ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED
31 March 2017

ASTER
GROUP

ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED *31 March 2017*

CONTENTS

1.0 LEGAL AND ADMINISTRATIVE DETAILS

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

Legal status: Aster Group Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 number 29573R

Registered with the Homes and Communities Agency (HCA)

Members of the board: The directors of the company who were in office during the year and up to the date of signing the financial statements, unless otherwise indicated, are set out below. The biographies of the current directors are set out on page 7.

Non-executive directors

Andrew Jackson	Chairman
Phillip Owens	Senior Independent Director
Sally Higham	
Steve Trusler	
Arthur Merchant	Retired 30 September 2016
Mary Watkins	
Mike Biles	
Andrew Kluth	Appointed 1 October 2016

Executive directors

Bjorn Howard	Group Chief Executive
John Brace	Group Resources Director and Deputy Group Chief Executive

Executive board:

Bjorn Howard	Group Chief Executive
John Brace	Group Resources Director and Deputy Group Chief Executive
Rachel Credidio	Group Strategic Change Director
Michael Reece	Group Operations and Asset Director
Graeme Stanley	Group Strategy and Implementation Director
Amanda Williams	Group Development Director
Brian Whittaker	Group Human Resources Director

Company Secretary: Douglas Smith

Independent Auditors: PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
3 Forbury Place
23 Forbury Road
Reading
RG1 3JH

Principal Bankers: Barclays Bank Plc.
Business Banking
3rd Floor, Windsor Court
3 Windsor Place
Cardiff CF10 3ZL

Principal Solicitors: Trowers and Hamlins
Sceptre Court
40 Tower Hill
London EC3N 4DX

Funders:

The Royal Bank of Scotland, facility agent
1st Floor, 280 Bishopsgate
London EC2M 3RB

Abbey National Treasury Services Plc.
2 Triton Square
Regents Place
London NW1 3AN

Lloyds Bank Plc.
Corporate Banking
Level 7 Bishopsgate Exchange
155 Bishopsgate
London EC2M 3YB

Dexia (Public Finance Bank)
Shackleton House
4 Battle Bridge Road
London SE1 2RB

Barclays Bank Plc.
Business Banking
3rd Floor, Windsor Court
3 Windsor Place
Cardiff CF10 3ZL

Affordable Housing Finance Plc.
4th Floor Cannon Street
London EC4N 5AF

Security Trustees: Prudential Trustee Company Limited
Laurence Pountney Hill
London EC4R 0HH

Valuers: Jones, Lang LaSalle Limited
45 Church Street
Birmingham B3 2RT

Financial Advisers: J.C. Rathbone Associates Limited
12 St. James Square
London SW1Y 4LB

Corporate Governance

2.0 DIRECTORS' BIOGRAPHIES

Andrew Jackson

Phillip Owens

Sally Higham

Steve Trusler

Andrew Kluth

Mary Watkins

Dr Mike Biles

Bjorn Howard

John Brace

Andrew Jackson

Group Chairman

Andrew brings an extensive knowledge of financial affairs, risk management, internal control structures and performance monitoring to the role of chairman. He is Group Chairman and he was chair of the Group Audit Committee and served on the Group Risk Committee.

A chartered accountant, Andrew has held executive and non-executive directorships in a number of industries including energy and construction, working with the UK Atomic Energy Authority and Sir Alfred McAlpine.

He has previously served on Aster Group's property maintenance and asset management division board.

Committee Membership:
Group Treasury Committee
Group Remuneration & Nominations Committee

Phillip Owens

Non-executive director and Senior independent director

Phillip is a solicitor and until his retirement, was a director, company secretary and senior management consultant for two consultancy firms serving the housing and public sector. During this time he played a leading role in the transfer of housing stock helping to create over 20 new housing companies and management organisations.

In local government, Phillip has had departmental responsibility for legal, human resources, corporate governance and direct services in local authorities in London and the South East. He was chief executive of top performing Kennet District Council and has held non-executive posts as a director and Audit and Risk Committee chair of the former NHS Trust Wiltshire and Swindon.

Phillip has been chair of Aster Group's Property Division and the Governance Review Steering Group.

Committee Membership:
Customer and Community Network
Group Remuneration and Nominations Committee
Group Audit Committee

DIRECTORS' BIOGRAPHIES

Sally Higham

Non-executive director

Sally is a multi award-winning social entrepreneur and CEO of the early stage social venture, RunAClub.com. She has considerable experience in supporting new ventures and building strong strategic advisory relationships at a national level across public, private and third sectors undergoing change processes.

Sally is a social strategist committed to supporting communities, education, youth services, charities, social enterprises and social housing to grow. She delivers keynote speeches on both using technology to create social change and social entrepreneurship and has formed a networking forum (Championing Women) of male and female leaders across multiple sectors, to support women in their careers.

In her additional role as Non-executive Director for Bromford Housing Group Board, Sally is a member of their Audit and Assurance and Remuneration and Nominations Committees. She is also the current Chair of the Impact Management Steering Committee led by Access, the Foundation for Social Investment and has also been Chair of ASK, a Wiltshire parenting charity.

Committee Membership:
Chair of the Group Risk and Compliance Committee
Group Remuneration and Nominations Committee

Andrew Kluth

Non-executive director

Andrew is a career finance professional specialising in the Treasury arena. He has held a number of senior roles, primarily in the debt finance function within British Gas, Vodafone and National Grid and is currently Head of Treasury at UK Power Networks. In his early career Andrew helped finance Eurotunnel before working on the demerger of Centrica from British Gas and the separation of the Gas Distribution Networks from Lattice Group.

Andrew has worked on several large acquisitions globally including Mannesmann at Vodafone and Keyspan Corp at National Grid.

Andrew has held a number of other non-executive posts including as a director of Aerion Fund Management and roles relating to his work as a trustee for various pension schemes.

Committee Membership:
Chair of the Group Treasury Committee

Steve Trusler

Non-executive director

Steve is the Accommodation Sector Leader at Laing O'Rourke where he is responsible for leading the Group's strategy and business growth in the residential market.

Steve had previously held senior roles with major housing companies: Wates Living Space, Alfred McAlpine and Lovell.

With over 30 years experience in housing he is a passionate supporter of innovation and is committed to ensuring housing supply and affordability remains high on the Government's political agenda.

He is a Governing Board Member of the Chartered Institute of Housing and a member of the Greater Manchester Planning & Housing Commission.

Steve is a fellow of the Royal Institute of Chartered Surveyors and a distinguished member of the Chartered Institute of Housing.

Committee Membership:
Chair of the Group Remuneration and Nominations Committee

Mary Watkins, Baroness Watkins of Tavistock

Non-executive director

Mary is a Registered Nurse and was Deputy Vice-Chancellor of the University of Plymouth until 2012 where she is now Emeritus Professor of Healthcare Leadership.

She was a non-executive director of the South West Ambulance Service NHS Foundation Trust and chaired their Quality and Governance Committee for six years completing her term in July 2016.

She is a member of the BUPA Medical Advisory Panel and Global Quality Committee.

In December, 2015 she was appointed as a Crossbench member of the House of Lords as Baroness Watkins of Tavistock.

She was appointed as a visiting Professor of Nursing to the Florence Nightingale Faculty of Nursing and Midwifery, King's College London in October 2016 and is the President of the Florence Nightingale Foundation.

She has published widely in relation to health care and has presented at over 50 conferences relating to health care, covering a range of health care subjects including health care regulation, user/carer involvement in care, competency in practice and advocacy.

She has a particular interest in issues that affect health and is committed to policies that provide good housing and education for people, believing that these are two determinants that promote a healthy society.

In her maiden speech in the House of Lords in January 2016 she spoke on the value of nursing and its potential impact on society and has contributed to debates on subjects including the cost of social housing for NHS workers, public health and social care, particularly for older people. She has recently joined the Peers Network on housing, chaired by Baroness Diana Warwick.

Committee Membership:
Group Risk and Compliance Committee

DIRECTORS' BIOGRAPHIES

Dr Mike Biles
Non-executive director

Mike has a doctorate in law and was housing ombudsman for England for 13 years until 2014. This role has given him an extensive understanding of all aspects of rented housing from complaint handling and dispute resolution to customer service, support and building good relations between providers and customers.

Mike has taught Land Law, Landlord and Tenant Law and Housing Law extensively. He has also published articles in this field and has chaired and spoken at numerous industry-related conferences.

Mike is a visiting professor in law at Southampton Business School where he has also held the post of Head of the School of Law. He has been a lawyer member of the Leasehold Valuation Tribunal and a member of the management committee of a registered social provider.

Mike is an honorary member of the Chartered Institute of Housing and was a member of the Chartered Institute of Arbitrators and a fellow of the Royal Society of Arts.

Committee membership:
Chair of the Group Audit Committee
Group Risk and Compliance Committee
Customer and Communities Network

Bjorn Howard
Group CEO
Executive director

Bjorn became Aster Group's CEO in 2009 and has been instrumental in driving growth. He led Aster's successful merger with Synergy Housing Limited in 2012 increasing the group's housing business to 29,000 homes.

Bjorn has worked in the housing, care and support industry for over 25 years and has extensive board-level experience in both executive and non-executive roles. He has served as a non-executive director for an NHS Trust, educational organisations and as a government appointee on a housing association board.

Bjorn holds a master's degree in management and is a fellow of the Chartered Institute of Housing and Chartered Management Institute. He is also a member of the Institute of Directors.

Committee Membership:
Customer and Community Network

John Brace
Deputy group chief executive
Group resources director
Executive director

A chartered accountant, John joined Aster in 2000 as finance director for Sarsen Housing Association. Since then he has been involved in the creation of the Silbury Group and Aster Group as well as several mergers, most recently, the successful merger of Synergy Housing Limited with Aster in 2012. He has also led many successful funding initiatives including Aster's first bond issue in 2013.

John is a member of the National Housing Federation's Regional Committee in the South West. He is also Chair of Cottsway, a housing association based in Oxfordshire.

3.0 CHAIRMAN'S STATEMENT

We are a group of social businesses with the primary purpose of being an ethical housing developer and landlord to benefit society.

Our principal activities are to provide affordable homes and associated services through our Registered Providers and other member companies. We also provide care and support services to the elderly and vulnerable, maintain our properties and develop new homes for rent and sale.

We have had another successful year, building on our financial strength. In this first year of the Government-imposed rent cut, we set efficiency targets for housing, care and support and asset management and maintenance. These targets were exceeded. We will continue to focus on efficiency savings and deliver value-for-money core services as we enter the second year of these rent reductions.

As part of our commitment to the development of affordable homes, we acquired £100 million of additional funding through loans from the European Investment Bank (EIB) (£50 million) and Affordable Housing Finance (AHF) (£50 million). At the end of the year, we have sufficient loan facilities in place to fund our development programme until January 2019.

We were proud to complete the development of 829 new homes for affordable rent, outright sale and shared ownership. This was an investment of over £110 million in new and existing schemes during the year.

Other highlights from the results for the year include headline revenue reaching £190.6 million with operating profit before impairment, interest and taxation at £64.3 million.

Throughout the year we spent over £33.2 million on repairing and maintaining our stock of more than 29,000 homes. Net profit after tax was a record £44.1 million.

Understandably, the tragic fire in Grenfell Tower in London has thrown a stark light on the importance of fire safety right across the housing industry. Whilst we had no specific concerns about the safety of our buildings, we undertook a review of all of our communal properties earlier this year and remain committed to doing everything we can to ensure the on-going safety of our customers.

Our vision: everyone has a home

The board agreed a new corporate strategy and plan in 2016, which gives a renewed clarity of purpose. Our vision is that everyone has a home. Our purpose is to be an ethical housing developer and landlord to benefit society.

Our corporate objectives are to:

- grow through the provision of more housing;
- ensure our business model is sustainable in terms of energy, culture, use of IT and employee skills;
- provide good, reliable and efficient services to our customers; and
- continue our commitment to corporate social responsibility.

We will achieve these objectives through our corporate plan by:

- maximising profit to ensure financial strength;
- being strategic in asset management;
- maximising the value of our assets;
- building as many new homes as we can;
- taking advantage of new technology;
- enabling change and innovation;
- focussing services on our core business;
- ensuring we are as efficient as possible; and
- developing the work of the Aster Foundation.

Aster Foundation

The Aster Foundation brings our corporate social responsibility activities together to draw a distinction between our core business as a developer and landlord and the discretionary work we choose to do to benefit society.

Our work under the banner of the Aster Foundation is focused on supporting our customers and the wider communities in which we work. During 2016/17 our commitments were based around the four themes of People, Places, Planet and Performance.

People

- We have provided 45 work placement or apprenticeship opportunities for customers either directly or through our supply chain
- Nearly 330 hours have been given to communities through the colleague volunteering programme
- Colleague charitable fundraising activity has been matched to a total of over £20,000.

Places and Planet

- We saved over £150,000 on mileage claims by increasing the use of digital technology to reduce travelling
- We invested more than £80,000 in innovative ideas, including transforming an existing office space into a flexible, creative and collaborative working environment.

Performance

- We saved enough through our LEAN efficiency programme to build 30 new homes.

Many of these initiatives will continue this year. We are also working to evolve the Aster Foundation with an increased focus on evaluating the social value we deliver.

The future

Following the Chancellor's 2015 Autumn Statement and the implementation of the four years of 1% rent cuts, which end in April 2020, we have witnessed a significant reduction in our rental income. This reduces our profit by £670 million over the next 30 years. There remains no certainty to the rent regime that the sector will operate under past April 2020. Our long-term forecast assumes CPI only rent increases after that point.

Our risk profile continues to change as development production increases and we become more exposed to house sales and the performance of the housing market. This is a natural progression for the sector. However, it also means that we will continue to closely monitor associated risks.

The 2017 General Election coupled with Brexit, results in increased uncertainty and associated risks around the UK's economic future and the housing sector. We remain confident of our financial strength and ability to adapt to these changing circumstances and associated opportunities.

Brexit

The British Government has triggered Article 50 which starts the process of Britain leaving the EU. The exact outcome and consequences of the decision remain unknown. Our principal risks are set out in the Strategic Report and Brexit could potentially trigger some, or all, of these risks.

More Homes project

As we enter the third year of our More Homes project, it is a good time to look back on what has been achieved so far.

More Homes was launched in January 2015. The project is about focusing on our core business activities, which are to provide legally and regulatory compliant housing management and maintenance services. It also ensures the investment we make in additional discretionary work adds measurable social value for our customers is worthwhile and achieving value for our customers.

During 2016/17 a combined savings target of £4 million was set for the operational teams. The teams involved in the project exceeded this – achieving £5.4 million worth of savings across housing, care and support and asset management and maintenance.

We remain committed to ensuring we are as efficient as possible. This year colleagues in housing care and support are targeted with achieving savings of £375,000, while in asset management and maintenance colleagues are working towards a £500,000 saving.

Continuing to review how we deliver our services remains one of our priorities. Maintaining this focus will ensure we are able to concentrate on our primary purpose to provide good, core services to our customers and build more much-needed homes.

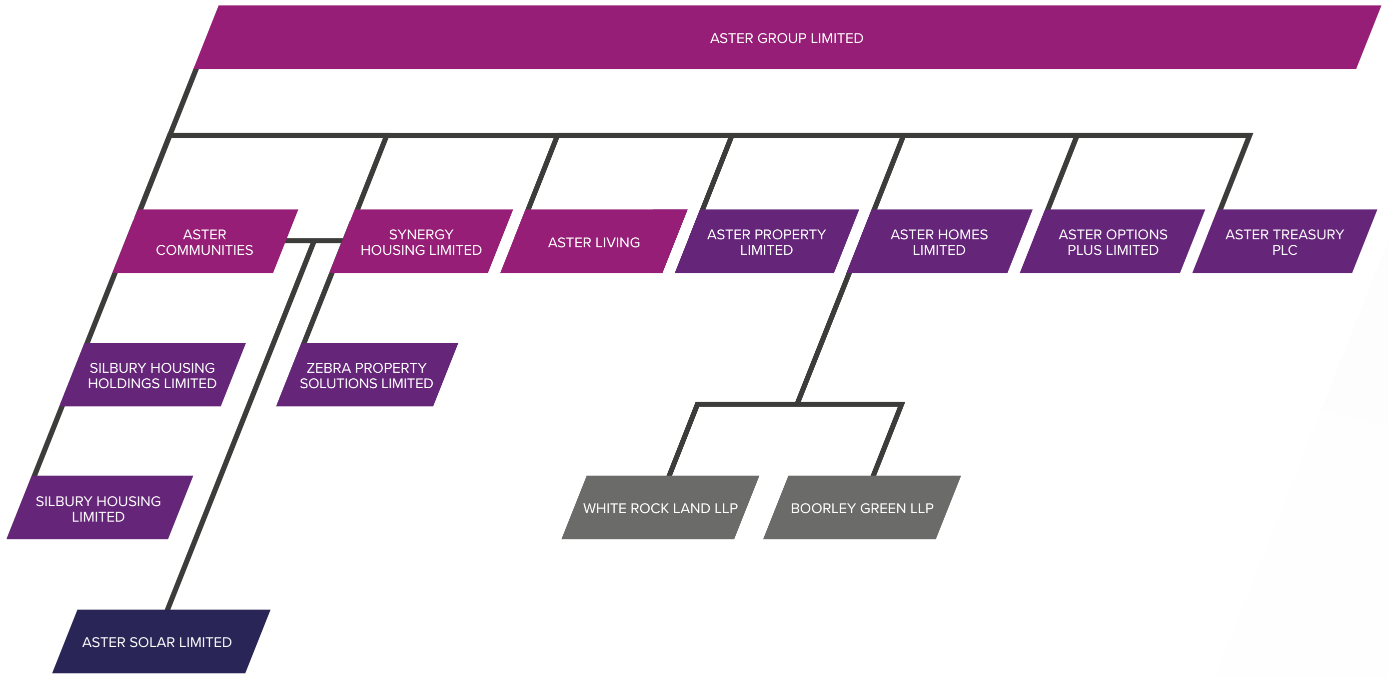
Andrew Jackson
Group Chairman

8 August 2017

4.0 STRATEGIC REPORT

Group Structure

The structure of the group is:



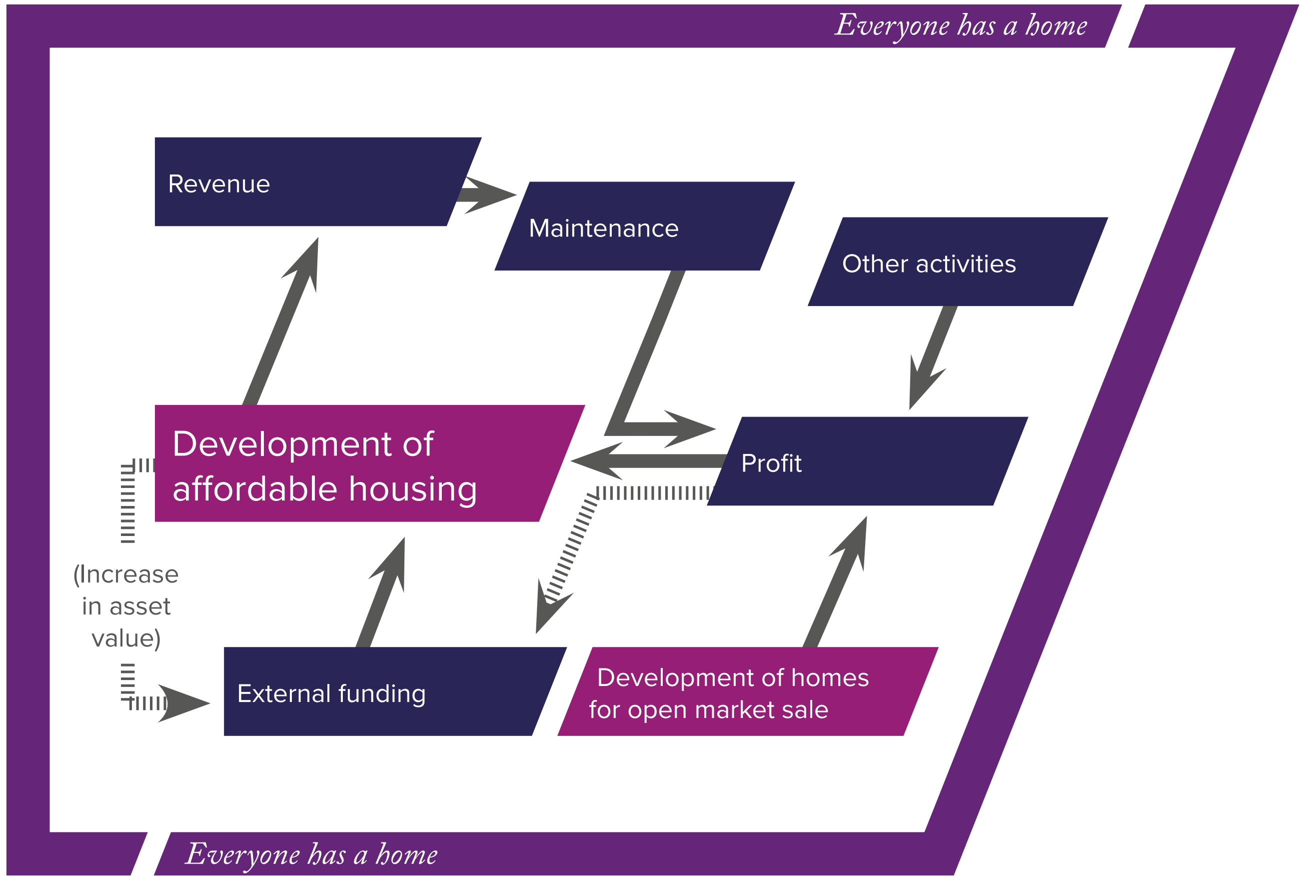
The main activity of each of the companies in the group is:	
Aster Group Limited	Acts as holding company for the group and provides support services for each of the subsidiaries.
Aster Communities	Registered Provider, with properties primarily in Hampshire, Wiltshire, Somerset and Devon and Cornwall.
Synergy Housing Limited	Registered Provider, with properties primarily in Dorset, Hampshire and Wiltshire.
Aster Living	Provision of care and support services to vulnerable people in specialist housing or their own homes.
Aster Homes Limited	Development of homes for affordable and market sale and rent.
Aster Property Limited	Management and maintenance of housing stock and related areas.
Silbury Housing Holdings Limited and Silbury Housing Limited	Special purpose vehicles for the delivery of homes in Wiltshire as part of a service concession arrangement.
Zebra Property Solutions Limited	The development of properties for resale and rental on the open market.
Aster Treasury Plc	Special purpose vehicle for raising bond finance on behalf of other group entities.
Aster Options Plus	Special purpose vehicle for cost sharing.
Aster Solar Limited	Special purpose vehicle for investment in photovoltaic panels on behalf of other group entities.
White Rock Land LLP and Boorley Green LLP	Limited Liability Partnerships jointly owned by Aster Homes Limited and Galliford Try Homes Limited to develop properties.

