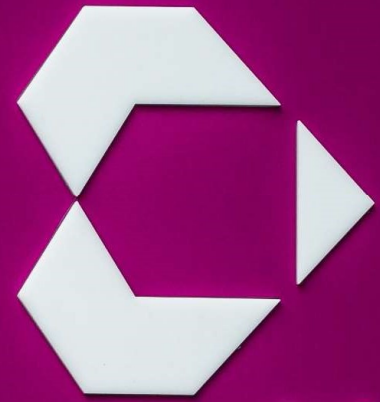


Investors update

2021/22 financial results



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Executive summary

- Founded in 1925, we are a leading housing organisation in the Midlands that has successfully **consolidated thirteen Housing Associations** over a period of 50 years.
- We own and manage **c.34,000 homes** and provide a range of quality services for **c.70,000 customers**.
- Our purpose is to be a leading housing association, delivering homes and services across the Midlands that enable people to live independently.

We are committed to our founding charitable aims and focusing on delivering:



Core landlord service

We are focused on delivering a high-quality landlord function, with limited market sales development plans.



Building affordable homes

We will grow, modernise and concentrate our asset base through an ambitious new build programme alongside strategic stock acquisition and disposal.



Net zero landlord by 2050

We are deeply committed to our ESG agenda and an early adopter of ESG and pay equality reporting.



Sector Overview

Government

- Covid debt burden
- Political uncertainty
- Possible rent cap
- Cost of living crisis

Economic

- Increasing cost of materials and labour
- Recruitment challenges
- Inflation
- Rising house prices/interest rates



- Prudent financial plan (e.g. 5% rent increase against CPI cost inflation)
- Money Advice teams to support customers
- Focus on building safety with **100% compliance and low risk buildings**
- Listening to customers to enhance services



Regulator of
Social Housing

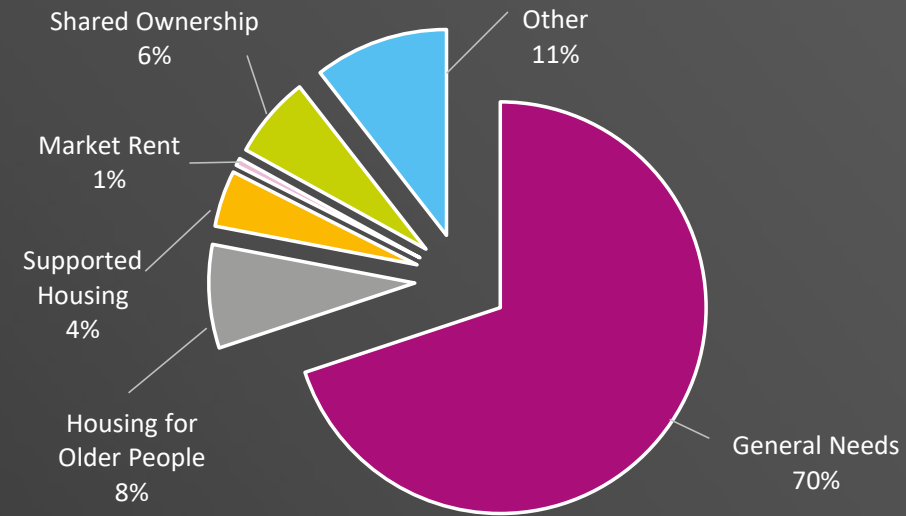
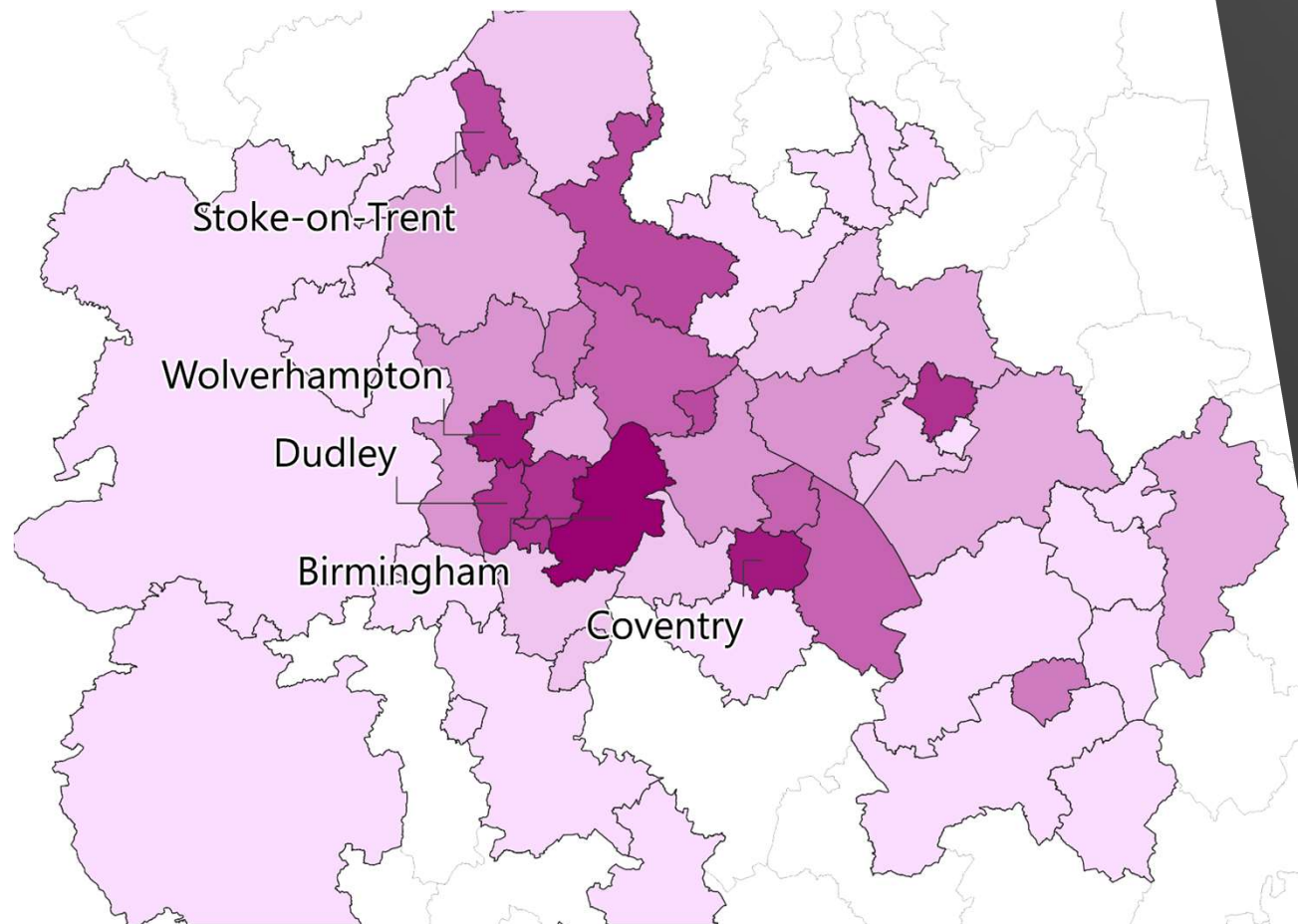
Regulator

