



## **Investor Update – October 2015**

The latest report and financial statements for emh group are now available on our website at [www.emhgroup.org.uk/investors-and-partners/financial-information](http://www.emhgroup.org.uk/investors-and-partners/financial-information). You can also find a copy of our 2015-2020 Business Plan and our latest Ratings Report from Standard & Poor's.

The focus for the year was to embed the new Group structure and operational arrangements to deliver service quality, efficiency and value for money, and to launch *Project Platinum*, our two-year aspirational organisational development programme.

Highlights from the year include:

- Maintenance of the highest regulatory ratings for viability and governance from the social housing regulator, the Homes and Communities Agency
- Maintenance of our AA- credit rating with Standard & Poor's
- 100% success in our bid for grant funding from the Affordable Homes Programme 2015-18 equating to £13.1m in grant to build 607 new homes

The financial statements for 2014-15 again demonstrate the solid performance of the Group and our continued financial strength, with highlights including:

- Group turnover of £94.3m
- £29.6m operating surplus, an operating margin of 31%
- A net margin of 12%, representing a surplus of £11m

Results include a 5% reduction in operating costs, reflecting savings achieved from the Group's *Fit for the Future* programme to streamline the Group structure and service delivery.

And a £21m increase in the balance sheet value of housing properties which includes the costs of completing 310 new homes for rent and shared ownership, funded from the proceeds of the January 2014 Bond issue.

### EMH Group's response to the Budget

The proposals to reduce rental income by 1% per year for four years together with further cuts in the welfare budget and the extension of Right to Buy will have a major impact on the Group. In particular the move to a 1% reduction in rents rather than an increase of CPI + 1% will see the Group lose 13% of its rental income by 2019-20.

The Board have now agreed the corrective actions necessary to maintain the viability of the Group whilst continuing to adhere to our values, maintain key services such as income management, and protect our development programme. To do this we will:

- Deliver cashable efficiency savings in both overheads and maintenance
- Actively pursue disposal of poor performing properties identified through our stock sustainability modelling, and
- Reduce the level of contingencies in our financial plan by reviewing cautious assumptions on bad debts and interest rates

We will require new funding to fully deliver our development programme targets, and we are currently reviewing the funding options available to us.

Output from our 30 year financial plan, updated to reflect the changes in the rent settlement and the corrective actions we will take to mitigate the impact of this, is included in the 2015-2020 Business Plan which is available from the investor section of the Group website.

Please get in touch with our Head of Treasury [helen.haywood@emhgroup.org.uk](mailto:helen.haywood@emhgroup.org.uk) if you require any further information.