STRATEGIC REPORT

Business Model
The group's activities are categorised into four areas: Provision of housing through its Registered Providers - Aster Communities and Synergy Housing Limited; care and support services through Aster Living; property management and maintenance through Aster Property Limited; and the development of housing for rent and sale through Aster Homes Limited, Zebra Property Solutions Limited and the joint ventures with Galliford Try Homes Limited (White Rock Land LLP and the newly formed Boorley Green LLP).

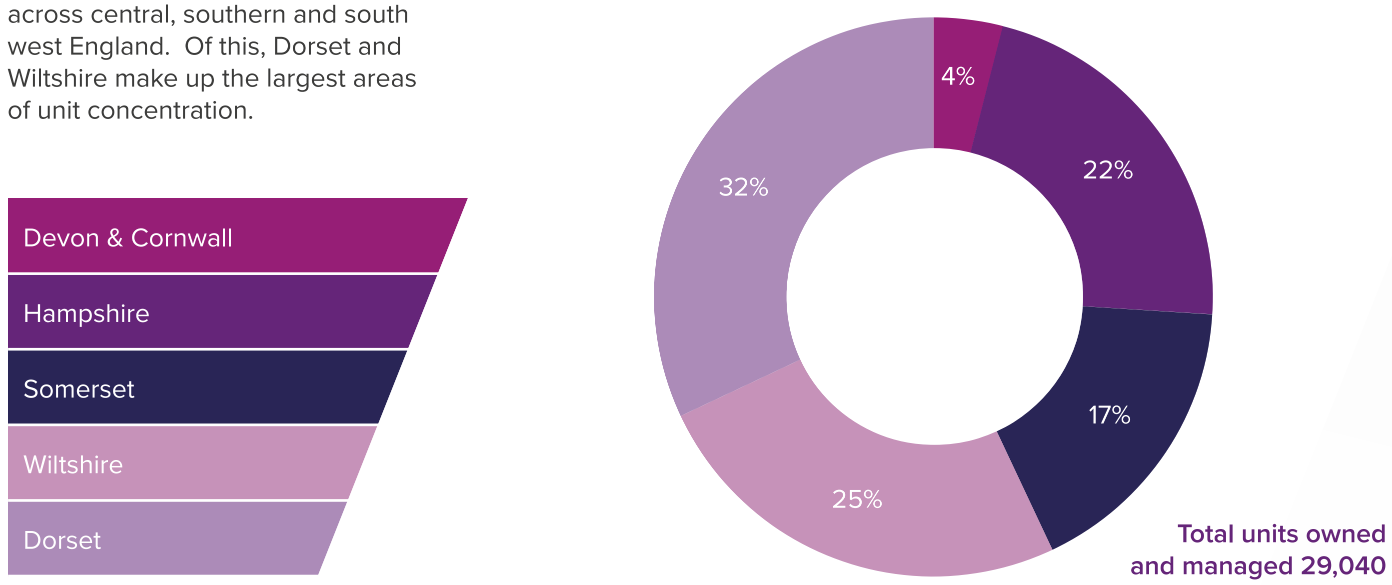
The group primarily generates revenues from rent and service charges associated with the provision of housing, and sales income from the sale of houses built for sale and for shared ownership. Profits after financing (servicing of debt) and tax are reinvested and used to build additional homes (usually through supporting additional borrowing capacity).

The group finances additional development through traditional bank funding, capital markets (bonds) and more recently the European Investment Bank (EIB) and Affordable Housing Finance (AHF) bond, part of the Affordable Homes Guarantee Program.



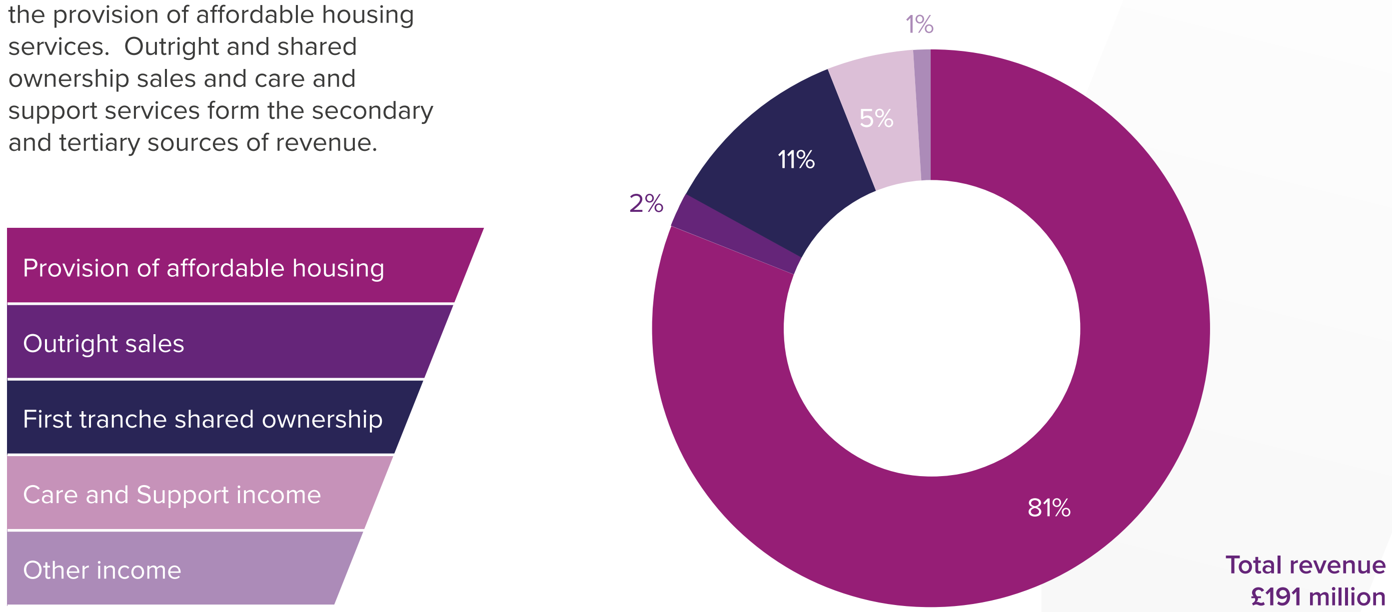
Marketplace
Aster Group owns and manages over 29,000 properties providing services to more than 75,000 customers across central, southern and south west England. Of this, Dorset and Wiltshire make up the largest areas of unit concentration.

Units owned and managed - 2017



The group was formed by six LSVTs (large scale voluntary transfers) and as a result the primary source of revenue for the group is through the provision of affordable housing services. Outright and shared ownership sales and care and support services form the secondary and tertiary sources of revenue.

Group revenue split - 2017



Marketplace (continued)
Following on from the Chancellor's 2015 Autumn Statement, 2016/17 marked the first year of the four year 1% annual rent reduction that will continue until the end of April 2020.

The group responded by setting a target to achieve efficiency savings of £4 million against the approved operational budget for the year - £1.6 million of savings in housing, care and support and £2.4 million in asset management and maintenance. Both of these targets were exceeded during the year which has come as a result of a review of the services offered and how they are delivered, process improvements and using new technology to its greatest advantage.

In recognition that over the combined four year rent reduction period housing associations will lose approximately 12% of their rental income, this equates to c£670 million of profit for the group when measured over a 30 year period, the focus on efficient ways of working continues at a pace.

At the beginning of 2017, the group launched a combined contact centre which will be a key driver for increasing the efficiency of our most frequent customer facing processes. This change supports the corporate plan objectives of transacting and communicating with customers and colleagues digitally, ensuring all areas of the business are as efficient as possible and at the same time driving forward a sustainable business model through better use of technology.

In recognition that recent government policy changes may result in fewer Section 106 opportunities, the development team will increase its land-led programme and generate subsidy from open market sale activity to support the affordable homes programme going forward. In addition, development will continue to seek larger opportunities (i.e. exceeding 20 homes) to capture economies of scale and drive efficiencies.

Coupled with this, the group will look to identify land for new development within its existing stock through a review of poorly performing assets, increasing stock density and replacing stock which is no longer fit for purpose.

The group will continue to invest in developing a programme of homes for open market sale with profits generated used to enable the delivery of affordable homes. This will continue to be delivered through joint venture companies. In 2017, the group entered into a new joint venture with Galliford Try Homes Limited, Boorley Green LLP, for the development of 295 homes in Southampton over the next seven years.

Principal risks and uncertainties
Managing the risks and opportunities are essential to Aster's long-term success and sustainability. The group endeavours to pursue opportunities which provide the right balance of risk and seeks to maintain exposure to these risks at an acceptable level in line with the risk appetite of the organisation.

The group's framework for opportunity and risk management supports Aster's approach to business and enhances the chances of delivering the strategy.

Risk identification and management
Aster's system for identifying and managing risks is embedded from throughout the organisation in its organisational structure, operations and management systems and accords with the risk management guidelines and principles set out in ISO 31000, the International Standard for Risk Management. The Board has overall responsibility for ensuring the group's opportunity and risk management and internal control frameworks are appropriate and applied across the organisation. Principal risks are reviewed at each Risk & Compliance Committee meeting and, quarterly by the Board.

The Risk and Compliance Committee, chaired by Sally Higham, is responsible for setting the strategic direction for risk management in the group and aims to facilitate continual improvement of the risk management system. It also considers the principal risks to the business.

The Audit Committee, which was chaired by Arthur Merchant (to August 2016) succeeded by Mike Biles, monitors and reviews the scope and effectiveness of the group's internal control policies and procedures for the identification, assessment and reporting of risks to the Board.

The risks associated with the delivery of the strategy and work programme and the associated mitigation measures and action plans are maintained in a series of risk registers at group, company and project level. Assessment of the potential risks plays a fundamental role in the evaluation of each new opportunity and the management of all projects. The risks and mitigating actions from all of these sources are consolidated into the group risk matrix.

Risk appetite
The Group Risk Appetite Statement ensures there is a common understanding between the Board and senior management as to the quantum and type of risk the organisation is willing to seek and tolerate in the pursuit of its strategy and value creation.

Risk appetite and risk tolerance levels are reviewed annually by the Board and these levels determine the principal parameters for the assessment of risks and opportunities.

The Board considered risk appetite across a number of areas, including strategic, financial, reputational, technical and operational to include health and safety and human resources. The board will continue to review key risks to ensure they remain within the boundaries defined by the Group Risk Appetite Statement.

Principal risks
During 2016/17, the board regularly reviewed the risks which they believed could adversely impact the business and also focussed on the opportunities that could be realised to deliver the strategy. The following list provides an overview of the principal strategic and financial risks to the group at the end of March 2017. The list is not exhaustive or set out in order of priority and is continually subject to change:

RISK	*Potential Impact*	*Mitigation*
Operating Environment - Government Policy Change As a registered provider of social housing, the group is exposed to the impact of changes in government policy.	Government policy, particularly around benefits paid to the group's customers, including housing benefit or the housing element of Universal Credit, can have a negative impact on the income streams of the group (e.g. welfare reform). Government policy also impacts the availability of development schemes through the developer contribution route (e.g. changes to S106, starter homes, shared ownership). These changes could affect the long-term viability of the group. Further change is introduced by the Housing & Planning Act.	The group maintains prudent financial assumptions to allow sufficient strength to weather changing policy. In addition, the group's financial plan undergoes scenario and stress testing using single and multiple variables to ensure that the business can cope with them. Once a change in policy is known, the potential impact on the business and financial plan is modelled to further understand the implications. The group seeks to recognise the opportunities presented by changing policy to counter any negative implications that may be felt.
Loan covenant breach The group has a significant level of borrowings which require the group (or individual entities) to meet certain financial and other covenants. Failure to remain compliant with loan covenants could result in a breach.	A breach in loan covenants could lead to impediment of management decisions by the lender, increased margins, prevent future draw-downs on facilities or the raising of new finance and hence limit available funding for the development of housing. Ultimately, the borrowers could call in their loans which could put the viability of the group at risk.	The group financial plan maintains sufficient headroom on all covenants. Covenants are regularly monitored and reported to the Executive and Group Board. Contingency plans are in place should the group come close to breaching any of its loan covenants.

Principal Risks (continued)

RISK	*Potential Impact*	*Mitigation*
Operating Environment – Global and Economic Global markets and global events all impact on the operating environment within the UK, which could in turn negatively impact on the group.	The impact would depend on the event, however a key consideration following any significant world event for instance is the impact it might have on the group's funders and key stakeholders directly, the labour market available to the group or the view of the sector by investors, stakeholders, employees and customers.	The financial plan undergoes scenario and stress testing using single and multiple variables to ensure that the business can cope with economic changes. Horizon scanning ensures that senior management, the Risk & Compliance Committee and the Group Board are able to consider global events and the potential implications.
Sales Risk The group undertakes a number of property sales activities to include market sales, new built shared ownership sales and stair-casing.	A delay (e.g. sales taking longer than planned) or reduction (e.g. a fall in sales price) to the projected cash flow may result in additional costs to fund the liquidity shortfall, may result in a covenant breach due to on-lending and could impact on the development capacity of the group. A fall in sales price would result in reduced income and therefore profit, impacting on the funding of further development.	Risk is managed at all stages with the sales team providing input from the point of scheme appraisal. Contingencies are built into each scheme including not reflecting any house price growth assumptions in the development appraisal and a prudent estimate of the likely sales price achieved. Transactional sales figures are monitored weekly.
Insufficient security The group uses the properties it builds, and subsequently rents, as security for new funding.	When first built, properties cost more to build than they are valued at for debt finances purposes. Over time these values increase. Were the group to suffer from a fall in the value of the properties it uses as security, for instance from a rent reduction, covenants could be put under strain or breached. Additionally, should security values not increase the group may not have sufficient surplus security to raise new finance which would hamper the group's development aspirations. If the group were unable to offer security, the cost of finance would be more expensive.	Security utilisation is monitored by senior management with quarterly reporting to the Treasury Committee. The group works with valuers to ensure the valuation assumptions maximise the security potential of all assets.

RISK	*Potential Impact*	*Mitigation*
Credit rating downgrade The group has a strong credit rating with Standard and Poor.	The risk of a downgrade in the group's credit rating could have a direct impact on the cost of borrowing and investor appetite for future bond placements. Should this occur future funding for the development of housing may become restricted.	The group's business plan presents a robust financial profile to maintain its credit rating. Senior management meet with the credit rating agency at least once a year to discuss the operations of the group. The group also undertakes research on credit rating methodology to understand the potential for a downgrade.
Security charging The group uses its housing assets as security to enable it to borrow new funds.	The group's inability to charge housing assets as security for current and future funding requirements restricts the level of future borrowing and could result in an increased cost of borrowing and hence could restrict the level of housing development. In the case of existing borrowing, a delay in security charging could result in a loan covenant breach.	The group maintains an up to date register of properties under charge and able to be charged. The group employs solicitors adept in charging large tranches of security who are tasked with ensuring properties are able to be charged appropriately before construction and complete the charging of properties when required.
Business continuity failure The group is a complex organisation which relies on several key functions to keep it operational.	Interruption to normal business operations could impact on one or more of these key functions. This could result in (the short-term) key frontline services not being delivered to customers, and (in the long-term) regulatory intervention and loss of housing stock.	Each business area across the group has in place, maintains and tests detailed service continuity plans to ensure they can continue to deliver key priorities in time of business disruption. The group has an overarching business continuity plan, incident response plan and IT disaster recovery plan. In addition, the group has insurance in place.

Principal Risks (continued)

RISK	*Potential Impact*	*Mitigation*
Reputational Risk The Aster brand is important to the group as it communicates who we are, what we do and how we work.	The group relies on its reputation to help secure new development opportunities, attract new customers, employees and partner organisations, trade with funders and suppliers and support its position with regulators. Damage to the group's reputation could have a detrimental impact on any or all of the above resulting in a negative impact on profits and the future provision of housing.	The operations of the group are monitored regularly by the Executive and Group Board and any potential reputational issues arising resolved as a priority.
Development programme delayed or frustrated The group's vision is that "everyone has a home" and in order to achieve this it must build more homes. In order to develop new homes the group requires either land to build on or developer contributions to help supply affordable housing.	The purchase of land is competitive and is subject to price, availability and location. Should management make errors of judgement in these areas development schemes may not be viable. The availability of sites under the developer contribution route is influenced by local and central government housing policy. A change in these policies could have a significant impact on the future development of housing. The group is exposed to sales risk, inflation risk (on construction costs) and planning risk on the sites it develops. Should these be inappropriately managed it could lead to reduced profit and/or curtailment of future development. The group requires sufficient available funding to be in place in order to purchase and pay for development sites. Should funding be constrained the securing of new developments would be adversely impacted.	The group's development programme and related risks are assessed and monitored prior to purchase of sites through to completion by appropriately skilled people. There is a clear route for approval of schemes up to Board level as appropriate. The development team work closely with finance to ensure funding is available where required.

RISK	*Potential Impact*	*Mitigation*
Regulatory action/intervention The group is regulated including by the Homes & Communities Agency (HCA) and the Care Quality Commission (CQC).	Should the group not adhere to the regulatory frameworks under which it is required to operate this could result in a regulatory breach and intervention by the regulator. This in turn could impede management decisions and ultimately reduce the provision of future new homes.	The group operates a regulatory compliance framework which embeds controls across the operations of the group that help support compliance with the relevant regulation. Regulation matters are regularly monitored and reviewed at a senior level across the group and at the Risk & Compliance Committee. Management remain vigilant over adherence to the Regulatory Framework including cyclical and reactive review and regular reporting to boards. The Group Chief Executive and senior management team maintain regular contact with the HCA and other regulators.

STRATEGIC REPORT

Operating Review

This fiscal year marks the first of four years of the 1% rent reduction and despite this revenue stream suffering the group has had a successful financial year. Turnover has grown to £190.6 million (2016: £179.0 million) – driven primarily by first tranche shared ownership sales which increased by £5.2 million to £20.8 million this year. Service charge income also increased by £1.9 million to £8.5 million (2016: £6.6 million) this year with an associated increase in service costs of £1.6 million to £9.0 million (2016: £7.4 million). Operating expenditure increased by £6.4 million to £126.2 million this year (2016: £119.8 million) primarily related to the increase in shared ownership cost of sales (£4.3 million), major improvements and repairs (£1.9 million) and depreciation of housing properties (£1.6 million). These increases were offset by reductions in management costs of £3.6 million and response and planned maintenance of £870,000 driven primarily through cost efficiencies achieved this year. Operating profit before interest and taxation has increased by £10.1 million to £69.3 million for the year (2016: £59.2 million).

Net interest and financing costs of £25.2 million (2016: £25.1 million) were in line with expectations for the year. Interest receivable increased by £299,000 with interest on short term deposits up from the previous year. Interest payable increased marginally by £373,000 in absolute terms, driven by a higher level of debt following new borrowings. However, the group's weighted average interest cost fell from 3.75% last year to 3.51% this year, with these new borrowings being at low rates of interest.

In June 2016, the group secured and drew down on £50 million of funding from Affordable Housing Finance (AHF) and in October 2016, secured and drew down a further £50 million from the European Investment Bank (EIB).

Aster Communities and Synergy Housing Limited continue to manage bad debt and customer arrears well and in line with KPI targets. Both companies are positioned well to deal with any downturn in results associated with the introduction of the Welfare Reform Act, which proposes the introduction of direct payment to tenants. Whilst bad debts have increased to £883,000 this year (2016: £777,000), the growth is in line with the growth of the business.

Efficiencies in response, planned and major improvements of £2.6 million (2016: £1.2 million) have been delivered in 2016/17, over £200,000 more than the initial target.

Zebra Property Solutions Limited completed the sale of the private market sale units at Radipole delivering income of £3.9 million for the year. The company generated profit before tax of £921,000 (2016: £183,000).

Aster Homes Limited, in addition to its open market sales units, delivered 723 affordable homes for affordable rent and sale, up from 633 in the previous financial year. Spend on development of these affordable units was £101 million compared to £84 million last year.

A key driver of the group will be to increase the proportion of homes delivered on land it owns or acquires which will give the group greater control over the quality and timing of delivery. Projects delivered in partnership with private developers via Section 106 of the Town and Country Planning Act, which is designed to make development possible where it otherwise would not be, will remain a crucial part of its future programme and Aster Group will seek to work more strategically with developer partners where it can balance its return on investment with good quality homes and deliverability.

Aster Homes Limited will continue to invest in joint ventures as its primary model for delivering open market sale. This model allows the group to access the supply chain and expertise of a developer partner ensuring it can maximise its profit. Aster Homes Limited will also deliver homes for open market sale on its own land when it can meet its agreed hurdle rates.

The group also delivered 91 units through the White Rock Land LLP joint venture with Galliford Try Homes Limited. Whilst this delivery is lower than expected, the remaining units will slip into next financial year. In addition the overall profit over the life of the scheme is projected to be ahead of that when the scheme was originally approved.

Aster Property Limited's programmed work was delivered for the year along with an element of additional works and all homes were Decent Homes standards compliant by 31 March 2017. Throughout 2016/17 £30.8 million was spent on making improvements to tenants' homes. More than 700 residents received new kitchens and over 500 received new bathrooms. Tenants' satisfaction is also a key measure used to monitor the company's planned and cyclical maintenance performance and this stood at 97%, against a target of 95%.

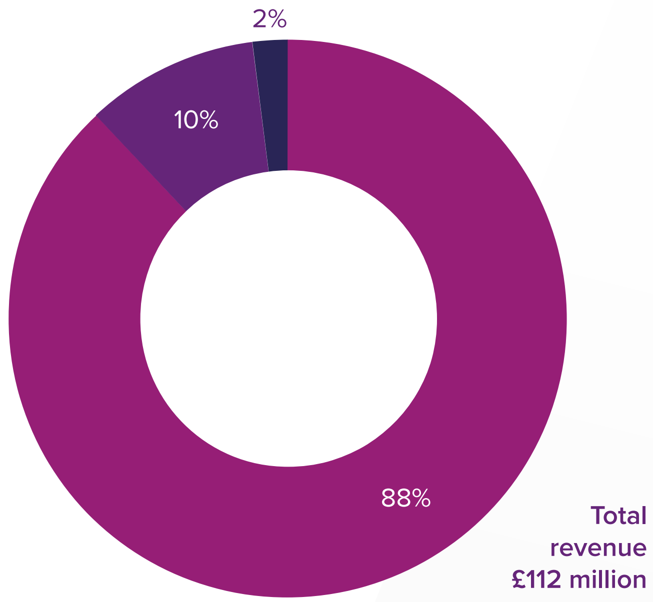
Aster Living generated profit before tax of £505,000 (2016: £345,000) with growth in extra care hours in Somerset resulting in additional income of £340,000. However, with the loss of the Somerset extra care contract from the end of March 2017, income is expected to reduce by £1 million next year along with the related costs. As result of the loss of this contract senior staffing has been restructured, this will deliver future annual savings of £156,000.

