

# Paragon Treasury Plc

Paragon Asra Housing Limited ('PA') trading update and unaudited financial results for the period ended 30 September 2020

**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 2020/21 financial year.**

Trading activities in the year to date have been dominated by the Covid-19 pandemic, which has had a significant impact on our service delivery. Around 80 per cent of PA's stock is now in Tier Two localities, and many residents have been personally affected by the situation. PA's priority remains to support its residents, staff and partners, working within the government guidelines to deliver services in a safe way.

With this in mind, the PA Board has recognised that some short term disruption to financial results is inevitable. Financial performance continues to be monitored and scenario tested, and at this stage the Board expects that overall results for the full 2020/21 will only be moderately affected. The most significant impact has been on capital expenditure, with work on our estates and new build

sites being suspended altogether at the start of the year and subsequently resuming at a slower pace due to social distancing requirements. This has had the effect of deferring future financing requirements.

Over the first half of the year, PA has delivered an operating surplus of £23.4m from turnover of £75.5m, equating to an operating margin of 31 per cent. The net surplus after interest and other adjustments is £9.5m. Total available liquidity is at £176m, with a further £148m of loan facilities expected to become available in the third quarter following completion of security charging work. Results on core lettings operations are broadly in line with budget expectations overall. New build shared ownership sales completions are behind budget, reflecting the market disruption caused by Covid-19, but margins on completed sales remain aligned to budget.

## Financial and operational highlights

- Rent arrears has stabilised after some modest increases in the early weeks of Covid-19. Gross arrears including

benefits payments timing delays is currently at 4.7 per cent

- £1.3m of additional benefits for residents have been secured through the work of our Tenancy Sustainment Team
- Nearly 50 per cent of our residents are now registered on My PA, our digital services app, with rent payments of over £1m per month being made via the app
- 33 residents have enrolled on our training scheme for budding entrepreneurs, through which the strongest candidates will receive financial backing for their business plan. This scheme delivers a social return of £60 for every £1 invested
- We have launched the Naumann Initiative, our scheme to offer both a job and a home to people who are registered as homeless. This is being delivered in partnership with Kingdom Housing Association, who pioneered the model
- In response to Covid-19 we made over 6,000 welfare calls to customers and delivered 330 food parcels. We have also donated £50,000 to food banks working in our neighbourhoods

- We have successfully transferred our 'Neighbourhoods on Tour' resident interaction programme to a virtual setting, with nearly 200 online 'tours' having taken place to date
- We have recruited four new Board members to fill planned vacancies, including two PA residents. Our Board represents a diverse range of skills and backgrounds
- Our new financial business plan recognises our commitment to sustainability and in particular the drive to achieve carbon neutral status. We have provided for total additional spend of £230m in the business plan
- Our average cost of funds has reduced further to 3.3 per cent, and we continue to engineer value for money savings through our treasury activities

## Areas of focus

- We are working to deliver as much of the budgeted planned maintenance programme as we can. Covid-19 has disrupted the programme and we will end the year underspent against budget. Work not completed will be carried forward to the next financial year
- Similarly, we expect to underspend against our new development budget but we are working closely with our contractors to maximise delivery within the national restrictions.
- Productivity on site has been reduced by c.30 per cent under the current circumstances
- The Board is closely monitoring sales risk, with sales processes having been delayed by Covid-19. At the end of September we held 99 unsold new build shared ownership properties, of which 52 were either reserved or under offer. We are not to date experiencing any significant fall in demand for our properties.
- Our lettings performance needs to improve and initiatives are underway to make this happen. Void loss for

the year to date stands at 3.1 per cent but average re-let times have now started to exhibit a reducing trend

- Our focus on property health and safety compliance remains relentless, and we continue to make additional investments as required to safeguard our residents

## Outlook

Despite the nationwide turbulence caused by Covid-19, PA's financial position remains stable and resilient. Our financial planning and scenario

testing regimes demonstrate ability to withstand further adverse impacts from macroeconomic factors. Liquidity is strong and work continues to develop further lines of liquidity in support of our growth plans. We are working to meet our financial golden rule targets by the end of the financial year, although our Board has acknowledged that Covid-19 risks in the second half of the year may further influence financial performance.

## Statement of Comprehensive Income to 30 September 2020

	Actual £m	Pre-Covid Budget £m	Variance £m
Rent and service charges income	66.7	68.7	(2.0)
Shared ownership first tranche sales	4.6	18.5	(13.9)
Other income	1.5	1.6	(0.1)
Amortisation of Social Housing Grant	2.7	2.8	(0.1)
<b>Turnover</b>	<b>75.5</b>	<b>91.6</b>	<b>(16.1)</b>

Core operating costs	(39.3)	(42.4)	3.1
Depreciation	(10.5)	(10.2)	(0.3)
Cost of first tranche sales	(3.2)	(13.1)	9.9
Surplus on fixed asset disposals	0.9	2.2	(1.3)
<b>Operating surplus</b>	<b>23.4</b>	<b>28.1</b>	<b>(4.7)</b>

Net interest	(14.0)	(14.9)	0.9
FRS 102 accounting adjustments	0.1	-	0.1
<b>Total comprehensive income</b>	<b>9.5</b>	<b>13.2</b>	<b>(3.7)</b>

## Statement of Financial Position as at 30 September 2020

	30 Sep 20 £m	31 Mar 20 £m
Negative goodwill	(7)	(7)
Tangible fixed assets and investments	1,812	1,777
Current assets	200	128
Current liabilities	(129)	(62)
<b>Total assets less current liabilities</b>	<b>1,876</b>	<b>1,836</b>

Creditors due after more than one year	(1,312)	(1,281)
Pension liabilities and other provisions	(14)	(14)
<b>Total net assets</b>	<b>550</b>	<b>541</b>

<b>Reserves</b>	<b>550</b>	<b>541</b>
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## Enquiries

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