Notting Hill Genesis Trading Update

6 months ended 30 September 2019

Overview

Notting Hill Genesis (NHG) was formed in April 2018 from the merger of Notting Hill Housing and Genesis Housing Association. NHG works in the community, providing homes for lower-income households. This is our primary purpose, and everything else we do supports that aim. We are one of the largest housing associations in England, providing around 65,000 homes across London and the South East.

The following trading update compares the NHG unaudited accounts for the 6 months ended 30 September 2019 with the unaudited equivalent position, being the 6 months ended 30 September 2018.

Statement of Comprehensive Income

	6 months ended 30 Sep 2019	**6 months ended 30 Sep 2018**	**Movement**
	£m	**£m**	**£m**
Turnover	343.5	306.2	37.3
Cost of sales	(59.9)	(30.4)	(29.5)
Operating costs	(200.0)	(197.3)	(2.7)
Surplus on disposal of fixed assets	13.3	24.8	(11.5)
Gains from joint ventures	11.8	-	11.8
Operating surplus	**108.7**	**103.3**	**5.4**
Net interest payable	(60.7)	(52.3)	(8.4)
Movements in respect of financial derivatives	3.7	5.2	(1.5)
Surplus to 30 September 2019	**51.7**	**56.2**	**(4.5)**

Trading Update

Overall, turnover increased by 12.2% to £343.5m, while operating surplus increased by 5.2% to £108.7m from £103.3m. The growth in surplus can be attributed primarily to an increase in market rent activities, up 66.2% from £7.4m to £12.3m.

We have sold 337 homes during the 6 months ended 30 September 2019. Due to the lower number of units staircased and less favourable surplus achieved on other sales, the surplus on sale of fixed assets decreased by 46.2% to £13.3m.

Joint venture income is being received by NHG for the first time this year, which amounts to £11.8m.

Net interest paid has increased by 16.1% to £60.7m due to the increased level of debt being carried during the period and a lower level of interest capitalised.

The fair value movement of hedged financial derivatives has resulted in a positive movement of £3.7m.

Statement of Financial Position

	As at 30 Sep 2019	As at 31 Mar 2019	Movement
	£m	£m	£m
Housing properties	6,635.1	6,595.3	39.8
Other tangible assets	94.9	94.0	0.9
Investments	1,022.8	944.5	78.3
Net current assets	543.9	548.4	(4.5)
Total assets less current liabilities	**8,296.7**	**8,182.2**	**114.5**
Loans due in more than one year	3,389.9	3,365.8	24.1
Unamortised grant liability	1,226.1	1,229.3	(3.2)
Other long term liabilities	398.5	335.5	63.0
Capital and reserves	3,282.2	3,251.6	30.6
Total funding	**8,296.7**	**8,182.2**	**114.5**

Investment and Debt Analysis

Housing properties have increased by 1.6% during the 6 months ended 30 September 2019. We have completed 630 properties since 1 April 2019, of which 127 were specifically built for social or affordable rent. An additional 128 homes have been delivered via stock transfers or the purchase and repair programme. We currently have over 15,000 homes in our overall development programme, of which 58% are designated as affordable or social tenure types.

Investments have increased by 19.2%, which is primarily due to the completion of market rent properties. Investment properties are revalued by an external third party valuer as at 31 March in each year. The 30 September figures have not been revalued.

Group debt as at 30 September 2019 was £3,524.9m (as at 31 March 2019: £3,253.0m) and undrawn facilities as at September 2019 were £494.6m (as at 31 March 2019: £642.8m).

Other financial information

	6 months ended 30 Sep 2019	6 months ended 30 Sep 2018	Movement
	£m	£m	£m
Capitalised interest	11.9	17.1	(5.2)
Housing depreciation	26.1	25.7	0.4
Other depreciation	4.0	7.6	(3.6)

The decrease in capitalised interest is mainly attributable to the carrying value of on-site schemes at 30 September 2019, which is £138m lower than the carrying value of schemes on-site at 30 September 2018.

Housing depreciation has remained broadly consistent year on year. During the first six months of integration to 30 September 2018, accelerated depreciation of £3.6m was charged to reflect the write-off of a number of non-housing fixed assets.

Key performance statistics

	6 months ended 30 Sep 2019	6 months ended 30 Sep 2018	Movement
	%	%	%
Surplus as % of turnover	17.3	18.6	(1.3)
Operating margin	31.6	33.7	(2.1)
Operating margin - Social Housing lettings	25.5	24.9	0.6
Surplus as % of income from lettings	22.2	24.5	(2.3)
Rent losses (voids and bad debts as % of rent and service charges receivable)	1.5	1.4	0.1
Rent arrears (gross arrears as % of rent and service charges receivable)	7.7	8.3	0.6
Interest cover (surplus before interest payable, depreciation and amortisation of housing properties as % of interest payable)	219.7	245.0	(25.3)

Gearing (total loans as a % of housing properties at cost) moved from 52.6% at 31 March 2019 to 52.7% at 30 September 2019.

Budget

The Board set a budgeted surplus of £51.0m for the 6 months ended 30 September 2019, achieving £51.7m for the period, with a full year budgeted surplus to 31 March 2020 of £97.5m.

The budget includes no allowance for mark to market movements in financial derivatives, or for movements in the value of investment properties.

For further information, please contact:

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