Abri

Creating communities, empowering lives

Abri Group

Unaudited results for the year ended 31 March 2023

Introduction

Abri's results for the year ended 31 March 2023 represent a year of real progression as we emerge into a post-pandemic world, following significant restructuring activities in previous years. Despite the obvious challenges of rising inflation, interest rates and general uncertainty on both the Group and its customers, our underlying financial and operating performance is positive. Our focus remains on providing the best quality services at the best price we can, so that the money we save can be reinvested into improving our existing homes, building more much needed homes and supporting local projects.

Our investment into existing homes includes improving building and fire safety, tackling issues like damp and mould and making them more energy efficient. We've completed three significant cladding remediation projects to date and have funds ring-fenced to complete our remaining projects this year. As part of the Greener Futures Partnership (GFP), we were pleased to collectively secure £40.4m of funding from the Social Housing Decarbonisation Fund, which will enable the group to improve the energy efficiency of 5,600 homes over the next two and a half years.

In December 2022 we published our second Environmental, Social and Governance (ESG) report, demonstrating our commitment to greater transparency and accountability to our stakeholders. Our sustainability priorities have informed the development of our Sustainable Finance Framework, launched alongside our ESG report, which provides investors and stakeholders with assurance that the funds they provide will be allocated to environmentally and socially sustainable purposes.

Looking ahead, to a future which may see Silva Homes join the Abri Group during 2023/24, we're well placed to continue delivering for our customers, building new homes and creating thriving communities. The boards of both Abri and Silva feel strongly that this partnership would make both organisations even stronger and more financially resilient than we are today and, most importantly, better placed to improve services to our customers.

In April 2023 we welcomed the new set of tenant satisfaction measures (TSMs) introduced by the Regulator of Social Housing to improve standards for those living in social housing. We are well prepared for the consistent set of measures: our Customer First Strategy is driving our response to the new standards and we have structured our 2022-2023 Customer Annual Report around the five TSM themes.

Caroline Moore,
Chief Financial Officer

Financial summary

Our financial performance in the year has been strong, with turnover, operating surpluses and surpluses before tax all improving notably in the year.

Our operating margins have reduced slightly under inflationary pressure, but net margins have been positively impacted by reductions in net finance costs and improved performance at joint ventures. During the year we've also continued to see strong returns from property sales.

We've continued to invest significantly in our stock, spending £85m across all categories of repairs and maintenance and a total of £260m across housing properties and properties developed for sale. At year end we continue to hold low volumes of unsold completed units.

Abri has utilised existing cash, the flexibility of existing revolving credit facilities and grant claims from Homes England under our ongoing Strategic Partnership to fund developments in the year. We retain access to existing facilities, and are in active discussions regarding new credit facilities to fund our future development programme.

Development and sales

In the year, we handed over a total of 1,017 units – a record for Abri – including 233 units in joint ventures; only ten of the 784 units delivered by Abri alone were non-social units.

Shared ownership performance has remained strong, with increased proceeds and surpluses driven by both sales volumes and margins. All ten market sale units developed also sold quickly.

In the year, a programme of disposals on existing stock drove an increase in the surplus generated on the disposal of fixed assets, as part of a wider asset management plan.

Operational performance

One of our Triple 10 objectives is to be a Top 10 organisation for customer satisfaction, which has proved a challenge for us in the year.

The cost-of-living pressures have contributed to arrears on social and affordable housing increasing from 1.9% to 2.2%, after adjusting for elements like housing benefit payments in transit.

We have focussed on reducing income lost to voids/lack of flow, improving the number of days taken to complete works and reducing losses from 1.1% (£2.0m) to 1.0% (£1.8m) in the process.

The number of repairs we've completed has increased in the year, with responsive repairs up by 10% and 522 new bathrooms and 645 new kitchens delivered against 367 and 497 respectively in the previous year.

Investing in existing stock

In 2022/23 we made our largest ever investment in our existing stock. We've been pro-active in retrofitting our homes to improve their energy efficiency and ensuring compliance with evolving legislation.

