STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Wheatley Housing Group Ltd.

Primary Credit Analyst:
Hugo C Foxwood, London (44) 20-7176-3781; hugo.foxwood@standardandpoors.com

Secondary Contacts:
Liesl Saldanha, London (44) 20-7176-3571; liesl.saldanha@standardandpoors.com
Maria J Redondo, London (44) 20-7176-7094; maria.redondo@standardandpoors.com

Table Of Contents

Table Of Contents (cont.)

Wheatley Housing Group Ltd.

Major Rating Factors

Issuer Credit Rating
AA-/Stable/--

Strengths:

- A "critical" public policy role and "very strong" link with the Scottish government, leading to an "extremely high" likelihood of receiving extraordinary support.
- High demand for social housing in main areas of operation.
- Business strategy that focuses on social housing, with limited exposure to commercial activities.

Weaknesses:

- Very weak EBITDA margins, reflecting an obligation to invest in housing stock that was transferred from Glasgow City Council in 2003.
- Very high debt burden in relation to EBITDA, although we do forecast some improvement.

Rationale

The 'AA-' rating on Wheatley Housing Group Ltd. (Wheatley), the non-asset-holding parent of the Wheatley Group, is based on its 'bbb' category stand-alone credit profile (SACP); our opinion of the extremely high likelihood that the Scottish government would provide extraordinary support in the event of financial distress; and Wheatley's position among rated housing association peers.

The 'AA-' rating on GHA is equalized with that on Wheatley, reflecting GHA's status as a core entity within the group. GHA is the former parent of the group, and remains by far the largest member, owning 92% of the group assets and generating about 90% of group turnover. Reflecting this, we consider that there is also an "extremely high" likelihood that GHA would receive extraordinary support from the Scottish government.

Our current view of the Scottish government's creditworthiness reflects our view of the supportiveness of the institutional framework (the U.K. regional government system), the Scottish government's very low debt burden, its surpluses after capital accounts, and its limited flexibility over revenues. We assess these rating factors according to our criteria, "Methodology For Rating Non-U.S. Local And Regional Governments," published on June 30, 2014. If Scotland were ever to become an independent sovereign, then these rating factors could well change significantly, and we would apply a different rating methodology, namely "Sovereign Government Rating Methodology and Assumptions, published on June 24, 2013."

Our view of the extremely high likelihood of Wheatley receiving extraordinary government support reflects our assessment of:

- The critical importance to the Scottish government of Wheatley's role in operating and developing social housing; and
- The very strong link between the Scottish government and Wheatley.

Wheatley's role reflects its central and systemic importance within the Scottish social housing sector. Wheatley's social housing stock is four times larger than that of any other registered social landlord (RSL) in Scotland. If a proposed partnership with Edinburgh-based housing association Dunedin Canmore goes ahead, Wheatley could expect to have 51,000 social housing units (19% of the Scottish RSL sector).

Wheatley also plays a lead role in developing social housing such that the Scottish government describes it as "a key delivery partner." Furthermore, it plays a significant role in the local economy. Over the past 10 years, Wheatley estimates that it has created over 11,000 jobs, predominantly in Glasgow, Scotland's largest city, while delivering an investment program supported by government grant.

If Wheatley were to cease to exist, then transferring Wheatley's stock to other entities could present major challenges given that Wheatley has more units than the next-largest five RSLs together. In any case, a default by Wheatley could affect market access for other RSLs and government-related entities in other sectors. Therefore, if Wheatley were to require financial help, we think that the government would have very strong incentives to ensure help was provided, rather than face the negative implications of a default.

The Scottish government's very strong link with Wheatley is reflected in its influence over Wheatley's strategy and business plan. The government has allocated to Wheatley about £180 million of development grant over the next seven years. Wheatley's consequent development plans represent about 15% of the government's national target for social housing developed by RSLs. The government meets monthly with Wheatley to review progress on this development program, and on the refurbishment program that Wheatley committed to when GHA was created to receive a stock transfer from Glasgow City Council in 2003.

Wheatley is also monitored by the Scottish Housing Regulator. Because of its systemic importance in the Scottish housing sector, we consider that Wheatley benefits from a greater degree of regulatory scrutiny, and more frequent interaction, than its rated English peers do with the Homes and Communities Agency (HCA), the equivalent regulator in England. Like the HCA, the Scottish Housing Regulator has demonstrated a track record of intervening to support failing housing associations, whether through supervision, mergers, or arranging for additional grant.

