Trading Statement – highlights

Aster Group issues its unaudited Group trading update for the twelve months ended 31 March 2024, with comparatives to the audited financial statements for the 12 months ended 31 March 2023.

Full year highlights

- Despite another challenging year, we have achieved profit before tax of £41.9m for the twelve months ended 31 March 2024, with operating profit performing slightly behind budget.

- An improvement in social housing and underlying operating margins.

- £250m of medium-term notes issued in June 2023.

- We're continuing to tackle the chronic housing shortage by creating choice in the market, delivering high quality new homes across a range of tenures spanning the south of England and London. We delivered 997 new homes this year of which 517 were for affordable rent, 405 for shared ownership and 75 sold on the open market. In July 2023, we were seventh in Inside Housing's 'Top 50 Biggest Builders Survey 2023', up from 14th the previous year.

- In July 2023, the Regulator for Social Housing reaffirmed our G1/V1 governance and viability ratings and in December 2023 Standard and Poor's (S&P) confirmed our credit rating as 'A' (down from 'A+'), with our outlook moving from negative to stable.

- Over the last year we have focused on our governance modernisation following the outcomes of an independent organisation-wide review carried out in 2022. The review concluded that we have strong, well understood, governance arrangements in place, that we're working effectively and that we're demonstrating a strong emphasis on social value and focus on customers. However, we have continued to develop our approach, from January 2024 simplifying our committee structure and working towards further strengthening our approach to hearing customer voice.

- Further to merger and acquisition activity over recent years, we've been improving the effectiveness of our services across the Group and achieving efficiencies by integrating technology systems across our entities. As part of this work, Central and Cecil Housing Trust (C&C) has now been fully integrated into the Group. We have also invested over £11m in Enham Trust to date.

- We continue to listen to our customers to ensure we consistently deliver a good community and customer focused service that is fit for purpose today and in the future. As at 31 March 2024, we've maintained our overall customer satisfaction at 77% and repairs satisfaction at 81%.

- We're targeting investment in our homes in the right places, informed by data and supported by technology, while also listening to our customers' needs. This means we understand our homes better and can act quicker. We encourage customers to report any issues to us, in particular those related to damp and mould (D&M). To help tackle an increase in cases of D&M more proactively and efficiently, we're launching phase two of the Home Health Check pilot, delivered by our specially trained damp and mould team and informed by results from our stock condition surveys and previous trial.

- We have developed a more robust, sustainable and well-vetted procurement process to attract and collaborate with higher calibre, environmentally friendly suppliers/ contractors to benefit customers and stakeholders. This year we won a delegate's award for “Most Innovative Property Service” in partnership with Crystal Clear at the National Housing MF awards in January 2024.

- Demolition has started on our biggest ever land-led site at Bargates, Christchurch and we have started construction on two new schemes in London – Southall and Silvertown. Our community land trust (CLT) programme continues to grow with a number of CLTs selecting us as their housing association partner. We’ve also signed a joint venture with south east developer and builder Thakeham to deliver our first all net carbon zero site.

- As part of our ongoing environmental, social and governance (ESG) strategies, we continue to benchmark our delivery against the Sustainability Reporting Standard for social housing as well as the United Nation’s SDG’s. We are on track for meeting and exceeding our goal to ensure the energy efficiency in all our homes meets EPC C standard by 2030.

- As part of our customer services modernisation programme, we’re committed to making our colleague and customer experience more inclusive. Our offer is underpinned by Restorative Principles of fair process, customer voice, employee voice and accountability. This year our Registered Restorative Organisation status from the Restorative Justice Council (RJC) has been renewed and we’ve also signed up to the HouseProud Pledge which demonstrates our commitment to LGBTQ+ resident equality and support. We’re committed to creating an environment where diversity in all its forms is welcomed and celebrated.

- We’ve started preparing for the Competence and Conduct Standard which will come into place in April 2025 as part of the Social Housing Regulation Act. We’re reviewing which roles within Aster may need to have which level of qualification and are working with our colleagues to identify any gaps and necessary action.

Financial and operating performance

Unaudited profit before tax for the twelve months ended 31 March 2024 was £41.9m. Housing properties (net of depreciation) have increased to £2,381m from £2,221m at 31 March 2023.

