

## **Metropolitan Funding PLC**

### **Thames Valley Housing Association (TVHA) trading update and unaudited financial results for the six months ended 30 September 2019**

TVHA, one of the UK's leading providers of affordable housing and care and support services, announces a trading update for the first six months of the financial year 2019/20.

#### **Highlights**

- First anniversary of the Partnership between Thames Valley Housing and Metropolitan Housing Trust with merger progress on track.
- S&P confirmed the Group rating as A- (Stable) in December 2018.
- 450 new homes completed (2018: 181) and on track to complete more than 950 new homes in the full year.
- Clapham Park regeneration – planning and section 106 agreed for 2,535 new homes.
- Revenues up 4% compared with previous year at £208m (2018: £199m).
- Despite the more difficult housing market and increased investment in our current stock we have achieved an operating surplus of £68m (2018: £76m) and a total surplus of £30.8m (2018: £43.6m).
- £475m of available liquidity.

#### ***Geeta Nanda commented:***

“A year on from the commencement of our partnership, we continue to perform well against the backdrop of a challenging market, and we remain on track with our integration plans.

“We maintain our focus on raising satisfaction levels by providing an improved service to our customers and focusing on what matters most to them – and we continue our investment in the safety and quality of our properties.

“Since the fire in September at Richmond House, a block which we own and manage in Worcester Park, we have been working on site to provide all necessary support to residents and the emergency services – alongside the London Borough of Sutton, volunteers from the local community, and the original developer of Worcester Park, St James (part of Berkeley Homes). The costs arising from the fire are fully insured. Residents are now in temporary accommodation and we continue to liaise closely with them and our insurer as work turns to planning the demolition and reinstatement of the building.

“Looking ahead to the rest of the year, we remain confident that the organisation is well positioned and financially strong to meet and deliver on our strategic objectives.”

## Results overview – Thames Valley Housing Group

Turnover from core Customer Services operations (ie excluding home sales) was flat year on year with increased rental volumes offsetting the 1% cut in social rents and slightly lower Care and Support fee income. Revenues from home sales are up 20%. We sold 291 (including 281 first tranche sales) units in the first six months of the year, compared to 165 (including 118 first tranche sales) last year. In general, prices for homes, particularly Shared Ownership, remain in line with our expectations, although sales rates are slightly slower. Average sales margin was 16% (2018: 18.5%)

Operating surplus (which now includes profits from disposals) is £7.8m lower than last year at £68.4m (2018: £76.2m), largely due to additional property investment costs. Operating margin as a result is 5.1 ppts lower at 32.9%.

Operating cashflow remains strong, with more than £128m (2018: £120m) invested in new development projects in the period to 30 September and £29m (2018: £11.6m) spent on capitalised repairs to the existing estate as we continue to invest in the condition of our stock, including the rising cost of fire safety. Underlying net interest costs (excluding mark to market movements on derivatives) are £2.7m higher than last year reflecting the sale of the retained bonds in February 2019 and the increased debt supporting the development programme.

The organisation completed 450 homes during the first half of 2019 (2018: 433) and remains on track to deliver more than 950 (2018: 1,037) new homes for the full year.

At 30 September 2019 we had c. £475m of available liquidity (being both cash and committed facilities) and total debt of £1,906m (2018: £1,268m). Thames Valley Housing Association's Standard & Poor's credit rating was confirmed as A- (Stable outlook) in December 2018.

## Outlook

The core housing business continues to perform well. Driven by a number of anticipated bulk sales, total revenue is expected to be c 20% higher than last year. As we prepare for a general election and continuing uncertainty over Brexit, the lower margins achieved in conjunction with increased fire safety costs, have reduced management's expectations of the final outturn. Underlying operating surplus (which excludes one-off merger and pension costs) will be up to 10% lower than 18/19.

In October 2019, the Group left the SHPS defined benefit scheme as it sought to better manage its defined benefit ("DB") pension risk, placing its DB assets and liabilities under a third-party master trust, Enplan. The confirmation of the revised rent-setting policy from 2020 (CPI+1%) and the reversal of the plan to cap housing benefit at local housing allowance (LHA) levels has provided greater certainty for the sector, albeit this is offset by concerns over Right to Buy and Universal Credit.

The Group will report results for the year ended 31/3/20 as Thames Valley Housing Association, trading as Metropolitan Thames Valley in summer 2020.

