.

Homes England has awarded £171m of grant under the Affordable Homes Programme to a joint bid between Futures, Midland Heart and EMH. This provides the Group with an additional £21.8m in funding which go towards delivering 500 homes.

No reliance on sales income and/or grant income to meet financial covenants so business plans can operate effectively within their funding facilities.