The performance of each of the group's main operating divisions is set out below:

Aster Communities

Income Streams:

- Provision of affordable housing
- First tranche shared ownership
- Other Income



The organisation has had a successful financial year. Operating profit increased by £2.8 million to £36.6 million (2016: £33.9 million).

Turnover increased by £2.8 million with general needs income increasing by £2.4 million to £81.7 million. Rental income from supported housing increased slightly by £356,000 to £10.7 million and shared ownership income increased by £399,000 to £3.7 million. This was partly offset by decrease in other income by £374,000.

STRATEGIC REPORT

Operating Review (continued)
First tranche shared ownership income increased by £334,000 to £10.8 million during the year.

Operating costs were higher by £1.5 million, due to £1.3 million increase in major repairs, £969,000 increase in service charge costs, £518,000 increase in housing depreciation and £526,000 increase in development not capitalised with an offsetting £1.9 million reduction in management costs.

The organisation made a charitable donation to Aster Group Limited of £5.5 million to further the charitable aims of the group.

Operational and financial performance in the business continues to improve and strengthen.

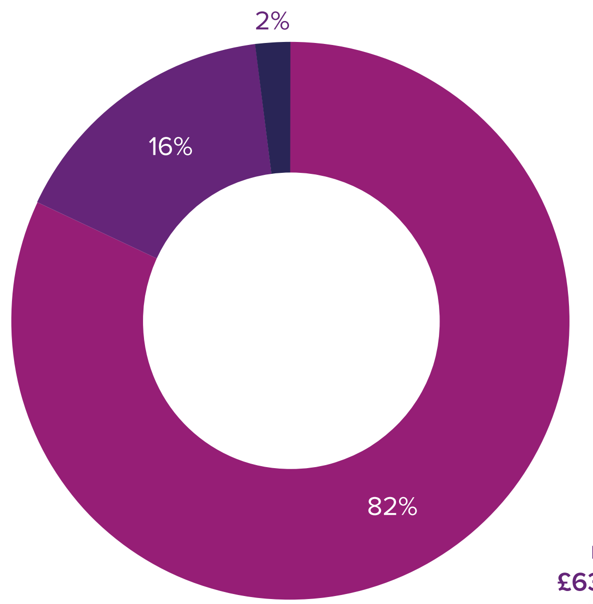
Aster Communities has key performance indicators. Targets are set at the beginning of each year as part of the business planning process, and regular reports are drawn from each of the key operating systems to monitor performance. Measures for Aster Communities are outlined in the table below.

- Improved performance in income collection despite a challenging environment evidenced by a reduction in arrears percentage to 1.7% against a target of 3% and prior year of 1.7%.
- Improved performance in reduction of rent lost through properties being empty with 0.7% of rent lost compared to a target of 0.8% and prior year of 0.5%.
- Improved performance in re-letting homes, with the average number of days to re-let 13 days for general needs and 25 days for housing for older people.
- Completed 422 new homes for rental or sale against a target of 428 and prior year of 390. During the year a grant of £380,000 was received from North Somerset Council to fund 18 shared ownership homes.
- A continued strong focus on managing the impacts of welfare reform and the roll out of universal credit, through the internal Strategy and Practitioners Group, ensuring that customers are supported at the same time as protecting income streams.
- Aster Communities continues to improve the group's approach to recovering service charges with tighter controls and more efficient systems for recording expenditure and charging customers.
- Operational savings of £2.8 million were achieved through a strong focus on efficiency, working smarter and using technology more effectively. For example the association have moved away from the reliance on traditional customer involvement and now emphasis is on optimising on-line consultations through the website, digital communications, email consultations, utilisation of quick polls and better use of social media.
- Work to transform customer contact started with the merging of our contact centres. Aster Group continues to change the way it works to reduce effort and make processes simpler and easier, providing services through a range of different channels, more efficiently.

	2016/17 Target	2016/17 Actual	2015/16 Actual
% rent lost through vacant properties	0.8%	0.7%	0.5%
Average number of days to re-let - General Needs	16	13	15
Average number of days to re-let - Housing for Older People (HOPS)	24	25	33
% arrears (General Needs & HOPS)	3.0%	1.7%	1.7%
% repairs completed on time	98%	98%	98.6%
% of tenants satisfied with repair work	80%	84.2%	75%
% of all appointments kept	90%	98%	91%
New homes completed	428	422	390

Synergy Housing Limited

Income Streams:



The organisation has had a successful financial year. Operating profit increased by £3.5 million to £22.4 million (2016: £18.8 million).

Turnover from lettings increased by £1.8 million with general needs income increasing by £893,000 to £38.9 million. Rental income from supported housing increased by £419,000 to £11.3 million and shared ownership income increased by £423,000 to £1.6 million. These increases relate to the increase in the number of available rental and shared ownership properties, due to completion of development schemes.

First tranche shared ownership income increased by £4.8 million to £10.0 million during the year.

Major repairs expenditure remained static at £4.2 million (net of component capitalisation).

Operational and financial performance in the business continues to be strong.

Synergy Housing Limited has key performance indicators. Targets are set at the beginning of each year as part of the business planning process and regular reports are drawn from each of the key operating systems to monitor performance. Measures for the association are highlighted in the table below.

Key highlights are as follows:

- Good performance in income collection despite a challenging environment evidenced by current tenant arrears of 2.34% against a target of 3.0% and prior year of 1.69%.
- Good performance in rent lost through properties being empty with only 0.32% of rent lost compared to a target of 0.70% and prior year of 0.27%.
- Improved performance in re-letting homes with average number of days to re-let five days better than target for general needs and eight days better than target for housing for older people (HOPS).
- Completed 301 new homes for rent or sale against a target of 292 and prior year of 236.
- A continued strong focus on managing the impacts of welfare reform and the roll out of universal credit, through the internal Strategy and Practitioners Group, ensuring that customers are supported at the same time as protecting income streams.
- Synergy Housing Limited continues to improve its approach to recovering service charges with tighter controls and more efficient systems for recording expenditure and charging customers.
- Operational savings of £500,000 were achieved through a strong focus on efficiency, working smarter and using technology more effectively. For example the association has moved away from the reliance on traditional customer involvement and now emphasis is on optimising on-line consultations through the website, digital communications, email consultations, utilisation of quick polls and better use of social media.
- Work to transform customer contact started with the merging of Synergy Housing Limited contact centres. The association continues to change the way it works to reduce effort and make processes simpler and easier, providing services through a range of different channels, more efficiently.

STRATEGIC REPORT

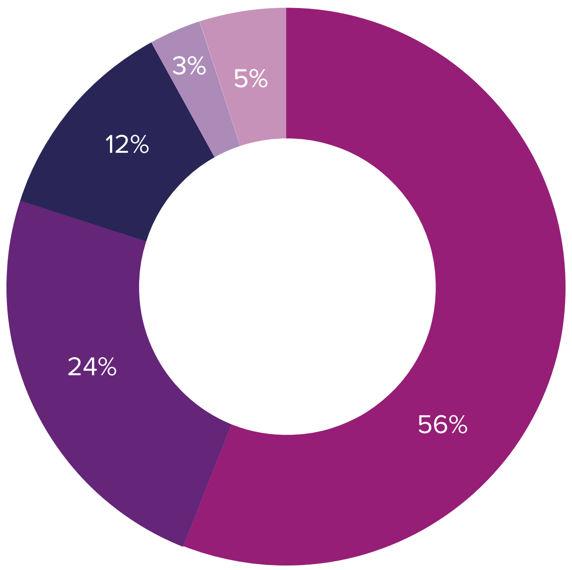
Operating Review (continued)

	2016/17 Target	2016/17 Actual	2015/16 Actual
% rent lost through vacant properties	0.7%	0.32%	0.27%
Average number of days to re-let - General Needs	16	11	16
Average number of days to re-let - Housing for Older People (HOPS)	24	16	17
% arrears (General Needs & HOPS)	3%	2.3%	1.7%
% repairs completed on time	98%	98%	99%
% of tenants satisfied with repair work	80%	85%	90%
% of all appointments kept	90%	99%	89%
New homes completed	292	301	236

Aster Property Limited

Income Streams:

- Planned & Cyclical
- Response & Voids
- Consulting & Group Services
- Estates
- Central Services & External



This year, Aster Property Limited has made an operating profit of £1.6 million (2016: £1.3 million) with an operating margin of 2.8% (2016: 2.4%). During the year the company generated a turnover of £55.1 million (2016: £55.2 million) and profit after taxation of £1.6 million (2016: £1.2 million).

Maintenance efficiencies of £1.0 million (2016: £1.2 million) have been delivered, over £350,000 more than the initial target. Aster Property Limited also delivered maintenance services within the agreed Aster Communities and Synergy Housing Limited budgets. External income generated for the full year was £277,000 (2016: £414,000), generating a net margin of 2% (2016: 3%).

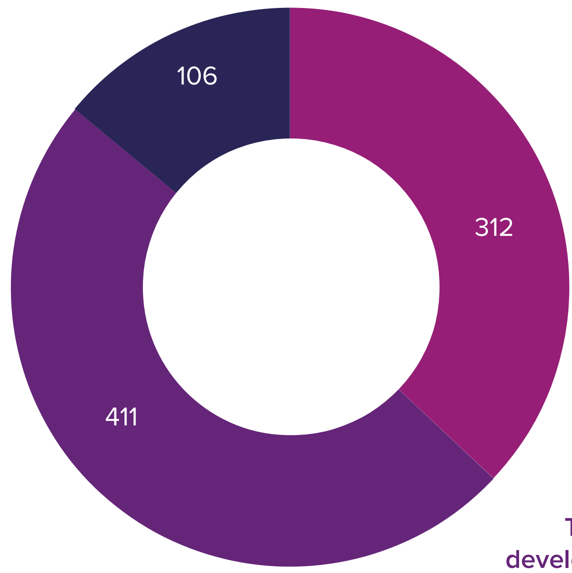
The performance of planned and cyclical maintenance remained strong throughout 2016/17; both within the in-house delivery team and the management of external contractors. All programmed work was delivered for the year along with an element of additional works and all homes were Decent Homes Standard's compliant by 31 March 2017. Throughout 2016/17 £30.8 million was spent on making improvements to tenants' homes. More than 700 residents received new kitchens and over 500 received new bathrooms. Tenants' satisfaction is also a key measure used to monitor the company's planned and cyclical maintenance performance and this stood at 97%, against a target of 95%.

Capital expenditure of £774,000 (2016: £591,000) was made as part of the capital replacement programme in place to maintain Aster Property Limited's fleet of vehicles.

Aster Homes Limited

Unit Development:

- Open Market Sales (Through JV)
- Shared ownership
- Affordable Rent



Aster Homes Limited has had a very successful year with net profit before tax of £2 million (2016: £452,000) which will be gift aided to Aster Group Limited.

Turnover generated by Aster Homes Limited in the year was £67.7 million (2016: £59.6 million). This included £66.9 million (2016: £55.8 million) of design and build fee income from services provided to Aster Communities and Synergy Housing Limited, which was ahead of budget. The increase in turnover reflects the increase in the volume of development activity which Aster Homes Limited now undertakes on behalf of the group. The number of homes completed is set out in the table below.

The final unit at Newton Abbot operational Joint Venture with Galliford Try Homes Limited, which slipped into this financial year from 2015/16, generated sales income of £120,000. Aster Homes' share of the final scheme costs at Newton Abbot was lower than anticipated with the final profit figure recognised at 8.2% across the scheme resulting in a £89,000 profit catch up on this scheme in 2016/17.

Other income of £662,000 (2016: £613,000) is mainly attributable to first tranche shared ownership sales fees charged to Aster Communities and Synergy Housing Limited. Also included in other income is £100,000 for the provision of development services to Teign Housing Limited and £11,000 for recovery of aborted scheme costs.

The sales team generated £20.7 million (2016: £15.6 million) of shared ownership sales income for Aster Communities and Synergy Housing Limited; and £3.9 million of private sale income for Zebra Property Solutions Limited.

The number of homes completed is set out in the table below:

HOMES COMPLETED	2016/17 Actual	2015/16 Actual
Homes completed for Aster Communities	422	363
Homes completed for Synergy Housing Limited	301	270
Total affordable homes built	723	633
Private sales completed*	106	91
Total	**829**	**724**

* Includes units completed through Joint Venture

STRATEGIC REPORT

Operating Review (continued)

Joint venture performance

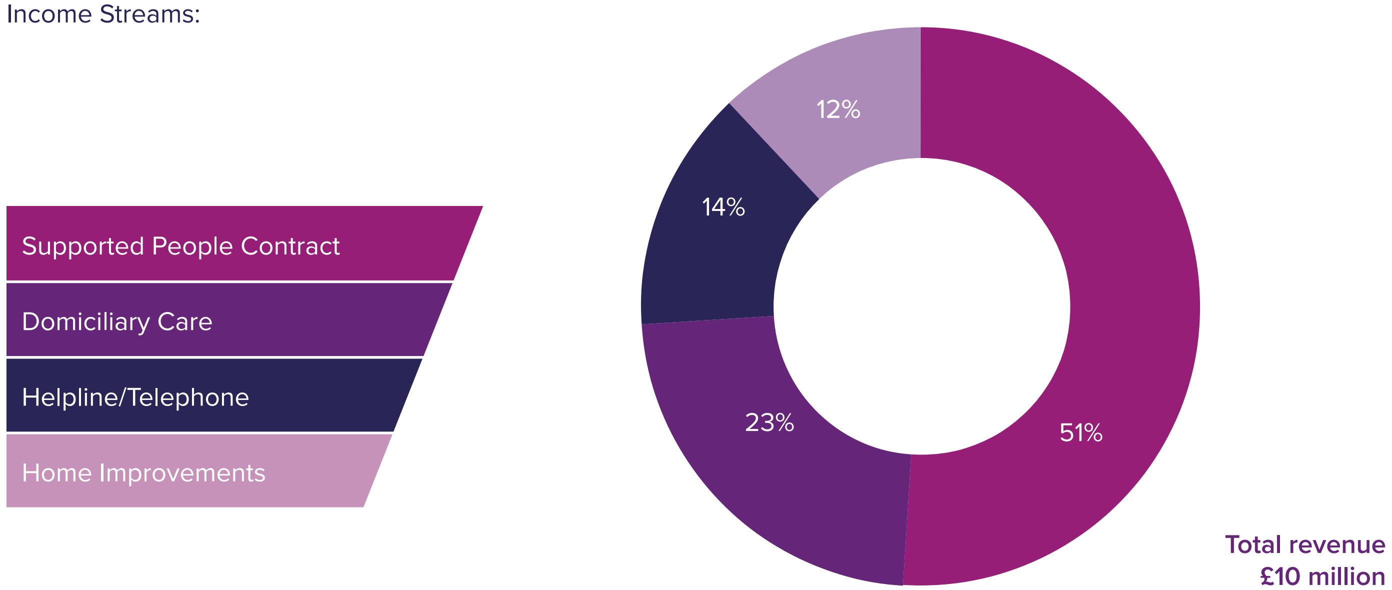
Private sale development projects were delivered through joint venture arrangements with Galliford Try Homes Limited. White Rock Land LLP, a joint venture entity with Galliford Try Homes Limited, achieved 91 private sale completions in 2016/17 and is forecast to build and sell a further 476 private homes and 89 social housing homes over the next 7 years. Boorley Green LLP, a joint venture, also with Galliford Try Homes Limited, was established in 2016/17 and will deliver 303 private homes and 140 affordable homes.

Aster Homes Limited's 50% share of the commercial trading activity through White Rock Land LLP and Boorley Green LLP is estimated to generate £145 million of sales income and £22 million of profit over the next eight years. This share is consolidated at group level. The year's sales income from White Rock Land LLP was £12.8 million (2016: £9.1 million) and profits were £1.3 million before distributions (2016: £635,000). Boorley Green LLP is in its first year of inception and made a loss of £597,000. The sum of these results, £734,000 (2016: £635,000) are disclosed in the Consolidated Statement of Comprehensive Income. Aster Homes Limited received dividend income of £410,000 from White Rock Land LLP for the Oakhampton scheme which has completed during the year with all units sold.

Aster's share of the profit generated in 2016/17 on the completion and sale of 91 units by White Rock Land LLP was £1.3 million. The unit development was lower than expected due to the build programme deliberately being slowed down to match sales appetite, coupled with planning delays associated with a district heating system. The overall scheme profit has not reduced but just been deferred into future years. The joint venture approach allows Aster to manage risk more effectively.

Aster Living

Income Streams:



Aster Living generated profit before tax of £505,000 (2016: £345,000) amid challenging trading conditions.

The key factors affecting the performance of the company during the course of this year were:

- Growth in extra care and learning difficulties care hours in Somerset, resulting in additional income of £489,000;
- Growth in income at Haydon Court in Devon of £163,000 and Riverview, an extra care scheme in Devon of £343,000 due to both schemes being only utilised for part of the year in 2015/16;
- Deliberate loss of the Somerset extra care contract from 27 March 2017. This has no impact on 2016/17 income but Aster Living will see income reduce by £1 million along with a reduction of the associated costs, in 2017/18. Staff working at the four schemes have transferred to the new provider and the care and support management team has been restructured resulting in redundancy costs of £24,000 but delivering future annual savings of £156,000;
- Assistive living chose not to renew the contract to deliver home improvement agency and handihelp services in Berkshire. The contract was handed back due to a £73,000 loss incurred in the previous financial year. This resulted in £89,000 of redundancy costs and a reduction in headcount of 13;
- The home improvement agency service in Torbay was restructured. Due to low demand for the service it is more cost effective for the company to sub-contract jobs rather than employ in-house operatives. This resulted in £12,000 of redundancy costs and a reduction in headcount of four. In addition, the team in Torbay have negotiated a break clause in the lease of the building, they used as a base, which meant that dilapidation costs of £22,000 were incurred. The team have relocated to the local authority premises to save on running costs of the building and also to work closely with partners at the council.

The company supports 11,000 customers (2016: 13,000) across West Berkshire, Hampshire, Wiltshire, Somerset, Dorset, Devon and Cornwall. The reduction in customer numbers was driven by several factors:

- Handihelp saw a reduction of 1,227 customers, primarily due to the loss of the Berkshire contract, offset by a slight increase in Wiltshire and Somerset;
- Home improvement agency saw a reduction of 98 customers, with a reduction in Berkshire of 173 offset by increases of 75 customers in Wiltshire, Somerset and Torbay;
- Telecare gained 1,317 of new customers, although this was not enough to offset customer churn resulting in a net reduction of 330 customers;
- There has been no change to care and support customer numbers. Although customers in Somerset have transferred over to a new care provider, care and support has retained the customers by providing a housing related support service. However, as outlined above, the deliberate loss of the extra care contract, despite customer numbers remaining static, will result in a significant loss of income of £1 million on an annualised basis.

STRATEGIC REPORT

Operating Review (continued)

Aster Solar Limited

Aster Solar Limited's principal activity is the provision of green electricity to the group's tenants from the installation of photovoltaic panels on existing properties. The company benefits from the resale of unused electricity generated through the government agreed feed-in tariff.

Aster Communities and Synergy Housing Limited have invested in this non-charitable company to further their charitable objectives by the alleviation of fuel poverty amongst their tenants and to achieve a return on their investment that can be re-invested in their charitable activities.

The company generated a profit before tax of £117,000 in 2016/17 (2015/16 13 month period loss: £27,000). Turnover increased to £316,000 (2015/16 13 month period £126,000).

This financial year represents the first full year of Feed in Tariff (FIT) generation for Aster Solar Limited with all 757 planned system installations now complete and operational. This provides the first opportunity to compare actual performance against the original commercial model.

The data from the systems' production confirms an out-performance against the original commercial model by 3%. The increase in system performance can be attributed to weather and continued operational maintenance of systems. Future years performance will continue to vary but it's reassuring that the first full year was 3% ahead of the original commercial model.

Aster Treasury Plc

The company's principal activity is to raise external debt to finance the growth and development activities of the group and its subsidiaries. For the year ended 31 March 2017 no additional debt was raised and the company's only activities were the payment of interest on its current debt and the receipt of interest on its on-lending to Aster Communities and Synergy Housing Limited.

Under the terms of the bond loan agreements Aster Communities and Synergy Housing Limited are required to reimburse the company for all expenditure incurred in respect of the bond.

For the year ended 31 March 2017 there was no profit or loss (2015/16 Profit: £4,000) with interest paid on the bond fully recovered from Aster Communities and Synergy Housing Limited.

Aster Options Plus Limited

Aster Options Plus Limited is a cost sharing vehicle set up to deliver shared services to Aster, its other members and other organisations. The vehicle aims to break even each year in terms of profit.

All companies receiving services are required, where possible, to become a member of Aster Options Plus Limited. Services provided to members during 2016/17 included internal audit and consultancy.

Total revenue was £254,000 (2016: £260,000), slightly behind last year with fewer internal audit days completed, however, Aster Options Plus Limited benefitted from a lower cost base and achieved its break even objective generating a profit for the year of £1,000.

During the year Aster Options Plus Limited welcomed East Borough Housing Trust as a member and entered into an agreement with them to undertake out of hours response repair work. This covers emergency property repairs for the Trust tenants and has generated income of £2,500. East Borough Housing Trust also paid a one off membership fee for £1,500.

During the year, the company carried out 41 internal audits billing 345 working days and producing income of £242,000.

The company also provided IT consultancy work to English Rural Housing Association for £9,000. The volume of work has increased this year, as the IT department have provided some support to English Rural for an IT tender exercise.

Financial review

The group had a record year and achieved a profit before tax for the year of £44 million (2016: £34 million). The main movements are set out below:

TURNOVER	2017 £m	2016 £m	Change £m
Social Housing	**165**	159	6
First tranche shared ownership	**21**	16	5
Other turnover	**6**	5	1
Profit on asset sales	**4**	2	2
	196	180	16
OPERATING COSTS			
Social Housing	**(105)**	(104)	(1)
First tranche shared ownership	**(19)**	(15)	(4)
Other	**(3)**	(2)	(1)
	(127)	(121)	(6)
Interest and similar income and charges	**(25)**	(25)	-
Surplus on ordinary activities before taxation	**44**	34	10

The increase in social housing income relates to an increase in houses available for rent and shared ownership sales from the prior year. In addition, service charge income increased by £1.9 million to £8.5 million (2016: £6.6) million.

Increases in first tranche shared ownership sales and associated increase in costs relate to the units completed and sold during the year.

Social housing costs reflect savings of £3.6 million in management costs and £900,000 of savings in response repairs and planned maintenance.

This is offset by increased service charge costs (£1.6 million), major repairs (net of component capitalisation) (£1.9 million) and housing depreciation (£1.6 million).