## Thames Valley Housing Association (TVHA) Consolidated Results

### Unaudited financials

#### Statement of comprehensive income

<b>£000's 6 months ended:</b>	<b>30-Sep-19</b>	<b>30-Sep-18</b>	<b>YoY %</b>
Rent and service charge income	148,159	144,275	3%
Care and support income	7,522	8,177	-8%
Outright/first tranche sales	40,994	34,158	20%
Fees and other income	11,311	14,114	-20%
<b>Total turnover</b>	<b>207,986</b>	<b>200,724</b>	<b>4%</b>
Outright/first tranche cost of sales	-34,437	-27,824	24%
Operating costs	-87,936	-77,182	14%
Depreciation	-17,586	-15,994	10%
Overheads	-16,046	-18,953	-15%
Profits on disposals	17,095	16,135	6%
Non recurring (merger costs)	-679	-674	1%
<b>Operating surplus</b>	<b>68,397</b>	<b>76,232</b>	<b>-10%</b>
Net interest	-37,238	-34,468	8%
Fair value movements and other instrument revaluations	-275	1,772	-116%
<b>Profit before tax</b>	<b>30,884</b>	<b>43,536</b>	<b>-29%</b>

Sales margin 16.0% (2018: 18.5%)

Operating margin 32.9% (2018: 38.0%)

## Thames Valley Housing Association (TVHA) Consolidated Results

### Statement of financial position

<b>£000's 6 months ended:</b>	<b>30-Sep-19</b>	<b>30-Sep-18</b>	<b>YoY %</b>
Tangible fixed assets	4,460,734	4,310,107	3%
Homebuy and investments	266,639	265,231	1%
Current assets	366,675	458,825	-20%
Creditors – amounts falling due within one year	-336,561	-259,214	30%
<b>Total assets less current liabilities</b>	<b>4,757,487</b>	<b>4,774,949</b>	<b>0%</b>
Creditors due after more than one year	2,346,079	2,346,848	0%
Provisions and pension obligations	77,514	28,395	173%
Reserves	2,333,894	2,399,706	-3%
<b>Total funding</b>	<b>4,757,487</b>	<b>4,774,949</b>	<b>0%</b>

### Cashflow

<b>£000's 6 months ended:</b>	<b>30-Sep-19</b>	<b>30-Sep-18</b>
Net cashflow from operations	59,118	58,712
Sales proceeds	26,166	33,328
Dividends	-	-
Development expenditure	-128,468	-120,062
<b>Total net cashflow from operations</b>	<b>-43,184</b>	<b>-28,022</b>
Disposal proceeds	25,377	42,990
Major repairs	-29,008	-11,589
Other	-7,890	-267
Net drawdown (repayment) of debt	-60,334	93,479
Net interest/fees	-43,971	-39,656
<b>Net cash movement in period</b>	<b>-159,010</b>	<b>56,935</b>
Opening cash	194,477	132,271
Restricted cash	30,274	28,360
<b>Closing cash</b>	<b>65,741</b>	<b>217,566</b>

# Thames Valley Housing Association (TVHA) Consolidated Results

## Enquiries

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This information for investors is also available on our website:

<https://www.metropolitan.org.uk/about-us/investing-in-metropolitan/>

## Notes

- 1) Operating margin is operating surplus/turnover
- 2) Thames Valley Housing Association (TVHA) is the parent of the group trading under the brand of Metropolitan Thames Valley (MTVH). Metropolitan Housing Trust (MHT) is a wholly owned subsidiary of TVHA and MHT owns 100% of the shares of Metropolitan Funding Plc.
- 3) Comparatives are provided on a simple aggregation basis using the 6month data from both the legacy organisations

## Disclaimer

The information in this preliminary announcement of interim results has been prepared by the Thames Valley Housing Association group and is for information purposes only.

The results announcement should not be construed as an offer or solicitation to buy or sell any securities, or any interest in any such securities, and nothing herein should be construed as a recommendation or advice to invest in any such securities.

This unaudited announcement contains certain 'forward-looking' statements reflecting, among other things, our current views on markets, activities and prospects. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements. Actual outcomes may differ materially. Such statements are a correct reflection of our views only on the publication date and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Financial results quoted are unaudited. We do not undertake to update or revise such public statements as our expectations change in response to events. Accordingly undue reliance should not be placed on forward looking statements.