2023-24 Performance to December 2023

Areas to cover

Key messages and highlights

- G1/V1 Regulator of Social Housing grading reaffirmed in August 2023 following an in-depth assessment.
- A+ (negative outlook) Standard & Poor's credit rating affirmed in October 2023. The negative outlook reflects the unavoidable impact of high inflation and our plans to invest more in the energy performance of our homes which will deliver benefits for both customers and the environment.
- All financial covenants have been met with sufficient headroom for future risks.
- Substantial cash reserves and undrawn facilities.
- The Board previously approved repayment of a £12m fixed term loan. This is no longer value for money due to changes in the economic market.
- The loan agreement was restated in December 2023 with the £38m revolving credit facility increased to £75m.
- As part of the new agreement, the EBITDA MRI covenant was replaced with EBITDA at 140%. The gearing covenant was also reset to 75% up to and including 2027-28. Thereafter gearing is measured at 70% in perpetuity. The restatement also enables covenants to be measured Groupwide.
- FHL and FHW, under the loan facility agreement with National Westminster Bank plc, is permitted to on-lend or invest in other members of the Group and in joint ventures subject to the aggregate of all investments, loans and on-lending not exceeding £20m.

Financial highlights for the period: April to December 2023 (unaudited)

- Turnover for the period is £49m (2022: £44.3m)
- Social housing contributed to 88% of total turnover (2022: 90%)
- Operating surplus for the period was £14.5m (2022: £13.3m)
- Operating margin on social housing lettings was 30% (2022: 30%)
- Overall operating margin was 30% (2022: 30%)
- Overall operating margin (excluding asset sales) was 29% (2022: 33%)
- The overall surplus for the period was £8.9m (2022: £6.7m)
- Funders' EDITDA to interest cover forecast for 2023-24 is 3.03 (covenant 1.40)
- Gearing forecast for 2023-24 is 56% (covenant 75%)

Financial performance: April to December 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Apr - Dec Budget	Apr - Dec Actual	Variance
	£000's	*£000's*	*£000's*
Income			
Social housing lettings	43,622	43,124	(498)
Other social housing activities	6,516	3,704	(2,812)
Non social housing activities	1,736	2,148	412
	51,874	48,976	(2,898)
Expenditure			
Social housing lettings	(29,791)	(30,145)	(355)
Other social housing activity	(6,243)	(3,168)	3,074
Non-social housing activity	(748)	(1,129)	(381)
	(36,781)	(34,443)	2,338
Operating Profit	**15,092**	**14,533**	**(559)**
Operating profit %	29%	30%	1%
EBITDA MRI as % Revenue	21%	21%	0%
Gain or (loss) on disposals	316	5	(311)
Net interest (payable)/receivable	(6,656)	(5,688)	968
Tax	0	0	0
Total comprehensive income for the year	**8,752**	**8,850**	**98**

Financial performance April 2023 to December 2023: variance to budget

Operating profit of £14.5m is £0.6m lower than budget however the operating margin is higher at 30%. This is due to a combination of factors:

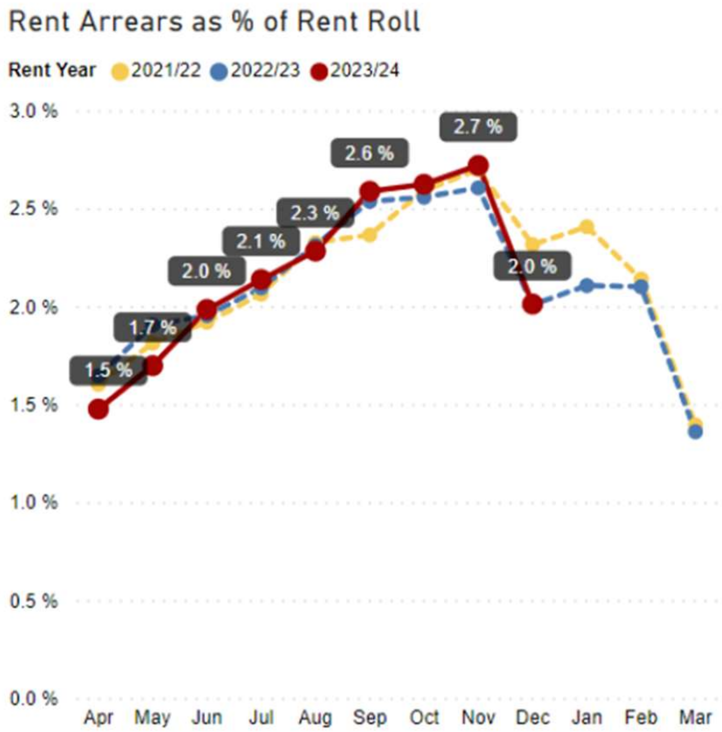
Income was £2.9m lower than budget mainly due to lower shared ownership sales as some schemes are being built more slowly than planned. There is still very strong demand for all completed shared ownership properties with almost all sold off-plan.