Following a successful joint bid to the Social Housing Decarbonisation Fund through the Greener Futures Partnership (GFP), we have secured funding to retrofit even more customer homes, to at least EPC C, over the next two and a half years.

During 2022/23 we've also accelerated our group wide stock condition surveying programme to ensure we have up to date stock condition data across all our properties whilst proactively tackling damp and mould issues.

We also had a specialist contractor completed more than 12,000 proactive stock condition surveys, identifying 18 category 1 damp and mould cases and 142 category 2. The surveys offer Abri the assurance that our approach to tackling damp and mould is helping to keep our customers in dry, warm and safe homes.

The sector's operating environment

Abri and our customers continue to work and live in a challenging environment. As the cost of living remains high, our customers are finding it more difficult than ever to meet everyday costs. Those who aspire to home ownership or seek to remortgage face the added uncertainty of mortgage costs as Bank of England base rates rise.

Abri continues to deliver quality homes and services for our customers, but not without our challenges. The rent cap, whilst protecting our customers from soaring rent costs, has heavily impacted housing associations' largest source of income. Our operating margins are being squeezed and our commitments to deliver new homes, invest in existing stock and meet our net-zero targets become harder as we face high inflation, land and material costs.

Despite this, Abri's long-term financial plan ensures we remain well governed, financially resilient and flexible. We continue to find ways to deliver the best value for money for our customers, ensuring our existing homes are of a decent standard, affordable and sustainable.

As we look to the future, Abri and the sector are preparing for the new consumer standards and implementation of the Social Housing Regulation Bill. We'll use this as an opportunity to rebuild trust with our customers and communities, being transparent and accountable in how we're performing and where we're investing.

Finance

Turnover
£264m

Operating surplus
£74m

Operating margin
28%

Regulatory ratings

Regulator of Social Housing rating (November 2022)
G1 & V1

Moody's credit rating (February 2023)
A3 (negative)

Development

New homes delivered
1,017

New homes sold
328

Homes England Strategic Partnership claimed in year (cumulative to date)
£82m (£160m)

Customer

Supporting people into employment **576**

Additional benefits secured for customers
£3.4m

Social value created **£10m**

Compliance

Repairs (non-emergency) completed on time **94%**

Number of repairs carried out
134,000

Key performance highlights

Area	Performance Information	2022/23	2021/22
Development	New homes delivered	1,017 (233 with JVs)	850 (120 with JVs)
	Homes sold	328	300
	Homes England Strategic Partnership Grant claimed in year (cumulative claims to date)	£82m (£160m)	£78m (£78m)
Regulatory Ratings	Regulator of Social Housing rating	G1 & V1	G1 & V1
	Moody's credit rating	A3 (negative)	A3 (stable)
Colleague	Best companies	3-star	2-star
	Investors in People	Gold	Gold
Customer	Supporting people into employment	576	500
	Additional benefits secured for customers	£3.4m	£3.2m
	Social value created	£10m	£5m
	Repairs satisfaction	83%	82%
	Customer contacts	362,000	236,000
	Arrears % - social and affordable	2.2%	1.9%
Compliance	Repairs (non-emergency) completed on time	94%	94%
	No of repairs carried out	134,000	123,000

- We maintained our top ratings of G1 for governance and V1 for viability in November 2022, following a stability check by the Regulator of Social Housing.
- In February 2023, Moody's confirmed the Group's credit rating as A3 negative. In their review Moody's highlighted our financial strength, with moderate gearing, large, unencumbered asset base and solid liquidity. These strengths, combined with our supportive institutional framework, make us resilient to challenges and well placed to achieve our corporate objectives.
- As one of our Triple 10 objectives is to be a Top 10 place to work, we're pleased to have become a 3-star Best Companies employer and retaining our Investors in People Gold award. Turnover has increased by £20m year on year. Income from rentals increased by £12m and property sales by £6m. Other revenue streams were in line with the previous year on a net basis, with increases in other revenue streams offsetting reductions in Help to Buy income.