Wheatley's SACP is supported by its very strong enterprise profile, reflecting low industry risk, high demand for Wheatley's social housing, a business strategy that entails limited market risk, and good operational management. The SACP also reflects Wheatley's adequate financial profile. Although we view Wheatley's financial policies as sound, its EBITDA margins (adjusted for capitalized repairs net of relevant grant income) are very weak relative to peers, leading to a very high debt-to-EBITDA ratio. That said, we do forecast some improvement in this respect. Liquidity is currently strong, and will become stronger following the planned bond issuance.

Demand for Wheatley's social housing is robust, supported by the relative affordability of social housing rents at 52% of market rates (according to the Scottish Housing Regulator and CityLets), and partly demonstrated by very low voids at 0.9% of rental income in the financial year ending March 31, 2014 (financial 2014). That said, significant ongoing investment is needed to bring the stock up to the Scottish Housing Quality Standard. Consequently, Wheatley is set to post relatively modest adjusted EBITDA margins, averaging 14.5% of turnover in financials 2015 and 2016. We understand that management aims to achieve 100% compliance with the Scottish Housing Quality Standard by 2015 and that spending on maintenance and repairs should then reduce. We are therefore forecasting a structural improvement in EBITDA, with EBITDA margins rising to 22% in financial 2017, and continuing to rise gradually thereafter.

At the same time, Wheatley plans to take on substantial debt to fund its social (and affordable) housing development program of 4,505 units, which will be partly funded by about £180 million of development grant from the Scottish government. Given the demand for social housing, and Wheatley's potential flexibility to adjust rents (where it has greater freedom than its English peers) or its expenditure profile, we assume in our base-case scenario that this should be broadly achievable within Wheatley's planned financial parameters. Wheatley's business strategy remains focused on social housing--it anticipates having only limited exposure to commercial activities. This should support the predictability of its revenue and expenditure base.

Liquidity

We consider that Wheatley has a strong liquidity position. Operating cash flows are generally predictable and, although holdings of cash are limited, the group has ready access to fully charged committed facilities to meet its cash flow needs. Its existing sources of liquidity exceed its currently expected uses over the next 12 months by about 1.25x.

We view Wheatley's access to external liquidity as satisfactory. Although it has proven access to a number of banks, it has yet to establish a track record of using the capital markets.

Outlook

The stable outlook balances our view that the extremely high likelihood of government support for Wheatley will continue, as will the strong demand for its social housing, against Wheatley's weak but improving financial performance as it continues its investment program.

We could lower the ratings if Wheatley's role were to become less important to the Scottish government, resulting in a diminished likelihood of its receiving extraordinary support. Alternatively, if we revised downward our view of the Scottish government's creditworthiness, then this could cause us to lower the rating on Wheatley. A weakening of Wheatley's SACP, if this were by several notches, could also lead us to lower the ratings.

We could raise the ratings on Wheatley if we revised upward our view of the creditworthiness of the Scottish government, or of the likelihood of its providing extraordinary support.

Extraordinary Government Support

Critical role, reflecting Wheatley's size and importance within the RSL sector

We view Wheatley as fulfilling a critical role for the Scottish government, given its central importance in delivering social housing policy objectives. The Scottish government appears to be generally more supportive of social housing than the U.K. government, as indicated by the size of the development grant per unit--more than double what is typically allocated to English housing associations--and the greater autonomy the Scottish government allows RSLs over rent increases. The Scottish government has also decided to provide additional funding to offset the effects of the under-occupation penalty (popularly known as the bedroom tax). Within this context, we believe that Wheatley has particular importance. With 46, 431 units, its stock is more than four times larger than that of any other housing association, and represents 17% of the entire Scottish RSL sector. Wheatley also performs a dominant role as a developer of new social housing, and has been described by the Scottish government as "a key delivery partner" in its objective of delivering more social housing. Wheatley's development plans over the next seven years represent about 15% of the Scottish government's target for the RSL sector. Wheatley is also highly significant in economic terms: it estimates that it has created 11,000 jobs over the last 10 years, predominantly in Glasgow, Scotland's largest city. If Wheatley were to cease to exist, it is highly unlikely that a for-profit private provider would have the financial incentive and capacity to manage and develop social housing on such a scale, assuming the government remains committed to keeping rents for social housing tenants substantially below the market rate. And even transferring Wheatley's stock to other not-for-profit RSLs could present major challenges, given that Wheatley has more units than the largest five RSLs added together. In any case, a default by Wheatley could potentially affect the market access of other RSLs, and indeed government-related entities in other sectors. If Wheatley were to require financial help, we therefore consider that the government would have very strong incentives to provide it, rather than face the negative implications of a default.