- Under pressure following media scrutiny
- Greater focus on consumer standards
- Building Safety regulator

Customers

- Significant scrutiny
- Disrepair & growing complaints
- Building safety

Our stock



We have a concentrated geography in the Midlands:

Top 5 Local Authorities	Total
Birmingham	38%
Coventry	12%
Wolverhampton	7%
Sandwell	5%
Dudley	4%

MAKING WHAT MATTERS

Brilliant



INVESTING IN HOMES

Investing in our homes is our customers' number one priority and will sit at the centre of everything we do.



SERVICE FIRST

Our customers have told us they expect a first-class service. We will ensure our service are responsive and we get things right first time.



GROWTH & PARTNERSHIPS

The Midlands needs more affordable homes. We are committed to building as many as we can over the next six years.



PEOPLE FOCUSED

We want to be a truly great place to work and build your career. We will retain and attract the right people by rewarding, recognising and growing our colleagues.



SAFE & STRONG

We will remain financially strong and maintain our focus on safety. We will spend money wisely, investing in the things that matter most to our customers.

Our deep commitment to ESG principles

We are an early adopter to ESG sustainability reporting standards, with our second report published in 2022.

- Enhanced disclosures included with ambitions to report further
- Internal ESG Committee to monitor the progress of our ESG action plan, including low carbon interventions



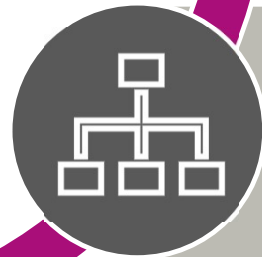
Environmental

- Low carbon action plan
- SECR accounts reporting
- Sustainable finance framework



Social

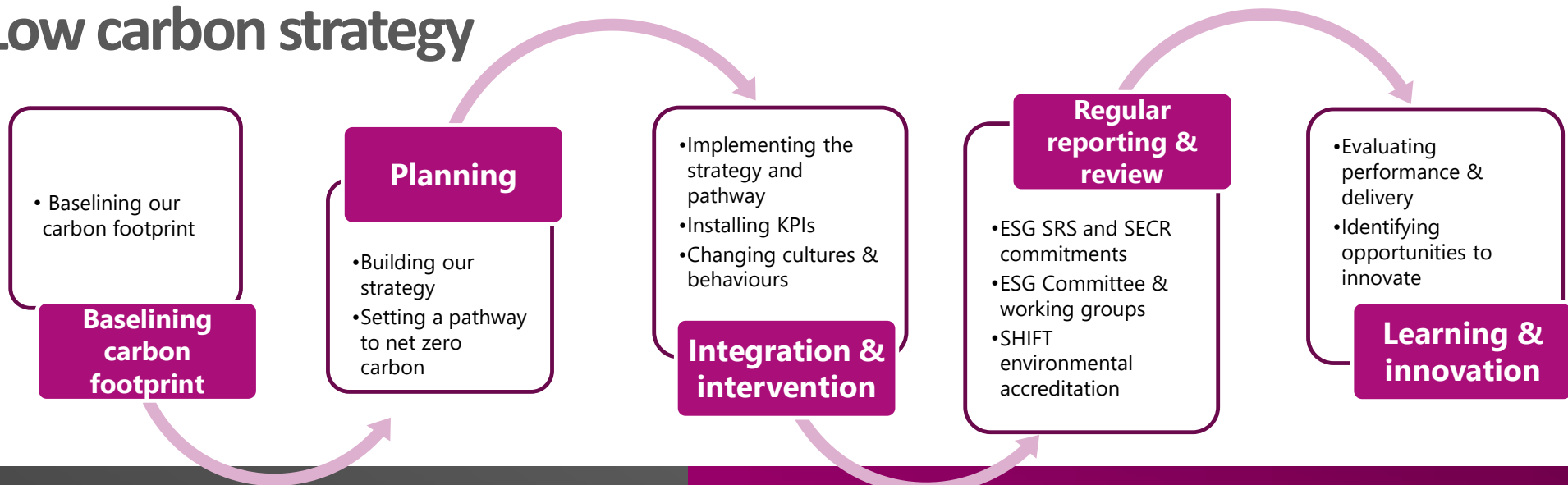
- Social Value – rents and supporting customers
- A great place to work
- Gender and Ethnicity Pay Gap



