Trading update

For the year ended **31 March 2022**

ASTER GROUP

11 May 2022

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Aster Group issues its unaudited Group trading update for the twelve months ended 31 March 2022, with comparatives to the audited financial statements for the 12 months ended 31 March 2021.

Full year highlights:

- We remain in a stable financial position and ended the year with a turnover of £240.7m, operating profit of £75.3m and a profit before tax of £171.0m
- Standard and Poor's (S&P) maintained our 'A+ rating'. The outlook was amended from 'stable' to 'negative'. Our continued commitment to health and safety, our plans to increase investment in existing and new homes and our transition to carbon neutral as well as our acquisition of Central and Cecil Housing Trust (Central and Cecil) in January are particular areas which influenced S&P's decision
- Despite the challenges faced across the sector over the past 12 months, our strong operational management and financial stability remain robust and we continue to hold our governance and viability ratings of G1 / V1 from the regulator
- Merging with London-based Central and Cecil in January 2022 – a mutually beneficial arrangement that will boost our combined capacity to build new homes. Together we'll be able to build over 11,200 homes by 2030. Our partnership also enables £571m worth of asset management, maintenance, improvements, and sustainability upgrades to existing stock, as well as increased investments in the technology we need to support a great customer experience. Integration is continuing at pace, with a focus on realising real term cost efficiencies over the next three years
- We delivered 939 new homes in the year, a significant achievement given the challenges faced. 768 of those homes were affordable homes with the remaining 171 homes sold on the open market through our joint venture with Vistry

Full year highlights (continued)

- Selected as a Homes England Strategic Partner – we will receive £114m in grant funding to deliver 1,550 homes with start on site due before the end of March 2026. 51% of those homes will be for shared ownership and 49% for affordable and social rent. Of this additional funding from Homes England, 5% (82 homes) will be allocated for supportive living via our partner East Boro Housing Trust and 14% for Community Land Trusts. Under the programme, we're committed to building 25 per cent of these homes using modern methods of construction, we'll use high-quality sustainable design and work with small and medium-sized enterprises
- We spent £80.1m on repairing and maintaining our homes and have invested £2.8m to carry out full stock condition surveys on almost 26,000 of our homes - we're one of only a few housing associations to take this approach. Understanding the condition of our homes provides us further assurance around health and safety, compliance and decent homes standards and gives us the opportunity to look at how we can further improve the quality of our homes and services we provide to our customers
- We continue to focus on the modernisation of our customer services through the delivery of our strategic framework, The Future of Customer Experience. The framework sets out how we will ensure we are delivering our vision to provide modern, reliable customer services into the future
- Over 50% of customers are now registered to use our free online portal MyAster, with 80% telling us they're happy with our service. With the introduction of Live Chat messaging last autumn, we're giving customers more ways to access our services in ways that suits them. Customers can use Live Chat to log repairs, ask questions, update their tenancy and more. Their feedback will continue to help us shape and improve our digital platforms that provide accessible ways for customers to reach us
- Customer voice is embedded across every team in the business. During the year, over 3,750 customers shared their views and experiences via our engaged customer groups, consultations and complaints and compliments service and we've seen over 300% increase in customer engagement over the past three years as we offer customers more ways to engage and provide feedback. Our recently enhanced complaints service makes it simple for customers to let us know when something could be improved and a new dedicated complaints learning group will give us more opportunities to learn from complaints and make positive change
- Through The Future of Customer Experience programme, we're committed to co-designing current and future services with customers. Their contributions strengthen our service delivery by ensuring we provide proactive services that meet their expectations and needs. We are also members of the Institute of Customer Service (ICS) and currently working towards ICS and tenant engagement specialists, TPAS accreditation
- £350,000 grant to tackle rough sleeping in Hampshire. Using the Homes England funding and working with Test Valley Borough Council we have bought one new home and plan to buy a further four homes in the next financial year to help people who rough sleep or are at risk of sleeping rough in Andover
- Aster Foundation has been granted official charitable status by the Charity Commission. This is a really exciting step forward for the Foundation's vision to enable the better lives of 40,000 people by 2030. We'll do this through impact programmes that are aligned to our community's needs: financial wellbeing; employment; mental wellness and resilience; homelessness; volunteering; ageing well; **inc.** (our social incubator); inc.academy (developing entrepreneurial capabilities) and influencing social change
- Through our charity events and individual fundraising, we raised over £20,000 for our Charity of the Year, Dementia UK
- We are committed to ensuring all our stock is at least EPC C or above ahead of the government's deadline of 2030, lowering our carbon footprint and protecting the biodiversity of our communities. We are continually reviewing and upgrading our fleet with new fuel efficient vehicles and have been trialling fully electric and hybrid vehicles. We're also looking to introduce green slots, allowing customers to select an appointment time that ensures operatives drive the most energy efficient route to reach them. Alongside this we're trialling new digital approaches to first time fixes and online viewings for lettings to provide an easier and quicker service for our customers
- We are one of the first employers in the UK to achieve Menopause Friendly Employer accreditation. The accreditation recognises inclusive employers that build awareness and understanding around menopause. Our menopause support programme has been running for three years and is part of our wider inclusion programme and our commitment to creating a fair and inclusive culture. Our commitment to ongoing training, awareness and guidance helps those experiencing menopause symptoms allowing us to support colleagues more effectively
- Released our second **Environmental, Social and Governance (ESG) report** covering the 12 months to 31 March 2021.

