Trading update

ASTER GROUP

for the six months ended **30 September 2022**

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9 November 2022

Aster Group issues its unaudited Group trading update for the six months ended 30 September 2022, with comparatives to the audited financial statements for the 12 months ended 31 March 2022.

Half year highlights

- Despite a challenging political and economic climate, we have achieved profits of £30.8m for the six months, ahead of expectations
- Encouragingly, liquidity is at £396.8m, and in response to strong demand for our bonds, £50 million nominal retained bonds were sold in July 2022
- We have maintained a strong development pipeline, delivering 685 affordable homes. Looking ahead, we remain on track to complete on our forecast to deliver over 1,300 homes by 31 March 2023
- Our shared ownership first tranche sales are up 14.4% for the six-month year on year period to £30.3m, demonstrating a strong market in our areas of operation across the south of England
- We're proud to remain a sector leader in delivering Community Land Trust (CLT) developments. Our pipeline is growing with us and set to deliver 250 CLT homes by 2029
- In August we announced our intention with Hampshire-based disability charity, Enham Trust, to join Aster Group (confirmed completion in October 2022). As a subsidiary of Aster Group, this will add 316 homes to our 35,000-strong portfolio, whilst retaining its name, heritage, and charity status
- Central and Cecil Housing Trust (C&C), which joined Aster Group at the start of 2022, opened Grace House. This flagship scheme in St John's Wood, London, is a 170-apartment affordable and adaptable development for over-55s
- Since joining the Institute of Customer Services (ICS) in 2020 we've been working towards achieving the ServiceMark accreditation, a national standard to understand how we compare with other housing associations and other sectors, in relation to perceptions around customer service
- Further to our commitment to invest £2.8m to carry out a comprehensive stock condition survey on our homes, we have already made excellent progress in completing 12,000 home surveys. We hope to complete the project by the end of the financial year. This exercise will help us to better understand any improvements that need to be made, plan more effectively into the long-term future and inform our sustainability roadmap to 2050

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Half year highlights (continued)

- We continue to empower our colleagues to work in locations that get the best from their day and provide greatest business outcome. Similarly, we endeavour to deliver homes that protect the biodiversity of our communities and lower our carbon footprint. We remain committed to working towards every one of our homes receiving an Energy Performance Certificate (EPC) rating of 'C' or above before 2030
- Fundamental to our customer services offer is ensuring that our homes remain safe places in which to live. We are pleased to confirm that this continued focus on safety in our customers' homes is reflected in the results across all key areas of health and safety, including 99.9% on gas servicing and 100% fire safety actions
- In April 2022, the Aster Foundation which focuses on enabling better lives beyond bricks and mortar, was granted official charity status by the Charity Commission. The charity's mission is to better at least 40,000 people by 2030 through its impact programmes and proactive approach to tackling social challenges. Recently, the charity's social incubator, **inc.** announced its third cohort of entrepreneurs embarking on the programme designed to support businesses focused on making positive social change
- As an accredited Menopause Friendly Employer, we have also been recognised for our support to our colleagues, including the 'Best Support Group Award' in the industry-recognised Menopause Friendly Employer awards
- Further to achieving a 14% increase in our annual Diversity and Inclusion (D&I) benchmarking from ENEI (the Employers Network for Equality and Inclusion), we gained access to the Housing Diversity Network Board Diversity Programme, and continued to accelerate our action plan including extending colleague networks and creating an Inclusion Steering Group
- We recently released our third Environmental, Social and Governance (ESG) report covering the 12 months to 31 March 2022, benchmarking our delivery against the Sustainability Reporting Standard (SRS) for social housing as well as the United Nation's Sustainable Development Goals (SDGs).

Financial and operating performance

Unaudited profit before tax for the six months ended 30 September 2022 was £30.8m. Housing properties (net of depreciation) have increased to £2,122m from £2,053m at 31 March 2022.

Consolidated Statement of Comprehensive Income	6 months September 2022 £000	12 months March 2022 £000
Turnover	145,297	240,933
Operating costs	(114,152)	(188,618)
Surplus on sale of housing property, plant and equipment	11,870	22,609
Operating Profit	43,015	74,924
Profit on disposal of other property, plant, equipment and intangible assets	-	8
Impairment of housing assets	(204)	137
Share of profit in joint ventures	917	2,631
Increase in fair value of investment properties	-	1,153
Net finance expense	(12,909)	(27,664)
	30,819	51,189
Gain on acquisition	-	119,409
Profit before tax for the period	30,819	170,598

Financial indicators	6 months September 2022	12 months March 2022
Operating margin (excluding surplus on sale of housing property, plant and equipment) [1]	21.3%	21.8%
Social housing operating margin[2]	25.7%	25.6%
EBITDA MRI interest cover[3]	190.0%	182.5%
Gearing[4]	48.6%	50.0%

Following the ongoing effects of the pandemic and storms in February 2022, there has been a focused effort to reduce the order bank and backlog for routine repairs during the six months to 30 September 2022. We also continue to see the catch up of major works, carried forward from the prior financial year. Overall operating margin was 21.3% slightly down from 21.8% in the comparative period due to general inflationary increases across the business and the catch up on the routine repair order bank.

Sales of shared ownership homes and open market sales homes (predominantly delivered through joint ventures) totalled 289 units for the six months ended 30 September 2022 (12 months ended March 2022: 540). 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 2022, the Group had stock of 72 completed shared ownership homes (March 2022:50) available for sale, of which 55 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 due to the market conditions.

The gain on acquisition reflected in the comparative period, 12 months to 31 March 2022, relates to the acquisition of Central and Cecil Housing Trust (C&C), which was recognised as a non-exchange transaction.

Overall customer satisfaction was 77% as at September 2022 (March 2022: 82%). Rent arrears have been tightly managed and remained strong at 1.9% (March 2022: 1.8%) of associated revenue due to the assistance of our financial wellbeing team. Void losses for the Group's general needs and sheltered stock were improved for the period at 0.7% (March 2022: 0.8%).

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Debt and **liquidity**

Net debt during the period has increased to £1,031m from £1,002m at March 2022. Liquidity at 30 September 2022 was £396.8m, consisting of committed and available undrawn facilities of £270.0m, and cash and cash equivalents of £126.8m. During the period £50m of guaranteed fixed rate secured bonds were sold.

Development

The Group completed 685 affordable units in the six months ended 30 September 2022 (year ended March 2022: 768 units). Aster has seen a strong start to the year with 56% of our delivery target of handovers achieved by the end of September 2022. We have received the first handovers from C&C since it became part of the Aster Group earlier this year. Planning, material and labour delays continue to be experienced and make accurate forecasting of programme delivery difficult. Build cost inflation and the general economic climate are being monitored closely, alongside the approach from contractors and developers. We have a strong pipeline of schemes and have been successful securing both land and developer led opportunities; a good proportion of these schemes are due to enter contract over the next quarter, adding to our contracted pipeline of 3,434 homes. Aster is a Homes England Strategic Partner and has secured £114 million to deliver 1,550 homes by March 2028. Grant has been drawn down against the land purchase of 190 homes and we are forecasting 200 homes to start on site within 2022/2023 with first handovers commencing from 2023/2024.

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 2022.

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 (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.

For more information, please contact:

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www.aster.co.uk/corporate/about-us/investment-centre/financial-performance

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