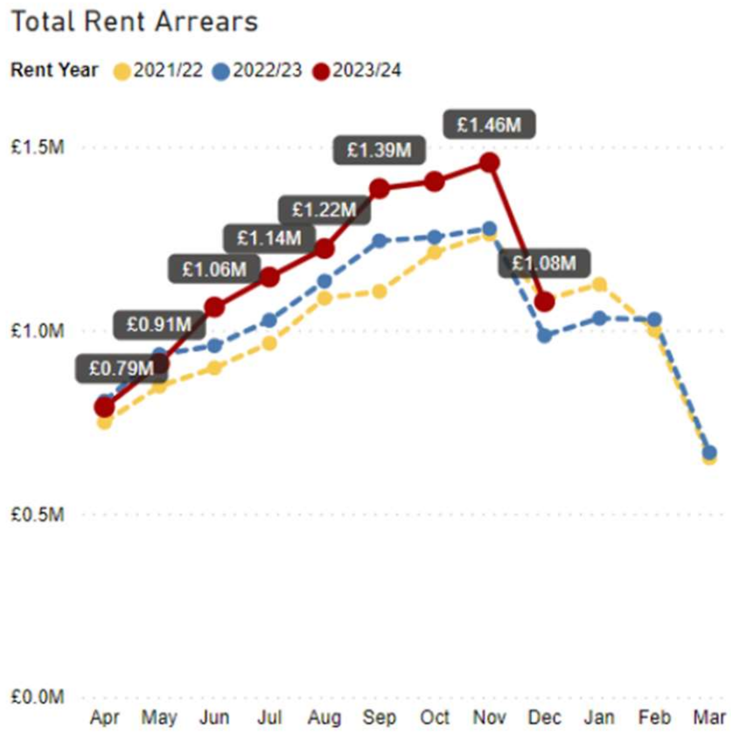
Expenditure was £2.3m lower than budget, the main variance being:

- Shared ownership costs are lower and in line with the income variance, however this is offset by
- Higher void repairs costs due to forthcoming major works being accelerated and undertaken when the property is empty. This reduces future disruption to customers.

Overall, total comprehensive income of £8.9m is £0.1m higher than budget. This has been helped by the lower net interest payable due to an efficient treasury function investing surplus cash reserves to maximise the interest receivable.

Arrears: social and affordable homes





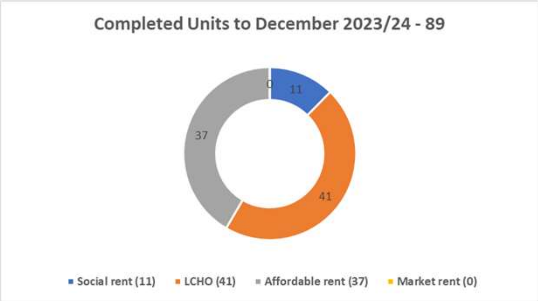
December 2023 arrears position

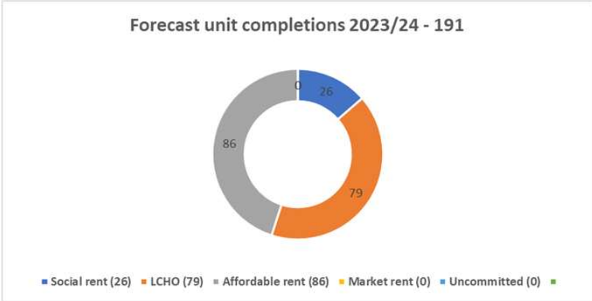
Rent arrears as a percentage of rent roll in December was 2.0%. This is on trend with the previous two financial years.

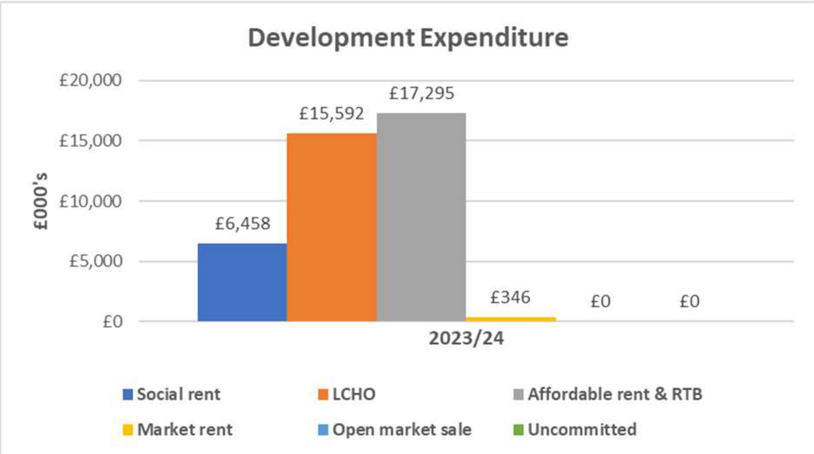
Total rent arrears was £1.1m, on trend with the previous two financial years.

enquiries@futureshg.co.uk
www.futureshg.co.uk

Development performance







Development forecast performance to December 2023

Total forecast spend in 2023-24 of £39.7m is higher than budget (£37.7m) due to phasing of schemes across the whole programme. Eighty nine homes were handed over between April to December, and the forecast for the year is 191 homes.

Sales activity to December generated £3.6m. Shared ownership income is lower due to the timing of sales but the average profit per sale is benefitting from market value increases.

As at the 31 December 2023, 711 units are secured and committed, and 172 units are in the pipeline. 72% of approved development expenditure is committed and 28% 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 contributes towards delivering 500 homes. New increased grant rates for an adjusted programme are currently under review.

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