Very strong link with government, which has a major influence over strategy

Reflecting Wheatley's importance for the Scottish government, we also believe there is a very strong link between the two. The government has an important influence over Wheatley's strategy and business plan, as would be expected given the size of the development grant--about £180 million over the next seven years--that the government has allocated to Wheatley. The government meets with Wheatley on a monthly basis to review Wheatley's progress both on development and on the refurbishment program that Wheatley committed to as part of the original agreement to receive a stock transfer from Glasgow City Council. Wheatley continues to work closely with Glasgow City Council as a strategic partner in a number of areas.

In addition to its direct contact with the Scottish government, Wheatley is also subject to regulatory oversight from the Scottish Housing Regulator. Because of its systemic importance in the Scottish RSL sector, we consider that Wheatley benefits from a greater degree of regulatory scrutiny, and more frequent interaction, than its rated English peers have with the Homes and Communities Agency (HCA), the equivalent regulator in England. Like the HCA, the Scottish Housing Regulator has demonstrated a track record of intervening to support failing housing associations, whether through supervision, mergers, or arranging for additional grant. We expect that it will continue to do so, reflecting its policy remit to monitor, assess, and if appropriate, intervene to support the financial well-being of RSLs.

Our assessment of Wheatley's critical role and very strong link has led us to conclude that there is an extremely high likelihood of extraordinary support, should Wheatley encounter financial difficultly, which has led us to assign a 'AA-' rating, a number of notches higher than its 'bbb' category SACP.

Very Strong Enterprise Profile: High Demand For Social Housing

Wheatley operates in an industry that we assess to be "low risk" on a global level. Within that industry, Wheatley focuses on social housing, for which there is a very high demand. This is partly illustrated by low void levels, implying good operational management. Wheatley's business strategy will continue this focus on social housing, with very limited market exposure, which should support the predictability of its revenues.

Business Description

The Wheatley Group is the dominant provider of social housing in Scotland, with 46,000 units that represent 17% of the Scottish RSL sector. Wheatley operates across 12 local authority areas, but 95% of its stock is based in Glasgow. Following the proposed partnership with Dunedin Canmore, Wheatley anticipates an increase in social housing units to 51,000, which would represent 19% of of the Scottish RSL sector in 15 local authority areas. The majority of stock (85%) will be based in Glasgow. This presence in Glasgow reflects the group's origins: GHA, by far the largest subsidiary in the group, was created to receive a stock transfer from Glasgow City Council in 2003. Wheatley is also the main developer of social housing in Glasgow, playing a key role for the city in urban regeneration. On a commercial basis, the group also provides property services to private owners, and engages in some market renting activity. It does this through separate subsidiaries, as shown in chart 1 below.