Cash inflows and outflows

The detailed cash flow for the group is set out on page 81. In summary the main cash flows for the group were:

	2017 £m	2016 £m
Net cash generated from operating activities	115	106
less net interest paid	(30)	(25)
	85	81
Investment in new properties	(120)	(108)
Social housing grant received	5	6
Proceeds from sale of housing	10	8
Purchase of other fixed assets	(2)	(6)
	(22)	(19)
Drawdown of loans	100	21
Loans to Joint Ventures	(11)	(3)
Repayment of borrowings	(40)	-
Increase/(decrease) in cash holdings	27	(1)

The group held £109 million (2016: £82 million) of cash and cash equivalents at year end and had £821 million (2016: £761 million) of bank loans and bonds.

Net cash flows from operating activities increased by £9 million due primarily to the increased profit for the year (£10 million), increase in current assets (£7 million) and decrease in debtors and inventory (£2 million).

Cash invested in new properties was £14 million more than 2016 at £120 million (2016: £108 million).

The increase in loan drawdowns to £100 million reflects the new £100 million EIB and AHF loans, borrowed at an all in rate of 1.4% and 2.9%.

Statement of Financial Position

Main movements were as follows:

FIXED ASSETS	2017 £m	2016 £m	Movement £m
Property, plant and equipment	1,395	1,328	67
Investment properties	15	16	(1)
	1,410	1,344	66
CURRENT ASSETS			
Inventory	1	1	-
Debtors	94	83	11
Shared ownership properties held for resale	18	11	7
Cash and cash equivalents	109	82	27
	222	177	45
Creditors amounts falling due within one year	(38)	(36)	(2)
	1,594	1,485	109
Creditors: amounts falling due after more than one year	(875)	(808)	(67)
Pension liability	(38)	(35)	(3)
Net Assets	681	642	39

These movements in the Statement of Financial Position are explained below:

- **Property, plant and equipment** - Increase in completed properties and component replacements offset by depreciation.
- **Debtors** - increase in loan to Joint Ventures (incl. Boorley Green)- £12 million, offset by a reduction in trade debtors - £1 million
- **Shared ownership properties held for resale** - increase in units under construction at the end of the year - £4 million and increase in unsold completed units at the end of the year £3 million
- **Cash** - Increased by £27 million as a result of net new borrowings offset by development spend
- **Creditors:** amounts falling due within one year - Increases in trade creditors £1 million and accruals and deferred income - £3 million. Offset by reductions in loans repayable (within 1 year) £1 million
- **Creditors:** amounts falling due after more than one year - Net increase in loans - £62 million, £100 million of new loans drawn down and 38 million of loans repaid, plus social housing grant - £5 million
- **Pension deficit** - Increase in pension deficit for Dorset and Somerset County Council pension schemes.

Financial instruments

Treasury policy
The group operates a centralised Treasury Management function, the primary purpose of which is to manage liquidity, funding, investment and the group's financial risk, including risk from volatility in interest rates and liquidity. The Group Treasury Committee reviews and recommends the Group Treasury Policy before it is approved by the Group Board.

Interest rate risk
The group's exposure to interest rate fluctuations on its borrowings is managed by using fixed rate loans and interest rate swaps. It is the group's policy to manage interest rate risk by having at least 50% of debt and no more than 90% of debt subject to fixed rates for the medium to long term. As at 31 March 2017, 88% of debt was fixed (2016: 77%). The group finances its operations by a mixture of retained surpluses, borrowing from the capital markets, government grants and bank loans.

Current liquidity
Liquidity risk is managed by ensuring the group can meet at least six months of committed spend from a combination of cash and loan facilities capable of immediate drawdown. In addition, loan facilities are required to be in place to finance all committed expenditure of the group. The group has sufficient undrawn existing facilities and cash available to fund the group, at its full committed and generic development programme level, until February 2019, further financing is not required for another 22 months. This is significantly above the HCA's requirement for funding which expects finance to be agreed and in place 12 months before it is required.

Cash held at 31 March 2017 was £108.9 million (2016: £81.7 million) which is considerably more than the six months committed capital expenditure required by the Treasury Management policy (£44 million). These funds will be used to fund the development programme over the next two years.

At 31 March 2017, undrawn loan and overdraft facilities amounted to £119.0 million (2016: £104.8 million), all of which is committed and available for immediate drawdown.

The drawdown of loan facilities is closely linked to investment in new homes. At the end of the year the group had not committed to any investment that would take it beyond the level of facilities available.

In order to maintain flexibility in the management of liquidity, the group's policy is to ensure that no more than 15% of debt matures in any 12 month period and no more than 35% over the next five years where no replacement finance has been arranged. Of the group debt, 9.1% (£74.6 million) is repayable within five years.

Credit risk
The group's policy is to minimise borrowings and surplus funds and investments are only made with highly rated counterparties on a Group Treasury Committee approved list with a maximum investment of £30 million per counterparty for non-lending entities and the group's principal clearing bank; or £10m for other existing lenders to the group.

Corporate and social responsibility

Disabled employees
Aster Group responds positively to employment applications from people with disabilities where they meet the essential requirements for a vacancy. Aster Group companies are accredited as 'Positive About Disabled People' employers. This means they will guarantee an interview for an applicant with a disability who has the necessary knowledge, skills and experience to undertake the job. Appointments will be made on merit. Full and equal opportunities are available to employees with disabilities for training, career development and promotion. If an existing employee acquires a disability, through accident or illness, the group will provide continuing employment wherever practicable in the same, or a suitable alternative position. The group will provide appropriate training and support to achieve this aim.

Employee involvement
Aster Group operates a framework for employee information and consultation which complies fully with the requirements of the Information and Consultation of Employees Regulations 2004. The group has an inclusive Employee Consultative Forum, led by a member of the Group Executive Board or Group Leadership Team. During the year, the practice of providing employees with information about each of the individual companies, the group, and our wider operating environment has continued through the intranet, corporate employee newsletters, company-specific newsletters and colleague briefings.

The group was assessed against the Investors in People Standard in November 2014 and was re-accredited as a result. The group underwent a further Investor in People assessment in April 2017 achieving accreditation at Silver level. The assessment involved initial context analysis and the administration of the online assessment survey. 438 people responded to the survey. In addition feedback discussions took place with 65 people from across the organisation.

One key conclusion was 'Aster is placing a real focus on continuous improvement. Improvement is being driven in several ways. People referred to the corporate objective of efficiency which is leading to review of practice and the introduction of new approaches through corporate projects and Innovation (lean) reviews. There is also the drive to create a sustainable business through the use of digital technology by default and the enablement of flexible working'.

Comments included:

> *"The company is going from strength to strength. I feel proud to work here."*

> *"The company has come on leaps and bounds and is changing with the times. It's great."*

This will be followed by annual 'health-checks' in 2018 and 2019 to improve the frequency of results.

Employees are encouraged to present their work-specific suggestions through a forum called 'Advise Aster' and are consulted regularly about strategies and policies. There are regular company briefings and team meetings held between local management and employees to allow a free flow of information and ideas. The group also has various notice boards and an online Human Resources (HR) system which keeps employees informed of job opportunities and secondments.

The group has established the Culture Working Group; it includes leaders from every part of our business and they are working to support cultural change across Aster.

They're supported by the Transformation Network – our 90-strong group of colleagues – who will help keep colleagues informed about the group's vision and strategy and seek feedback, which can help create positive change

Corporate and social responsibility (continued)

Employee involvement (continued)

The group carried out the first internally run colleague satisfaction survey in autumn 2016, employee satisfaction data shows an improvement against the previous Best Companies score, however it should be noted that changes to questions and methodology mean that these are not direct comparisons. The overall score for the group was 5.2 out of a maximum score of 7. This is considered to be an excellent result. Areas the group scored well in included:

- I know what is expected of me at work
- I know how my role contributes to the vision that everyone has a home
- I feel part of a team
- I enjoy my job
- I know whether I am performing well, and
- My manager is there if I need help

In total, 60% of the people working for Aster Group completed the survey; this is the highest response rate we have achieved and means that we can be confident the findings are a good representation of our employee experience.

Employee comments included:

“The Group looks after its staff with good pay and benefits.”

“Aster enables people to start out and develop within the company and supports them in developing their careers.”

“Good with flexible working resulting in good home/life balance.”

“Aster always has an eye on the future for the benefit of customers, staff and stakeholders.”

“A great atmosphere has been created which makes Aster a great place to work.”

“Aster’s approach to training is the best I’ve ever experienced.”

“We are very clear on our vision and everybody understands this vision.”

“We receive regular and helpful communications about the business.”

“Technology to encourage remote working is great and easy to use.”

“We build good homes for the communities.”

“I am passionate about working for an ethical landlord / house builder.”

2016 also saw the introduction of the Aster Foundation which is committed to, in part, creating a culture where wellbeing is a priority through

- Flexible working
- Access to health screening
- Ability to buy annual leave

These are just examples of the many initiatives being introduced.

Progress made this year includes:

A scheme that offers up to £200 match funding for each colleague fundraising for charity. Aster Foundation’s pledge is to make £20,000 available and so far £6,600 has been match funded.

A recently launched volunteering scheme enables employees to take a paid day’s leave to volunteer for an organisation of their choice. Aster Foundation’s pledge is 150 days and so far 15 days have been used.

Aster Foundation is committed to providing work placements and volunteering opportunities for people in local communities. The pledge is 40 placements and so far eight placements have been completed.

Under the Foundation, the group has pledged to reduce company business mileage to less than 500,000 miles each quarter. This has been achieved in the last three quarters of this financial year, with the last quarter seeing a reduction in mileage to just 337,000 miles.

Aster Foundation pledged to generate 12 apprenticeship and trainees opportunities within Aster Group. All twelve have now been filled.

Aster Foundation committed to providing colleagues with the correct IT equipment to support flexible working with this year’s target set at providing the correct IT equipment to 85% of colleagues. At the end of March 70% of colleagues have equipment that enable them to work effectively from home.

Equality and diversity

The group is committed to promoting equality and diversity internally and in the wider community. It tries to ensure, together with suppliers, contractors, consultants and customers, that it will be fair in all dealings with people, communities and organisations. Services are therefore designed wherever possible to ensure people have equal access to them. There is a formal Equality and Diversity review and action process. This is delivered through a group-wide Equality and Diversity Champions Group, sponsored by a Group Leadership Team member and has representatives from every company across the group. One of the group-wide ‘Competencies’, on which selection and appraisal is based, is ’Equality and Diversity’.

Environmental impacts and mitigation

During 2015 the group approved a target to ensure that all properties should have an energy performance certificate (EPC) rating of band C by 2025, five years ahead of the national 2030 Fuel Poverty Regulation deadline.

The Fuel Poverty Regulations set out an interim 2020 target whereby properties should be improved to meet at least an EPC D rating where reasonably practicable. During 2016/17 the group has reduced the number of EPC E rated properties from 44 down to two and continues to have no properties with an EPC F-G rating. This means the group is well on target to achieve the interim 2020 Fuel Poverty target and almost three years ahead of schedule.

This proactive approach continues by identifying those properties that need additional investment and carrying out this work as necessary, or alternatively where that investment will cost too much or where it’s uneconomical to bring a property to a C energy performance rating individual properties are considered for potential disposal. The bulk of this activity will continue to be funded from a business as usual approach, by reviewing heating policies, ensuring customers manage their energy effectively, working increasingly in partnership, and only focussing on activities that are good for the business and that will benefit customers.

The group continues to help our customers run their homes efficiently. During the year energy efficiency training has been provided to 42 front line colleagues that has resulted in 60 customers assisted with energy switching advice, and a further 732 customers receiving advice or works to reduce condensation and mould in their home.

The group has maintained its certification to the ISO 14001 environmental management system (EMS) standard, receiving just a single non-conformity during the two most recent surveillance audits. During the coming year, the organisation is looking to upgrade its certification to the latest (2015) version of the standard, with greater focus being placed on broader, life-cycle issues such as procurement of goods and services, management of contractors and reducing customers’ environmental impacts.

A new action plan has been developed for the corporate social responsibility strategy, which includes a ‘planet’ section. The main areas of focus for the planet theme will be: continuing to improve business efficiency; reducing fuel poverty amongst customers; and keeping assets, operations and services resilient in the face of a changing climate. To better inform our plans, research will be commissioned in some of the key areas where knowledge gaps exist, including energy storage, smart grids and modular homes.

The group is also looking at how management of its waste can be improved, with the dual aims of reducing costs and minimising environmental impact. Work is underway on a group-wide procurement exercise, which it is anticipated will yield significant efficiency savings.

By order of the board

John Brace
Group Resources Director

8 August 2017

5.0 VALUE FOR MONEY REPORT

During 2016/17 we continued to work towards our vision of ensuring everyone has a home.

Through focused management of our Corporate Plan, which has been developed using a balanced scorecard methodology and underpins Aster's Corporate Strategy, we continued to demonstrate strong financial performance in both absolute and comparative terms.

The balanced scorecard approach means every area of the business has aligned objectives to the same five key areas:

- Our customers - internal and external
- Our financial strength
- Our internal business processes
- Our ability to learn and grow, and to make the most of our staff
- Our regulatory requirements

We have continued to improve our position relative to our peers across a range of financial metrics and show on-going improvement in our performance over time.

We monitor this using, information from the HCA, comparing peer group prior year statutory accounts and the information from our benchmarking group.

In 2016/17 we reported record revenues of £190.6 million (2015/16: 179.0 million), with pre-tax profits of £44.1 million (2015/16 £34.0 million), a year-on-year increase of 30 per cent.

We have increased our operating margin on social housing lettings from 39% to 40%.

"829 number of new homes built"

£1,200,000
Our social return on investment equating to £28 for every pound we invested

£4,300,000
Operational efficiencies realised by our operational teams

£1,065,000,000
Generated in economic value across our operating regions over the last 10 years

57%
Reduction in our business miles as a result of investment in new technologies and flexible working

88%
Of our tenants are satisfied that their rent provides value for money

£432,000
Savings achieved through our smarter approach to procurement

10.1%
Return on assets, a 0.5% increase*

£2,690,000
Capital receipts generated through our stock rationalisation project

* The return on assets calculation measures the operating surplus of Aster (adjusted for the annualised impact of the rent discount for social tenants) against the deemed cost of Aster's housing assets.

We are committed to giving something back to the communities we impact. Through the Aster Foundation we bring our corporate social responsibility activities together to draw a distinction between our core business as a developer and landlord, and the discretionary work we choose to do.

Going forward our ambitious development programme will see us develop 9,500 new homes over the next seven years. The majority of these will provide a range of home ownership options from open market sale to shared ownership, and the profits generated will be reinvested to support the development of new homes for rent.

Our 2017/18 Financial Plan demonstrates the strength of the Group will continue to generate stable operating and financial performance.

The full version of Aster Group's Value for Money self-assessment 2016/17 which expands on the information provided in this executive summary, will be published and made available on our website at www.aster.co.uk.

6.0 REPORT OF THE BOARD

The board presents its report and the audited consolidated financial statements for the year ended 31 March 2017.

The board's report comprises pages 42 to 43 of this report. Some of the matters required by legislation have been included in the Strategic Report (pages 15 to 39) as the board considers them to be of strategic importance. In particular these are:

- future business developments;
- principal risks; and
- corporate and social responsibility (including diversity).

Principal activities
The Group's principal activities are to provide affordable homes and associated services through its Registered Providers and other member companies. It also provides care and support services to the elderly and vulnerable, maintains its properties and develops new homes for rent and sale.

Group results for the year
The group's consolidated profit for the year was £44.1 million (2016: £34.1 million). Profit before tax was £44.1 million (2016: £34.1 million).

The Board
The members of the board are listed in the legal and administrative details at the beginning of this report. On 30 September 2016 Arthur Merchant retired from the board. On 1 October 2016 Andrew Kluth was appointed to the board.

Share Capital
During the year, 1 share was issued and 1 was cancelled leaving a balance in the share capital of the association of £7 (2016: £7).

Capital structure
The group contains entities in different forms (Charitable Community Benefit Societies with charitable rules, companies limited by shares and a public limited company). The group finances its operations by a combination of government grants, loans from commercial banks, publicly listed bond finance and retained surpluses.

Directors' indemnities
The group has made qualifying third party indemnity provisions for the benefits of its directors and officers (which extend to the performance of any duties as a director or officer of an associated company or subsidiary). The provisions have been in place throughout the year and remain in force at the date of this report.

Going concern
Having assessed the principal risks and the other matters discussed in connection with the viability statement, on page 57, the directors consider it appropriate to adopt the going concern basis of accounting in preparing this Annual Report.

Responsibilities of the Board
The board is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014, registered social housing legislation and the Companies Act 2006 require the board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the surplus or deficit for that period. In preparing these financial statements, the board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The board is responsible for keeping proper accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and Regulations thereunder the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2015. It is also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The board is responsible for the maintenance and integrity of the society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Having taken advice from the audit committee the directors consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group and Parent Association's performance, business model and strategy.

Disclosure of information to auditors
Each of the persons who is a director at the date of approval of this report confirms that:

- So far as each director is aware, there is no relevant audit information of which the group's auditors are not aware; and
- Each director has taken all the steps that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

By order of the board

Douglas Smith
Company secretary

8 August 2017

7.0 CORPORATE GOVERNANCE REPORT

Introduction

This section of the annual report describes the group's corporate governance structures and processes and how they have been applied throughout the year. The board of directors of Aster Group Limited (the "Group Board") is responsible for ensuring the sound running of the group. This can only be achieved if supported by appropriate and well managed governance processes. The key elements which are believed to be essential for this are described below and, discussed in more detail throughout this section of the report. From 1 September 2014 the group has operated an Overlap Board structure, meaning that with the exception of Aster Communities, the same people sit on the boards of Aster Group Limited, Aster Homes Limited, Aster Living, Aster Property Limited and Synergy Housing Limited. In addition to the Overlap Board members, Aster Communities' board includes two local council nominees. The meetings of the Overlap Board clearly indicate the company for which decisions are being considered to enable directors to fulfil their duties to act in the best interest of the individual companies. The group's other operating subsidiaries have their own boards that are appointed by the Group Board.

The UK Corporate Governance Code

The UK Corporate Governance Code (the Code) was published by the Financial Reporting Council (FRC) in May 2010 and revised in September 2012, together with a revised version of its Guidance on Audit Committees. The Code was again revised in September 2014, the revision focused on the provision by companies of information about the risks which affect longer term viability. The latest revision of the Code in September 2016 implements the European Union's Audit Regulations and will apply to the group from 1 April 2017. Also in April 2016 the FRC issued a revised Guidance on Audit Committees.

The Code contains broad principles and specific provisions which set out standards of good practice in relation to leadership and effectiveness, remuneration, accountability and relations with shareholders. This Corporate Governance Report is structured so as to report against each of these key areas. Together with the Remunerations and Nomination Committee Report and the Audit Committee Report, it describes how the group has complied with the provisions of the Code and applied its main principles during the year.

Governance arrangements

The group's governance structures comprise:

Aster Group Board	Responsible for the overall direction of the group, formulating strategies and plans and monitoring the work of the committees.
Subsidiary Boards	Contribute to the overall direction and strategy and formulate the strategy and plans for the subsidiaries in line with the overall group.
Customer and Community Network	Oversees service delivery to all of Aster's customers and the work it does in communities. Its focus is Aster's social purpose and social impact while being mindful of the economic and regulatory environment that Aster operates in.
Group Remuneration & Nominations Committee	Considers matters relating to the recruitment and development of board members.
Group Audit Committee	Oversees the appointment of internal and external auditors and the scope of their work. It also reports to the board on the operation of internal control arrangements.
Group Treasury Committee	Oversees all of the group's treasury management activities and makes recommendations to the Group Board on those activities.
Group Risk & Compliance Committee	Oversees the management of risk including the development of an effective risk management framework and oversees compliance with statutory regulatory requirements.
Group Executive Board	Responsible for implementing the group's strategy ensuring that financial and other resources are in place to deliver the Corporate Plan.

CORPORATE GOVERNANCE REPORT

Compliance with the Code of Governance

Except as referred to below, Aster Group Limited and its subsidiaries (the group) have complied with all relevant provisions of the Code throughout the year. The Board of Aster Group Limited (Group Board) sets the standard of governance across the group and ensures compliance with the Code.

The Group Remuneration and Nominations Committee instigated an external evaluation of the group's governance arrangements by Altair, the group's governance consultants, and this was reported to Group Board in Spring 2016. The review included Altair's attendance at a meeting of the Overlap Board. Their report was positive and its recommendations were implemented by the Group Board during 2016/17.

For 2016/17 the board chose to conduct an internal evaluation of the boards covered by the Overlap Board and that of their committees and the appraisal of individual Overlap Board directors was carried out during November 2016. Evaluation of all entity boards and committees commenced in March 2017. The internal review was led by the Company Secretary.

The board believes that the approach taken to evaluation is consistent with the relevant main principle of the Code (B.6) which requires the board to undertake a formal and rigorous annual evaluation. The board's intention remains to undertake an externally facilitated evaluation process at least every three years and that in the intervening years the review will be led by the Chairman, Senior Independent Director and the Company Secretary.

The group operates a business model that allows maximum flexibility within the spirit of the code and this model allows the specialist subsidiaries in the group the flexibility to maximise value to the group as a whole and to digress marginally from the Code.

The subsidiaries below digress marginally from the Code in respect of having an appropriate combination of executive and non-executive directors. The board believes the operational nature of the subsidiaries is best served by wholly executive boards:

- The board of Aster Treasury Plc. (AT) is composed of four executives and reflects the specialist nature of this vehicle. The group board is confident that the operation of AT is under the close scrutiny of the Group Treasury Committee that consists of non-executive and independent members only;
- Aster Options Plus Limited is a cost sharing vehicle to deliver shared services to Aster and other organisations. The Group Board decided that the mainly executive board (three of the five board directors) is best placed to manage the operational nature of this company. The executive Chair ensures the company receives close scrutiny from the group's committees;
- Silbury Housing Limited and Silbury Housing Holdings Limited delivered and now monitor the PFI contract for 242 properties in Wiltshire. The group board feels that the executive directors have the appropriate skills and experience to manage this complex project and close scrutiny is provided by the group's leadership team, executive board and the group's committees;
- Zebra Property Solutions Limited delivers the development of properties for resale and rental on the open market. The group board is confident that the three executive board directors have the right balance of skills and experience and all projects receive appropriate scrutiny from the group's investment panel, executive board or Aster Homes Limited board subject to their delegated authority;
- Aster Solar Limited is a joint venture between Aster Communities and Synergy Housing Limited to deliver solar panels to Aster properties. The four executive board members of Aster Solar Limited give this operationally focused company the scrutiny required by the group board;
- White Rock Land LLP and Boorley Green LLP are joint ventures between Aster Homes Limited and Galliford Try Homes Limited to deliver properties for sale on the open market to help Aster deliver more affordable housing. There are six partner representatives consisting of executives from the partner organisations. The Aster Homes Limited board, with the support of the executive board, closely monitors the projects and is confident that the joint ventures are prudently managed;
- The group board is confident that the evaluation of the individual directors sitting on these specialist boards through day to day monitoring of performance by the Overlap Boards, executive board and the group leadership team ensures they are fit for purpose. An evaluation of these boards commenced during March 2017.