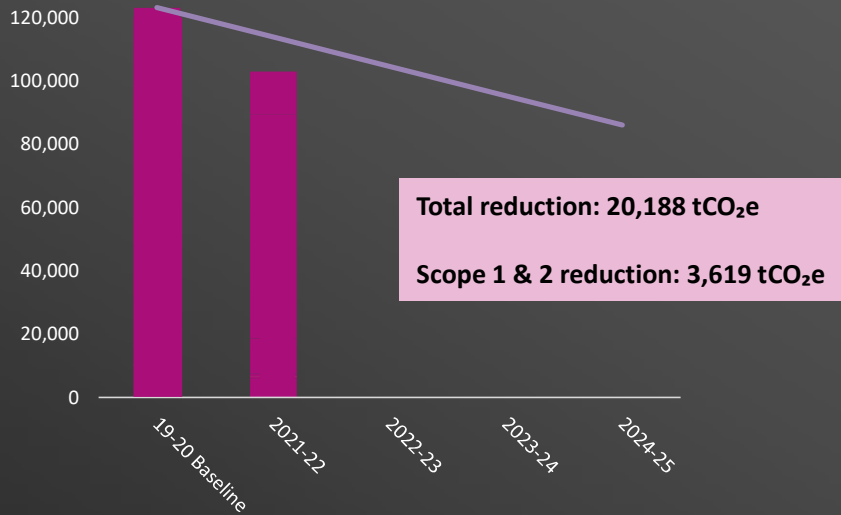
Governance

- We have adopted the National Housing Federation 2020 Code of Governance
- Our colleague led Diversity & Inclusion Networks
- Our Partnership Council, which is made up of elected-colleagues, is consulted on all major initiatives

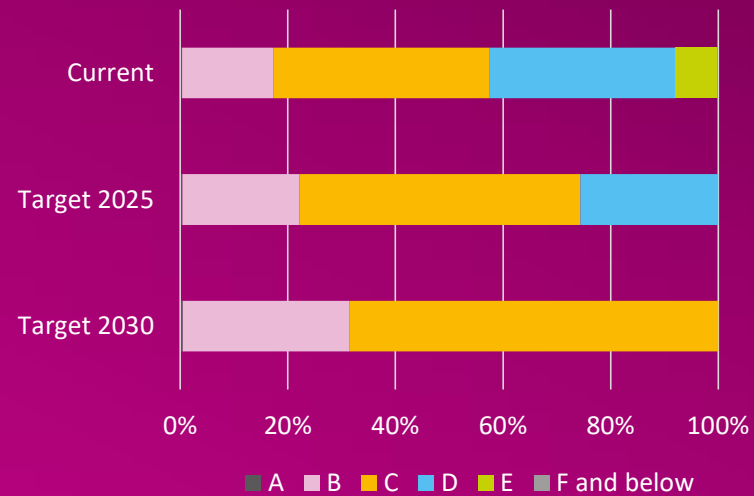
Low carbon strategy



Net zero target (tonnes CO₂ emissions)



EPC targets and progress



We are investing £10m to ensure all our properties are at least EPC D by 2025.

As at 31 March 2022:

- 89% properties are now EPC D or better, with 55% EPC C or above.
- No EPC Gs
- Associated 12,949 tCO₂e saving against 2019-20

We will follow this with £80m investment to bring all our properties to Band C by 2030.

Low carbon strategy: case studies

- A **strategic partnership** was formed with Centrica, British Gas and PH Jones to realise the objective and deliver a programme of improvements.
- Through a variety of interventions, we successfully raised EPC ratings ranging between EPC band E (41-43 SAP points) to EPC band B (84-86 SAP points) in our retrofit pilot at Havendale Close.
- We signed a 3 year contract with SHIFT to enhance our data accuracy and reporting of our environmental performance.
- Attained SHIFT Silver award in our first year of operation.
- We have received **£2.2 million grant funding** from separate Leicester Consortium & West Midlands Combined Authority (WMCA) bids as part of the Social Housing Decarbonisation Fund (wave 1). We will be able to deliver improvements to c15 homes in Leicester and c150 in the West Midlands.
- We were **highly commended** at the Energy Efficiency Association Awards for the West Midlands region for our retrofit customer engagement framework.



We handed over the keys to the **UK's first homes to the Future Homes Standard**, four years ahead of it becoming a legal requirement.

