Trading

Update

for the six months ended **30 September 2023**

ASTER
GROUP

Trading Update

for the six months ended **30 September 2023**

Aster Group issues its unaudited Group trading update for the six months ended 30 September 2023, with comparatives to the audited financial statements for the 12 months ended 31 March 2023.

Highlights

- Despite another challenging period, we have achieved profit before tax of £23.3m for the six months, with operating profit performing in line with budget.
- Following the issue of £250m through our MTN programme in June 2023, our liquidity is at £608m.
- Our strong operational management and financial stability remain robust. We're pleased to continue to hold our governance and viability ratings at the highest levels of G1 / V1, which was reaffirmed by the Regulator in July 2023 – something we have maintained since the gradings were introduced. The learnings from our own governance review in 22/23 are focused on balancing good governance with agility and pace and ensuring continued connectivity between all elements of our governance structure.
- We continue to integrate EBHT, C&C and Enham Trust into the Group. We're focused on improving the effectiveness of our services as a Group and achieving efficiencies by integrating our technology systems where possible. For the first time in its 63-year history, the number of homes EBHT manages has gone over 500. Enham has benefited from our skilled people across our trades and care teams to improve services and deliver some major improvements for some of Enham's homes. Grace House, our flagship 170-home development in North London from C&C continues to showcase a blueprint for housing for over 55s. The scheme has won a number of awards including the Inside Housing Award for the Best Supported Housing Development – urban.
- We have maintained a strong development pipeline, delivering 533 homes in the six months to 30 September 2023. Looking ahead, we remain on track to complete on our forecast to deliver over 1,160 homes by 31 March 2024.
- First tranche sales continue to perform well, given current market conditions and are tracking up on budget at £28.0m.
- Our team has remained focused on delivering our customer service modernisation programme which includes measures to drive up standards, improve digital self-serve options and streamline our repairs operations to reduce cost.
- Further to our accreditation by the Tenant Participation Advisory Service (Tpas), we're making sure we're adding scrutiny to every step of the process on our customer journey. We're finding more ways to interact and listen via our Customer Voice programme and involved customer groups to provide another layer of scrutiny to how we operate. Together with our customers we can challenge and improve our offer and co-design our services to be the best they can be. This includes continual improvements and adoption of technology to make sure our complaints service is a positive experience.
- Having surveyed most of our homes as part of our £3.1m stock condition survey (SCS), we've recently piloted our new 'Home Health Check' service. This is designed to support customers by finding out about any issues they may be dealing with – through both asking them questions and undertaking a short assessment of their home. The findings from our SCS also informs our planning with regard to making sure our homes are as energy efficient as possible; even more vital to help tackle issues of fuel poverty in our communities.

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Highlights (continued)

- To deliver lasting benefits for our customers and communities, we need to employ and retain the best people. To achieve this, we're developing a progressive and inclusive people service and employment offer which is underpinned by restorative principles of fair process, employee voice and accountability. We've been carrying out extensive work to make sure our approach is informed by colleague insight, including an in-depth culture audit and a research piece in partnership with one of our **inc.** entrepreneurs to understand what our colleagues want to see from our future workspaces. Listening to our colleagues means we're able to adapt and evolve our approach on an ongoing basis to make sure we meet their diverse needs, both now and in the future.
- Our work around diversity and inclusion has been recognised for a Silver Award through Talent Inclusion and Diversity Evaluation (TIDE), up from a Bronze Award last year. We scored 80%, a 12% increase on last year's results and a 26% increase since our first benchmarking submission in 2021.
- We recently released our fourth Environmental, Social and Governance (ESG) report covering the 12 months to 31 March 2023, again benchmarking our delivery against the Sustainability Reporting Standard (SRS) for social housing as well as the United Nation's Sustainable Development Goals (SDGs). ESG is embedded within the Group with continuous development through a new sustainability roadmap.
- The Aster Foundation re-framed its mission this year to enable the better lives of our communities by combatting the causes and effects of poverty. The charity is achieving this through a range of programmes including mental wellness and social connectivity, financial inclusion and improving people's chances of employment. The Aster Foundation has three 'enablers' to support the delivery of its strategy: volunteering, inc. (its social incubator), and annual social research. So far this year, 2,642 people have been positively impacted by the Aster Foundation's programmes which is 9% ahead of forecast. It is expected that there will be an increased need of the Foundation's support this year, due to the cost-of-living and fuel poverty in particular, putting extra strain on people in the community.