The group remain compliant with the Code's provisions in relation to appointments. During the year the Group Remuneration & Nominations Committee supported the group board to re-appoint the Chair and a replacement non-executive director. The group board were comfortable that the non-executive director appointment should be made from the strong internal talent pool. The re-appointment of the Chair was led by the Senior Independent Director. The committee continuously monitors its succession plan and during the year supported the board with the recruitment of independent members for the Group Audit Committee and the Customer and Community Network. The Group Audit Committee appointment was conducted using external agencies, while the appointments to the Customer and Community Network were made, following interviews, from people known to the group, to reflect the nature of that committee.

Leadership

The Role of the Board

The board's role is to provide leadership of the group and direction for management. It is collectively responsible for the long term success of the group and for ensuring the group is appropriately managed and operates responsibly as it pursues its objectives. The board reviews the performance of management and the operating and financial performance of the group as a whole. It is responsible for ensuring that the necessary resources are provided for Aster to meet its objectives. In particular, the board is responsible for the key areas of setting strategy and determining risk appetite, ensuring good governance, decision making, promoting good behaviour and succession.

Operation of the Board

In order to carry out its work, the board has a planned programme of agendas to ensure all necessary matters are covered and to allow sufficient time for debate and challenge, particularly on areas such as strategy and risk, including risk appetite.

The board also takes time to review past decisions where necessary. At board meetings the board receives and considers papers and presentations from management on relevant topics. Effective review and decision making is supported by providing the board with high quality, accurate, clear and timely information including input from experts and independent advisers where necessary. The board seeks to work in the best interest of Aster and its stakeholders.

The Division of Responsibilities between the Chairman and the Chief Executive

There is a clear division of responsibilities between the running of the board and the executive responsibility for the running of the business and no single individual has unfettered powers of decision. The Chairman's and Chief Executive's roles are separate and the division of responsibilities between these roles is clearly established in the standing orders.

The Role of the Chairman

Andrew Jackson, the Group Chairman, leads the board. He is responsible for ensuring an effective board and effective contributions from individual directors, particularly non-executive directors, based on a culture of mutual respect, openness, debate and constructive challenge. To achieve this he seeks to facilitate and encourage open communication and constructive working relations between the executive and non-executive directors. He also seeks to ensure that the executive directors are responsive to constructive challenge on their proposals by the non-executive directors.

As Chairman, Andrew sets the board's agenda and ensures that there is adequate time to discuss all agenda items. Each year the board agrees an annual agenda plan designed to ensure that it has the right amount of time throughout the year to discuss all necessary matters. In particular, the board has sought to ensure there is sufficient time to discuss strategy so that the non-executive directors have a good opportunity to challenge and help develop strategy proposals. In addition, the Chairman monitors, with assistance from the Company Secretary, the information distributed to the board to ensure it is of high quality, accurate, clear and timely.

CORPORATE GOVERNANCE REPORT

The Role of the Chief Executive
The Chief Executive, Bjorn Howard, has day to day management responsibility for running the group's operations, for applying group policies agreed by the board and for implementing the group's strategy. He has broad authority from the board to run the group and he is accountable for, and reports to the board on, how it is performing. Bjorn also has a key role in the process for the setting and review of strategy. More broadly, he promotes the company's culture and standards throughout Aster, including those on governance.

The Role of the Executive Directors
The executive directors have specific responsibilities relating to the areas of the business they oversee. However, as directors, their duties extend beyond their own businesses to include the whole of the group's operations and activities.

The Role of the Non-Executive Directors
The role of the non-executive directors is to scrutinise management's performance in meeting agreed goals and objectives and to monitor how that performance is reported. They must also be satisfied with the integrity of the group's financial information and with the robustness and defensibility of financial and non-financial controls and risk management systems.

As members of the board, the non-executive directors have a key role in constructively challenging in all areas. This is vital to the independence and objectivity of the board's deliberations and decision making and is particularly important in helping develop proposals on strategy.

The Chief Executive and the other executive directors welcome and are responsive to, constructive challenge by the non-executive directors on their proposals. The non-executive directors' role is then to support the decisions that have been taken and to support the executive team in their delivery. Non-executive directors also play an important part in supporting the Chairman and the executive directors in embracing and representing the company's culture, values and standards within the board and throughout Aster.

The non-executive directors are responsible for determining appropriate levels of remuneration for the executive directors and have a prime role in appointing and where necessary removing executive directors, and in succession planning.

The Role of the Senior Independent Director
Phillip Owens has been the Senior Independent Director since September 2014. As Senior Independent Director, Phillip's role is to provide a sounding board for Andrew Jackson, to act, when necessary, as a focal point and intermediary for the concerns of the other non-executive directors and to ensure that any key issues that are not being addressed by the Chairman or the executive management are taken up. Andrew has a regular dialogue with Phillip regarding current issues. While no such issues have arisen in the year, should any significant issues arise which threaten the stability of Aster or its board, it is recognised that the Senior Independent Director may be required to work with the Chairman or others or to intervene to resolve them.

The Senior Independent Director is available to shareholders should they have concerns which have not been resolved from contact through the normal channels of Chairman, Chief Executive or other executive directors or if the normal channels may be inappropriate. The Senior Independent Director is responsible for leading the annual appraisal of the Chairman's performance. The Senior Independent Director plays an important role by ensuring there is an orderly succession process for succession to the chairmanship of Aster.

The Role of the Company Secretary
Douglas Smith is the Company Secretary. He was appointed in September 2014 and is secretary to the board and its committees. Douglas reports to the group Chairman on board governance matters and, together with him, he keeps the efficacy of the company's and the board's governance processes under review and considers improvements. He is also responsible to the board for compliance with board procedures. He is responsible, through the group chairman, for advising and keeping the board up to date on all legislative, regulatory and governance matters and developments. Douglas's responsibilities include ensuring good information flows within the board and its committees and between senior management and non-executive directors. He also facilitates induction and assists with professional development as required. The Company Secretary's advice, services and support are available to each director.

Board Meetings
The board meets regularly throughout the year in order to effectively discharge its duties. During 2016/17 it has met eleven times and there is frequent contact between meetings.

Board Committees
The board ensures that its committees are provided with sufficient resources to undertake their duties, including access to the services of the Company Secretary as required. Each committee has the authority to seek any information that it requires from any officer or employee of the company or its subsidiaries. Each committee is also authorised by the board to take independent advice (including legal or other professional advice), at the company's expense, as it considers necessary. Specific independent consultancy is available to the Remuneration & Nominations Committee and the Treasury Committee and the details are contained in the respective committee reports.

Group Treasury Committee
The Group Treasury Committee is chaired by Andrew Kluth (non-executive) and consists of two other members, Andrew Jackson (non-executive Chairman) and Clive Barnett (independent member). The Committee met four times during the year. The Committee provides strong technical and strategic scrutiny of the group's treasury functions. The committee ensures affordable capital is available to support the ambitious development programme while ensuring the group operates within the financial covenants agreed with lenders. The Committee regularly reviews the treasury risks included on the group's strategic risk map. As well as receiving regular and comprehensive key performance reports during the year the Group Treasury Committee:

- Agreed and monitored the Group Treasury Plan;
- Considered the treasury implications of FRS102 including the relevant disclosures;
- Scrutinised the securing of competitively priced finance from the European Investment Bank;
- Considered and recommended on-lending requirements;
- Recommended a revised cash management strategy to the group board;
- Routinely reviewed the cash-flow and funding requirements;
- Considered the sensitivities and contingency plans around the Net Worth Covenant;
- Reviewed the group's capacity for funding the development programme;
- Considers a revised property charging strategy.

Remuneration and Nominations Committee
The Remuneration and Nominations Committee is chaired by Steve Trusler (non-executive) and consists of four other members, Andrew Jackson (non-executive Chairman), Philip Owens (non-executive), Tracey Peters (independent) and Sally Higham (non-executive). The Committee met five times during the year. The Committee's role and work on remuneration is set out in the Remuneration Report and details of their work in relation to appointments is set out below.

Audit Committee
The Audit Committee is chaired by Mike Biles (non-executive) and consists of four other members, Phillip Owens (non-executive), Malcolm Curtis (independent member), David Finch (independent member) and Caroline Wehrle (independent member). The committee met four times during the year. Details of their work during the year is set out on pages 56 and 57 of this Corporate Governance Report.

Group Risk and Compliance Committee
The Group Risk and Compliance Committee is chaired by Sally Higham (non-executive) and consists of three other members, Mike Biles (non-executive), Mary Watkins (non-executive) and Malcolm Curtis (independent member). The committee met six times during the year. Details of their work during the year is set out on page 54 of this Corporate Governance Report.

Customer and Community Network
The Customer and Community Network is chaired by Peter Kingsbury (independent member) and consists of twelve other members, Tony Brooks (independent member), Debbie Cattell (independent member), Mark Skellon (independent member), Chris Bain (independent member), Nigel Woollcombe-Adams (independent member), Mike Biles (non-executive), Tracey Peters (co-optee), Steph Taylor (co-optee), Phillip Owens (non-executive), Bjorn Howard (executive), Rachel Credidio (executive), and Jean Dalziel (executive). The network met four times during the year and oversees service delivery to all of Aster's customers and the work it does for its communities.

Board Committee Membership
Each independent non-executive director is a member of at least one board committee. When deciding the chairmanship and membership of board committees, the board takes into account the value of ensuring that committee membership is refreshed and seeks to ensure that undue reliance is not placed on particular individuals.

CORPORATE GOVERNANCE REPORT

Attendance at board and committee meetings

Set out below is the board and committee members attendance at the group's meetings. Attendance may be lower than the number of possible meetings due to the director or committee member only holding office for part of the year. Where this is the case the percentage in the table reflects the percentage of the possible attendance.

Group board and committees	Aster Group Limited	Group Executive Board	Customer & Community Network	Group Audit Committee	Group Remuneration & Nominations Committee	Group Risk & Compliance Committee	Group Treasury Committee
Number of possible meetings	12	12	4	4	5	6	4
Andrew Jackson	11 (92%)						2 (50%)
Mike Biles	11 (92%)		4 (100%)	2 (100%)	4 (80%)	5 (83%)	
Caroline Wehrle				1 (50%)			
Sally Higham	8 (67%)				5 (100%)	6 (100%)	
David Finch				1 (50%)			
Arthur Merchant	5 (83%)			2 (100%)			2 (100%)
Phillip Owens	11 (92%)		4 (100%)	4 (100%)	5 (100%)		
Steve Trusler	10 (83%)				5 (100%)		
Mary Watkins	9 (75%)					4 (67%)	
Clive Barnett							4 (100%)
Peter Kingsbury			4 (100%)				
Tony Brooks			2 (50%)				
Debbie Cattell			3 (75%)				
Mark Skellon			4 (100%)				
Chris Bain			3 (75%)				
Nigel Woollcombe-Adams			4 (100%)				
Malcolm Curtis				4 (100%)		6 (100%)	
Andrew Kluth	6 (100%)			2 (100%)			4 (100%)
Stephanie Taylor			3 (100%)				
Tracey Peters			2 (100%)				
Bjorn Howard	12 (100%)	11 (92%)	4 (100%)				
John Brace	11 (92%)	10 (83%)					
Rachel Credidio		12 (100%)	3 (75%)				
Michael Reece		11 (92%)					
Graeme Stanley		6 (50%)					
Amanda Williams		10 (83%)					
Brian Whittaker		11 (92%)					
Jean Dalziel			3 (75%)				

The Board Committees' Terms of Reference

Each board committee has written terms of reference which have been approved by the board and are reviewed periodically to ensure that they comply with the latest legal and regulatory requirements and reflect developments in best practice. The committees formally report to the board on their proceedings after each meeting and generally on all matters and activities for which they are responsible via committee minutes.

Effectiveness

The Composition of the Board

The composition and size of the board and its committees are reviewed regularly by the Remuneration and Nominations Committee to ensure they have the appropriate balance of skills, experience, independence and knowledge of the group to enable them to discharge their respective duties and responsibilities effectively.

Having previously adopted the National Housing Federation Excellence in Governance Code which allowed a nine year term of office for board directors, in 2016 the Board agreed transitional arrangements that allowed non-executive directors serving at the time of the transition to serve a maximum of nine years. Non-executive directors appointed since 2016 are appointed for three years and may serve a maximum of two terms.

Appointment to the Board and its Committees

The board, through the Remuneration and Nominations Committee, follows a formal, rigorous and transparent procedure to select and appoint new board directors. The processes are similar for the appointment of executive and of non-executive directors. The committee leads the process and makes recommendations to the board.

In considering board composition, the committee assesses the range and balance of skills, experience, knowledge and independence on the board, identifies any gaps or issues and considers any need to refresh the board. If, after this evaluation, the Committee feels that it is necessary to appoint a new director, it then prepares a description of the role and of the capabilities required for the appointment and sets objective selection criteria accordingly. The benefits of diversity on the board, including gender diversity, are carefully considered.

The Committee considers any proposed recruitment in the context of the group's strategic priorities, plans and objectives, as well as the prevailing business environment. It also takes into account succession plans in place and this is discussed further under 'Succession Planning' below. It seeks prospective non-executive directors who can make positive contributions to the board and its committees and who have the capability to challenge on strategic and other matters.

Aster's business is diverse in scope and carries strategic, commercial and financial risks. Accordingly, particular attention is paid to the composition and balance of the Board to ensure that it has wide experience of the industry and regulatory environment in which Aster operates, and appropriate financial, operational and risk management skills. In each board appointment, whether executive or non-executive, objectivity and integrity, as well as skills, experience, ability and diversity, assist the board in its key functions, and are prerequisites for appointment. This also applies to senior management appointments below board level and to the group's succession planning.

The group considers the refreshment of the board during 2016 to be positive as it ensures the board's collective experiences equip it to direct the group's strategy and meet its business needs as they evolve over time. The board is also mindful that an appropriate balance between directors who can bring a new perspective and those who provide continuity is essential for a business like Aster's.

CORPORATE GOVERNANCE REPORT

Directors' conflicts of interest
The Association has adopted the NHF Code of Conduct 2012 and is committed to maintaining high standards of conduct, probity and ethics in all areas of its activities. Board and Committee Members must complete a declaration of interest form as requested to do so by the Company Secretary. Any interests declared will be entered onto a Register of Interests which is maintained by the Company Secretary. The Register will be available for inspection by the Association's Regulator and by people with a legitimate interest in the Association and its business.

Board Evaluation
Following a review in spring 2016 of the governance arrangements introduced in 2014 the board received positive feedback from consultants Altair. The review confirmed the governance arrangements as fit for purpose and the recommendations focussed on building on the significant improvements recognised in the report. The recommendations from the review were considered by the board and implemented during the year and included a thorough review of the governance processes involving the Senior Independent Director and senior executives.

The board agreed that the 2016/17 review should be carried out by the Company Secretary and the Senior Independent Director. The board is satisfied that these internal reviews followed an established process which enabled a thorough review with full and open participation from all directors. During March 2017 a questionnaire was circulated to all directors seeking their evaluation across three key questions, "what went well", "what didn't go so well" and "what needs to be done to build upon what is working and revisit those things not working?"

This will be followed up in separate discussions with each of the directors to include their detailed feedback on any emerging themes and the results will be considered by the board alongside the outcomes from individual board and committee appraisals in June 2017.

Board induction and training
An induction programme tailored to meet the needs of individual directors is provided for each new director. Overall, the aim of the induction programme is to introduce new directors to the group's business, its operations and its governance arrangements. Individual induction requirements are monitored by the Chairman, with the support of the Company Secretary, to ensure that new and recently appointed directors gain sufficient knowledge about the group to enable them to contribute to the Board's deliberations as swiftly as possible. The board receives on-going training through sessions before board meetings (based on strategic requirements and issues identified during evaluation processes), attendance at conferences, ad-hoc courses and opportunities to work with managers.

Information and Support
The board has processes in place to ensure that it receives the right information in the right form and at the right time to enable it to effectively discharge its duties. The Group Chairman, through the Company Secretary and with the support of the Executive Directors and management, ensures that this information is of high quality in terms of its accuracy, clarity, appropriateness, comprehensiveness and currency. Directors are able to seek clarification or amplification from management where necessary. The directors have access to independent external professional advice at the company's expense where they judge this necessary to discharge their responsibilities as directors.

Diversity
The board considers that it is the background and experience brought to the board by each individual that best secures and demonstrates its diversity. The principle that candidates are considered "on merit and against objective criteria, and with due regard for the benefits of diversity on the Board, including gender" is established in the Terms of Reference of the Remuneration and Nominations Committee.

No fixed quota is applied to decisions regarding recruitment, rather the Remuneration and Nominations Committee considers capability and capacity to commit the necessary time to the role in its recommendations to the board. The intention is the appointment of the most suitably qualified candidate to complement and balance the skills, knowledge and experience of the board, seeking to appoint those who will be best able to help lead the group in its long-term strategy.

The board is well-placed by the mixture of skills, experience and knowledge of its directors to act in the best interests of the group.

Succession Planning
The board recognises that effective succession planning is not only a fundamental component of board effectiveness but is also integral to the delivery of Aster's strategic plans. It is essential in ensuring a continuous level of quality in management, in avoiding instability by helping mitigate the risks which may be associated with any unforeseen events, such as the departure of a key individual, and in promoting diversity.

The board has endorsed a succession policy and the group Remuneration & Nominations Committee routinely reviews the succession plan for the Overlap Board and the committees to facilitate future recruitment in a timely manner. The committee works to ensure a continuous flow of talent is available through developing existing directors and independent members and also identifying suitable external candidates to ensure a refreshing of talent and ideas and the on-going maintenance of skills.

Time Commitment of the Chairman and the Non-Executive Directors
The board recognises that it is vital that all directors should be able to dedicate sufficient time to Aster to effectively discharge their responsibilities. The time commitment required by Aster is considered by the board and by individual directors on appointment.

The letters of appointment of the Chairman and of each non-executive director set out the expected minimum time commitment for their roles. Each undertake that they will have sufficient time to meet what is expected of them for the proper performance of their duties and acknowledge that there may, on occasion, be a need to devote additional time.

The other significant commitments of the Chairman and of each non-executive director are disclosed to the board before appointment, with an indication of the time involved.

Remuneration
The board has established a Remuneration and Nominations committee (the RNC). The membership and terms of reference of the RNC are summarised in the directors' remuneration report, which describes the work of the RNC in discharging its responsibilities.

Relations with Shareholders

Dialogue with Shareholders
The board welcomes the opportunity to openly engage with shareholders as it recognises the importance of a continuing effective dialogue. The board takes responsibility for ensuring that such dialogue takes place.

Aster Communities and Synergy Housing Limited continued their on-going engagement with shareholders during the year including regular briefing notes and informal shareholder gatherings attended by board directors and senior staff.

The shareholders of the remaining group companies are directors and companies within the group and engagement with shareholders is through the day to day reporting structure.

Compliance Statement
The company's internal control systems are on a group-wide basis and the review of their effectiveness (including of the application of the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC in September 2014 – FRC Guidance) is implemented and reported from a group-wide perspective, covering the association and its subsidiaries.

The risk management systems and internal control systems are designed to meet the group's needs and to manage the risks to which it is exposed, including the risks of failure to achieve business objectives and of material misstatement or loss. However, such risks cannot be eliminated. The group's systems can only provide reasonable, but not absolute, assurance. They can never completely protect against such factors as unforeseeable events, human fallibility or fraud.

CORPORATE GOVERNANCE REPORT

The following describes the key elements of the frameworks and the processes used by the Board during 2016/17 to review the effectiveness of the system and the approach to be taken in 2017/18.

Risk Management

The board is ultimately responsible for maintaining sound risk management and internal control systems (including financial controls, controls in respect of the financial reporting process and controls of an operational and compliance nature).

The board confirms that there is a process in place (established in accordance with the FRC Guidance) for identifying, evaluating and managing the principal risks faced by the group. This process is regularly reviewed by the Executive Board, Group Risk and Compliance Committee, the Group Board and the Audit Committee as appropriate and has been in place during the year and up to the date of approval of this annual report.

The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board's view of the key strategic and operating risks and how the company seeks to manage those risks is set out in this annual report.

The directors confirm that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.

The group's risk management and internal control systems comprise group policies, procedures and practices covering a range of areas including the appropriate authorisation and approval of transactions, the application of financial reporting standards and the review of financial performance and significant judgements. The group's Standing Orders and Financial Regulations clearly set out the composition, responsibilities and authority limits of the various board and executive committees and also specifies what may be decided without central approval. It is supplemented by other specialist policy and procedures.

The board has important responsibilities in respect of the group's risk management and internal control systems (including financial controls, controls in respect of the financial reporting process and controls of an operational and compliance nature). The board monitors these carefully throughout the year and carries out an annual review of their adequacy and effectiveness. The board has delegated part of this responsibility to the Audit Committee. The role and work of the Audit Committee in this regard and the role of the group's internal audit function are described in the Audit Committee Report.

The board, through setting its own annual agenda plan, defines the review process to be undertaken, including the scope and frequency of assurance reports received throughout the year. The board agenda plan, together with that of the Audit Committee, are designed to ensure that all significant areas of risk and the related risk management and internal control systems are reported on and considered during the course of the year. The board, in part through the Audit Committee, has conducted an overarching review of the effectiveness of the company's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls, and financial reporting processes, for the year. The review process accords with the FRC Guidance.

The group's approach to risk management is aimed at embracing opportunities as well as the early identification of key risks and taking action to reduce the likelihood of these having a detrimental effect on the business. In 2016/17, and in light of the revised UK Corporate Governance Code (the Code) which sets out the principles of good corporate governance, the group refined its risk management process. In addition, it improved its reporting and risk management discussions and completed an in depth reassessment of the group's operational and strategic risks as well as its controls and assurance activities. The group developed its reporting processes further to ensure management has a holistic view of the group's risks and opportunities. The group will continue to assess its approach to ensure that it meets business needs and supports the effective management of risks whilst meeting the requirements of the Code.

Assurance

The "three lines of defence" framework adopted by the board provides three levels of assurance against the risks facing the group: first of all at the operational level; secondly through overview by functional management and the board committees; and thirdly through internal or external audits or independent accreditation.

The integrated internal control and assurance framework document includes a description of the group's business and assurance models and of its organisation and committee structure, and defines responsibilities. The framework defines the key policies and procedures which govern the way in which Aster conducts its business and is therefore a core part of its system of internal control.