Group Structure

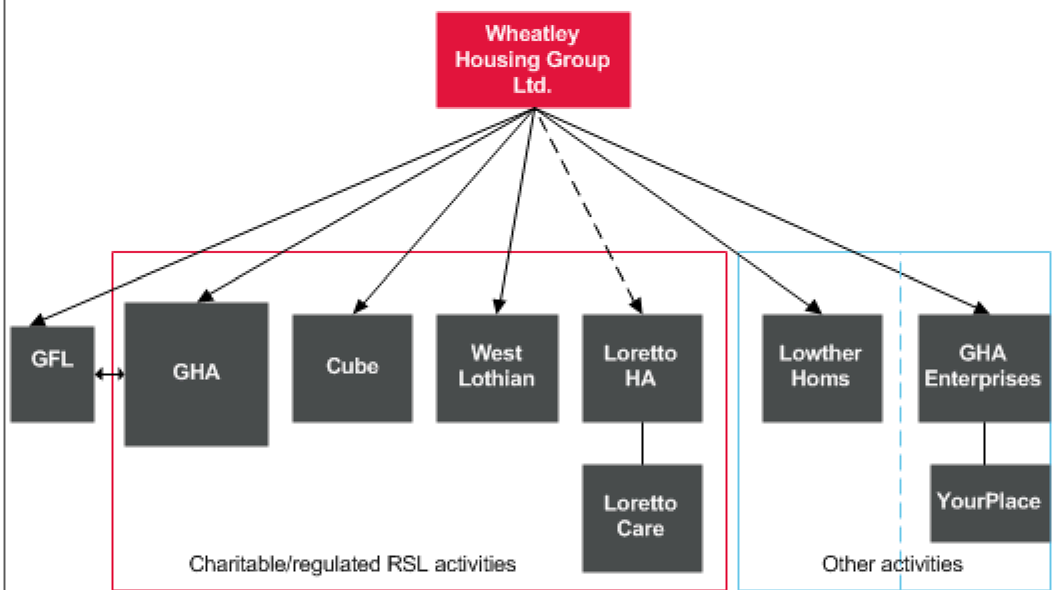
Wheatley Housing Group Ltd., the parent of the group

Following a restructuring of the group in 2012, Wheatley became the non-asset-holding parent of the group. As such, Wheatley is responsible for the overall purpose and strategic direction of the group. Our credit analysis of Wheatley is based on the consolidated group's position, reflecting the assumption that members of the group are likely to act supportively towards one another.

The Glasgow Housing Association Ltd., a core entity within the group

Prior to 2012, GHA was the parent of the group, and it remains by far the largest member, owning 92% of the group assets and generating about 90% of group turnover. Consequently, we assess GHA's status in the group as core, and equalize its rating with that on the group. GHA manages and develops social housing, as do most of the other regulated members of the group. Different group activities, meanwhile, are performed by separate subsidiaries (see chart 1). Loretto Care, for instance, provides social care, while YourPlace provides for-profit property services to private home owners.

Chart 1
Wheatley Group Structure



Industry Risk

Low cyclicality and competitive risks and strong government support

In our opinion, the industry risk for social housing globally is low. There tends to be strong demand for social housing services throughout economic cycles, and a relatively slow but stable rental growth trend, which supports stable cash flow generation. The provision of social and public housing is an important pillar of public policy, which ensures that competitive risks remain low. Moreover, governments globally tend to support social housing through revenue or supply-side subsidies, and empower regulatory authorities to provide control and support on an ongoing basis, thereby reducing industry risk.

Economic Fundamentals And Market Dependencies

High demand for social housing

We believe that demand for Wheatley's social housing activity is very strong, particularly following its extensive refurbishment program. Social rents in Glasgow, Wheatley's main area of operations, are about 52% of market rents (Source: Scottish Housing Regulator and CityLets). The relative affordability of social rents can be a major driver of demand, and the size of this difference compares favorably with other U.K. housing association peers. Although Glasgow's population is set to grow more slowly (0.4% per year) than the South of England, where many of Wheatley's English housing association peers are located, we believe that demand will continue to remain strong for the foreseeable future. And with increasing numbers of people living on their own, we also note that growth in households is projected to rise more strongly at about 1.1% per year (Source: Glasgow City Council).

Although Wheatley engages in some non-traditional activities, we generally view these as presenting limited risk. The services it provides through YourPlace, for instance, (about 5% of turnover) are generally services to communal areas that private owners are obliged to pay for. Although other providers could in theory compete for these services, Wheatley's position, as the incumbent provider of services for communal areas that often include a majority of its own properties, presents a high barrier to entry.

Support from the welfare system

In common with many jurisdictions where we rate social housing entities, the existence of a welfare system is an important factor supporting the stability of the rental revenue stream. If the income of U.K. tenants falls below a certain level, then they are likely to be eligible for a level of housing benefit that should enable them to pay their rent. At present, housing benefit is generally paid directly to a housing association, but it's possible that the equivalent sum will be paid to tenants instead, depending on whether Scottish government follows the rest of the U.K. in this regard. Although such a reform, if it happened, would be likely to lead to some increase in arrears, we anticipate that the reforms would be introduced in a manner that protects most housing associations from significant loss of income. And indeed we note that Wheatley has shown leadership in responding to this change, working with Barclays Bank to develop "jam jar" accounts that are designed to help tenants budget effectively by setting aside a portion of their benefits to pay rent, council tax, and utilities. Our expectation is that Wheatley should be able to manage the changing landscape of welfare benefits without materially weakening its credit profile.