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Financial and **operating performance**

Unaudited profit before tax for the six months ended 30 September 2023 was £23.3m. Housing properties (net of depreciation) have increased to £2,290m from £2,221m at 31 March 2023.

Consolidated Statement of Comprehensive Income (£000)	6 months Sept 2023	12 months March 2023
Turnover	159,971	301,199
Operating costs	(130,020)	(254,583)
Surplus on sale of housing property, plant and equipment	9,969	20,303
Operating profit	39,920	66,919
Profit on disposal of other property, plant, equipment and intangible assets	-	6
Donations received	-	386
Reversal / (Impairment) of housing assets	98	(291)
Share of (loss) / profit in joint ventures	(269)	1,776
Increase in fair value of investment properties	-	159
Net finance expense	(16,408)	(26,415)
Profit before tax and gain on acquisition	23,341	42,540
Gain on acquisition	-	12,769
Profit before tax for the period	23,341	55,309

Financial indicators	6 months Sept 2023	12 months March 2023
Operating margin (excluding surplus on sale of housing property, plant and equipment) [1]	18.8 %	15.8 %
Social housing operating margin[2]	23.6 %	20.5 %
EBITDA MRI interest cover[3]	171.1 %	164.7 %
Gearing[4]	51.8 %	51.0 %

The Group's revenue continues to focus on low-risk affordable housing with the majority of rent increases being capped at 7% in line with the rent standard from 1 April 2023. Rent arrears have been tightly managed and remained strong at 1.8% (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%), compared to the target of 0.8%.

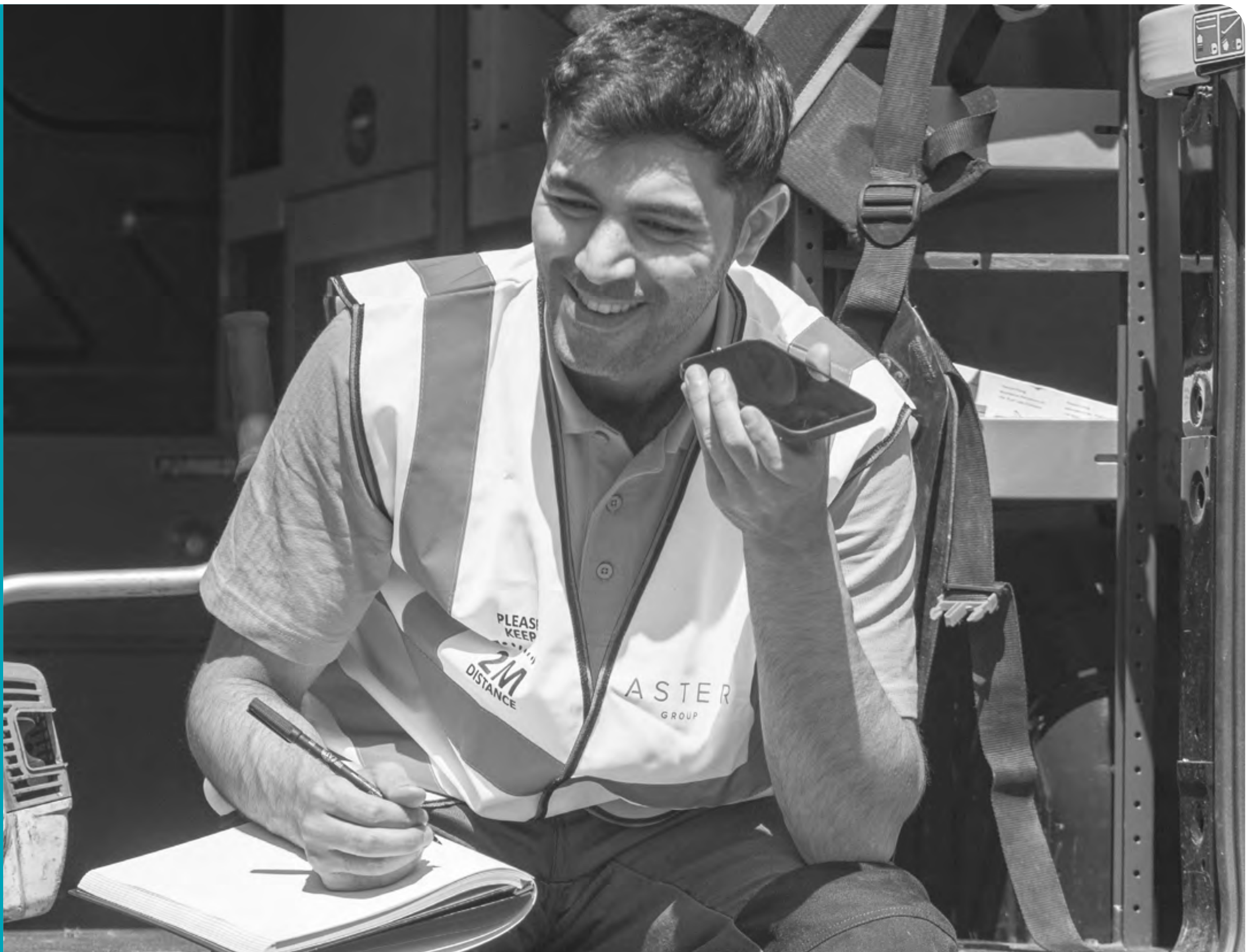
Demand for routine repairs continues to increase and despite these challenges, we're pleased to report that our overall customer satisfaction was 76% as at September 2023 (March 23: 77%).

