Trading update

For the year ended **31 March 2021**

ASTER GROUP

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11 May 2021

Aster Group issues its unaudited group trading update for the 12 months ended 31 March 2021, with comparatives to the audited financial statements for the 12 months ended 31 March 2020.

Full year highlights:

- Development delivery of 921 homes – a brilliant achievement given COVID-19
- Profits achieved of £45.2m, ahead of expectations
- A strengthening of our social housing operating margin through a combination of increased focus across the group on value for money and deferred maintenance works
- Impressive rent arrears figures at only 2.0%
- Over 90% of colleagues would recommend Aster as a great place to work
- Awarded Registered Restorative Organisation status by the Restorative Justice Council
- Introduced our diversity principles and launched our first LGBTQ+ network
- Issued £250m through our inaugural sustainable MTN issuance
- A+ (stable) credit rating from S&P reconfirmed
- G1/V1 rating maintained
- Released the group's first ESG report
- 143 days of remote and virtual volunteering into community organisations.

Full year highlights (continued)

As with most businesses, the measures imposed by the government to limit the spread of COVID-19 during 2020/2021 impacted on our ability to deliver our services for significant periods of the year.

Despite this we ended the year positively with a turnover of £222.6m, operating profit of £73.5m and a profit for the year of £45.2m. Due to the impact of COVID-19, our profits are lower than we had budgeted for but significantly ahead of our expectations this time last year.

We also continued at pace with our development programme in the second half of the year, investing over £157m throughout the year into building an impressive 921 homes, 471 for social and affordable rent and 339 for affordable home ownership options including shared ownership. The remainder of homes we completed during the year were for open market sale. Although completions were lower than anticipated pre-pandemic, we saw record interest in our shared ownership properties and as a result very few sales fell through.

When necessary during the year, we switched to an essential-only service in an effort to limit the spread of COVID-19 and to help keep our people and customers safe. During this time, we adapted quickly to move viewing appointments online for sales and lettings and created secure, contactless handovers which meant we could continue providing the homes the country needs.

We resumed some non-essential works after the first lockdown but the on-going nature of the restrictions meant that we had to continue to postpone non-essential works several times during the year which has led to a backlog of non-essential repairs and planned major works.

We had expected to be able to progress with the backlog of repairs and major works in the second half of the financial year, however a subsequent lockdown meant that expenditure and other recovery related costs will impact on our financial results and indicators throughout 2021/2022 and beyond. Positively we ended the year with rent arrears standing at just 2%, lower than the same time last year.

With government restrictions easing in March 2021, we restarted some services inside customers' homes again and will continue to resume more services in line with the government's roadmap to recovery.

We continue to follow government guidance closely and have personal risk assessments in place for colleagues working in our communities - we believe this to be the best way to help keep our colleagues and customers safe.

We accelerated improvements to our self-serve portal MyAster during the year, doubling the number of new sign-ups during this time, and through the Aster Foundation, we have continued to provide opportunities for our colleagues to support local communities and causes through charitable donations, fundraising activities and volunteering. In 2020/2021, the group invested 143 days of remote and virtual volunteering into community organisations and causes in support of COVID-19 as well as launching a new volunteering platform, Aster VIP, in December 2020 with 28 community partners signed-up to the new platform to date.

We provided mental wellness and resilience training to over 1,000 colleagues and customers including community organisations during the year and launched Aster Connect, our telephone befriending service, which to date has supported over 100 customers with regular calls from our colleagues. We've now expanded Aster Connect and are working with our partner, Re-engage to provide this service.

In addition, the group also launched social incubator **inc.**, the first of its kind in the sector. Aimed at aspiring entrepreneurs, **inc.**, is set up to support entrepreneurs working on financial and social exclusion, unemployment, mental health, and sustainability concepts. The first cohort of social entrepreneurs embarked on the 10-month programme in the autumn of 2020.

We have continued to develop our colleague wellbeing offer this year, adapting the support we provide colleagues in response to the challenges of COVID-19. This has included a range of digital wellbeing resources, a wellbeing app and regular wellbeing calls.

We have continued to listen to colleagues' feedback on all aspects of life at Aster, with 91% of colleagues recommending Aster as a great place to work in our most recent engagement survey.

Creating an environment where everyone feels safe to speak up is an important part of our culture. This year, we worked with the Restorative Engagement Forum to embed restorative practice, which promotes personal accountability and responsibility at work across the business, becoming the first non-criminal organisation in the UK to be awarded Registered Restorative Organisation status by the Restorative Justice Council.

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Full year highlights (continued)

Inclusivity and fairness is central to our purpose and a core element of The Aster Way, a set of cultural principles that underpin everything we do. This year saw us introduce our diversity principles, and launch of our LGBTQ+ network, involving colleagues from across the business. We are working with the Employers Network for Equality and Inclusion and Stonewall to benchmark and improve against a framework of best practice. As we look to the recovery from the COVID-19 pandemic this will be key.

In January, we priced a £250m Sustainability Bond under our new European Medium-Term Notes (EMTN) programme, with the proceeds being used to develop new affordable housing. This 15-year bond, which was four times oversubscribed, comprised £200 million immediate funding and a further £50 million retained. It priced at a spread of gilts plus 80bps, with an all-in cost of 1.4%, attracting investors that have not previously invested in us, demonstrating the appetite for this type of bond in the market.

