Performance Update

For the period ending
31 March 2017

Great homes. Great communities. Great people.

great
places
HOUSING GROUP

Our performance updates are aimed at ensuring our investors and other stakeholders receive regular, timely information regarding the performance of the Group. We will publish these reports on a quarterly basis and aim to produce them within six weeks of the relevant quarter end.

These results are published in advance of the Statutory Accounts for the year ended 31 March 2017 which will be issued following the AGM in September. The information included is based on unaudited management accounts which remain subject to review and adjustment, as well as the external audit process.

Contents

Financial performance

1

The Group expects to report a surplus for the 2016/17 financial year of £12m which is ahead of budget, in line with expectations and very similar to the results for 2015/16.

Operating margin for the year has improved to just over 30% despite £1.2m of impairment charges that have been incurred following the extension of the 1% rent reduction to our supported housing portfolio. Maintenance costs, front line costs and overhead costs were all well controlled and bad debts were significantly better than budgeted due to the excellent arrears performance. Net interest costs were £21.4m.

Sales performance in the year was strong and ahead of budget expectations. Across all sales categories we achieved over £28m of sales receipts, and generated a surplus of over £5m.

£13.2m of first tranche sales income and a surplus of £1.3m was generated from 193 shared ownership first tranche sales. 57 staircasing sales generated income of £3.2m and a surplus of £800k. Thirty two market sales were made through our subsidiary Cube, generating £6.1m income and a profit of £900k. There were no unsold market sales properties as of 31 March 2017 and just 40 shared ownership properties unsold (of which 30 were reserved and 19 were sold in April 2017).

All financial covenants were comfortably met for the year and all of our financial golden rules were met. Our credit ratings with Moodys and Fitch have remained unchanged at A2 and A+ respectively. We continue to be assessed as V1/G1 by the HCA.

Mark to Market exposure on the Group's free standing derivatives was £50.6m as of 31 March 2017 - an increase of £1.4m over the year. There is £26.6m cash collateral posted to meet counterparties' security requirements (March 2016: £26.7m)

Total debt was £545m, of which 86% is at fixed rates, with £45m net new debt drawn over the year.

Liquidity is strong with closing cash balances of £53.1m (an increase of £24m over the year). Undrawn facilities are £110m, of which £65m is fully secured.

Operational performance

2

Nine of our eleven Critical Success Factors (CSFs) were achieved, with excellent results in measures such as repairs satisfaction and re-let times, and we exceeded our stretch targets for arrears (a record low of 2.6%), completions and households into work.

The two CSFs that fell just short of target were overall satisfaction (86.1% achieved, 88.0% target) and staff sickness (8.3 days achieved, 7.4 days target). Both are subject to ongoing focus.

We developed 625 new properties in the year across the full range of tenures – social and affordable rent, shared ownership, market rent and outright sale. We will be reporting just under 19,000 properties owned or managed at the end of March - a net increase of 499 in the year. The new build organic growth rate of 3.3% is once again a significant achievement.

The Group has received an allocation of £18m of grant funding from the HCA for 872 (560 being for shared ownership) new homes (£155m scheme cost) under the 2016-2021 Shared Ownership Affordable Homes Programme (SOAHP).

Corporate news

3

New Head Office
The Group has acquired a 36,000 sq ft office close to the current Manchester Head Office, allowing some rationalisation of the Group's office accommodation - in particular to bring together our leased Salford regional office and the Manchester Head Office. This will allow c300 staff at Salford and Manchester to be co-located and generate operating cost savings of at least £250k per annum. We expect to complete the relocation in the summer.

Outlook
The forthcoming General Election adds further uncertainty to an already uncertain operating environment, but we believe the Group has the financial resilience to respond as needed. We have recently approved our 2017/18 Business Plan which incorporated a comprehensive assessment of the risks we face, whilst a detailed stress testing review clarified the range of potential mitigations available should our 'early warning monitor' identify any 'trigger' events.

Investment Association
We have reviewed the 'Governance and Disclosure Guidelines for Housing Associations' document published by the Investment Association. We are comfortable with the direction of travel proposed and feel that we will be able to comply with the majority of the recommendations.

Feedback

4

We welcome feedback on this performance update.

Please contact Phil Elvy, Executive Director of Finance, on **0161 447 5028** or **phil.elvy@greatplaces.org.uk.**