

Trading statement

for the year ended
31 March 2023

ASTER
GROUP



Trading Update

for the year ended **31 March 2023**

Aster Group issues its unaudited Group trading update for the twelve months ended 31 March 2023, with comparatives to the audited financial statements for the 12 months ended 31 March 2022.

Full year highlights

Finance and governance

- We remain in a stable financial position and ended the year with a turnover of £301.2m, operating profit of £68.0m and a profit before tax of £54.8m
- Standard and Poor's (S&P) affirmed our 'A+' rating' and 'negative' outlook reflecting our new homes programme, our efficient cost controls and our recent acquisition of Enham Trust
- Despite the challenges the sector has faced over the past year, our strong operational management and financial stability remain robust and we continue to hold our governance and viability ratings at the highest levels of G1 / V1 from the Regulator.

Growing our Group and investing in our new entities

- Our acquisition of Central and Cecil Housing Trust (C&C) in 2022 has seen us improving services and develop homes including our first development contract in London
- In October 2022, we welcomed disability charity Enham Trust into our Group, allowing Enham to continue to deliver against its purpose of supporting disabled people to live, work and enjoy life. The Trust brings more than 350 affordable homes, four specialist care homes and over 150 acres of land into the Group. The Trust has retained its name, heritage, and charity status. During the first six months of the acquisition, we invested £0.6m in repairs and maintenance of Enham's properties and have helped stabilise its care services. Further investment is planned over the next 12 months.

Providing safe, well-maintained homes and modern, reliable customer services

- We're modernising our services to meet the changing landscape we operate in. Our 'customer first' culture is centred around us making sure every customer receives a good service, first time, delivered excellently, with a strong local focus. Crucial to this is understanding and prioritising what matters most to our customers and delivering services in the most accessible and inclusive way possible
- We're a landlord providing quality, affordable homes to thousands of people and we're continuing to invest in our properties. This year we spent £80.1m on repairs and maintenance to make sure our quality, affordable homes continue to be great places to live
- We have a good understanding of our homes to make sure they are up to standard, and so we can target where resources are needed now, plan for long-term investment and develop our strategy for responsibly sourcing materials. However, we want the data we hold on our homes to be deeper, so we've been carrying out a full stock condition survey, which also includes C&C and Enham Trust properties, at a total cost of £3.1m. We are one of only a few housing associations that has taken this vital step. We have now surveyed most of our homes and will continue to survey the rest throughout the year
- We listen to what our customers say and use data and insight to provide services that predict and prevent potential problems. This allows us to continually improve our customer journeys. Over 50% of our total customers are now registered to our online portal 'MyAster'. Our newly developed Live chat service has been a great way for our customers to get in touch directly with a member of our team. Their feedback continues to help us shape and improve our digital platforms by adding more features and providing accessible ways for customers to reach us. In October 2022 the success of MyAster meant we were selected as Finalists for the Institute of Customer Service's 'Customer Satisfaction Innovation' award and Shortlisted for the UK Housing 'Digital Landlord of the Year' award

Providing safe, well-maintained homes and modern, reliable customer services (continued)

- Customer voice remains at the heart of our operations. These two-way conversations are critical to us in providing scrutiny and bringing customers on our modernisation journey by helping co-design our services. It also provides them and us with assurances that we are focusing our efforts in the right places. In March 2023 we received external accreditation from Tenant Participation Advisory Service (Tpas) which supports and champions tenant involvement and empowerment in social housing across England. This accreditation reflects our commitment to customer engagement, involvement and influence
- We're always finding ways to innovate. We're trialling new technologies to see how we can offer more ways to interact with us virtually to provide an easier and quicker service for our customers. During the year, over 7,000 customers shared their views and experiences via our engaged customer groups, consultations and complaints and compliments service. We've carried out 92 customer consultations which have resulted in a number of changes to our service offer during the year
- The safety of our customers is our priority. We've introduced a new dedicated property safety team which instil our 'safety first' approach across the business. They are focused on making sure we are responding to the Building Safety Act and keeping our customers and colleagues safe. With regard to fire safety specifically, we have surveyed all our blocks, and only have six which are over 18 metres high and five that require non-urgent remedial works. We've continued to achieve a high level of performance on our Gas Servicing Compliance (99.9%), Electrical Testing Compliance (99.3%), Fire Risk Assessments (99.8%), and Decent Homes Compliance (99.9%)
- Further to £350,000 funding from Homes England, we have partnered with Test Valley Borough Council to provide five homes to help rough sleepers off the streets in Hampshire. All five properties have now been purchased with four customers now settled in their home, with the final customer soon moving in. Over the next 30 years, these five properties will continue to provide homes for people who are at risk of rough sleeping, or who have been sleeping rough in the borough
- We recognise we have a part to play in tackling climate change. We remain committed to ensuring all our stock is at least an energy performance certificate (EPC) rating of C or above before the government's deadline of 2030, lowering our carbon footprint and protecting the biodiversity of our communities. At 31 March 2023, 84.3% of our properties with an EPC were rated at C or above, exceeding the national average of EPC D. We're developing a broader strategy which will include greening our fleet. This year through Aster Solar and external grant funding from the European Regional Development Fund (ERDF) via Low Carbon Dorset, we completed a mini solar panel pilot targeting off mains gas homes in rural Dorset
- As a member of the South West Net Zero Hub (SWNZH), in March 2023 we were selected by the Government's Social Housing Decarbonisation Fund Wave 2 (SHDF), to receive over £500,000 of grant funding. This project will see us improve the energy efficiency of over 100 of our least energy efficient homes over the next two years to EPC C, helping continue our wider retrofit activity in Dorset, Somerset, and Wiltshire.