Financial summary

Financial performance

	2022/23	2021/22	Variance	
	£m	£m	£m/%	%
Turnover	264	244	20	8%
Operating surplus	74	70	4	6%
Surplus before tax	**44**	**28**	**16**	**56%**
Surplus before tax (excl. break costs	**44**	**34**	**10**	**29%**
Operating Margin	28.0%	28.6%	(0.5)	92%)
Operating Margin (excl. asset disposal)	21.0%	22.9%	(1.9%)	(8%)
Net margin	16.7%	11.6%	5.1%	44%
Net margin (excl. break costs)	16.7%	14.0%	2.7%	19%
Cost per Unit	4,207	3,822	385	10%
EBITDA MRI	140.9%	157.0%	(16.1%)	(10%)

Turnover has increased by £20m year on year. Income from rentals increased by £12m and property sales by £6m. Other revenue streams were in line with the previous year on a net basis, with increases in other revenue streams offsetting reductions in Help to Buy income.

Income from first tranche sales contributes £45m, an increase of £12m, with market sales reducing by £5m to £3m in the year, (20% of turnover). Supply of and demand for property remained high in the year, despite the increasing economic pressure during the year. First tranche sales volumes increased by 15% to 324 units and all nine market sales units built sold quickly.

Surpluses from disposals of fixed assets also increased by £5m in the year, with the sale of a former office in Windsor contributing to the result.

Operating surplus is up 6% at £74m despite our largest ever investment of £85m in our existing homes, covering energy efficiency, building and fire safety, and general repairs and maintenance.

Net finance costs reduced to £34m, driven by an increase in interest income, predominantly from loans to joint ventures, but supported by a high proportion of fixed rate debt protecting costs from rises in interest rates.

Financial position

	2022/23	2021/22	Variance	
	£m	£m	£m	%
Fixed Assets	2,370	2,216	154	7%
Current Assets	270	285	(15)	(-5%)
Net Assets	**615**	**542**	**73**	**13%**

In the year we invested more than £200m into our housing properties, which close the year at £2.3bn. A further £60m was invested in properties developed for sale, which closed the year at £80m, and at 31 March 2023 we also had £125m in receivables.

At the reporting date, total loans and borrowings were £1,230m, a modest increase from £1,216m a year before. Closing cash reserves were £65m, compared to £150m in March 2022.

In the year, we claimed a further £82m of grant from Homes England under the terms of our Strategic Partnership, taking the total claimed to £160m, 64% of the fund.

The reductions in our defined benefit pension liabilities, which now stand at £38m, have also supported net assets exceeding £600m.

Cash flows

	2022/23	2021/22
	£m	£m
Cash flow operating activities	82	111
Cash flow from investing activities	(140)	(64)
Cash flow from financing activities	(27)	(36)
Net change in cash and cash equivalents	**(86)**	**11**
Opening cash as at 1 April	151	140
Closing cash as at 31 March	65	151

Development and sales

Investment

	2022/23 £m	2021/22 £m
Housing Properties	200	134
Properties for sale	60	34
Re-investment %	**8.9%**	**6.7%**
Capital Commitments	370	278
Units under construction at year end	2,162	1,323

We invested a total of £260m into our stock, despite ongoing supply side challenges around land, labour and materials, performing well against budget in the process. At the year-end our capital commitments and units under construction had both increased notably, reflecting the pace and scale of our development programme.

Unit handovers

	2022/23 No.	2021/22 No.
Total handovers	1,017	850
Of which at Joint ventures	233	120
New supply % (social)	**2.3%**	**2.2%**
New supply % (non-social)	**0.03%**	**0.01%**

In the year we handed over more than 1,000 units for the first time; increasing our retained unit numbers at a rate consistent with the prior year.

Unit sales

	2022/23 £m	2021/22 £m
Market Sales		
Proceeds	3	9
Surplus	1	3
Number	9	17
Margin	21%	35%
First Tranche Sales		
Proceeds	45	36
Surplus	9	5
Number	319	283
Margin	20%	16%

Surplus and margins above include overhead allocations made against relevant activities.

On first tranche sales, average proceeds, surpluses and margins have shown notable improvements, underpinned by the continued increases in house prices in the year.