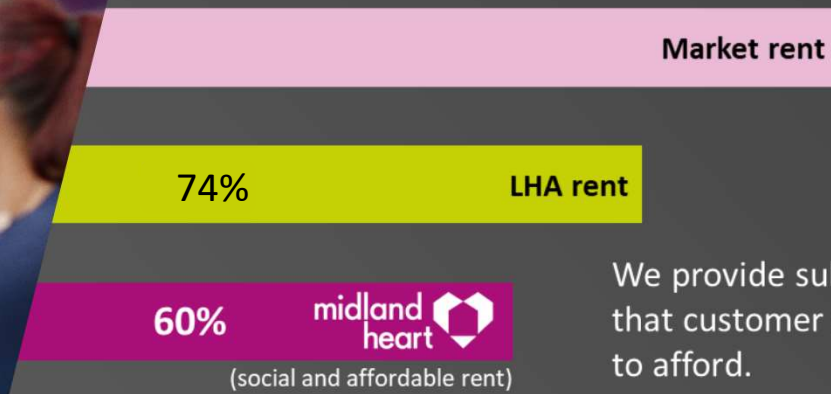
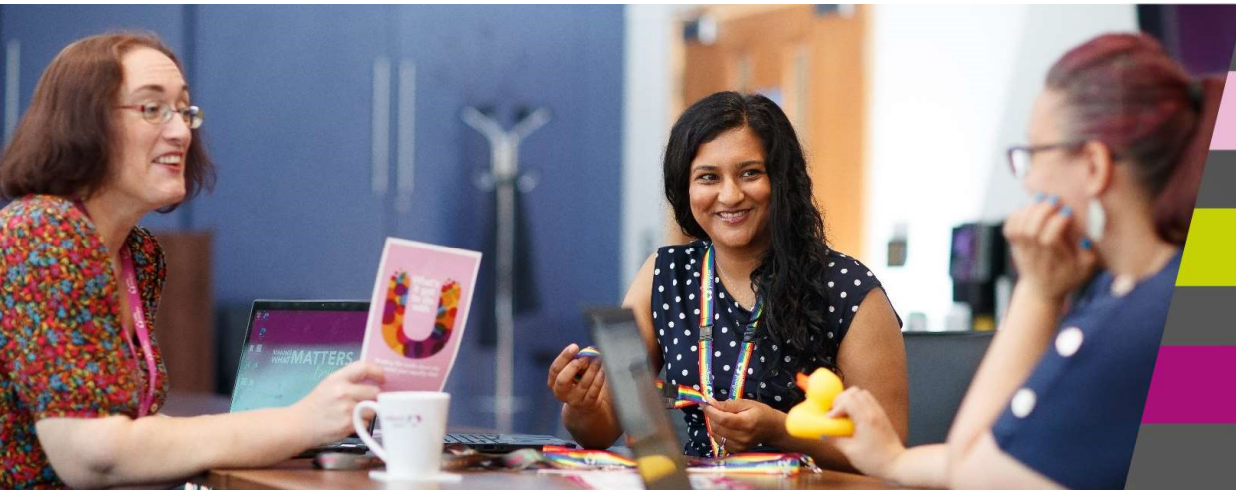
This **£2.8m development of 12 Future Homes** were made in partnership with SME developer Tricas. We are also working with research partners from Birmingham City University to assess the ongoing impact of the new standards on occupants.

- A mixture of 2, 3 and 4 bedroom family houses
- Newly planted shrubs, trees and lawns
- Photovoltaic panels
- Waste water heat recovery
- Air source heat pumps
- High standards of insulation and modern double-glazed windows and doors

Social value

This **cuts across all that we do**, in 2021/22:

- 2,497 customers referred to our **Money Advice Team**. Of those seen, 99.9% sustained their tenancy.
- Income maximisation of **£2.5m** for customers, increasing income and reducing debt liability. We also obtained Universal Credit awards of **£506k** and **£93k** in Discretionary Housing Payment for customers struggling to meet their rent.
- Additional **£609k** claimed in Housing Benefit and **£41k** attendance allowance obtained for customers aged 65 and above to help with care and mobility needs.



We provide sub-market rents that customer are more likely to afford.

A great place to work



Maintained **industry leading levels of colleague engagement** – c80% satisfaction for the last three years



Become a **Real Living Wage Employer at £10**



Reduced our median gender pay gap by c3% to 15.31%



Voluntarily published our ethnicity pay gap – 8.03% median pay gap



Launched dedicated development programmes for Black and Female colleagues to help increase diversity in senior roles