The directors derived assurance from reviewing the following internal and external controls during 2016/17:

- a regularly updated schedule of matters specifically reserved for a decision by the board;
- implementation of policies and procedures for key business activities;
- an appropriate organisational structure;
- specific delegations of authority for all financial transactions and other key technical and commercial decisions;
- segregation of duties where appropriate and cost-effective;
- business and financial reporting, including KPIs;
- functional management reviews;
- a "letter of assurance" from the Group Chief Executive confirming the adequacy of internal controls within the group in line with its policy, and reporting of any control weaknesses identified in the past year and actions taken in respect of weaknesses identified in the prior year;
- an annual internal audit plan, which is approved by the Audit Committee and board and is driven by risks and key controls;
- reports from the Audit Committee and Risk Committee;
- reports from the external auditors on matters identified during their statutory audit;
- independent third party reviews; and
- the skills and experience of all employees.

HCA Regulatory Standards

From 1 April 2015 all Registered Providers (RP's) have been expected to comply with the Homes and Communities Agency's Regulatory Framework -The Regulatory Framework for Social Housing in England from April 2015.

Principles of the Regulatory Framework

The framework is based on the principles of co-regulation – "boards who govern providers' service delivery are responsible for ensuring their organisation is meeting our standards, and for being open and accountable in how their organisation meets its objectives. Co-regulation also requires providers to support tenants in the shaping and scrutinising of service delivery and in holding boards and councillors to account."

There are seven standards that RP's should be meeting. They are divided into Economic Standards:

- Governance and Financial Viability;
- Value for Money;
- Rent.

and Consumer Standards:

- Tenant Involvement and Empowerment;
- Home;
- Tenancy;
- Neighbourhood and Community.

Economic Standards are proactively monitored by the HCA through a series of financial and governance returns as well as meetings with directors and non-executive directors. During 2016/17, the HCA conducted an In Depth Assessment (IDA) on the Group. The outcome of the IDA reaffirmed Aster's G1 and V1 ratings.

It is the expectation of the HCA that RP's have responsibility for self-regulating the consumer standards. The HCA will only intervene where there is a judgement of "serious detriment".

Self Assessment

In 2015/16, as part of the development of the Compliance Obligations Register, self assessment to the HCA Regulatory Framework transferred to be held centrally in the register, creating a continuous assessment record, replacing the previous annual written assessment. A director took the lead for each area of the Framework, supported by a Head of Service and/or Regional Director lead.

Compliance assurance has been mapped using the three lines of defence model for each required outcome within each regulatory standard.

Managers have identified areas where they are continuing to carry out work which will further strengthen compliance. These items are recorded as actions within the compliance record and progress will be monitored by the Governance and Assurance team, reporting to the Risk & Compliance Committee.

CORPORATE GOVERNANCE REPORT

Compliance Statement (continued)

Compliance as at 31 March 2017

Based on the submissions received, it is considered the group is compliant with the standards set out in the Principals of the Regulatory Framework.

In the case of Value for Money, the Homes and Communities Agency have confirmed the group is compliant with the standard. The VFM self-assessment has been produced and a summary of this self-assessment is included in this annual report on page 40. The full VFM self-assessment is available on **www.aster.co.uk** from 30 September 2017.

The governance and financial viability standard from April 2015 set an expectation for RP's to develop and maintain an 'asset & liability register', with the register to be in place by 31 March 2016. The purpose of this register is to "ensure that registered providers understand their housing assets and security position and have swift access to this information in decision making and risk management" as well as "liabilities which relate directly to the social housing assets and those which might have an impact on the business as a whole."

The group has complied with this expectation, with an asset & liability register completed by management and subsequently audited by Mazars.

Regulatory interaction

During 2016/17, the Aster Group has communicated with the Health & Safety Executive (HSE) and the Environment Agency (EA) in relation to incidents. In 2016/17, in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR), the group made 8 reports to the HSE. One RIDDOR investigation from 2015/16 is yet to be closed. The Aster Group also had contact from the HSE, outside the RIDDOR requirements, following a third party incident. The investigation into this incident is still on-going.

Audit Committee

Committee Composition Skills and Experience

The Committee is comprised of Mike Biles (Chair and Non-Executive Director), Phillip Owens (Senior Executive and Non-Executive Director), Malcolm Curtis and David Finch (both independent Committee members), and Caroline Wehrle (co-opted Committee member).

All members of the Committee have a high level of financial literacy. Mike Biles has a doctorate in law and is a visiting professor in law at Southampton Business School. Phillip Owens is a qualified solicitor and a former Chief Executive of a District Council. Malcolm Curtis is managing director of a group of successful property companies. David Finch is a Chartered Management Accountant with expertise in financial management, governance, audit and risk management. Caroline Wehrle has an MBA and BA Hons in Risk Management and senior experience in controls assurance, internal audit, compliance and risk management working in a large international company that is a global leader in its field.

All members have extensive Committee and Board experience.

Purpose

The Committee meets at least four times each year. Its purpose is to ensure that the Group has an effective system of internal controls, appropriate internal and external audit management, and to provide assurance to the Group Board.

Main Responsibilities

The Committee has delegated authority to exercise the powers of the Group Board and subsidiary boards in relation to the following matters:

External Audit

Recommend to the Group Board the appointment (or removal) of the external auditors and to agree their terms of engagement.

Agree the external audit programme, its coordination with internal audit, and to manage any conflicts between the two programmes.

Consider all external audit reports including those covering the financial statements, management letters, letters of representation and auditors independence.

Recommend the financial statements to the Boards.

Develop and implement policies on the engagement of the external auditors to supply non-audit services, taking account of relevant ethical guidance.

Internal Controls

Review the group's internal financial controls and risk management system.

Review the group's financial regulations and make recommendations to the Group Board.

Receive reports of fraud and whistleblowing, reviewing the control framework to ensure controls.

Internal Audit

Monitor and review the effectiveness of the group's internal audit function and structure, including utilisation and cost of external resourcing.

Review and approve the internal audit programme and scope of activities.

Receive reports of internal audit findings, consider and make recommendations to the appropriate boards and committees.

Other

Gain assurance on the robustness and accuracy of the assets and liabilities register.

Meet, at least once per year, with the external and internal auditors independently with no staff present. Annually review the effectiveness of the audit committee.

Ensure compliance with the Financial Reporting Council's guidance on Audit Committees.

Policies and Registers

The following policies and registers are reviewed and approved by the Audit Committee:

- Internal Audit policy;
- Non-audit services fee policy;
- Group accounting policies (with significant changes to policy or practice being recommended to the Group Board);
- Anti-Fraud management policy;
- Anti-money laundering policy;
- Probity policy;
- Whistleblowing policy;
- Schedule of authorised signatories;
- Assets and liabilities register;
- Fraud register.

The Director of Audit is satisfied that the group complies with the audit provisions of the code.

Viability Statement

In accordance with provision C.2.2 of the 2014 revision of the Corporate Governance Code, the directors have assessed the viability of the group and have selected a period of seven years for the assessment. The group has a property development programme that runs for a rolling seven year period. This programme forms the basis of the group's financial plan that covers the seven year period and is then extrapolated over a further twenty three years, resulting in a thirty year plan. For these reasons the group uses a seven-year strategic planning cycle and the directors have determined that seven years is also an appropriate period over which to provide its viability statement.

The majority of the group's revenue arises from rental and service charge income generated by its rental properties. The group uses the resultant profits combined with cash receipts from open market and shared ownership property sales coupled with external finance (bank loans or bonds) to fund its property development programme.

The financial plan considers the group's future financial stability, property development strategy and the viability of future expense reduction programmes by measuring the operating margin, property open market sales exposure, asset cover, interest cover and net worth ratios over the seven year period. The interest cover and net worth cover ratios form part of the group's loan covenant agreements. These ratios are then subjected to multi-variate stress and sensitivity analysis over the period of the plan, taking account of the group's current position and known prospects.

The stress testing considers the principal risks assessed to have the highest probability of occurrence and greatest impact. A hypothetical rent reduction of -1% for an additional two years past the end of the four year period already announced by the government (which ends in financial year 2019/20), followed by a rent freeze for a further four years produced the most adverse conditions.

The principal risks the group faces are set out in the Strategic Report.

Based on the results of this analysis, the directors confirm that they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the next seven years.

8.0 DIRECTORS' REMUNERATION REPORT

Remuneration and Nominations Committee Overview
The directors' remuneration report for the year ended 31 March 2017 sets out the remuneration policy and remuneration details for the executive and non-executive directors of the group.

It has been prepared in accordance with the Accounting Direction 2015 and elements of Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. The report is split into three main areas: the annual report on remuneration, committee overview and the policy report.

The committee will continue to focus on the linking of reward to business and individual performance and the strengthening of the group's values. The committee's responsibility is to determine and oversee remuneration policy that seeks to retain and motivate talented individuals, align with the group's values and principles, and comply with best practice and regulatory requirements.

The committee reviews the on-going appropriateness and relevance of remuneration policy and takes into account many factors including the need for remuneration to be structured so as to link rewards to business and individual performance. With regard to future remuneration policy, the Committee believes the annual incentive scheme to be appropriate and as such will motivate the Executives to achieve short to medium and long term business objectives.

The composition of the Remuneration & Nominations Committee was refreshed during the year and the committee comprises four non-executive directors.

During the year the board felt the effectiveness and agility of the committee would be enhanced by the direct involvement of the Group Chair. The board also felt that additional support from an independent member would improve the scrutiny role of the committee. These arrangements also provided support to Mike Biles by enabling him to step down from this committee otherwise he would not only have been a member of the Overlap Board but also four of its committees.

MEMBERS	
Steve Trusler	Committee member and Chair since 1 September 2014
Philip Owens	Committee member since 1 September 2014
Sally Higham	Committee member since 1 September 2014
Andrew Jackson	Committee member since 14 March 2017
Mike Biles	Committee member since 5 November 2015
Tracey Peters	Committee member since 14 March 2017

Other attendees at committee meetings include: the Group Chief Executive, Group HR Director, Strategic Services Director and the Head of Governance and Assurance. The committee met five times during 2016/17. A review of the effectiveness of the committee during the year will form part of the facilitated evaluation of the board and its committees in spring 2017.

The work of the committee is supported by the group's governance and assurance team and the Group Strategic Services director who assist the Committee Chairman in planning the committee's work and ensuring that the committee receives accurate and timely information.

Committee's role and responsibilities
The Committee's responsibilities include:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the board and making recommendations to the board with regard to any proposed changes;
- nominating, for the approval of the board, appropriate individuals to fill board vacancies as and when they arise having considered candidates with relevant experience from a wide range of backgrounds;
- succession planning, taking into account the challenges and opportunities facing the company and the background, skills and expertise that will be required on the Board in the future and reviewing annually management succession planning processes in relation to the company's senior executives; and
- determining and recommending to the board the framework and policy for the remuneration of the Chair, non-executive directors and independent members.

Committee activities during 2016/17
The committee receives a regular report on trends in remuneration in the sector and beyond presented by Altair, the committee's advisors. The committee regularly reviews the structure, size and composition (including the skills, knowledge and experience) required of the board and makes recommendations to the board as appropriate. The board has satisfied itself that the committee has in place appropriate plans for orderly succession to the board and senior management positions as well as procedures to ensure an appropriate balance of skills within the group and on the board and its committees.

In considering board composition, the committee assesses the range and balance of skills, experience, knowledge and independence on the board, identifies any gaps or issues and considers any need to refresh the board. If, after this evaluation, the committee feels that it is necessary to appoint a new director, it then prepares a description of the role and of the capabilities required for the appointment and sets objective selection criteria accordingly. The benefits of diversity on the board, including gender diversity, are carefully considered.

The committee considers any proposed recruitment in the context of the group's strategic priorities, plans and objectives, as well as the prevailing business environment. It seeks prospective non-executive directors who can make positive contributions to the board and its committees and who have the capability to challenge on strategic and other matters. This is balanced with the desire to maintain board cohesiveness.

During the year the committee also considered the following matters:

- A policy for senior management remuneration;
- An update on Executive Board objectives;
- The approach to on-going training for the board and independent members;
- Implications of the UK's referendum vote on EU Membership on the group;
- Pension and car allowances;
- Graduates and apprenticeships including the apprenticeship levy;
- The approach on board evaluation and appraisals;
- The outcomes from the individual board appraisals and review of the board skills self-assessment survey;
- Executive bonuses.

The committee also held a webinar on the effectiveness of the Committee and its ability to fulfil its key roles during which it was agreed to review the membership. It was subsequently agreed that the Group Chair should become a member of the Committee and that the Committee would benefit from having an independent member on the Committee. These changes were ratified by the group board in March 2017.

The board through the Committee will continue to focus during the coming year in particular on non-executive director succession planning.

DIRECTORS' REMUNERATION REPORT

Remuneration Policy

The remuneration strategy for Aster Group's Executive Board positions is based on the following five key priorities:

1. Retention of Executive Board members	Remuneration should be sufficient to help Aster retain current Executive Directors. This will provide Aster with stable leadership and ensure that the organisation is best placed to deliver future change and growth activities.
2. Transparency	Remuneration of Executive Directors should be transparent and sufficiently robust to stand up to any external scrutiny. This includes; positioning of the remuneration package against the market and ensuring a robust and demonstrable link between performance and bonus awards.
3. Simplicity	Any Executive Board remuneration arrangements that Aster has in place will remain simple and easy to understand. This includes the breadth of the remuneration package, as well as areas such as performance objectives. This will help to support the 'Transparency' objective above, but will also ensure that the overall scheme remains efficient to manage.
4. Reward success	Basic salaries will be set at a level sufficient to attract and retain high calibre staff, and the bonus scheme will be used as a mechanism to reward exceptional performance.
5. Fairness and market based remuneration	Executive Directors will be paid fairly in relation to the market with basic salaries set within the median position found for the post through external benchmarking.

Aster Group's Executive reward package has a focus on fixed remuneration, but with a small variable element available to reward exceptional performance.

The approach has been designed to enable Aster Group to recruit and retain high calibre individuals, provide a mechanism to motivate and reward high levels of performance, reflect sector practices and maintains a focus on value for money.

Remuneration Policy

Details on each element of reward included in the remuneration package for Executive Board positions are provided in the table below.

TYPE	Element of reward	Description	Purpose	Value
Fixed	Basic salary	A fixed basic salary, set in line with the chosen benchmark position.	To provide competitive fixed elements of reward which can attract and retain high calibre individuals to deliver Aster's strategy.	Spot salary aligned to the market.
	Car allowance	An additional non-pensionable cash allowance paid at 10% of the basic salary for each individual post. This benefit was amalgamated into basic salary from October 2016.		10% of basic salary.
	Pension	Access to a defined benefit pension, operated by the Social Housing Pension Scheme. (Due to be reviewed 2018 with a view to move to a Defined Contribution solution)		Employer contributions of 9.4% of basic salary.
	Other	An annual health assessment is provided to members of the executive board. Other benefits are in line with wider package of benefits provided to all staff.		In line with wider staff provision.
Variable	Bonus	A variable element of the package determined on an annual basis with reference to performance against agreed objectives. Bonus payments are discretionary and non-pensionable.	To motivate and reward exceptional levels of performance. To develop collaborative working across the Executive Board. To ensure key elements of Aster's strategy are delivered successfully.	Maximum award is 10% of the basic salary for each post, awarded on an annual basis as non-consolidated bonus.

DIRECTORS' REMUNERATION REPORT

Aster's approach to remuneration includes the opportunity to make annual bonus awards on a sliding scale of up to 10% of basic salary for each Executive Director.

The purpose of the Executive Bonus scheme is to:

- Motivate and reward exceptional levels of performance;
- Develop collaborative working across the Executive Board;
- Ensure key elements of Aster's strategy are delivered successfully;
- Provide the potential to earn a maximum award of 10.0% of basic salary;
- Reward performance on an annual basis.

Details on how the bonus scheme is operated are provided below.

Remuneration Policy

Details on each element of reward included in the remuneration package for Executive Board positions are provided in the Table below.

Setting performance objectives	
Performance objectives	The performance metrics used as part of the bonus scheme will include a mix of: • Corporate – linked directly to Aster's corporate strategy and applied consistently to all members of the Executive Board • Individual – specific to each individual To achieve the aim of 'simplicity', as a guide there should in total be no more than 8 objectives. The targets must be SMART (Specific, Measurable, Achievable, Realistic and Timely) and the RNC must ensure that the objectives which are set are stretching.
Monitoring performance	Performance against the objectives should be pro-actively monitored by the RNC and (Chief Executive for Executive Directors) throughout the year. In exceptional circumstances and to ensure that they remain appropriate, the RNC Committee has discretion to approve the adjustment of the objectives.
Reviewing performance	At the end of the financial year the Chief Executive will consider performance against the previously agreed objectives and determine an appropriate level of bonus award (Group Chair for Chief Executive, see below for further comments on linking performance with bonus awards). All awards to be approved by the RNC.

Linking performance to bonus awards

There is the opportunity to make bonus awards on a sliding scale of up to 10% of basic salary. The table below provides some guidance on the link between level of performance and the value of the bonus awards.

LEVEL OF PERFORMANCE	Value of bonus awarded
Poor / satisfactory – The majority of the set targets have not been met or there has been significant underperformance in one or two areas to warrant the withholding of any bonus payment.	0%
Above average – the majority of the targets have been met or exceeded. A minority of targets have not been met, predominantly due to circumstances outside of the individual's control.	1.0% to 3.0%
Good performance – all set targets have been met.	3.0% to 7.0%
Excellent performance – all set targets have been met and the majority have been exceeded.	7.0% to 10.0%

The information above is for guidance only and the RNC has absolute discretion for determining the level of bonuses awarded. This includes either withholding or enhancing the level of award made having considered all relevant circumstances related to performance.

Withholding of bonus awards

The RNC has the absolute discretion on approving the level of bonus awards. In certain circumstances the RNC may also decide to withhold approval of the award of a bonus payment. Examples of circumstances where the RNC may withhold bonuses (even when targets are met):

- When other environmental factors (external or internal) would deem the award of a bonus to the Executive Board as inappropriate;
- If performance of the organisation in core areas drops below required standards;
- If an individual is no longer in employment or is under notice of termination (either resignation or dismissal);
- If an individual is subject to a disciplinary investigation. If the investigation is subsequently found to have no foundation, the entitlement will be re-instated if there are no other mitigating circumstances as defined by the RNC.

Advisors to the Committee

Altair acted as independent advisors to the Committee throughout the year. The Committee is satisfied that the advice it receives on Executive Directors' remuneration is independent and objective.

Chairman and Non-Executive Directors

The Chairman and each of the non-executive directors have letters of appointment and terms of service. These set out their duties and responsibilities, the time commitment expected by the Company, and the basis on which their fees will be paid. These letters of appointment can be terminated with immediate effect by either the director concerned or the group. There are no provisions for compensation payable on termination of appointment.

None of the non-executive directors nor the Chairman is entitled to a bonus or pension contributions. The non-executive directors' letters of appointment are available for inspection, on request, at the group's registered office.

DIRECTORS' REMUNERATION REPORT

Directors' emoluments

Members of the executive board

	2017 £000	2016 £000
The aggregate emoluments paid to or receivable by directors, including employment costs	**1,033**	1,013
The emoluments paid to the highest paid director of the Group excluding pension contributions	**227**	221

The Group Chief Executive is an ordinary member of the Social Housing Pension, defined benefit scheme. No enhanced or special terms apply and there are no additional pension arrangements in place. Pension contributions of £18,389 (2016: £18,057) were made by the group during the year on behalf of the Group Chief Executive. In addition to the Group Chief Executive there are 4 (2016: 4) other directors and members of the group's management team who are accruing benefits under defined benefit schemes.

For the year ended 31 March 2017 the Group Executive Management Team's remuneration comprising base salary, car allowance, acting up allowance and bonuses as follows:

NAME	POSITION	Remuneration					
		2017			2016		
		Salary and allowances £	Bonus £	Total £	Salary and allowances £	Bonus £	Total £
Bjorn Howard *	Group Chief Executive	**213,416**	**13,447**	**226,863**	211,304	9,605	220,909
John Brace *	Group Resources Director and deputy Group Chief Executive	**165,140**	**9,932**	**175,072**	163,579	7,094	170,673
Michael Reece	Group Operations and Asset Director	**149,586**	**9,425**	**159,011**	148,104	6,732	154,836
Graeme Stanley	Group Strategy and implementation Director **	**79,115**	**-**	**79,115**	74,055	-	74,055
Amanda Williams	Group Development Director	**141,001**	**8,884**	**149,885**	146,072	6,346	152,418
Brian Whittaker	Group Human Resources Director	**124,087**	**3,351**	**127,438**	122,859	5,585	128,444
Rachel Credidio	Group Strategic Change Director	**108,790**	**6,854**	**115,644**	106,807	4,896	111,703
		981,135	**51,893**	**1,033,028**	972,780	40,258	1,013,038

* Bjorn Howard and John Brace are also Group Board Directors

** Graeme Stanley is employed as a consultant.

Set out below is the remuneration of the group and its subsidiaries' non-executive directors and committee members.

Non-executive directors - Aster Group Board

		2017 Total £	2016 Total £
Mike Biles		**12,512**	11,730
Melvyn Cook	Retired 30 September 2015	**-**	13,005
Sally Higham		**12,878**	12,750
Andrew Jackson	Chair from 1 October 2015	**26,905**	18,875
Andrew Kluth	Appointed 1 October 2016 previously only a member of the Group Treasury Committee	**11,598**	9,180
Arthur Merchant	Retired 30 September 2016	**6,375**	12,750
Phillip Owens		**17,513**	17,340
Steve Trusler		**12,878**	12,750
Mary Watkins		**11,847**	12,750
		112,506	121,130

Non-executive directors - Subsidiary companies

		2017 Total £	2016 Total £
Richard Clewer		**1,236**	1,224
Anthony Ward		**1,224**	1,224
Nigel Woollcombe-Adams*		**5,870**	5,814
		8,330	8,262

* Nigel Woollcombe-Adams is also a member of the Customer and Community Network.

Expenses for all boards of £8,433 (2016: £9,680) were reimbursed during the year.

DIRECTORS' REMUNERATION REPORT

Committee members

		2017 Total £	2016 Total £
Caroline Wehrle	Appointed 8 November 2016	**1,842**	-
David Finch	Appointed 8 November 2016	**1,844**	-
Clive Barnett	Appointed 8 March 2016	**4,935**	-
Malcolm Curtis		**6,954**	6,885
		15,575	6,885

All Aster Group Board non-executive directors are also members of at least one of the group's committees. Remuneration for this work is reflected in the non-executive directors remuneration show in the table on the previous page.

Customer and Community Network members

The Customer and Community Network has eight members who do not serve on any other committees. Six members who served for a full year were each paid an annual salary of £4,636. The chair who also served for a full year received an annual salary of £9,272. Two members only served for part of the year receiving salaries of £2,990 and £2,432. The total remuneration paid to the members was £33,238 (2016; £33,819).