Unsold completed units

	2022/23 £m	2021/22 £m
Value (over 6 months old)	13.0	4.9
Of which over 6 months old	0.3	0.5
Number	114	62
Of which over 6 months old	3	5

We have maintained very low exposure to the risk of completed units selling for less than their carrying value. In March 2023 we saw a high volume of handovers on shared ownership units driving the increase at year end, but sales values have continued to perform well in the early stages of 2023/24.

Operational performance

Arrears

In the current economic climate, we've focussed on helping customers as much as we can – ensuring they receive all the benefits they're entitled to, helping them into better employment and supporting them with hardship funds where appropriate.

Empty homes

Abri's empty home completions demand reduced by approximately 18% over the 12 months. Performance on turnaround times for the repairs of empty homes has significantly improved within the year on both standard and major voids. Expenditure on external contractors has reduced significantly in 2022/23 due to in-house productivity and reduced number of empty homes.

Job volumes

There has been an increase in job demand during 2022/23 in comparison to previous years. To address this, we have increased our in-house capacity which has enabled us to continue to deliver a quality service to our customers whilst remaining on top of rising demand.

Capital and treasury management and liquidity

Key highlights

	2022/23	2021/22
Gearing	51.8%	50.9%
Return on Capital Employed	3.1%	3.0%
Total loans and borrowings	£1,232m	£1,217m
% at fixed rates	87%	91%
Unsecured completed housing properties	£1,275m	£1,044m
Of which could raise new funding of	£1,206m	£988m
Available liquidity	£206m	£327m
Group funding (months)	21	23
Weighted average cost of capital	3.90%	3.90%

In 2022/23, total borrowings, our cost of capital and gearing have remained stable, with our investment in housing properties reflected in our ability to raise new funding when required.

Overview of loans and borrowings

Loans and borrowings (nominal values) are due for repayment as outlined below

	2022/23				2021/22			
	Bank loans	Bonds	Other	Total	Bank loans	Bonds	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Multiple								
Less than 1 year	7	1	-	8	7	1	-	8
1-2 years	14	1	-	14	7	-	-	7
2-5 years	144	2	-	146	57	2	-	59
5 years or more	387	161	-	548	463	162	-	625
	552	164	-	716	534	165	-	699
Single								
Less than 1 year	-	12	-	12	-	-	-	-
1-2 years	-	-	-	-	-	12	-	12
5 years or more	-	436	1	437	-	436	1	437
	-	448	1	449	-	448	1	449
	552	612	1	1,165	534	613	1	1,148

The total value of all loans and borrowings includes a further £68m (2022: £70m) of capitalised fees, premiums and accrued interest.

Bank loans

- At fixed rates of interest, rates are held between 0.8% and 8.1%, with maturity dates ranging from 2023-2040 inclusive.
- At variable rates of interest, rates are held between 4.2% and 5.5%, priced with reference to SONIA, lender margin and including credit adjustment spread, with maturity dates ranging from 2023-2040 inclusive.

Other loans

- A single loan with Homes England which matures in 2033
- Drawn on a single revolving credit facility.

External bonds

The Group has sold a range of bonds repayable in both single and multiple instalments, all at fixed rates of interest, at rates between 2.9% and 11.1%, with maturity dates ranging from 2023-2043 inclusive.

Own named bonds

Issuer	Radian Capital	Radian Capital	Radian Capital	Yarlington Treasury Services
Name	2042	2044	2049	2057
Coupon	6.000%	4.622%	5.029%	3.410%
Nominal issued	£100m	£100m	£200m	£120m
Sold to date	£100m	£30m	£200m	£120m
Received to date	£100m	£30m	£200m	£120m
Unsold	-	£70m	-	-
Repayable	Expiry	Instalments	Expiry	Instalments

We have not issued or sold any own named bonds in the year; £70m of the Radian Capital 2044 remains available for sale.

These materials have been prepared by Abri Group Limited solely for use in publishing and presenting its unaudited results in respect of the year ended 31 March 2023.

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