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Full year highlights (continued)

Empowering our colleagues, customers and communities to thrive

- We're relentless in our mission to extend our impact in our communities. This is achieved in a number of ways including through our day-to-day services and the Aster Foundation, which has now completed its first year as an official registered charity. During 2022/23, the Aster Foundation helped over 9,200 people through its programmes including mental wellness, financial wellbeing and employment. The charity's social incubator, **inc.**, is now in its third year supporting social entrepreneurs and attracts some of the brightest minds tackling social challenges
- We are continuing to evolve our colleague offer so we attract and retain the best talent. Ultimately, this will ensure our customers receive the best possible experience from us. As part of our transformation journey – 'Programme Experience' – we have continued to find ways to better support our people and nurture a supportive and inclusive culture
- We're creating a sustainable employment offer which has compelling job opportunities across our teams based on what our customers need. In practice, this includes us developing our people in our contact centre to better support customers when they first contact us, through to our trades who are out in our communities so that at a local level, they are given the flexibility and support they need so we retain the best talent
- This year saw us launch our diversity and inclusion (D&I) principles, and our Board diversity and neurodiversity training programmes, to help underpin everything we do. We've also introduced LGBTQ+, gender, race and heritage, disability confident and carers colleague networks. These groups provide supportive spaces for colleagues and are critical to inform future plans
- Our aim is to become the number one employer in our sector. We're delivering this through our flexible colleague offer which breaks the mould in items such as women's health, mental wellbeing, and restorative practice. Further to our menopause-friendly accreditation last financial year, our menopause support programme continued this year to receive recognition. We won the 'Best Benefits to Support Menopause' award and the 'Best Support Group' at the Menopause Friendly Awards. We were also recognised by the Restorative Justice Council (RJC) as a Registered Restorative Organisation for the third year running
- We're keen to measure the benefits we're bringing to our communities and this year launched our second Economic Impact Report in September 2022. Working with research agency, Development Economics, it found we delivered close to £250m in economic value (up by 13% compared to the last time we did the study in 2019) and created over 3,000 direct and indirect jobs during 2020/21.



Building as many homes as we can, offering a range of housing options

- We are pleased to have achieved our strongest ever result for development with over 1,300 new homes delivered this year. This has been a particularly significant achievement given the challenges faced. 698 of those homes were for affordable rent, 466 were shared ownership, 17 for market rent and 171 sold on the open market. We also signed one of our biggest Section 106 deals to date which will see us deliver just under 300 affordable homes in Fiddington, Tewkesbury with Persimmon Homes
- We also released our third Environmental, Social and Governance (ESG) report covering the 12 months to 31 March 2022; benchmarking our credentials against the United Nation's Sustainable Development Goals (UN SDGs) and the newer Sustainability Reporting Standard (SRS) for social housing.



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Financial and operating performance

Unaudited profit before tax for the year ended 31 March 2023 was £54.8m and includes a gain on acquisition of £12.5m. Excluding this gain, underlying profit before tax is £42.3m. Housing properties (net of depreciation) have increased to £2,220m from £2,053m at 31 March 2023.

Consolidated Statement of Comprehensive Income

	12 months March 2023 £000	12 months March 2022 £000
Turnover	301,217	240,933
Operating costs	(253,477)	(188,618)
Surplus on sale of housing property, plant and equipment	20,309	22,609
Operating Profit	68,049	74,924
Profit on disposal of other property, plant, equipment and intangible assets	-	8
(Impairment)/reversal of impairment of housing assets	(87)	137
Share of profit in joint ventures	1,624	2,631
Increase in fair value of investment properties	107	1,153
Net finance expense	(27,420)	(27,664)
	42,273	51,189
Gain on acquisition	12,549	119,409
Profit before tax for the year	54,822	170,598

Financial indicators

	12 months March 2023	12 months March 2022
Operating margin (excluding surplus on sale of housing property, plant and equipment) ¹	15.8%	21.8%
Social housing operating margin ²	20.5%	25.6%
EBITDA MRI interest cover ³	177.2 %	182.5%
Gearing ⁴	51.0 %	50.0%

The Group's revenue continued to be focused on low-risk affordable housing with 71% related to the provision of affordable housing, 20% from first tranche shared ownership sales and the remaining 9% from social housing support services, non-social housing support services and other sources.