Market Position

Strategy and management

We consider Wheatley's business strategy to be prudent, given the spending requirements of its existing stock, the availability of grant to fund its development program, and the stability of demand for social housing. With its flexibility to raise rents or defer expenditure, we believe that management has the capacity to pursue its strategy while keeping within its planned financial parameters. Although financial performance is set to remain modest over the rating horizon, we note that Wheatley remains focused on social housing, with only limited exposure to commercial activities, which should support the predictability of its revenue base.

In order to refurbish its existing stock, we understand that Wheatley has already delivered a £1.1 billion stock improvement program on time and to budget. Consequently, about 90% of its stock is now compliant with the Scottish Housing Quality Standard. We understand that management aims to achieve 100% by 2015, and that spending on maintenance and repairs should consequently decline thereafter. Given management's track record in this area, we are therefore forecasting a structural improvement in EBITDA margins from 2016/17.

At the same time, we note that management plans an ambitious development program of 4,505 social housing units over the next seven years. Given the size of the development grant (about £180 million) to be given by the Scottish government, Wheatley's experience in managing capital investment, and its permitted flexibility to charge high rents, we believe in our base case that this should be broadly achievable within Wheatley's planned financial parameters.

Governance and management

We believe that Wheatley's management team is highly experienced in social housing, and has demonstrated relevant expertise. Martin Armstrong has been the CEO since 2009, and brings 25 years of public sector experience. His work on reforming the group's operating model, and reducing staff numbers while increasing tenant satisfaction rates, has led to GHA winning various national awards for leadership. He is supported by a team that brings experience from both the private, RSL, and local government sectors. Likewise, those on the board bring relevant skills from high-level positions in a range of sectors. The Chair of the Board, for instance, is Alastair Dempster, former Chief Executive of Lloyds-TSB Scotland. We note that Wheatley's close relationship with both the Scottish government and the Scottish Housing Regulator provides additional scrutiny of Wheatley's performance and business plans.

Asset quality and operational performance

Wheatley has invested significantly (£1.1 billion) in its assets over the past few years, and we understand that about 90% currently comply with the Scottish Homes Quality Standard. Despite the need for additional spending to reach 100% compliance, Wheatley has achieved high occupancy levels, and void rates have consistently declined in recent years to 0.9% of rental income at year-end 2014. We view this as a very positive credit feature, indicating both the strength of demand for properties, as well as the group's operational capacity.

In contrast, gross arrears (those of current and former social housing tenants) stood at 6.4% of rental income as of March 2014, which is high compared with some rated English peers. That said, we understand that this figure is inflated by technical arrears, arising from minor timing differences between rent becoming due and housing benefit payments made by Glasgow City Council. Excluding these technical arrears, we understand that Wheatley's level of arrears would be 4.3% of rental income at financial year-end 2014, and down to 4% as of Sept. 30, 2014. Furthermore, we note that arrears have broadly reduced in recent years.

We expect that arrears may rise, if the Scottish government implements the reforms to the welfare system that are being implemented in the rest of the U.K. Wheatley has already made assumptions for an increase in arrears of about 2% of rental income in its business plan. Given these assumptions and Wheatley's track record, we believe it will manage to avoid a material effect on its planned margins from any potential loss in revenues.

Adequate Financial Profile: Low EBITDA and High Debt Levels

Wheatley's EBITDA margins are very weak relative to peers, leading to very high debt-to-EBITDA ratios. We are forecasting some improvement beyond 2015, but financial performance is likely to remain a major constraint on the rating, with EBITDA coverage only rising to 1.1x by 2017. Liquidity is strong, supported by fully charged access to committed facilities, and will further strengthen following the planned bond issuance.