Our ratings of A+ (stable) from Standard and Poor's recognised our strong fundamentals and experienced management team, and our robust governance framework as evidenced in the maintenance of our G1 governance and V1 viability ratings by the Regulator of Social Housing.

We were also the first housing association outside of London to produce an Environmental, Social and Governance (ESG) report and Framework for Sustainable Finance this year, outlining our environmental responsibility, demonstrating the positive impact our activities have on people in our communities and outlining our sustainable approach to finance.

Financial & Operating Performance

Profit before tax for the year ended 31 March 2021 was £45.2m compared to £59.8m last year where the March 2020 results included a one-off gain on acquisition of £14.0m. Housing properties (net of depreciation) have increased to £1,822m from £1,733m at 31 March 2020.

Consolidated Statement of Comprehensive Income	12 months March 2021 £000	12 months March 2020 £000
Turnover	**222,590**	214,560
Operating costs	**(166,721)**	(162,859)
Surplus on sale of housing property, plant and equipment	**17,674**	20,042
Operating Profit	**73,543**	71,743
Profit on disposal of other property, plant, equipment and intangible assets	**168**	214
Impairment of housing assets	**(138)**	135
Impairment of office premises	**(1,240)**	-
Share of profit in joint ventures	**411**	374
Increase in fair value of investment properties	**632**	-
Net finance expense	**(28,179)**	(26,680)
Gain on acquisition	**-**	14,013
Profit for the year	**45,197**	59,799

Financial indicators	12 months March 2021	12 months March 2020
Operating margin (excluding surplus on sale of housing property, plant and equipment) [1]	**24.5%**	24.2%
Social housing operating margin[2]	**29.4%**	27.2%
EBITDA MRI interest cover[3]	**215.6%**	191.8%
Gearing[4]	**52.7%**	53.5%

Sales of shared ownership homes and open market sales homes (predominantly delivered through joint ventures) totalled 470 units for the year ended 31 March 2021 (2020: 543). As at 31 March 2021, the group had 115 completed shared ownership homes void and available for sale, with 100 of these sold and yet to complete and only 15 unsold (2020: 133).

Overall customer satisfaction was 81% as at 31 March 2021 (2020: 82%). Void losses for the group's general needs and sheltered stock were 0.8% (2020: 0.7%). Rent arrears have been tightly managed and were good at only 2.0% (2020: 2.2%).

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Debt & Liquidity

Net debt over the year has increased to £937m from £902m. We had liquidity at 31 March 2021 of £514.3m, consisting of committed and available undrawn facilities of £307.5m, and cash and cash equivalents of £206.8m. During the period we issued £250m from our EMTN (£50m retained) and £100m of Commercial Paper under the Covid Corporate Financing Facility (CCFF). £50m of the CCFF was repaid during the year.

Development

We're proud to have delivered 921 homes this year, a remarkable achievement given the difficult operating environment because of COVID-19. This includes 810 affordable homes (2020: 955) and we have a contracted pipeline of 3,406 homes (2020: 2,204). The number of completed homes during the year reduced as a direct result of the disruption caused by COVID-19. Output across our development sites has slowly increased since sites closed following the first national lockdown. As the rate of infection has reduced in our operating areas, issues with material supplies and resourcing have reduced back to levels that allow construction to continue effectively. It has been difficult to tell if the UK-EU trade and cooperation agreement has had any impact on development. The housing market remains strong and this is reflected in the good performance of our shared ownership sales over the year. The outlook for 2021/2022 is positive and we have a strong forward pipeline and are actively securing new opportunities.

Board & Executive Team Changes

During the year, the following appointments were made:
Claire Whitaker OBE was appointed as a co-optee to the **Board** from **12 August 2020.**
Emma O'Shea was appointed to the **Executive Board** on **6 April 2020.**

Aster Group Ltd: The members of the **Executive Board** are **Bjorn Howard**, **Chris Benn**, **Rachel Credidio**, **Dawn Fowler-Stevens**, **Emma O'Shea** and **Amanda Williams**.

Aster Treasury plc: There were no changes to the membership of the board.

Aster Group credit rating & governance

Aster Treasury plc is rated A+ (stable) by Standard and Poor's (**December 2020**), and G1/V1 by the Regulator of Social Housing (**25 March 2020**).

Notes:

[1] Demonstrates the profitability of operating assets before exceptional expenses. Defined as operating profit, excluding surplus on sale of property, plant and equipment, as a percentage of total turnover.

[2] Demonstrates the profitability of social housing operating assets before exceptional expenses. Defined as operating profit derived from social housing activities, excluding surplus on sale of property, plant and equipment, as a percentage of total turnover.

[3] Seeks to measure the level of surplus generated compared to interest payable. It is a key indicator for liquidity and investment capacity. EBITDA MRI is Earning before interest, tax, depreciation, amortisation, excluding profit on disposal of property, plant and equipment, but including the cost of capitalised major repairs (major repairs included). Interest includes the group's interest payable plus interest capitalised during the year but excluding interest on the net pension liabilities.

[4] Calculated as net debt (loans less cash) as a proportion of social housing assets. Shows how much of the social housing assets are made up of debt, and the degree of dependence on debt finance. It also sets out the potential capacity for further borrowing which can be used to fund the future development of new housing.

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