Trading Update

For the six months ended **30 September 2021**

ASTER GROUP

10 November 2021

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GROUP

Aster Group issues its unaudited Group trading update for the six months ended 30 September 2021, with comparatives to the audited financial statements for the 12 months ended 31 March 2021.

Half year highlights:

- Strong development delivery of 390 affordable homes; on track to complete 920 affordable homes by 31 March 2022
- Profits achieved of £31.2m, ahead of expectations
- First tranche sales up 44% to £26.5m (compared with same six-month period last year), a strong market in our areas of operation
- Liquidity at £457.7m
- 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
- Merging with London-based Central & Cecil Housing Trust (C&C) in January 2022 – a mutually beneficial arrangement that will boost our combined capacity to build new homes
- Strengthened approach to customer services working through our new membership of the Institute of Customer Services
- Continuing our work to ensure all our stock is at least EPC C or above
- Continued focus on safety in our customers' homes with 99% compliance in key areas
- Housing First initiative – partnering with homeless charity Two Saints and Test Valley Borough Council to provide people who have experienced homelessness with a stable home to help rebuild their lives
- Menopause Friendly Employer accreditation – we are one of the first employers in the UK to achieve this
- Released our second Environmental, Social and Governance (ESG) report covering the 12 months to 31 March 2021, placing a greater emphasis on ESG across the Group.

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Operational and trading update:

The easing of COVID-19 measures back in March 2021 has allowed us to start the process of a return to normality in the six-month period to 30 September 2021. Our profits for the period are better than expected with margins holding up well partially due to a prudent approach in controlling costs across the COVID-19 pandemic. Overall, the financial impact on us from the COVID-19 pandemic has not been as bad as anticipated providing further confidence in the underlying strength of our business model.

First Tranche Shared Ownership Sales have remained strong and have exceeded budget showing the continued demand for this product as a mainstream tenure. Asset disposals are also ahead of target mainly because of the acceleration in our Void Disposal Programme (VDP) and an upturn in sales from staircasing.

We've continued to work through the backlog of non-essential and planned major works deferred from the last financial year as a result of COVID-19. We anticipate an increase in expenditure in the second half of the year with a larger programme of works scheduled for this period. The expectation is that the increased expenditure from the catch up in these repairs is likely to have some impact on the Group's financial results and indicators in the second half of the year.

Operational and **trading update:** (continued)

We are proud to have been selected as a Strategic Partner with Homes England and through this will receive £114m of funding to deliver 1,550 homes with start on site prior to the end of March 2026. This move unlocks more funding for us and supports our development strategy to confidently build more homes through our land programme and in partnership with Community Land Trusts (CLTs). This partnership provides certainty for us as, rather than access funding on a scheme-by-scheme basis, Strategic Partners enter into a multi-year grant agreement with Homes England to deliver affordable housing.

Earlier this year we announced our intention to merge with Central and Cecil Housing Trust (C&C). With the final business case approved by both boards and C&C's shareholders we anticipate a merge date in January 2022. Established in 1926, C&C have approximately £300m of assets and specialises in providing affordable housing and care for over 55s living in London, promoting supportive, inclusive communities across all its homes. The merger will create a combined Group with approximately 34,500 homes, servicing around 100,000 customers. This will enable us to provide an enhanced service offering whilst also boosting our combined capacity to build new homes, furthering our vision of 'everyone has a home'. This move will be our second merger within the last 18 months having entered into partnership with East Boro Housing Trust (EBHT) in March 2020.

We're already working from a position of strength in relation to our customer services, and in our recent customer survey, customers gave us an overall satisfaction score of 80%, a neighbourhood satisfaction rate of 88% and a repairs satisfaction rate of 72%. Despite the positive feedback we receive from our customers, we are always looking to improve. Therefore, we have implemented a new approach to customer services with our refreshed strategy focused on five key strands namely customer voice, connected customer, customer focussed culture, proactive customer services and effective customer services. This strategy aims to deliver a consistently good service and one that is shaped by our customers through their ongoing input and feedback via our engaged customer groups, regular customer surveys and our compliments and complaints procedure. Our membership of the Institute of Customer Service and commitment to its Service with Respect campaign has helped us drive this strategy forward. Over 15,000 customers have now registered with our online portal MyAster, making a range of our services accessible 24/7. Through MyAster, customers can log a repair, pay their rent or update their details at a time that suits them.

We have maintained our strong track record of ensuring that our homes adhere to safety regulations with compliance for properties with valid gas servicing certificates, Electrical Installation Condition Reports and Fire Risk Assessments remaining above 99%.