Financial Performance

Adjusted EBITDA margins have been negative, but are set to rise

Wheatley has posted negative EBITDA margins over the past few years, when adjusted for capitalized repairs net of relevant government grant. That said, we expect that margins will improve structurally once the bulk of the planned capital maintenance is completed in 2015. Wheatley's adjusted EBITDA performance was particularly weak in financial 2012 and 2013, following a management decision to address a longstanding maintenance backlog. There were also various one-off costs associated with a transfer of 18,592 homes on to other RSLs, as well as redundancy costs associated with efficiency savings. This led to negative EBITDA, even after adjusting positively for the annual £21.7 million capital grant that Wheatley received to help it undertake the repairs. We understand that the bulk of the original capital refurbishment program has now been completed, and in financial 2014 adjusted EBITDA rose to 1% of revenues. But with only 90% of properties meeting the Scottish Housing Quality Standard, we understand that additional investment in properties will be needed until 2015, when the group plans to be 100% compliant. Once this catch-up maintenance has been completed, we forecast a surplus of 22% of revenues in the financial year ending March 31, 2017, which we understand will represent a structural improvement in financial performance. This improvement is also based on our assumption that Dunedin Canmore will have joined the group.

Unlike many of its English peers, Wheatley has very limited market exposure, as it does not engage in development for sale on the open market, and only engages in minimal development for market rent. Instead, its development program is supported by high levels of capital grants, which are set to average £26 million per year from 2015-2017. The majority of the capital program, however, is set to be funded by net borrowing averaging £94 million per year (44% of revenues). This will lead to a material increase in absolute levels of debt.

Debt Profile

High levels of debt to EBITDA set to continue over forecast horizon

Wheatley's debt burden is very high for the rating, with levels of debt/EBITDA at set to reduce to 30x in financial year 2015. This should improve to 19x by 2017, despite the absolute increase in debt, if adjusted EBITDA improves as we forecast in our base case. This is far higher than Wheatley's rated English peers, although as a percentage of revenues Wheatley's debt burden appears more modest, rising in our base case to 417% by 2017 from 364% at year-end 2014. This compares favorably with the 2014-2016 average of 580% for Sovereign Housing Association (AA/Stable), or 794% for Bedfordshire Pilgrims Housing Association (AA-/Stable). Wheatley's adjusted EBITDA interest coverage, meanwhile, was very low in 2014 at 0.1x, although we forecast it to improve to a still-modest 1.1x by financial 2017.

As of March 2014, Wheatley had long-term committed funding provided by the Scottish government and four major banks, totaling £763.3 million. The maturity of this bank debt is evenly spread out to 2040, and about two-thirds of it is hedged via embedded fixed rates. After the planned bond issuance of fixed-rate debt, some of these facilities will be temporarily repaid, and the proportion of fixed-rate debt will increase.

Pension obligations

The group's main pension obligation relates to GHA, which participates in the Strathclyde Pension Fund, administered and underwritten by Glasgow City Council. As of March 31, 2014, the deficit was estimated at £43.6 million, or 22% of turnover. This may lead to increased employer contributions following the outcome of the next full actuarial valuations, which take place every three years, with the objective of clearing the deficit within 10 years. We have not made any adjustments to our key ratios to reflect these net pension liabilities.

The group also participates in other pension schemes, including multiemployer schemes, where it is not possible to determine the group's share of the liabilities.

Liquidity

Strong liquidity position reflecting high levels of committed facilities

We consider that Wheatley has a strong liquidity position. Operating cash flows are stable and predictable, and although holdings of cash are limited, the group has ready access to fully charged committed facilities to meet its cash flow needs. Its existing sources of liquidity exceed its currently expected uses over the next 12 months by about 1.25x, but we expect this to strengthen imminently following the planned bond issuance. In the unlikely event that Wheatley does not issue its bond as planned, we note that it still has its long-term facilities in place.

We view Wheatley's access to external liquidity as satisfactory. Although it has proven access to a number of banks, it has yet to establish a track record of using the capital markets.

Financial Policies

We view Wheatley as having relatively prudent and well-documented financial policies that should safeguard its liquidity position and enable it to maintain financial control over the long term. The quality of Wheatley's reporting also demonstrates a commitment to transparency and long-term planning. For instance, as is common with U.K. housing associations, Wheatley has set out a detailed 30-year business plan.