Our overall operating margin was 18.8%, an increase from 15.8% in the 12-month period to March 2023. During the last six months of the March 2023 year we saw additional investment in our stock following the initial outcome from our stock condition survey, as well as from investment in Enham Trust post-acquisition, and the usual increase in demand for response repairs throughout the winter months. We will continue to face cost challenges across the business, with an increased level of maintenance and repair spend expected throughout the winter, as well as an up-tick in the planned investment programme in the second half of the year.

Sales of shared ownership homes and open market sales homes (predominantly delivered through joint ventures) totalled 252 units for the period ended 30 September 2023 (March 2023: 556). We continue to see high demand for shared ownership properties, with first tranche sales of £28.0m for the six-month period (215 units) at an average sales percentage of 42%. The average reservation rate for the six-month period is 31 properties per month and average sales time for such properties was 14 weeks from property handover to completion, against a target of 26 weeks. Sales rates remain good despite the initial enquiry levels being lower than prior years. As at 30 September 2023 the Group had 94 completed shared ownership homes (March 2023: 94) available for sale, of which 49 were reserved (March 2023: 70).

Other asset sales are performing slightly behind budget for the period due to a budgeted acceleration in our Void Disposal Programme (VDP), which we should see catch up in the next six months. We have seen a slight downturn in staircasing sales, with levels back to those seen before the COVID-19 pandemic.

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



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Debt and **liquidity**

Net debt during the period has increased to £1,163m from £1,108m at March 2023. Liquidity at 30 September 2023 was £608m representing 36 months of our net cash spend (31 March 2023: £402m and 21 months), consisting of committed and available undrawn facilities of £255m, cash and cash equivalents of £163m, plus retained notes and bonds of £190m. During the six months £250m of medium-term notes were issued, with a further £100m retained.

Development

We completed 533 homes, comprising of 496 affordable homes and 37 homes developed with our joint venture partner. We have a strong pipeline of schemes and have been successful securing both land and developer led opportunities, adding to our contracted pipeline of 3,069 homes.

There has been a strong start to the year with 45% of homes completed at this mid-point of the financial year, having completed on our first affordable homes funded through the Homes England Strategic Partnership programme. Renegotiation of our Strategic Partnership delivery has concluded resulting with an increase of grant totalling £127m to deliver 1,500 affordable homes up to March 2028. Development delivery continues to be challenged through planning delays including water neutrality solutions and a slow-down in build on house builder sites to reflect sales. Aster's Contractor Framework will be announced shortly to support our land-led delivery across our programme. We completed the purchase of our flagship land scheme in Christchurch which is set to include private sale, affordable, retirement housing and commercial. Furthermore, land-led deals secured 398 units from 1 April 2023 and we entered a joint venture with Thakeham on a scheme in Burgess Hill, Sussex to jointly deliver 120 homes.

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 six-month period to 30 September 2023.

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.

We thank both Mike and Andrew for their enormous contribution and commitment to Aster.

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

Aster Group credit rating and governance

Aster Group is rated A+ (negative outlook) by Standard and Poor's (December 2022), and G1/V1 by the Regulator of Social Housing (July 2023).

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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