

Report of the Board

Financial Review

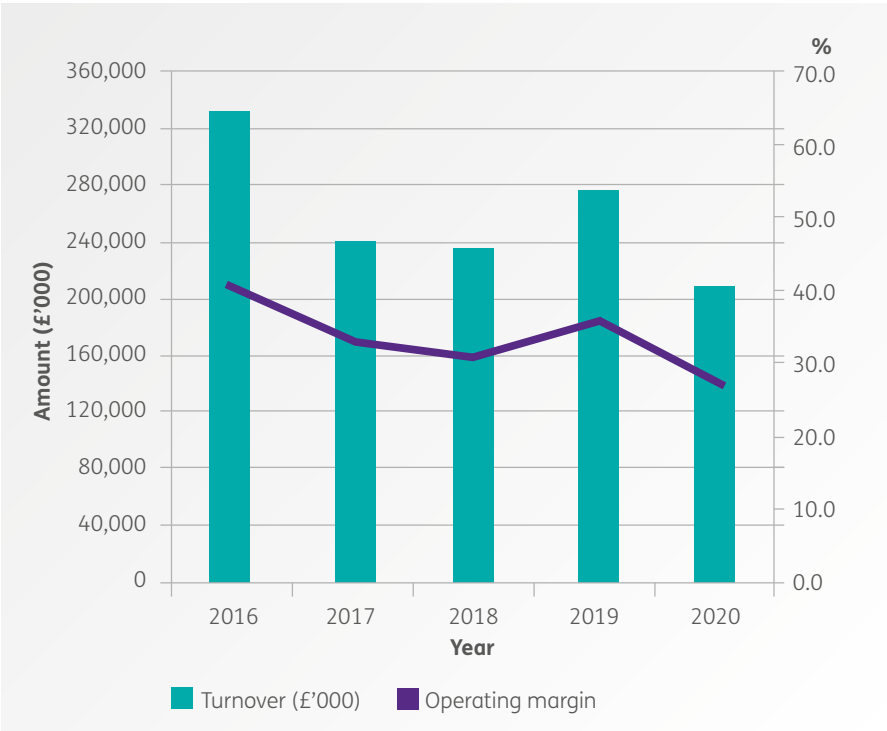
The Group achieved a net surplus of £21,122k (2019: £72,016k) for the year. Surplus has decreased by 70.7% and the major reason for this is the sale of student accommodation in Student First, a subsidiary of Network Homes in the last financial year.

The surplus on property sales was £12,820k (2019: £49,070k). All proceeds from property sales are reported under turnover and the costs to build under cost of sales.

Operating margin reduced by 9.4% from 35.3% in 2019 to 25.8% in 2020, mainly attributable to the decrease in property sales income.

The trend in turnover and operating margin over the last five financial years is shown by the graph to the right:

Network Homes Turnover and Operating Margin



The tables below show a summary of our consolidated financial performance and position over the last five financial years:

Consolidated Statement of Comprehensive Income summaries

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Turnover	205,654	275,053	234,433	241,897	329,695
Operating costs	(152,552)	(177,951)	(163,753)	(163,771)	(197,582)
Operating surplus	53,102	97,102	70,680	78,126	132,113
Share of joint venture profit/(loss)	-	347	(157)	-	-
Net interest payable	(32,043)	(25,430)	(26,050)	(25,796)	(29,139)
Restructuring of financial instruments	94	90	87	8,720	52,356
Tax	(31)	(93)	(234)	(9,228)	(7)
Surplus for the year	21,122	72,016	44,326	51,822	155,323

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	Social housing activity	Other social housing activity	Total social housing activity	Non-social housing activity	Total 2020
Turnover (£k)	145,507	45,977	191,484	14,170	205,654
Surplus (£k)	32,254	15,109	47,363	5,739	53,102
Operating margins (%)	22.2	32.9	24.7	40.5	25.8

	Social housing activity	Other social housing activity	Total social housing activity	Non-social housing activity	Total 2019
Turnover (£k)	149,312	41,992	191,304	83,749	275,053
Surplus (£k)	42,707	14,086	56,793	40,309	97,102
Operating margins (%)	28.6	33.5	29.7	48.1	35.3

Total turnover reduced by £69,399k to £205,654k. Total operating surplus reduced by £44,000k to £53,102k. There was a large increase in operating surplus in 2019 which was mainly a result of the sale of the student accommodation in Student First, which was a one-off sale.

The net surplus of £21,122k (2019: £72,016k) comprises of operating surplus of £53,102k (2019: £97,102k), plus net impact of restructuring financial instruments of £94k (2019: £90k) less interest charges of £32,043k (2019: £25,340k) and corporation tax of £31k (2019: £93k).

The margins on social housing activity reduced from 28.6% to 22.2%. The reason for this drop is a drop in turnover in the

2019-20 financial year of £4,500k which was grant income received for fire safety works. Costs increased by £8,500k being works done on building safety as well as extra depreciation as a result of investment in our IT infrastructure. Other social housing activity margins reduced from 33.5% to 32.9% and non-social housing activity margins decreased from 48.1% to 40.5%.

Surplus on all sales reduced from £51,935k in 2019 to £13,003k in 2020. The main reason for such a big drop was the sale of the student accommodation in 2019 which accounted for £35,587k of the £38,932k drop.