Expenses for all committees and networks of £1,778 (2016: £3,038) were reimbursed during the year.
The Remuneration Report was approved by the Board of Directors on and signed on its behalf by:

Steve Trusler
Chairman of the Remuneration Committee

9.0 INDEPENDENT AUDITORS' REPORT

to the members of Aster Group Limited

Report on the financial statements

Our opinion

In our opinion, Aster Group Limited's Group and Parent Association financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent association's affairs as at 31 March 2017 and of the group's and the parent association's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from April 2015.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- Consolidated and Association's Statement of Financial Position as at 31 March 2017;
- Consolidated Statement of Comprehensive Income and Association's Statement of Income and Retained Earnings for the year then ended;
- Consolidated Statement of Cash Flows for the year then ended;
- Consolidated Statement of Changes in Reserves for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

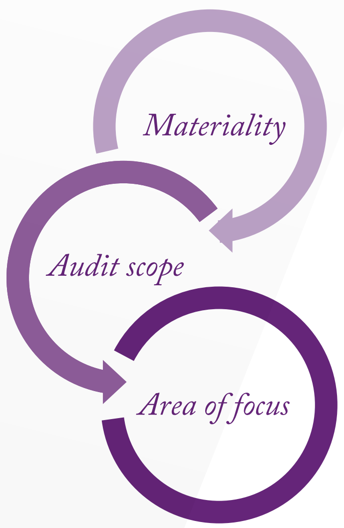
Our audit approach

Overview

- Overall group materiality: £3.8 million which represents 2% of total revenue.
- The Group comprises 12 trading entities and two joint venture arrangements.
- We conducted a full scope audit of the 12 trading entities. The joint ventures were not significant from the perspective of the Group.

The specific areas of focus within our audit were as follows:

- Risk of fraud in revenue and expenditure recognition.
- Risk of incorrect valuation and existence of housing property, including land and work in progress.
- Risk of incorrect valuation of investment properties.
- Risk of inappropriate application of hedge accounting.



The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of Focus

Risk of fraud in revenue and expenditure recognition

See note 4 to the financial statements for the Group's disclosures of significant accounting policies, judgements, and estimates relating to the recognition of revenue and expenditure.

Under ISA (UK&I) 240 there is a rebuttable presumption that there are risks of fraud in revenue recognition. We also extended this to the recognition of expenditure given that this has the potential to be more easily manipulated in a not for profit organisation. The Group has historically made relatively large annual surpluses. This continued in 2016/17, where the Group posted a surplus in excess of budget. With the continuing reduction in social housing rent levels in future years and increasing inflation, we considered that there is a heightened risk that income relating to 2016/17 is not recognised or is inappropriately recorded in 2017/18. There is also a risk that expenditure is recognised in 2016/17 that does not exist or relates to 2017/18 which is then released in 2017/18. In either case, the 2016/17 surplus would be reduced in order to reduce the deficit/increase the surplus in 2017/18.

Alongside this, we also concluded that there is a risk associated with the existence of income recognised within the Group, as the reason that the budgeted surplus has been exceeded may be due to fictitious income having been recognised.

The three main sources of revenue for the Group are rental income, surpluses on sales of housing properties, and other income.

We focused on heightened risk in the following areas:

- rental and service charge income – the risk of rental income being overstated on the housing management system, as well as the application of incorrect rent, service charge or rent weeks during the financial year. This consideration applies to both social and commercial rental income.
- surpluses on sales of housing properties – the recognition of sales potentially being recorded in the incorrect period around year-end.
- other income – this includes care income, management fees and support costs. The recognition of other income is heightened as 2016/17 income may not be recognised or may be recognised in 2017/18.

How our audit addressed the area of focus

Recognition of revenue

Rental income is recorded on a periodic basis in line with the tenancy agreements. We used our Computer Aided Audit Techniques (CAATs) to check that the rent recognised was in accordance with the Department for Communities and Local Government's national rent regime target value and matched the property and tenancy. On a sample basis, we traced the income which was not in accordance with the expected target rent to supporting evidence, such as tenancy agreements, to check that the income had been recognised appropriately. We noted no material issues in this respect.

For surpluses on sales of housing properties and other income, we traced a sample of the transactions to supporting evidence to determine whether the revenue was recognised in the correct period and that the surplus was accurately recorded. The supporting evidence included invoices, contracts and correspondence where applicable. We had a particular focus on income recorded in the first two months of the 2017/18 financial year to ensure that it did not relate to 2016/17 or that it had been accrued. We noted no material issues in this respect.

We tested accrued and deferred income and agreed that material balances were supported by appropriate evidence such as post year end invoices relating to pre year end services. We noted no material issues in this respect.

Recognition of expenditure

For expenditure we focussed testing on accruals and creditors in the year end balance sheet. We agreed the accruals and creditors to supporting invoices or other third party information to check that they related to 2016/17 and had been recognised at the appropriate amount. We noted no material issues in this respect.

Journals

We selected a risk-based sample of manual and automated journals in the final quarter of the year, focusing on those journals that decreased income or increased expenditure with the corresponding double to a balance sheet account excluding accounts that would be expected for such entries such as cash, accounts receivable and accounts payable.

We traced these journals entries to supporting documentation (for example, invoices, cash receipts and payments and correspondence with third parties) to check that the journal was appropriate and had been recognised in the right period.

No material errors were identified from the journals tested.

INDEPENDENT AUDITORS' REPORT

to the members of Aster Group Limited

Area of Focus (continued)

Risk of fraud in revenue and expenditure recognition (continued)

For expenditure, the area of heightened risk related to purchases that did not relate to pay or depreciation In particular, there is the potential that accruals are used to inappropriately increase expenditure recognised in the current year which could then be released in the following year.

We considered the key areas of focus to be:

- recognition of the respective revenue and expenditure as detailed above; and
- recognition and measurement of key judgemental estimates affecting revenue and expenditure, specifically the provision for non-collection of rent arrears, accruals and provisions.

How our audit addressed the area of focus (continued)

Recognition and measurement of estimates

We tested the Group's key judgemental estimates affecting revenue and expenditure, specifically the provision for non-collection of rent arrears and other debtors, accruals and provisions and the impairment of housing properties.

We agreed the provision for non-collection of rent arrears to the aged debt profile to check that the basis of the provision was in line with the group's policy and accurately calculated.

We reviewed the basis of impairment assumptions made by the Group agreeing these to supporting evidence and calculations such as invoices, contracts, and correspondence where applicable, and noted no issues. Further details are set out in the impairment of assets section below.

Area of Focus (continued)

Valuation and existence of housing property, including land and work in progress

See note 4 to the financial statements for the Group's disclosures of the related accounting policies, judgements, estimates and use of experts relating to the impairment review undertaken, and note 5 for further information including the determination of a Cash Generating Unit and the calculation of recoverable amount for social housing properties.

The Group has £1,366m of social housing properties as at 31 March 2017 (31 March 2016: £1,298m), which is the largest asset on the Group's balance sheet. A relatively small error in property numbers could have a material impact on the Statement of Financial Position of the Group.

Alongside the existence of properties, there is a risk that properties are included within the financial statements at an inappropriate value. The Group made the decision on transition to FRS 102 to measure housing properties at deemed cost. FRS 102 requires that a social landlord must perform impairment assessments during or at completion of development programmes. They must also assess at each reporting date whether there is any indicator of impairment for assets measured at cost, with the SORP setting out examples of potential indicators of impairment that should be considered.

The Group recognised a net reversal of housing property impairment of £321k as at 31 March 2017. This was primarily formed of a £390k reversal in relation to one scheme completed in year. An estimated impairment charge had been recognised against the scheme in the prior year, however the actual final cost of the scheme was confirmed in 2016/17, to be £390k lower than estimated.

How our audit addressed the area of focus (continued)

In order to verify the existence of the Group's housing properties, we obtained the complete listing of properties as set out within the Group's fixed asset register. We reconciled this, using our rental CAAT, to the listing of properties earning rental income within the housing management system. This provided evidence that the properties were generating rental income and hence, existed. We further tested a sample of properties to the Land Registry to validate that the properties were owned by the Group. We noted no material issues in this respect.

To address the risk in relation to impairment, we considered, based on our knowledge of the Group, the review of Group Board minutes, and discussions with management whether the Group had any future plans that would impact on the usage (and, hence, valuation) of the properties. We noted no material issues.

We reviewed the impairment value included within the financial statements. We agreed the reversal of the impairment to invoices from the developer and confirmed that it was an appropriate change in line with the Housing SORP 2014. There were no other significant impairment movements.

To verify that the impairment charge has not been understated, we considered the indicators of potential impairments as set out in the Housing SORP 2014. No indicators were identified as being relevant. We noted no material issues in this respect.

INDEPENDENT AUDITORS' REPORT

to the members of Aster Group Limited

Area of Focus (continued)

Valuation of investment properties
Management's accounting policies and key judgements are disclosed in note 4 and use of experts relating to the valuation of the Group's investment property are disclosed in note 17 to the financial statements.

As set out within FRS 102, all property held to earn market rentals or for capital appreciation or both, with the exception of those held for social benefit, are to be classified as investment property. Investment property is included as at fair value within the accounts, with a valuation undertaken on an annual basis. As at the Statement of Financial Position date the Group's investment property was valued at £15.3 million. The financial statements show:

- a revaluation gain of £482k; and
- disposals of £722k.

Valuations are performed by a professionally accredited expert, in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual, and performed with sufficient regularity to ensure that the carrying value is not materially different from fair value at the Statement of Financial Position date.

We focused on this area due to the material nature of this balance, and the consequent impact on the financial statements were it to be materially misstated.

The specific areas of risk are:

- accuracy of the detailed information on properties provided to the valuation expert – most significantly the rental agreements, on which the valuation is based;
- the methodology, assumptions and underlying data used by the valuation expert;
- the accounting transactions resulting from this valuation.

How our audit addressed the area of focus (continued)

We obtained and read the relevant sections of the valuation performed by the Group's Valuer. We then used our own valuations specialists to evaluate and challenge the assumptions and methodology used in the valuation, finding the assumptions and methodology applied to be consistent with our expectations.

We checked and found that the Group's Valuer had a UK qualification, was part of an appropriate professional body and was not connected with the Group.

We tested the underlying data (upon which the valuation was based) by checking it back to rental agreements.

We checked and found that the change in valuation was appropriately disclosed and correctly reflected in the financial statements.

Our testing did not identify any material issues with the valuation of the Group's investment property.

Area of Focus (continued)

Hedge accounting
See note 4 to the financial statements for the Group's disclosures of the related accounting policies, judgements and estimates relating to the fair value of financial instruments, and note 30 for further information.

The Group holds five cash flow hedge instruments, with the purpose of reducing the variability of cash flows associated with the interest payments on a portion of its floating rate loans. The valuation of these financial instruments, a liability of £22.9m as at 31 March 2017, is provided by the Group's treasury specialists, using a range of assumptions, judgements and techniques. Small differences in assumptions, can make significant differences to liability calculated.

Alongside the valuation of the swaps, an assessment has to be made on an annual basis regarding the effectiveness of the hedge. Any ineffectiveness within the hedge will result in an element of the variability of cash flows associated with the interest payments being recognised within the Statement of Comprehensive Income.

How our audit addressed the area of focus (continued)

We obtained the documentation in relation to the swaps in place to verify that the correct procedures had been followed in order for these to be categorised as hedging instruments. We noted no material issues in this respect.

For each of the swaps, we used our internal specialists to verify that the clearing house value, used as the basis of the liability, was accurate. For a sample of the swaps, our specialists obtained an understanding of the adjustments applied to the clearing house value to check that these had been calculated in accordance with accepted methodology and the assumptions could be substantiated by evidence provided by the Group's treasury specialists. This confirmed that the overall value was materially correct. We noted no material issues in this respect.

We obtained the client's assessment regarding the effectiveness of the hedges in year to confirm that any ineffective element was included within the Statement of Comprehensive Income. Alongside this, we checked that the entries within the financial statements agreed to the supporting documentation provided by the Group's treasury specialists. We noted no material issues in this respect.

INDEPENDENT AUDITORS' REPORT

to the members of Aster Group Limited

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

The Group is formed of 12 subsidiaries, eight of which are incorporated under the Companies Act 2006 and four are incorporated under the Co-operative and Community Benefit Societies Act 2014.

The principal aim of the Group is to provide affordable homes and associated services through its Registered Providers and other member companies. The Group primarily operates within the counties of Hampshire, Dorset, Wiltshire and Somerset.

We performed a full scope audit of the 12 subsidiaries for group reporting purposes because they all required individual statutory audits, alongside auditing the consolidation. The audit was performed at the Poole site. We did not audit the joint ventures which are audited by a separate team of auditors.

These audits covered all of the Group revenue and Group total assets with the exception of those within the joint ventures.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£3.8 million (2016: £1.8 million).
How we determined it	2% of total revenue
Rationale for benchmark applied	We believe that revenue is the primary measure used by the members in assessing the performance of the group, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £179,000 (2016: £89,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern
The directors have chosen to voluntarily report how they have applied the UK Corporate Governance Code (the "Code") as if the parent association were a premium listed company. Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Viability Statement in the Corporate Governance Report the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the group and parent association have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's and parent association's ability to continue as a going concern.

Other required reporting
Consistency of other information and compliance with applicable requirements;

ISAs (UK & Ireland) reporting
As a result of the directors' voluntary reporting on how they have applied the Code, under ISAs (UK & Ireland), we are required to report to you if, in our opinion:

• information in the Annual Report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Parent Association acquired in the course of performing our audit; or • otherwise misleading.	*We have no exceptions to report.*
• the statement given by the directors on pages 42 and 43, in accordance with provision C.1.1 of the Code, that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's and parent association's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and parent association acquired in the course of performing our audit.	*We have no exceptions to report.*
• the section of the Annual Report on pages 56 and 57, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	*We have no exceptions to report.*

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

As a result of the directors' voluntary reporting on how they have applied the Code, under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the directors' confirmation on page 54 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.	*We have nothing material to add or to draw attention to.*
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	*We have nothing material to add or to draw attention to.*
• the directors' explanation on page 57 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	*We have nothing material to add or to draw attention to.*

INDEPENDENT AUDITORS' REPORT

to the members of Aster Group Limited

Adequacy of accounting records, system of internal control and information and explanations received

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the registered provider; or
- the Parent Association's financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Responsibilities of the Board statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report, including the opinions, has been prepared for and only for the Group and the Parent Association's members as a body in accordance with Section 87 (2) and Section 98 (7) of the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008 and for no other purpose.

We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent association's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

John Maitland
Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

7 September 2017

10.0 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Turnover	6a	190,569	178,982
Operating expenditure before impairment	6a	(126,220)	(119,784)
Operating profit before impairment		64,349	59,198
Net impairment reversal / (charge)	6a	91	(3,144)
Operating profit	6a,7	64,440	56,054
Profit on disposal of property, plant and equipment	9	3,577	1,982
Profit on disposal of investment properties	10	117	-
Share of profit in joint ventures		734	635
Increase in fair value of investment properties	16	482	482
Profit before interest and taxation		69,350	59,153
Interest receivable and similar income	11	4,564	4,265
Interest payable and similar charges	11	(28,624)	(28,251)
Ineffective cash flow hedge fair value movements	11	-	128
Interest on net pension liability	11	(1,188)	(1,205)
Total finance income and expense		(25,248)	(25,063)
Profit before taxation		44,102	34,090
Tax on profit on ordinary activities	13	77	(100)
Profit for the year		44,179	33,990
Other comprehensive (expense) / income			
Actuarial (loss) / gains in respect of pension schemes	31	(3,187)	4,855
Movement in pension deferred taxation	13	190	7
Effective cash flow hedge fair value movements	12	(1,801)	(676)
Other comprehensive (expense) / income for the year		(4,798)	4,186
Total comprehensive income for the year		39,381	38,176

11.0 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2017

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	14	3,341	4,386
Property, plant and equipment (social housing)	15	1,365,719	1,298,463
Property, plant and equipment (other assets)	16	20,527	21,376
Investment properties	17	15,310	15,550
HomeBuy loans receivable	18	4,495	4,820
Investments in joint ventures	19	140	(184)
		1,409,532	1,344,411
Current assets			
Inventories	20	1,475	493
Debtors: falling due after one year	21	79,629	66,662
Debtors: falling due within one year	22	14,611	16,400
Shared ownership properties held for resale	23	17,659	11,004
Cash and cash equivalents	24	108,872	81,743
		222,246	176,302
Creditors: amounts falling due within one year	25	(37,636)	(36,661)
Net current assets		184,610	139,641
Total assets less current liabilities		1,594,142	1,484,052
Non current liabilities			
Creditors: amounts falling due after more than one year.	26	(874,926)	(807,753)
Pension liability	31	(37,820)	(33,773)
Other provisions	32	(178)	(689)
Net assets		681,218	641,837
Capital and reserves			
Called up share capital	33	-	-
Profit and loss reserve		294,654	250,953
Revaluation reserve	33	409,214	411,733
Restricted reserve	33	208	208
Cash flow hedge reserve	33	(22,858)	(21,057)
Total reserves		681,218	641,837

The financial statements on pages 78 to 155 were approved and authorised for issue by the board on 8 August 2017 and were signed on its behalf by:

Andrew Jackson
Chairman

John Brace
Group resources director

Douglas Smith
Company secretary

12.0 CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

for the year ended 31 March 2017

	2017				
	Profit and loss reserve £000	Revaluation reserve £000	Restricted reserve £000	Cash Flow Hedge reserve £000	Total reserves £000
Balance at 1 April 2016	**250,953**	**411,733**	**208**	**(21,057)**	**641,837**
Profit for the year	**44,179**	-	-	-	**44,179**
Other comprehensive income for the year	**(4,798)**	-	-	-	**(4,798)**
Transfer from revaluation reserve to income and expenditure reserve	**2,519**	**(2,519)**	-	-	-
Transfer between reserves	-	-	-	-	-
Transfer of effective cash flow hedge fair value movements	**1,801**	-	-	**(1,801)**	-
Balance at 31 March 2017	**294,654**	**409,214**	**208**	**(22,858)**	**681,218**

	2016				
	Profit and loss reserve £000	Revaluation reserve £000	Restricted reserve £000	Cash Flow Hedge reserve £000	Total reserves £000
Balance at 1 April 2015	209,558	414,276	208	(20,381)	603,661
Profit for the year	33,990	-	-	-	33,990
Other comprehensive income for the year	4,186	-	-	-	4,186
Transfer from revaluation reserve to income and expenditure reserve	2,543	(2,543)	-	-	-
Transfer of effective cash flow hedge fair value movements	676	-	-	(676)	-
Balance at 31 March 2016	250,953	411,733	208	(21,057)	641,837

13.0 CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Net cash generated from operating activities	1	**114,637**	106,095
Taxation paid		**-**	(68)
Cash flow from investing activities			
Acquisition and construction of investment properties		**-**	(395)
Acquisition and construction of social housing properties		**(120,405)**	(108,349)
Proceeds from sale of social housing properties		**9,735**	8,325
Proceeds from sale of investment properties		**845**	-
Purchase of intangible assets		**(270)**	(1,044)
Purchase of other assets		**(1,467)**	(5,048)
Proceeds from sale of other assets		**31**	429
Loans granted to joint ventures		**(11,094)**	(2,857)
Dividends received from joint ventures		**410**	-
Grants received		**4,502**	5,921
Interest received		**455**	4,265
Cash flow used in investing activities		**(117,258)**	(98,753)
Cash flow from financing activities			
Interest paid		**(30,050)**	(29,819)
New secured loans		**100,000**	21,500
Repayment of borrowings		(40,200)	-
Cash flow generated from / (used in) financing activities		**29,750**	(8,319)
Net (decrease) / increase in cash and cash equivalents		**27,129**	(1,045)
Cash and cash equivalents at beginning of the year		**81,743**	82,788
Cash and cash equivalents at end of the year		**108,872**	81,743

14.0 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Note to the consolidated statement of cash flows

CASH FLOW FROM OPERATING ACTIVITIES	2017 £000	2016 £000
Profit for the year	**44,179**	33,990
Adjustments for non-cash items		
Amortisation of intangible assets	**1,309**	1,257
Depreciation of property, plant and equipment	**23,641**	22,027
(Reversal of) / charge to impairment of property, plant and equipment	**(321)**	3,144
Investment property fair value adjustments	**(482)**	(482)
Accelerated depreciation of components	**913**	905
Shared ownership properties transferred to shared ownership properties held for resale	**27,349**	16,017
Decrease in current assets	**(6,655)**	(3,604)
Increase / (decrease) in inventory	**(982)**	2,058
Decrease in debtors	**3,820**	9,199
Increase / (decrease) in creditors	**1,497**	(1,209)
(Decrease) / increase in provisions	**(511)**	398
Pension cost less contributions payable	**860**	976
Carrying amount of property, plant and equipment	**6,188**	6,772
Carrying amount of investment properties	**728**	-
Ineffective hedging adjustment	**-**	(128)
	57,354	57,330
Adjustments for investing or financing activities		
Proceeds from the sale of property, plant and equipment	**(9,766)**	(8,754)
Proceeds from the sale of investment properties	**(845)**	-
Government grants utilised and recycled in the year	**(345)**	(457)
Interest payable	**28,624**	28,251
Interest receivable	**(4,564)**	(4,265)
	13,104	14,775
Net cash generated from operating activities	**114,637**	106,095

2 General information

Aster Group Limited (the association) and its subsidiaries (the group) primary function is to provide social housing and other related services to its customers. The company is a Housing Association registered with the Homes and Communities Agency (HCA) as a Registered Provider as defined by the Housing Act 2004. It is also a Charitable Community Benefit Society. The following accounting policies apply to the group. Any additional policies that only relate to an individual subsidiary are disclosed in the subsidiaries financial statements.

3 Statement of compliance

The financial statements of the group have been prepared in accordance with applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102). The financial statements comply with Schedule 1 of the Housing Act 2004, the Accounting Direction for private registered providers of social housing 2015 and the Statement of Recommended Practice ('SORP 2014') published by the National Housing Federation ('NHF') in 2014. The group is classified as a Public Benefit Entity under FRS 102.

4 Summary of significant accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, except as modified by the revaluation of investment properties and certain financial instruments measured at fair value through the profit or loss. The principal accounting policies, have been applied consistently throughout the years presented.

Group consolidation

The group is required to prepare consolidated financial statements under the Co-operative and Community Benefit Societies Act 2014 incorporating the financial statements of the association and its subsidiaries. Intra-group transactions have been eliminated on consolidation.

Basis of consolidation

(a) Subsidiaries
Subsidiaries that are not the ultimate parent do not produce consolidated financial statements under the exemption included in section 9.3 of FRS 102.