We are leading the way in becoming one of the first organisations to be awarded the 'Menopause Friendly Employer' accreditation. Menopausal women are the fastest-growing workplace demographic meaning it's a key area for employer focus. Our menopause support programme includes Hot Topic sofa sessions, leader awareness training and talks from leading authorities in menopause and women's health. We have also signed up to the 'Menopause Workplace Pledge' furthering our commitment to supporting our colleagues going through this change or supporting those around them.

We have secured £350k of grant funding through the Aster Foundation towards providing homes and life changing support for rough sleepers in Test Valley. The funding, provided by the Department for Levelling up, Housing and Communities Rough Sleeping Accommodation Programme, is part of a national scheme to help thousands of people who sleep rough, or are at risk of sleeping rough, into secure housing. We are one of two housing associations operating in Hampshire to take part in the initiative providing five homes each, along with Test Valley Borough Council who applied for the funding and charity Two Saints, which will provide the tenants access to a range of other vital support services including mental health and substance misuse support.

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Financial & Operating Performance

Unaudited profit before tax for the six months to 30 September 2021 was £31.2m. Housing properties (net of depreciation) have increased to £1,866m from £1,821m at 31 March 2021.

Consolidated Statement of Comprehensive Income	6 months September 2021 £000	12 months March 2021 £000
Turnover	**120,559**	224,379
Operating costs	**(89,098)**	(168,223)
Surplus on sale of housing property, plant and equipment	**12,828**	17,871
Operating Profit	**44,289**	74,027
Profit on disposal of other property, plant, equipment and intangible assets	**-**	(44)
Impairment of housing assets	**-**	(138)
Impairment of office premises	**-**	(1,241)
Share of profit in joint ventures	**806**	400
Increase in fair value of investment properties	**-**	633
Net finance expense	**(13,861)**	(28,163)
Profit before tax for the period	**31,234**	45,474

Financial indicators	6 months September 2021	12 months March 2021
Operating margin (excluding surplus on sale of housing property, plant and equipment) [1]	**26.1%**	24.4%
Social housing operating margin[2]	**32.5%**	29.2%
EBITDA MRI interest cover[3]	**222.2%**	210.5%
Gearing[4]	**50.4%**	52.8%

Sales of shared ownership homes and open market sales homes (predominantly delivered through joint ventures) were well ahead of this time last year and totalled 285 units for the six months ended 30 September 2021 (12 months ended March 2021: 470). Shared ownership sale enquiries in Q2 this financial year are up 35% to 2,985 enquiries. We continue to see high demand for shared ownership properties with customers drawn to their lower risk, particularly in the current climate. As at 30 September 2021, the Group had stock of 34 completed shared ownership homes (March 2021: 15) available for sale.

Overall customer satisfaction was 80% as at September 2021 (March 2021: 81%). Void losses for the Group's general needs and sheltered stock were 0.8% (March 2021: 0.8%). Rent arrears have been tightly managed and remained strong at only 2.0% (March 2021: 2.0%).

Debt & Liquidity

Net debt over the year has increased to £941m from £937m. Liquidity at 30 September 2021 was £457.7m, consisting of committed and available undrawn facilities of £302.5m, and cash and cash equivalents of £155.2m. During the period we repaid the remaining £50m borrowed under the Covid Corporate Financing Facility (CCFF).

Development

The Group completed 390 affordable units in the six months ended 30 September 2021 (twelve months ended March 2021: 817 units) and has a contracted pipeline of 2,394 homes (March 2021: 2,313). The output of completed homes is forecast to increase this year as the effects of COVID-19 decline. We, like many businesses involved in the development of homes, have had issues with material supplies and resourcing of labour which has reduced the development output of the Group in the first half of the year and may to a lesser extent lead to reduced output in H2. However, the housing market remains strong, evident through the low unsold unit stock figures for shared ownership homes over the past six months.

The outlook for 2021/22 is positive, we have a strong forward pipeline and supported by the announcement of our successful bid to become a Homes England Strategic Partner, we are actively seeking new opportunities for both land-led and S106 home delivery.

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.

Board & Executive Team Changes

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 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 (December 2020).

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For more information, please contact:

Chris Benn, Group finance director - **chris.benn@aster.co.uk**

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

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Sarsen Court,
Horton Avenue,
Cannings Hill,
Devizes, Wiltshire.
SN10 2AZ

T: 0333 400 8222

www.aster.co.uk **@AsterGroupUK** **AsterGroupUK**