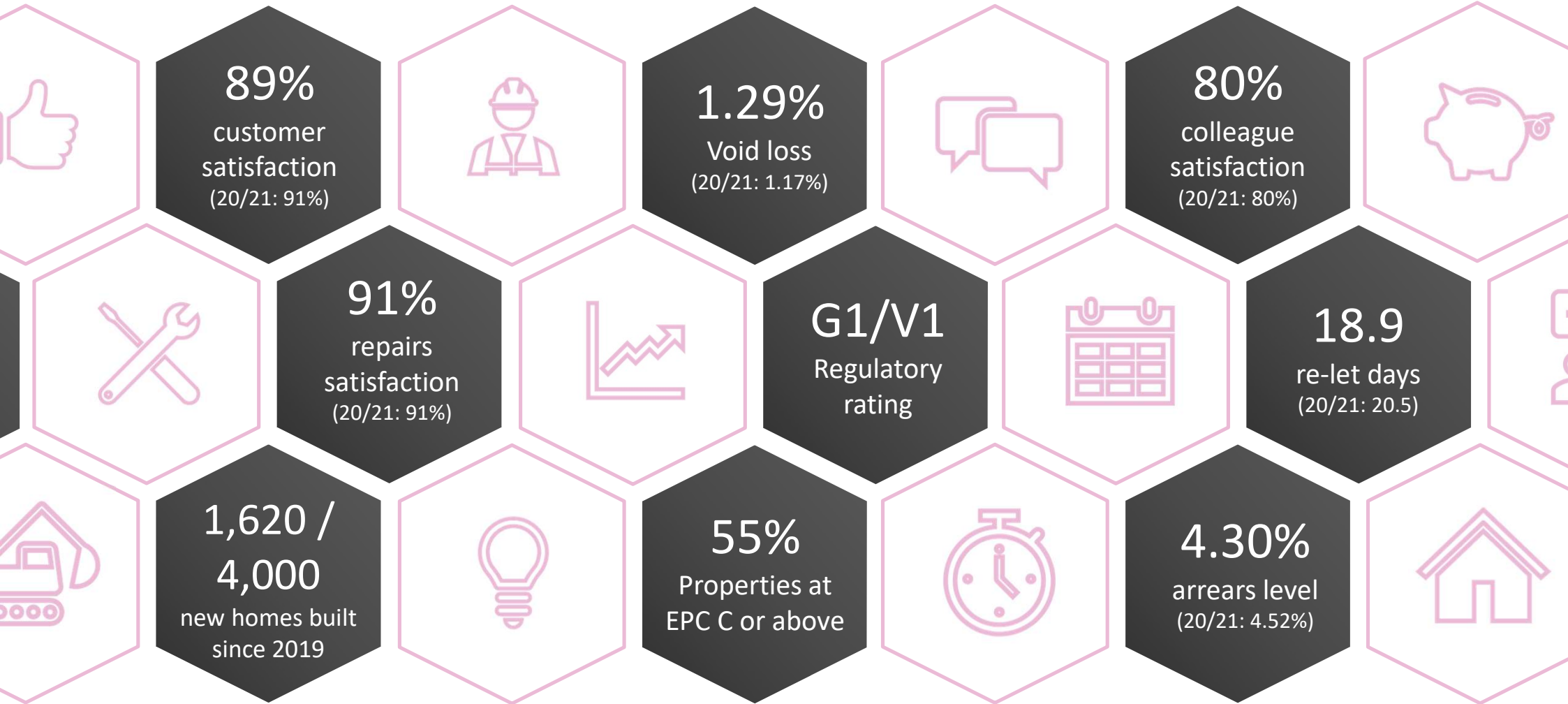
8th best housing company

24th best regional company

50th best large UK company



Operational performance in 2021/22



Safe and comfortable homes

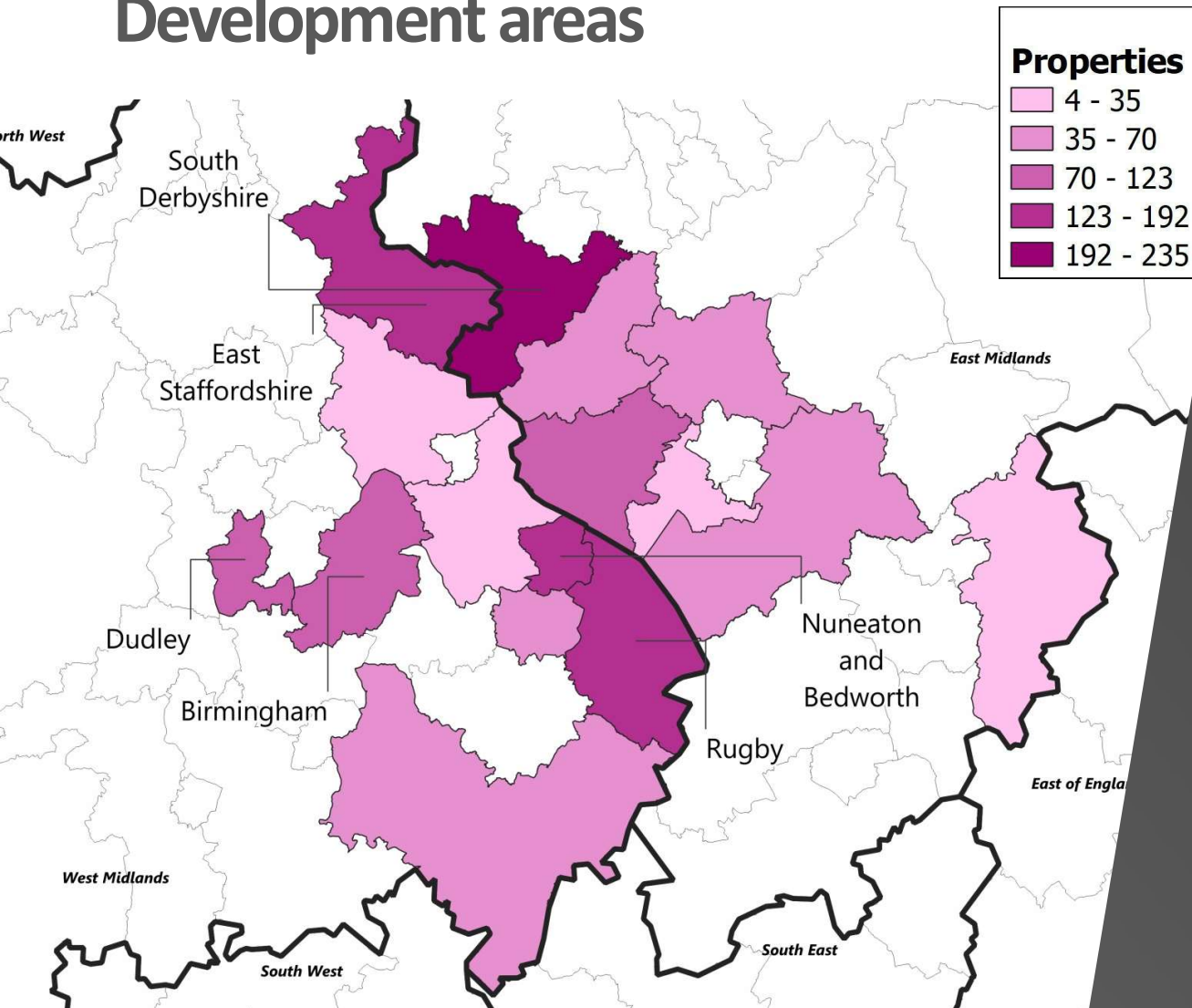
- We continue to consistently **deliver on our statutory and regulatory compliance obligations** on Building Safety.
- **100%** of our properties that are subject to a Fire Risk Assessment, have an in-date fire safety certificate undertaken by a qualified assessor.
- We have minimal building safety exposure to buildings over 18m (**only 5**) with no cladding issues.
- We have a **Primary Authority Partnership Agreement** with West Midlands Fire and Rescue Service (WMFRS)