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Financial and operating performance

Unaudited profit before tax for the twelve months ended 31 March 2022 was £171.0m and includes a gain on acquisition of £119.6m. Excluding this gain, underlying profit before tax is £51.4m, £5.9m ahead of last year. Housing properties (net of depreciation) have increased to £2,003m from £1,866m at 31 March 2022.

Consolidated Statement of Comprehensive Income (£000)	12 months March 2022	12 months March 2021
Turnover	**240,682**	224,379
Operating costs	**(188,135)**	(168,223)
Surplus on sale of housing property, plant and equipment	**22,751**	17,871
Operating Profit	**75,298**	74,027
Profit on disposal of other property, plant, equipment and intangible assets	**23**	(44)
Impairment of housing assets	**-**	(138)
Impairment of office premises	**-**	(1,241)
Share of profit in joint ventures	**2,707**	400
Increase in fair value of investment properties	**1,154**	633
Net finance expense	**(27,794)**	(28,163)
Gain on acquisition	**119,590**	-
Profit for the year	**170,978**	45,474

Financial indicators	12 months March 2022	12 months March 2021
Operating margin (excluding surplus on sale of housing property, plant and equipment) [1]	**21.8%**	24.4%
Social housing operating margin[2]	**26.5%**	29.2%
EBITDA MRI interest cover[3]	**184.7%**	210.5%
Gearing[4]	**48.8%**	52.8%

Financial and operating performance

(continued)

With the easing of COVID-19 measures back in March 2021 we were able to start to return to normality, working through the backlog of non-essential and planned major works deferred from the prior financial year. Despite the second half of the year seeing a larger programme of works completed, with increased expenditure, some works have rolled over into the new financial year. Further costs were also incurred as a result of the storm damage in February 2022. Overall, operating margin was 21.8% being down from 24.4% in the prior year due to partial catch up of works unable to be completed during covid lockdown, and continued IT and staff investment in the underlying business.

Sales of shared ownership homes and open market sales homes (predominantly delivered through joint ventures) totalled 540 units for the twelve months ended 31 March 2022 (12 months ended March 2021: 470). We continue to see high demand for shared ownership properties with customers drawn to their lower risk, particularly in the current climate. As at 31 March 2022, the Group had stock of 50 completed shared ownership homes (March 2021: 115) available for sale, of which 49 were reserved (March 2021: 100).

Other asset sales performed ahead of budget for the year due to the continuation of our Void Disposal Programme and an upturn in sales from staircasing of shared ownership homes due to the market conditions.

The acquisition of Central and Cecil was recognised as a non-exchange transaction and resulted in a gain of £119.6m based on the fair value of assets and liabilities acquired as at 1 January 2022.

Overall customer satisfaction was 82% as at March 2022 (March 2021: 81%). Rent arrears have been tightly managed and remained strong at only 1.8% (March 2021: 2.0%) of associated revenue due to the assistance of our financial wellbeing team. Void losses for the Group's general needs and sheltered stock were 0.8% (March 2021: 0.8%).

Debt and liquidity

Net debt over the year has increased to £1,002m from £941m a year earlier. Liquidity at 31 March 2022 was £377.9m, consisting of committed and available undrawn facilities of £280.0m, and cash and cash equivalents of £97.9m. During the year the remaining £50m borrowed under the Covid Corporate Financing Facility (CCFF) was repaid.

Development

The Group completed 768 affordable units in the year ended 31 March 2022 (year ended March 2021: 817 units) which was a significant achievement given the challenges faced during the year. The number of handovers is lower than the prior year, mainly due to the material and labour delays experienced across the industry pushing back the programme. Our developer led programme has also suffered where developers concentrated on their private sale homes because of the strong market conditions and limited materials. Build cost inflation and the general economic climate are being monitored closely. We have a strong pipeline of schemes and have been successful securing both land and developer led opportunities, with a contracted pipeline of 3,464 homes compared to 3,406 homes at the end of the previous year. Aster is a Homes England Strategic Partner and has secured £114 million to deliver 1,550 homes by March 2028, which will support the delivery of our land led programme.

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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**.

During the year, the following appointments were made:

Claire Whitaker OBE was appointed as a non-executive director to the Board from 12 August 2021.

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 2021),** and G1 / V1 by the Regulator of Social Housing **(December 2021)**.

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

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