Demand for routine repairs remains high. Further to the backlog from the pandemic and the February 2022 storms, we managed to meet these high demands during the first half of the year. Despite these challenges, we're pleased to report that our overall customer satisfaction was 77% as at March 2023 (includes our general needs and HOPS customers across Aster Group and C&C only versus 82% at March 2022).



This year the focus on the standard of social housing homes has remained in the spotlight. Addressing any work related to condensation, damp and mould issues in particular remains a key priority. We want to be as proactive and preventive as we can and work with specialists where needed to help us address the root causes on any problems. As such, we have taken several proactive steps to address these issues which are making real positive impact. We have created a dedicated workstream to tackle these issues, rolled out specialist training to surveyors on diagnosing damp and mould in properties, and increased our surveying capacity to ensure we are inspecting homes as soon as possible.

We are targeting investment in our homes in the right places, informed by data. Our stock condition survey has and will help inform our investment in major repairs and planned work this year and into the future.

Our overall operating margin was 15.8%, down from 21.8% in the comparative period due to significant inflationary increases across the business, our team managing an increased demand of repair work and additional investment in our stock following the initial outcome from our stock condition survey.

Affordable housing rental income continues to grow increasing £18.5m to £190.6m reflecting our new developed properties being let together with properties acquired and annual rent increases. Rent arrears have been tightly managed and remained strong at 1.8% (March 2022: 1.8%) against a target of 3% of associated revenue. Our approach to collecting rent is one based on making sure our customers are financially included, able to sustain their tenancies and benefit from a flexible, person-centred service. Our financial wellbeing team is central to this approach meaning our customers can manage their finances effectively and feel supported. Void losses for the Group's general needs and sheltered stock were improved for the period at 0.7% (March 2022: 0.8%), compared to the target of 0.8%.

Sales of shared ownership homes and open market sales homes (predominantly delivered through joint ventures) totalled 556 units for the year ended 31 March 2023 (March 2022: 540). We continue to see high demand for shared ownership properties, with first tranche sales of £60.5m for the year (422 units) at an average sales percentage of 45%. In the current climate, customers are drawn to shared ownership due to its lower risk. The average reservation rate this year was 38 properties per month and average sales time for such properties was ten weeks, from property handover to completion against a target of 26 weeks. As at 31 March 2023, the Group had 94 completed shared ownership homes (March 2022: 50) available for sale, of which 70 were reserved (March 2022: 49).

Other asset sales continue to perform ahead of budget for the period due to the continuation of our Void Disposal Programme (VDP) and an upturn in sales from staircasing of shared ownership homes, again due to the market conditions.

The gain on acquisition relates to our acquisition of Enham Trust on 1 October 2022, with the comparative period relating to Central and Cecil Housing Trust (C&C) which was acquired on 1 January 2022. Both have been recognised as non-exchange transactions.



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Debt and liquidity

Net debt during the period has increased to £1,108m from £1,002m at March 2022. Liquidity at 31 March 2023 was £402.6m (21 months of our net cash spend), consisting of committed and available undrawn facilities of £219.0m, cash and cash equivalents of £93.6m and retained bonds of £90.0m. During the year £50m of guaranteed fixed rate secured bonds were sold..

Development

We have performed positively over the year both in terms of new business and the number of handovers and homes completed. As mentioned above, we completed 1,312 homes, the highest number of handovers ever within a financial year. This was comprised of 1,164 affordable homes, 17 market rent units and 131 homes developed with our joint venture partner. We also acquired a further 82 properties in Wandsworth. We boosted our forward programme by contracting on 40 schemes which will provide 1,706 homes. This included a number of land-led developments, a large developer-led scheme of nearly 300 homes with Persimmon and our first schemes in London, since C&C joined the Group.

As a Homes England Strategic Partner we have secured £114 million to deliver 1,550 homes by March 2028. This funding continues to support the delivery of our land led schemes. £10.2m of grant was drawn down during the year against the expenditure of nearly £12m, across 248 homes. Build cost inflation pressures continue to be a concern, which although have eased, we don't expect to return to normal levels of inflation for some time. However, as the majority of our programme is developer-led (fixed price) our exposure is limited. The planning system continues to present challenges for the housing sector and we have experienced long delays in achieving planning consents and clearing planning conditions. The issue of nitrate neutrality also continues to delay the process, but we are working diligently to connect with the right stakeholders to find ways to speed things up where we can.

Board and executive team changes

Aster Group Ltd – **Executive Board members are:**

Bjorn Howard	Group chief executive officer
Chris Benn	Chief financial officer
Rachel Credidio	Chief transformation officer
Dawn Fowler-Stevens	Chief strategy officer
Emma O'Shea	Chief operating officer
Amanda Williams	Chief investment officer

There were no changes to the Board during the year to 31 March 2023.

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

Aster Group credit rating and governance

Aster Treasury plc is rated A+ (negative) by Standard and Poor's (December 2022), and G1/V1 by the Regulator of Social Housing (January 2022).

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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