We have embarked on a number of initiatives to ensure we follow best practice guidance:

- An **accelerated programme of EICRs** (electrical safety), moving from a 10 year to a 5 year cycle (99% complete).
- We have **completed Type 4 intrusion inspections** on our 5 buildings over 18m with no significant issues identified.
- A sprinkler retrofit programme in our Retirement Living schemes, delivering 8 in 2021/22 and a further 6 planned for 2022/23

Development areas



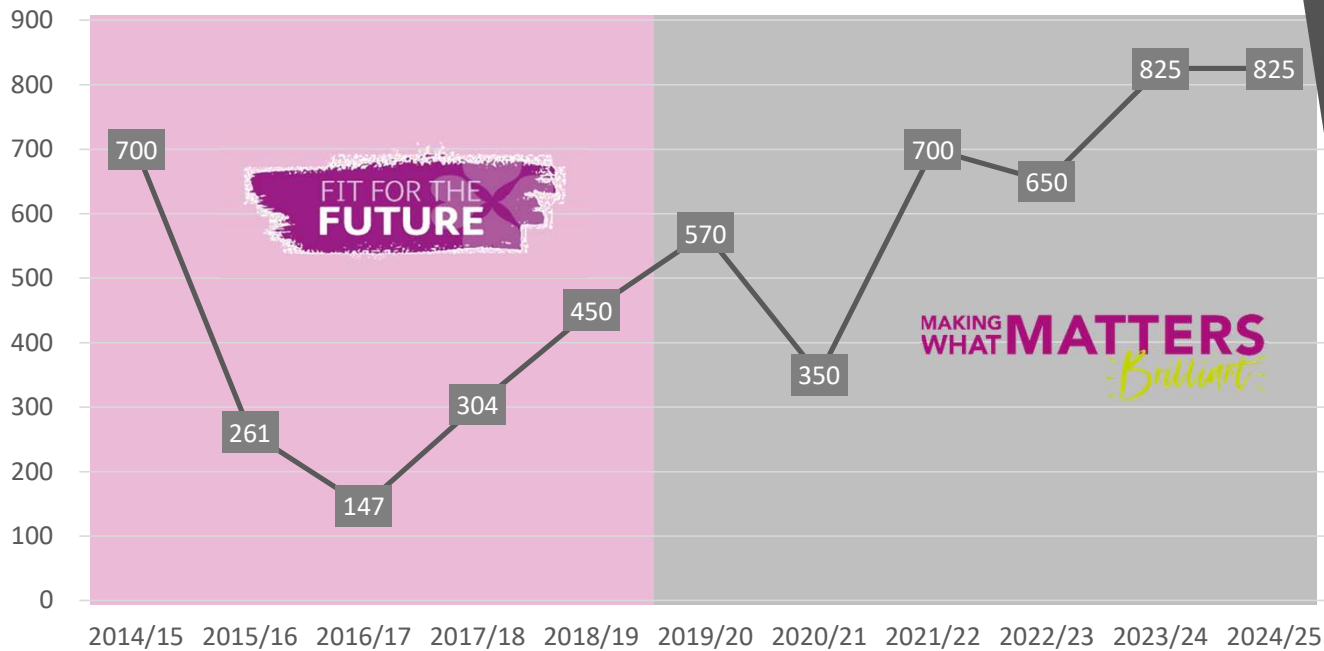
Housing Delivery Strategy

- On target to deliver **4,000 new homes** by 2025.
- **c700 social housing completions** projected in 2021/22.
- **No outright sale or market rent** homes in our development portfolio – growing through our core offering.
- New Homes England Affordable Homes Programme **successful bid** until 2028.
- **Virtually all EPC “B”** rating for completed new homes.
- Sold **142 first tranche share ownerships** in 2021/22 with a surplus £2.1m and only one unsold over six months.

