

2020/21 financial statements and supplementary information for investors

Paragon Asra Housing Limited ('PA') trading update and unaudited financial results for the period ended 30 September 2021

PA, the parent company of Paragon Treasury Plc and a Registered Provider owning and managing over 23,000 homes in the East Midlands, London and Surrey, announces its trading highlights and unaudited summary financial results for the first half of the 2021/22 financial year.

Results for the year to date broadly align with a return to more normal trading conditions, as the UK strives to recover from the Covid-19 pandemic. PA has been working to clear the backlog of transactions built up during 2020/21, particularly in relation to new development completions, new shared ownership property sales, vacant property re-lets, and repairs and maintenance programmes. The approved 2021/22 budget reflected an expectation that these catch-up activities would continue to introduce relative short-term volatility to our results when compared to the medium-term financial plan.

Over the first half of the year, PA has delivered an operating surplus of £24.1m from turnover of £82.9m, equating to an operating margin of 29 per cent. The net surplus after interest and other adjustments is £9.4m. Total available liquidity is at £442m, with a further £100m of retained bonds and work ongoing to replenish certain bank facilities.

Financial and operational highlights

- Average re-let days have steadily reduced as we tackle the backlog of vacant properties which built up during the previous year. Year to date performance for our general needs homes is at 54 days (2020/21 full year: 85 days).
- Planned maintenance and building safety budgets, which were increased this year to accommodate the works delayed during 2020/21, are largely being delivered with £22.1m spent in the year to date (2020/21 full year: £28.4m).
- The above amounts include fire safety remediation works to some estates. This programme is progressing and in the meantime all necessary interim measures are in place to keep residents safe. Gross costs are currently estimated at £65m, potentially reducing to £31m subject to cost recovery from other parties. The bulk of the costs will be incurred in the 2022/23 financial year.
- Sales of new build shared ownership homes have accelerated, albeit lagging behind budget. 63 sales have completed, generating proceeds of £9.4m and a surplus of £3.1m at a margin of 33 per cent (2021/22 budget: 25 per cent).
- Our successful £400m bond issue (of which £100m is retained) in April 2021 secured ample liquidity to fund our 6,000 homes growth plan into the medium term.
- To support delivery of our Sustainability Strategy we have completed an energy efficiency assessment of all our homes. The data collected will be used to draw up a prioritised work programme to underpin our journey towards net carbon neutral status.

Focus on resident satisfaction

We absolutely recognise the need to ensure high levels of satisfaction with our services, and we are determined to improve upon the overall satisfaction result of 62 per cent which was reported within our 2021 audited financial statements. We have engaged TPAS, the acknowledged sector tenant engagement experts, to analyse and provide insights into our satisfaction status. This work has included fact-finding discussions with residents who have responded to our surveys. A series of actions have been drawn up in response. We will continue to report on our progress in this critical area.

Outlook

PA's Board has accepted some short-term deviation from established financial golden rules while we work to recover from the pandemic alongside addressing the sector's emerging fire safety requirements. Performance is being managed in line with this modified plan, and our financial forecasts continue to evidence ability to return strong metrics once these short-term issues have worked through the system. Our plan to build 6,000 new social homes in the 10 years to 2030 has not been compromised, with strong lines of liquidity in place.

Disclaimer

The information in this preliminary announcement of interim results has been prepared by Paragon Asra Housing Limited and is for information purposes only. The announcement should not be construed as an offer or solicitation to buy or sell any securities issued by Paragon Treasury Plc or any other member of the Group, or any interest in such securities, and nothing herein should be construed as a recommendation or advice to invest in any such securities.

This unaudited announcement contains certain forward looking statements reflecting, among other things, our current views on markets, activities and prospects. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements. Actual and audited outcomes may differ materially.

Such statements are a correct reflection of our views only on the publication date and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Financial results quoted are unaudited. We do not undertake to update or revise such public statements as our expectations change in response to events. Accordingly, undue reliance should not be placed on forward looking statements.

Enquiries

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Statement of Comprehensive Income to 30 September 2021

| | Actual £m | Budget £m | Variance £m |
|--------------------------------------|--------------|--------------|----------------|
| Rent and service charges income | 68.8 | 70.1 | (1.3) |
| Shared ownership first tranche sales | 9.4 | 17.8 | (8.4) |
| Other income | 2.0 | 1.6 | 0.4 |
| Amortisation of Social Housing Grant | 2.7 | 2.7 | - |
| Turnover | 82.9 | 92.2 | (9.3) |

| | | | |
|----------------------------------|-------------|-------------|--------------|
| Core operating costs | (47.0) | (46.2) | (0.8) |
| Depreciation | (10.5) | (10.5) | - |
| Cost of first tranche sales | (6.3) | (12.9) | 6.6 |
| Surplus on fixed asset disposals | 5.0 | 1.8 | 3.2 |
| Operating surplus | 24.1 | 24.4 | (0.3) |

| | | | |
|-----------------------------------|------------|-------------|--------------|
| Net interest | 14.8 | (14.2) | (0.6) |
| FRS 102 accounting adjustments | 0.1 | - | 0.1 |
| Total comprehensive income | 9.4 | 10.2 | (0.8) |

Statement of Financial Position as at 30 September 2021

| | 30 Sep 21 £m | 31 Mar 21 £m |
|--|--------------|--------------|
| Negative goodwill | (6) | (7) |
| Tangible fixed assets and investments | 1,920 | 1,876 |
| Current assets | 128 | 127 |
| Current liabilities | (55) | (134) |
| Total assets less current liabilities | 1,987 | 1,862 |

| | | |
|--|------------|------------|
| Creditors due after more than one year | (1,396) | (1,280) |
| Pension liabilities and other provisions | (25) | (25) |
| Total net assets | 566 | 557 |

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|-----------------|------------|------------|
| Reserves | 566 | 557 |
|-----------------|------------|------------|