Wheatley's treasury policy targets a range of 50%-70% fixed rate debt, and we understand that it is likely to reach the upper end of this range following the planned bond issuance. Furthermore, unlike some of its rated peers, Wheatley does not hold stand-alone derivatives (although its policy allows it to under certain conditions) and hence has not exposed itself to calls for collateral. Instead, all its derivatives, which are designed to manage both interest rate and inflation risk, are embedded in loan agreements. We view these practices as indicative of a relatively low appetite for risk on the treasury side.

Table 1

Wheatley Housing Group Key Indicators And Financial Statistics

	2011	2012	2013	2014bc	2015bc	2016bc	2017bc
Key Ratios							
Units owned/managed	51,219	44,282	46,236	46,374	51,865	51,713	52,630
Voids (%)	1.1	0.9	0.7	0.9	3.1	1.6	1.1

Table 1

Wheatley Housing Group Key Indicators And Financial Statistics (cont.)							
Gross arrears (%)	5.6	5.7	6.9	6.4	6.2	6.2	8.4
Financial Performance							
EBITDA/Revenues (%)	25.1	17.9	13.6	11.8	18.3	34.2	40.5
EBITDA including capitalized repairs/revenues (%)	(9.2)	(18.5)	(6.8)	1.3	13.7	15.2	22.1
Debt Profile							
Debt/EBITDA (adjusted for capitalized repairs) (x)	(17.7)	(14.0)	(47.3)	286.4	30.2	25.9	18.8
EBITDA(adjusted for capitalized repairs) interest cover (x)	(2.0)	(2.2)	(0.5)	0.1	0.7	0.8	1.1
Financial Statistics							
Income Statement (Mil. £)							
Turnover	230.8	194.7	193.3	195.4	241.9	287.3	295.0
Operating costs	(186.2)	(181.8)	(193.4)	(202.5)	(236.7)	(230.3)	(220.0)
Operating surplus/(deficit)	44.6	12.8	0.0	(7.1)	5.2	56.9	75.0
Interest income	0.05	2.56	1.17	0.29	0.31	0.13	0.19
Interest payable	(10.8)	(16.6)	(24.3)	(26.5)	(45.0)	(52.2)	(60.1)
Net surplus (deficit) before tax	(12.2)	(19.4)	(21.0)	(3.1)	(37.6)	7.5	17.9
Cash Flow (Mil. £)							
Operating surplus/(deficit)	44.6	12.8	0.0	(7.1)	5.2	56.9	75.0
Depreciation	13.2	21.9	26.4	30.1	39.0	41.2	44.6
Net cashflow from operations	26.0	34.2	18.4	33.7	40.1	89.8	121.2
Net interest	(10.8)	(16.6)	(24.3)	(26.5)	(48.6)	(53.8)	(60.6)
Net investing activities	(144.2)	(143.3)	(78.4)	(67.4)	(64.3)	(164.3)	(160.1)
Cash in/(out) before financing	(129.0)	(125.6)	(84.3)	(60.2)	(72.9)	(128.3)	(99.6)
Net cash flow from financing	108.8	122.3	86.4	79.4	61.1	129.6	98.8
Increase/(decrease in cash)	(20.2)	(3.4)	2.1	19.2	(11.8)	1.3	(0.7)
Balance Sheet (Mil. £)							
Fixed assets (net of depreciation, amortization, and grant)	549.3	677.5	818.2	1118.9	1144.8	1251.7	1352.8
Short-term debt	0.4	4.3	8.7	6.7	0.0	0.0	0.0
Long-term debt	377.8	500.0	614.3	706.3	1000.3	1131.4	1229.0
Capital and reserves	163.9	151.9	194.9	401.6	223.3	209.8	227.7

Note: bc--Base case, which reflects Standard & Poor's own expectations of the most likely scenario. As such, there are a number of differences to Wheatley's own forecasts.

Related Criteria And Research

- Methodology For Rating Non-U.S. Local And Regional Governments, June 30,2014
- Group Rating Methodology, Nov. 19, 2013
- Public And Nonprofit Social Housing Providers: Methodology And Assumptions, July 11, 2012
- Principles Of Credit Ratings, Feb. 16, 2011
- Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010

Ratings Detail (As Of November 7, 2014)	
Wheatley Housing Group Ltd.	
Issuer Credit Rating	AA-/Stable/--
Issuer Credit Ratings History	
07-Nov-2014	AA-/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

Additional Contact:
International Public Finance Ratings Europe; PublicFinanceEurope@standardandpoors.com