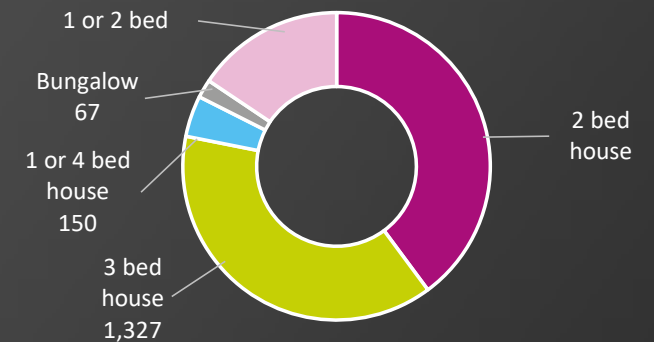
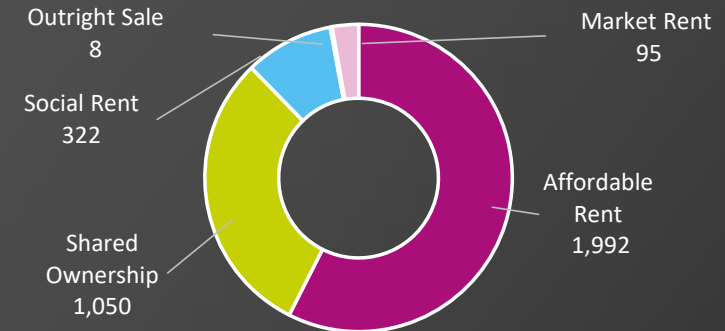
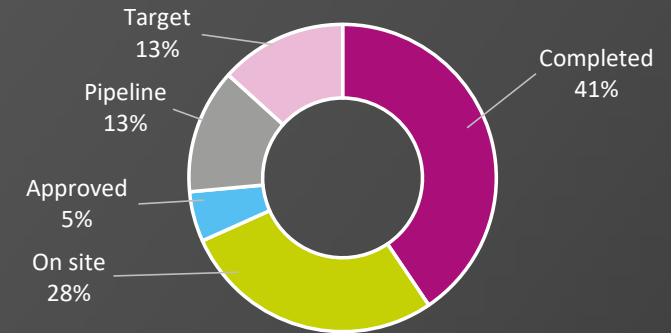
Development: Performance

As at March 2022

Development plan by number of units



Size and tenure of the 4,000 home target:



Financial strength



Strong financials retaining a sector leading **A1 stable Moody's** credit rating



Immediate **availability of c£286m of cash** & undrawn facilities plus £75m retained bond



G1/V1 rating awarded by regulator following July 2021 in-depth assessment

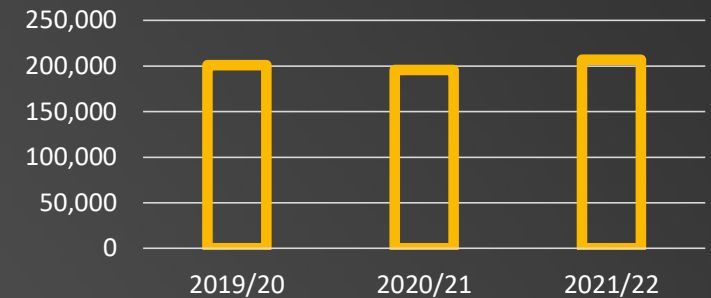


Maintained **a robust financial plan** capable of withstanding realistic downside scenarios

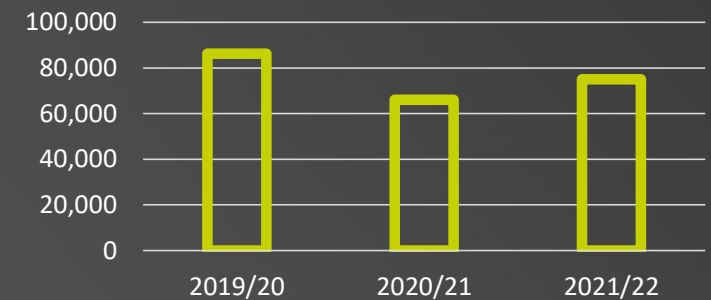


Strong VFM metrics

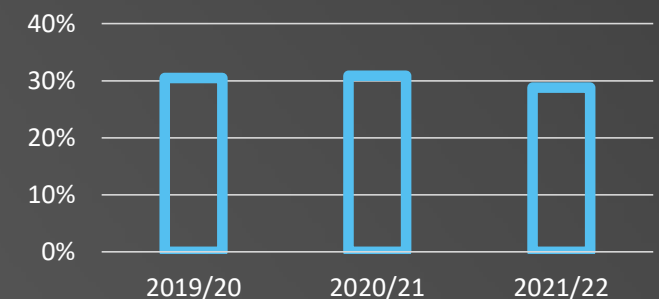
Turnover



Operating Surplus



Operating Margin %



2021/22 financial performance

Group statement of comprehensive income

	2022	2021	
	£'000	£'000	
Turnover	207,038	195,719	Increase of £11.3m due to increase in first tranche sales, new units, and CPI +1% rent
Operating expenditure	(147,507)	(135,181)	
Surplus on disposals of property, plant and equipment	13,842	3,841	Increase of £9m due to £7.5m sale of stock in swap
Surplus on revaluation of investment properties	1,735	1,755	
Operating surplus	75,108	66,134	
Interest receivable	345	743	Due to early repayment of high interest debt (£7.5m)
Interest and financing costs	(19,895)	(28,738)	
Surplus before tax	55,558	38,139	
Taxation	(25)	3	
Surplus for the year	55,533	38,142	
Movement in fair value cash flow hedged financial instruments	18,280	14,458	
Actuarial gain/(loss) on defined benefit scheme	9,353	(22,207)	
Total comprehensive income for the year	83,166	30,393	

