Paragon Treasury Plc

Paragon Asra Housing Limited ('PA Housing') trading update and unaudited financial results for the period ended 31 March 2021

PA Housing, the parent company of Paragon Treasury Plc and a Registered Provider owning and managing 23,000 homes in the East Midlands, London and Surrey, announces its trading highlights and unaudited summary financial results for the 2020/21 financial year.

Headline results and COVID-19 impacts

Over the year, PA Housing has delivered an operating surplus of £40.3m from turnover of £156.8m, equating to an operating margin of 26 per cent. Net comprehensive after interest and other adjustments (including positive movement of £14.3m on fair value of financial instruments as at the reporting date) was £27.7m. Total available liquidity as at 31 March 2021 was £264m.

As noted in our 2019/20 Financial Statements and our 2020/21 half-year trading update, COVID-19 has had some short term impact on operations. In particular, our re-letting processes, new build completions and shared ownership sales have been affected, with the latter also being impacted by the national delays with provision of EWS1 documents. Largely as a result of these factors, turnover from lettings and sales ended the year a combined £18.1m (11%) behind budget. Expenditure plans were also disrupted, particularly on capital investment programmes. New development expenditure was £82.7m (39%) behind budget and capital maintenance was £3.4m (21%) behind.

At the start of the pandemic, the Board assessed these likely impacts and accepted that the volatile trading conditions would be likely to present some short-term challenges with full adherence to our financial golden rules. In fact all golden rules have been met in the year except for operating margin on social housing lettings, which ended the year at 24% versus golden rule of 30%. The largely COVID-19 related impacts on lettings affected this result by 3%. Excluding additional fire safety works prioritised by the Board, underlying operating margin on social housing lettings was at 29%.

COVID-19 has enforced some compromises on delivery of operational plans within individual financial years. The Board accepts that this will create some short-term volatility to golden rules and other headline financial metrics, but extensive scenario testing has given assurance that our financial plans remain robust and resilient into the longer term. As such, the Board is not proposing any golden rule adjustments and believes that the current rules remain appropriate once COVID-19 impacts have been worked through.

Areas of focus

Our immediate focus is to ensure that full delivery of services to our residents can continue in line with the prevailing government guidelines. At the time of this trading update, the national outlook is becoming more optimistic. As such we have a greater degree of confidence that our operational plans for the new financial year can be delivered. However, the Board will continue to closely monitor the situation and is prepared to adjust plans should trading conditions move adversely.

More broadly, our refreshed Corporate Plan published in 2020 reaffirmed that our core strategic priorities remain high quality customer services, growth, and strong underlying business infrastructure. Investment in our homes, communities and people remains paramount and there will be no compromise on the work that is needed to keep our residents safe in homes that they can be proud of. Alongside this we have an ambition to build 6,000 new homes by 2030 and the core growth strategy remains focused on social housing products (rented and home ownership). Most of our development programme will be undertaken in London and Surrey but we have also re-established a presence in the East Midlands.

Our activities will be underpinned by some emerging themes. Our 2020 **Sustainability Strategy** sets out the work we will be doing within the three pillars of Places, People and Partnerships to improve the sustainability of our business. COVID-19 has re-emphasised the importance of our **community investment** programmes, and the positive influencing role we can play in improving peoples' life opportunities through targeted investment of our resources. We have responded to the **Housing White Paper** with a range of new initiatives already implemented. And we will continue to champion ongoing developments around **equality, diversity and inclusion** to ensure that PA Housing continues to make the most of the benefits these principles can bring.

Outlook

PA Housing's long-term financial outlook is stable, in line with our business model which focuses on core social housing activities. There has been some short-term disruption due to COVID-19 but we have been working to ensure continued delivery of operations. Our liquidity position remains strong and we continue to pursue strategic funding opportunities to support our growth plans.

In March 2021 we announced that PA Housing and Accent Group were exploring partnership opportunities. This work continues and further announcements will be made at the appropriate time.

ESG

We have published our new Sustainable Finance Framework, with a Second Party Opinion provided by Sustainalytics. The Framework is available on the Investor Relations section of our website. It explains the various ways in which PA Housing works to deliver positive environmental and social outcomes, and how we will utilise future financing to further these ambitions. The Framework also sets out the governance arrangements underpinning our sustainable finance activities, including internal controls and monitoring, and reporting to external stakeholders.

Statement of Comprehensive Income to 31 March 2021 (unaudited)

	Actual £m	Budget £m	Variance £m

Rent and service charges income	135.9	139.1	(3.2)
Shared ownership first tranche sales	12.4	27.3	(14.9)
Other income	3.2	3.2	-
Amortisation of Social Housing Grant	5.3	5.4	(0.1)
Turnover	**156.8**	**175.0**	**(18.2)**
Core operating costs	(88.9)	(84.6)	(4.3)
Depreciation and impairment	(22.7)	(20.5)	(2.2)
Cost of first tranche sales	(8.5)	(19.3)	10.8
Surplus on fixed asset disposals	4.2	3.8	0.4
Change in fair value of investment properties	(0.6)	-	(0.6)
Operating surplus	**40.3**	**54.4**	**(14.1)**
Net interest	(26.9)	(29.6)	2.7
Change in fair value of financial instruments	14.3	-	14.3
Gift aid and taxation	-	-	-
Total comprehensive income	**27.7**	**24.8**	**2.9**

Statement of Financial Position as at 31 March 2021 (unaudited)

	31 Mar 21 £m	31 Mar 20 £m
Negative goodwill	(6.7)	(7.3)
Tangible fixed assets – housing properties	1,855.3	1,751.7
Tangible fixed assets - other	18.9	21.2
Current assets	128.6	127.4
Current liabilities	(208.1)	(62.8)
Total assets less current liabilities	**1,788.0**	**1,830.2**
Creditors due after more than one year	(1,204.8)	(1,281.3)
Pension liabilities and other provisions	(15.1)	(13.6)
Total net assets	**568.1**	**535.3**
Reserves	**568.1**	**535.3**

Other key metrics and indicators as at 31 March 2021 (unaudited)

Headline financials	31 Mar 21	31 Mar 20
Operating margin (social housing lettings)	24%	26%
As above excl. additional fire safety spend	29%	26%
Operating margin (all activities)	26%	37%
EBITDA-MRI interest cover	136%	131%
Available liquidity	£264m	£223m
Cash	£41m	£46m
Total loans and borrowings	£877m	£796m
Net debt	£835m	£749m
Gearing	43%	43%
Core lettings business	**31 Mar 21**	**31 Mar 20**
Current resident rent arrears	4.6%	4.4%
Rent loss through voids	2.9%	2.1%
Re-let times (general needs properties)	88 days	56 days
Residents in receipt of Housing Benefit	28%	30%
Residents in receipt of Universal Credit	24%	15%

Development and sales	31 Mar 21	31 Mar 20
Completed units: rented social tenures	182	145
Completed units: shared ownership	116	88
Completed units: other	4	16
Units sold	86	53
Unsold units total	114	89
Unsold units > 6 months	40	19
Average sales margin	31%	42%

Note: The above figures are based on unaudited management accounts and are subject to change following audit. In particular, pension scheme actuarial valuations as at 31 March 2021 are not yet available and so are not included in the above figures.

Enquiries

All enquiries in relation to this trading update should be directed to:
Simon Hatchman, Executive Director – Resources
Tel: **0116 257 6786**
email: **simon.hatchman@pahousing.co.uk**

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