Consolidated Statement of Comprehensive Income (£000)	**12 months March 2024**	**12 months March 2023**
Turnover	313,814	301,199
Operating costs	(261,107)	(254,583)
Surplus on sale of housing property, plant and equipment	23,707	20,303
Operating profit	**76,414**	**66,919**
Profit on disposal of other property, plant, equipment and intangible assets	1,336	6
Donations received	214	386

Impairment of housing assets	(3,419)	(291)
Share of (loss)/profit in joint ventures	(1,088)	1,776
Increase in fair value of investment properties	596	159
Net finance expense	(32,170)	(26,415)
Profit before tax and gain on acquisition	**41,883**	**42,540**
Gain on acquisition	-	12,769
Profit before tax for the year	**41,883**	**55,309**

Financial indicators	**12 months March 2024**	**12 months March 2023**
Operating margin (excluding surplus on sale of housing property, plant and equipment, including impairment) [1]	15.8%	15.8%
Social housing operating margin[2]	22.4%	20.5%
EBITDA MRI interest cover[3]	126.4%	164.7%
Gearing[4]	52.1%	51.0%

The Group's revenue continues to focus on low-risk affordable housing with the majority of rent increases being capped at 7% this year in line with the rent standard. Rent arrears continue to be tightly managed and remained strong at 1.75% (March 2023: 1.8%) against a target of 3% of associated revenue. Void losses for the Group's general needs and sheltered stock remained at 0.7% for the period (March 2023: 0.7%), better than the target of 0.8%.

Demand for routine repairs continues to increase and despite these challenges, we're pleased to report that our overall customer satisfaction was 77% as at March 2024 (March 23: 77%) and repairs satisfaction at 81%.

Our overall operating margin remains at 15.8% in the 12-month period to 31 March 2024, despite a £3m increase in impairment costs. Adjusting for this, the Group's operating margin increased to 16.9%. The Group continues to face cost challenges which have been tightly controlled, with savings and efficiencies seen across the business. We have increased investment in our stock in the second half of the year both through our planned investment programme and through higher levels of maintenance and repair spend experienced during the winter months.

Sales of shared ownership homes and open market sales homes (predominantly delivered through joint ventures) totalled 515 units for the period ended 31 March 2024 (March 2023: 556). We continue to see high demand for shared ownership properties, with first tranche sales of £48.0m for the year (387 units) with an average of 41% equity sold. The average reservation rate for the year was 33 properties per month and average sales time for such properties was 15 weeks from property handover to completion, against a target of 26 weeks. Buyer confidence in the UK housing market remains reasonably strong, with our highest levels of reservations for the year seen in Quarter 4. As at 31 March 2024 the Group had 117 completed shared ownership homes (March 2023: 94) available for sale, of which 67 were reserved (March 2023: 70).

Other asset sales, which includes assets sold through our Void Disposals Program (VDP), shared ownership staircasing, right to buy and other asset sales, ended up performing to budget for the year, with stronger sales seen in the second half of the year, as expected. The number of units sold through our VDP was lower than budgeted but high sales values resulted in us exceeding the sales budget. However, we continue to see a slight downturn in staircasing sales.

The gain on acquisition in the prior year of £12.8m related to the acquisition of Enham Trust on 1 October 2022, which was recognised as non-exchange transaction.

Debt and liquidity
Net debt during the year increased to £1,222m from £1,108m at 31 March 2023. Liquidity at 31 March 2024 was £341m (31 March 2023: £312m), consisting of committed and available undrawn facilities of £255m and cash and cash equivalents of £86m. In addition to this, the Group holds £190m of retained bonds. During the year £250m of medium-term notes were issued at an all-in rate of 5.4%.

Development
We completed 997 homes (2023: 1,312), comprising of 922 affordable homes and 75 homes developed with our joint venture partners. We have a strong pipeline of schemes and have been successful securing both land and developer led opportunities, adding to our contracted pipeline of 3,174 homes.

Aster has delivered strong numbers for the twelve months to the end of 31 March 24, even though the number of handovers is lower than the previous year. There is a strong forward pipeline in place of both land, community-led development and developer-led schemes, although capacity has plateaued due to the pressures from our operating environment including inflation, interest rates, and investment into existing stock. Our land team has been successful and entered into contract on ten schemes which will provide over 850 homes to the programme. We have also entered into a contractors framework with seven developers to support the delivery of the land programme. We continue to have strong relationships with the national and regional housebuilders, particularly concentrating on those who deliver a quality product. Our Homes England Strategic Partnership, which will deliver 1,500 homes, is progressing well with all homes identified for the programme. During the year to 31 March 2024 we claimed £29.3m of grant through the Strategic Partnership and £2.7m from the Greater London Authority. We continue to find the planning system our biggest challenge and experience long delays in achieving planning consents and clearing of planning conditions; nitrate neutrality also continues to have a significant impact.

Board and executive team changes
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.

From 1 October 2023, due to expired tenures there were the following changes to the Board:

- Stephen Trusler was appointed a Non-Executive Director and from 3 November 2023 replaced Mike Biles as Group Chair. Mike stepped down from the Board at that date having reached the maximum permitted term of nine years as a Non-Executive Director;
- Mehul Desai was appointed as a Non-Executive Director; and
- Andrew Kluth retired from the Board having reached the maximum permitted term of nine years.

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 (stable outlook) by Standard and Poor's (December 2023), and Aster Group G1/V1 by the Regulator of Social Housing (July 2023).

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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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https://www.aster.co.uk/corporate/about-us/investor-relations

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Trading Statement – highlights

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