Treasury dashboard: March 2022



Cash & Liquidity

Cash: £135m
Available facilities: £151m
Total: £286m



Drawn Debt

Outstanding loan balance: £642m



Unencumbered Assets

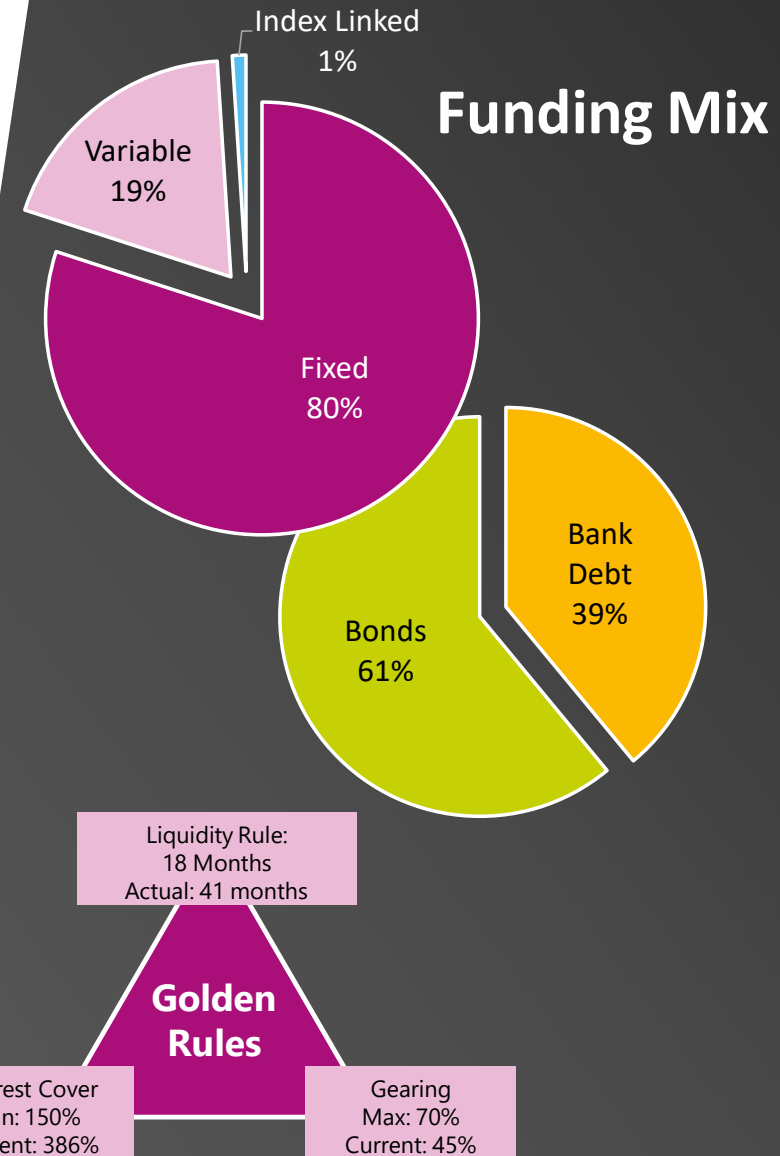
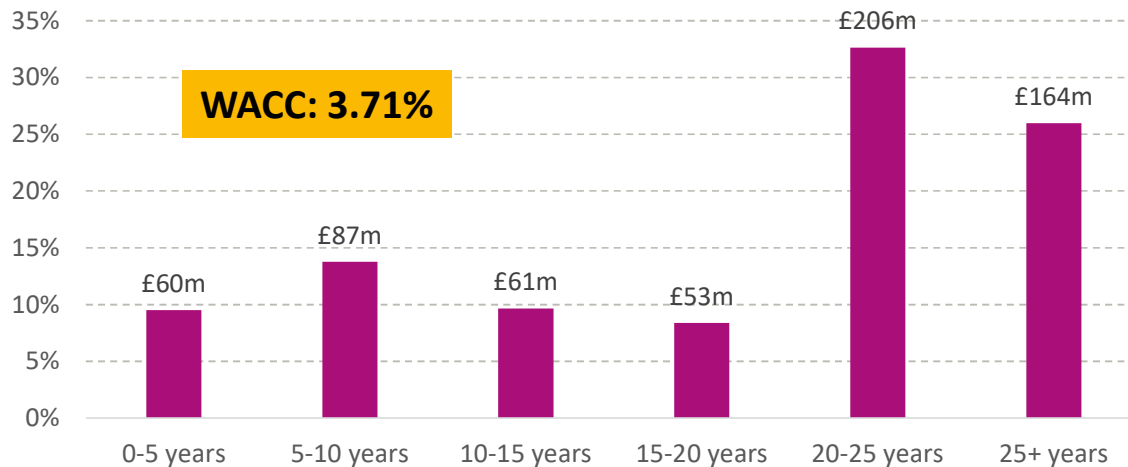
£500m
c8,200 units



Swaps

£125m fully hedged and collateralised
by property/credit threshold
Gross MTM £47m

Debt repayments



VFM peer benchmarking

Metric	Low quartile (all HA's 20/21)	Upper quartile (all HA's 20/21)	Midland Heart (2020/21)	Midland Heart (2021/22)
EBITDA MRI interest cover	1.34	2.48	2.14	2.74
Headline social housing cost per unit	£3,210	£4,760	£3,480	£3,693
Operating margin (SHL)	22.2%	32.6%	32.6%	30.2%
Operating margin (overall)	18.1%	28.2%	30.9%	28.8%
Gearing	32.9%	53.3%	28.9%	29.6%
Reinvestment %	4.0%	8.2%	6.4%	7.7%
ROCE	2.7%	4.2%	3.7%	3.9%



A1 credit rating



Strong EBITDA MRI interest cover (>200%)



SHL operating margin >30%



Low gearing



Low development risk (<3% units growth)



SH revenue >85%

MAKING WHAT **MATTERS**
Brilliant



Strong

Resilient performance
Strong track record in compliance



Simplified

Simple governance structure
Focus on core landlord services



Growing

Plan to deliver 4,000 homes by 2025



Conscious

Strong ESG credentials
Commitment to net zero