(b) Joint ventures
Joint ventures are contractual arrangements between two or more parties which enter into an activity that they jointly control. The group has two types of joint venture.

i. Jointly controlled entities – these are separate organisations in which each party has an interest. In the group's consolidated financial statements they are accounted for using the equity method. In the group's financial statements the investment in the joint ventures is recognised at cost.

ii. Jointly controlled operations – each party uses their own resources rather than establishing a separate organisation. The jointly controlled operation agreement lays out how revenues from the activity are shared. For these operations the group recognises:

- The assets it controls and the liabilities it incurs; and
- The expenses it incurs and its share of the income from the operation.

Operating profit

The Aster Group has chosen to show operating profit on the face of the Consolidated Statement Of Comprehensive Income. This figure represents income, less the costs and expenses incurred to generate it, from the group's principal activities that are not investing or financing activities.

Turnover

Turnover represents:
Rental, service charge income and garage lettings - recognised from the point at which the properties under development reach practical completion or otherwise become available for letting.

Service charge income - an amalgamation of the budgeted charge for the year and the under or over recovery from the pre-previous year.

Revenue fees and grants from local authorities and the Home and Communities Agency - recognised in income over the period the related costs are incurred.

Asset related fees and grants from local authorities and the Home and Communities Agency - recognised in income over the life of the related asset.

Income from first tranche sales of New Build HomeBuy and housing properties developed for sale - recognised at the legal completion of the sale.

Helpline, telecare revenue – relates to providing personal monitoring systems to vulnerable customers. The charges are raised and recognised weekly from the installation of the equipment for as long as the customer requires it.

4 Summary of significant accounting policies (continued)

Turnover (continued)

Finance debtor revenue - relates to the income received in relation to the group's service concession Arrangement. It is made up of a monthly charge for each property with a certificate of availability and an annual dwelling charge payable by the grantor of the arrangement (Wiltshire County Council). Revenue is recognised from the date each property is certificated as available.

Other income, such as domiciliary care and sewerage services - recognised when the income falls due as a result of performing a service or otherwise meeting the requirements of any arrangement with a third party.

Property managed by agents

The group has a small number of properties that it owns but are managed by agents on its behalf. Where the group carries the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the profit or loss for the period. Where the agency carries the financial risk, the profit or loss for the period includes only that income and expenditure which relates solely to the group.

Value added tax (VAT)

The group is registered for VAT and, while turnover is stated excluding VAT, a large portion of its income, including its rents, is exempt for VAT purposes. The majority of its expenditure is subject to VAT which cannot be reclaimed and therefore expenditure is shown inclusive of irrecoverable VAT.

The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Right to buy

The surplus or deficit on disposal of housing properties under the right to buy arrangement is calculated as being the difference between the proceeds of sale of a property and the carrying value of that property. The gain or loss on disposal is recognised in the profit or loss for the period at the date of transfer after adjusting for any local authority claw back agreement in operation. The local authority claw back is recognised as a liability until it is repaid to the authority.

Right to acquire

The profit or loss on the disposal of housing properties under the right to acquire arrangement is calculated as being the difference between the proceeds of sale of a property and the carrying value of that property. Any loss on disposal is recognised in the profit or loss for the period at the date of transfer, any gain on disposal less allowable deductions is credited to the disposal proceeds fund to be recycled or repaid to the Homes and Communities Agency (HCA) if not used within the specified time period.

New Build HomeBuy (Shared ownership)

The cost of developing New Build HomeBuy properties is split between current assets for that part of the property which is expected to be sold by way of a first tranche sale and property, plant and equipment for the remaining part of the property which is expected to be retained.

First tranche sales on New Build HomeBuy properties are recognised in turnover, with an appropriate proportion of development build costs being expensed through cost of sales.

Subsequent tranches sold (staircasing) are reflected in the profit or loss on sale of property, plant and equipment. Such staircasing sales may result in social housing grant being deferred or abated until it can be recycled or repaid. Cost includes the acquisition of land and buildings, the cost of developing properties, plus expenditure incurred in respect of improvements.

Taxation

The group consists of some subsidiaries which have adopted charitable rules and benefit from various exemptions from taxation afforded by tax legislation and are therefore not liable to corporation tax on income or gains falling within those exemptions. The group also has some subsidiaries which are subject to taxation. These taxable subsidiaries are able to gift aid some or all of their taxable profits to their parent entity and in doing so reduce or eliminate their tax liability.

Intangible assets and amortisation – computer software

Intangible assets are identifiable non-monetary assets without physical substance such as computer software. Intangible assets are stated at cost less accumulated amortisation. Cost includes the original purchase price of the asset and any directly attributable costs of preparing the asset for its intended use. Amortisation is charged on a straight line basis over the expected remaining useful economic lives (UEL) of the assets as follows:

	UEL
Computer software	3 years
Main computer systems software	10 years

Social housing properties and depreciation

Properties rented for social benefit are classified as property, plant and equipment and referred to as social housing. These properties are rented at below market rate to people put forward by the relevant local authorities from their housing lists. Social housing properties under construction are stated at cost and are not depreciated. These are reclassified as social housing properties on practical completion of construction with cost apportioned by key components.

Freehold land is not depreciated. The group depreciates freehold properties by component on a straight line basis over the estimated useful economic lives of the component categories.

Social housing properties are split between the structure and those major components which require periodic replacement. Capitalised major components are depreciated over the following useful economic lives (UEL):

COMPONENT	UEL
Structure (see below)	30 - 100 years
Roof	60 years
Heating Distribution Systems	30 years
Boiler	15 years
Bathroom	30 years
Windows/Doors	30 years
Kitchen	20 years
Electrical wiring	30 years

Impairment reviews are carried out at each reporting date. If impairment is present the asset's carrying value is reduced to its depreciated replacement cost, as outlined in the impairment policy, unless it is being demolished or remodelled when the carrying value is reduced to that of the remaining components.

The group depreciates social housing properties held on long leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

New Build HomeBuy properties are split proportionately between property, plant and equipment and current assets based on the proportion of the share of equity sold in the first tranche. The element of a property anticipated to be sold as a first tranche sale is recognised as a current asset, whereas the element relating to second and subsequent tranche sales is treated as property, plant and equipment. If the profit on sale of the first tranche is expected to exceed the total overall profit on sale of all tranches of that property the proportionate value of the first tranche current asset is increased to limit the profit earned to the overall profit.

Depreciation on freehold properties and long leasehold social housing properties is provided to write off the cost less the estimated residual value of social housing properties by equal instalments over their remaining estimated useful economic life (UEL). Any additions and improvements are depreciated over the remaining life of the premises. The useful economic lives used are:

STRUCTURE	UEL
Pre-fabricated reinforced concrete construction (PRC)	30 years
Bedsits	30 years
All other social housing properties	100 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Summary of significant accounting policies (continued)

Social housing properties and depreciation (continued)

Freehold land is not depreciated.

Aster Group elected to take the transitional exemption laid out in paragraph 35.10(d) of FRS 102 and used the 31 March 2014 valuation as the deemed cost of social housing properties at that date. All social housing properties completed after that date are recognised at cost.

Donated land
Land donated by local authorities and others is added to cost of the development scheme at the market value of the land at the time of the donation, if the land is donated by a local authority the market value is recognised as a government grant and accounted for using the accruals method. If the land is donated by a non-government party the market value is recognised as income in the profit or loss for the period.

Property, plant and equipment and depreciation, non-social housing
Property, plant and equipment, is stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Subsequent expenditure is capitalised where it increases the value of the asset or extends its life. Completed social housing properties are covered by a separate policy. Depreciation is charged on a straight line basis over the expected remaining useful economic lives of the assets as follows:

	UEL
Freehold offices	50 years
Photovoltaic panels	25 years
Motor vehicles	4 – 5 years
Office, estate equipment and furniture	3 – 15 years

Freehold premises (non-social housing properties) depreciation is provided to write off the cost less estimated residual value over the useful economic life of the property. Any additions and improvements are depreciated over the remaining life of the premises.

Assets under construction are stated at cost (as defined above). They are presented separately in the note to the financial statements and not depreciated until they are completed and brought into use. The useful economic lives of all property, plant and equipment is reviewed annually.

Capitalisation of internal staff costs
a) Housing development schemes
Internal staff costs that are directly related to the development of housing assets are capitalised to the schemes under construction where the outcome of the scheme is certain. Where the outcome of the scheme is uncertain or aborted, the direct development administration costs are charged to the profit or loss for the period.

b) Development of internally created assets
Internal staffing costs relating to internally created other tangible or intangible assets are capitalised to the extent that they are additional costs incurred due to the development of the asset. An internally generated intangible asset is only recognised if all the following conditions are met:

- The asset created can be identified (such as software or a website);
- It is expected that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are recognised at cost and amortised on a straight-line basis over the useful lives from the date the asset becomes usable.

Capitalisation of interest costs
Interest costs relating to the construction and acquisition of housing assets are charged to the cost of the development scheme, over the period of its development. The amount capitalised represents either:

- Interest costs incurred specifically for financing the development programme after the deduction of social housing grant in advance; or
- Interest costs of the group as a whole after the deduction of interest on social housing grant in advance to the extent that they are funding the development programme.

Other interest costs are recognised in the profit or loss for the period to which they relate.

Leased assets
Where assets are financed by leasing agreements that transfers substantially all the risks and rewards of ownership, they are treated as if they had been purchased outright. The amount capitalised is the lower of the present value of the minimum lease payments payable during the lease term or the fair value of the leased asset. The corresponding leasing commitments are shown as the present value of the obligations to the lessor. Lease payments are treated as consisting of a finance charge and a reduction in the liability. The finance charge is charged to profit or loss for the period using the effective interest method.

Rentals paid under operating leases are charged to the profit or loss for the period on a straight line basis over the period of the lease.

Investment properties
Investment properties are properties held for capital appreciation, rental at a market rate where there are no restrictions on who can be a tenant, or both.

Investment properties are re-valued each year to their fair or market value. Any changes in value are recognised in the profit or loss for the period when they occur.

HomeBuy scheme
The group operates the HomeBuy Scheme lending up to 25% of the cost of a property purchase to tenants who wish to own their own home. This loan is secured on the title of the property. On subsequent sale of the property by the purchaser the group receives a proportion of the sale proceeds equal to the original percentage lent.

The loans are financed by Social Housing Grant (SHG) from the Homes & Communities Agency (HCA). On subsequent sale by the purchaser, the SHG is recycled and the group keeps any surplus. In the event of a loss, the SHG is written off and expensed through cost of sales.

The loan to the purchaser is treated as a fixed asset investment made by the group and the grant from the HCA is recognised separately as a loan to the group. The investment is carried on the Consolidated Statement of Financial Position at transaction cost and monitored for signs of impairment.

Inventories
a) General inventories
Inventories are valued at the lower of cost and net realisable value, after making allowances for any obsolete and/or slow moving items. Net realisable value is the price which inventories can be sold for in the normal course of business after allowing for the costs of realisation. Inventories are valued using a first-in-first-out methodology.

b) Properties identified for disposal
Where a decision has been taken to dispose of housing properties, these are included under inventories. These properties are held at the lower of historical cost less depreciation, or net realisable value. Cost comprises materials, direct labour, direct development overheads and attributable interest. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

c) Properties developed for market sale
Properties that have been developed for market sale are recognised at cost less cost to sell. Cost comprises materials, direct labour, direct development overheads and attributable interest. Sales proceeds are included in turnover.

Impairment
a) Inventories
At the end of each reporting period inventories are reviewed for impairment. If any inventory is found to be impaired the carrying value is reduced to the selling price less costs to complete and sell.

b) Other tangible and intangible assets
Other tangible and intangible assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, the affected assets are written down to the recoverable amount. Any such write down is charged to the profit or loss for the period.

c) Social Housing
Social Housing properties are subject to impairment reviews on completion and then annually thereafter. If there is evidence of impairment the carrying value of the property is compared to its depreciated replacement cost. This represents the amount it would cost the company to replace the property. For properties built or acquired prior to 1 April 2014 this replacement cost is depreciated from 1 April 2014. For properties built or acquired after 1 April 2014 depreciation starts from the build or acquisition date. If the property's carrying value is higher than its depreciated replacement cost the carrying value must be reduced to the depreciated replacement cost, the write down is charged to profit or loss for the period.

The group has some pre-fabricated reinforced concrete construction properties and bedsits. Where an impairment review indicates that their useful economic life is likely to be less than the standard policy they have been re-lifed to 10 years.

d) Unsold first tranche HomeBuy current assets
On practical completion HomeBuy property assets are spilt between current assets for the unsold first tranche portion and property, plant and equipment for the rental portion.

First tranche current assets are reviewed for impairment if there are indications that the market value of the property has dropped below that included in the investment appraisal. If any current assets are found to be impaired the carrying value is reduced to the selling price less costs to complete and sell.

The rental portion is treated as social housing for impairment purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Summary of the significant accounting policies (continued)

Accrued income
When, as a result of performing a service or otherwise meeting the requirements of any arrangement with a third party, income falls due but has not been invoiced in the period, an accrual is made for this income.

Deferred income
Where payment has been received for goods or services not yet delivered, the amount is initially recorded as a liability in the Consolidated Statement of Financial Position and recognised as revenue once the delivery has been made.

Service concession arrangements
The group has a service concession arrangement, previously known as a Private Finance Initiative scheme, with Wiltshire Council which was entered into before 1 April 2014. The group is taking advantage of the transitional arrangement outlined in section 35.10 (l) of FRS 102 and will continue accounting for the scheme using the accounting policies in place prior to that date.

Costs incurred on the Private Finance Initiative scheme in respect of development, design, construction and finance costs during the period prior to availability of the social housing properties are accumulated within stocks as amounts recoverable on long term contracts.

Once completed housing units are made available for occupation, the accumulated amounts recoverable on long term contracts are transferred to finance debtors receivable and recovered over the contract period on an annuity basis.

Service charge sinking funds
The group owns a number of schemes which require it to manage sinking funds in order to maintain the upkeep of the properties. These funds are held separately by the group, and may only be used for the benefit of the relevant schemes. These funds are held in creditors on the Consolidated Statement of Financial Position.

Financial instruments
Section 11 Basic Financial Instruments of FRS 102 permits an accounting policy choice for financial instruments. The group has chosen to adopt sections 11 and 12 of FRS 102 as permitted by this section.

a) Rent arrears and other debts
Rent arrears, other amounts due from tenants and other miscellaneous debts are recognised and carried at original amount of the charge, less provision for impairment. A provision is made and charged to the profit or loss for the period when there is objective evidence that the group will not be able to collect all amounts due in accordance to the original terms.

Any tenants or miscellaneous debtors who have a payment arrangement to pay their debts over a period of longer than the group's normal terms of business are treated as having a financing transaction. These transactions are recognised at their present value rather than transaction value. The discount rate used for the present value calculation is based upon an estimate of the rate the debtor could obtain in their own right.

b) Cash and cash equivalents
Cash and cash equivalents includes cash, short-term deposits and other short-term highly liquid investments with an original maturity of three months or less.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

c) Financial assets
The group recognises its financial assets at fair value. They represent some of the financial instruments the group has designated as hedging instruments. Hedging is further explained below in the derivative note.

d) Financial liabilities
The group recognises its financial liabilities at fair value. They represent some of the financial instruments the group has designated as hedging instruments. Hedging is further explained below in the derivative note.

e) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

f) Trade payables
Trade payables are not interest-bearing and are stated at their amortised cost.

g) Committed borrowings and bank overdrafts
Interest-bearing loans and overdrafts are recorded at the amounts received, net of direct issue costs, using the effective interest method. Direct issue costs are amortised over the period of the loans and overdrafts to which they relate. Finance charges, including premiums payable on settlement or redemption, are charged to the profit or loss for the period as incurred using the effective interest rate method and are added to the carrying value of the borrowings or overdraft to the extent they are not settled in the period in which they arise.

When the group enters into a loan facility agreement any associated costs are capitalised, discounted at the prevailing market rate of interest amortised over the life of the related loans.

h) Derivative financial instruments
The group uses various derivative financial instruments to manage its exposure to interest rate risks, including interest rate swaps and options or a combination of these. All derivative instruments are recorded in the Consolidated Statement of Financial Position at fair value. The recognition of gains or losses on derivative instruments depends on whether or not the instrument is designated as a hedging instrument. The group designates certain derivatives as either:

(I) a standalone derivative recognised at fair value through the profit or loss; or
(ii) a cash flow hedging instrument.
The full fair value of a hedging derivative is classified as a non-current asset or liability when the derivative matures in more than twelve months, and as a current asset or liability when the derivative matures in less than twelve months.

i) Cash flow hedges
The effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income within the Consolidated Statement of Comprehensive Income and subsequently in the cash flow hedge reserve. The ineffective portion of such gains and losses is recognised in the profit or loss for the period immediately.

Amounts accumulated in the cash flow hedge reserve are reclassified to the Income Statement in the periods when the hedged item is recognised in the Income Statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow reserve at that time is recognised in the profit or loss for the period.

Social housing and other grants
Social housing grant (SHG) is receivable from the Homes and Communities Agency (HCA). It is accounted for under section 24 of FRS 102 'Government Grants' using the accrual model. Once properties have been completed the grant is classified as a long-term creditor and amortised to the profit or loss for the period over the life of the properties' structure. Where grants are paid in advance, they are included in creditors until performance is completed.

If a property which received a grant is subsequently sold, or another relevant event takes place the SHG appears as a creditor due in less than one year. It can be recycled for use in a project approved by the HCA or repaid to the HCA if it is not used within the agreed timescale.

Other grants received are also accounted for under section 24 of FRS 102 using the accrual model.

Pension Costs
The cost of providing retirement pensions and related benefits is accounted for in accordance with Section 28 of FRS 102 'Employee Benefits'.

The group participates in eight pension schemes. There are four Local Government Pension Schemes (LGPS) which are the Dorset County Council Pension Fund, the Hampshire County Council Pension scheme, the Somerset County Council Pension scheme and the Wiltshire Council Pension scheme. There are three separate schemes with the Social Housing Pension Scheme (SHPS), and one defined contribution ('stakeholder') scheme with Friends Provident. The accounting treatment for each scheme is described below.

The Local Government Pension Schemes (LGPS) are accounted for as defined benefit schemes. The assets for these schemes are held separately from those of the group in independently administered funds. Pension scheme assets are measured in accordance with the FRS 102 fair value hierarchy. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability.

The increase in the present value of the liabilities of the group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in operating costs. Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the Statement of Financial Position net of the related deferred tax. Actuarial gains and losses which arise from the difference between actual and expected performance of the scheme are recognised in other comprehensive income.

All LGPS schemes are closed to new starters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Summary of significant accounting policies (continued)

Pension Costs (continued)

There are three separate SHPS schemes. The SHPS defined benefit scheme based on final salary was closed to new starters with effect from October 2010. Employees now have a choice of joining the SHPS defined benefit scheme based on a career average of earnings, or a SHPS defined contributions (stakeholder) scheme.

At the period end, SHPS are unable to provide sufficient information on the defined benefits schemes to calculate the group's share of assets and liabilities so all SHPS schemes are accounted in the same way as a defined contribution scheme, with contributions being expensed as they fall due.

Where the SHPS scheme is in deficit and where the group has agreed with the SHPS scheme to participate in a deficit funding arrangement the group recognises a liability for this obligation. The amount recognised is the net present value of the contributions payable under the agreement that relate to the deficit. This amount is expensed in the profit or loss for the period. The unwinding of the discount is recognised as a finance cost.

Employees joining Flourish Homes (now part of Aster Communities) between September 2003 and September 2010 were only offered entrance to a defined contribution (stakeholder) scheme with Friends Provident. Since October 2010 new employees have been offered entrance to the SHPS defined benefits career average scheme or the SHPS defined contribution scheme. All payments for both schemes are charged as an expense as they fall due.

Provisions

a) General provisions

A provision is recognised in the Consolidated Statement of Financial Position where the group has an obligation as a result of a past event, and it is probable that economic benefits will be required to settle the obligation. The amount of provision is re-assessed each year in the light of estimated future income and costs as appropriate.

b) Termination benefits

Termination benefits are only recognised once a formal plan has been approved by the group's senior management.

Deferred taxation

Deferred taxation is provided in accordance with Section 29 of FRS 102 'Income Tax'. It is recognised in respect of all timing differences at the reporting date where transactions or events have occurred at that date that will result in an either an obligation to pay more tax in the future or a right to pay less tax in the future.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the reporting date.

Restricted Reserve

The group has reserves which arise from the sale of some properties where the transfer agreement with the local council requires the association to retain a portion of the sale proceeds. The reserve can only be used to fund investment in properties in the Mendip area, in agreement with Mendip District Council.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the group's accounting policies

Multi-employer defined benefit pension scheme
The group participates in two multi-employer defined benefit pension schemes, one defined benefit based on final salary and one defined benefit based on a career average of earnings, both provided by the Social Housing Pension Scheme. In the judgement of the directors, the group does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for as a defined contribution scheme, see note 31 for further details.

Fair value
The directors have made the following judgements regarding fair value:

If land is donated to the group at below market cost it is recognised at its fair value. The directors judge this to be its market value at the time of the donation.

Investment properties are recognised each year at their fair value. The directors judge this to be their market value at the end of the reporting period.

The group uses derivatives to manage its interest rate risk. These financial instruments are recognised each year at their fair or mark to market (MTM) value. This is determined by measuring the future discounted cash flows generated by the financial instrument against the implied interest yield curve at that point in time for the same nominal amount. The difference between these two figures is the financial instrument's fair or mark to market value. The directors judge this to be an appropriate method of determining their fair value.

Hedging relationships
The group uses derivative financial instruments to manage its interest rate risk. If certain criteria laid down in Section 12 'Other financial instruments of FRS 102' are met the directors may judge it appropriate to link a derivative financial instrument to a financial instrument recognised at amortised cost in a hedging relationship. This allows the effective portion of gains or losses on the derivative instrument, the hedging instrument, to be deferred in a cash flow hedge reserve until the impact of the amortised cost instrument, the hedged item, is seen in the profit or loss for the period.

The ineffective portion of these gains or losses is recognised in the profit or loss for the period immediately.

The directors judge that the use of hedging relationships reduces volatility in the group's financial results.

Indexation uplifting in leases
Several of the group's lease arrangements have an indexation uplift included in their terms and conditions by the lessor. These contract terms are typical for the sector and so management judges these leases to be operating leases within the scope of FRS 102 section 20: 'Leases' and recognises them under the appropriate classification within this section.

Loans with embedded callable options
The group uses different types of financial instruments to fund its development activities. Some have the form of a fixed rate loan with an embedded callable option that gives the lender the right to change the interest rate to variable at a certain date, the call date. The group's management judges that these financial instruments fall under section 11 'Basic Financial Instruments' of FRS 102 and so recognise them as fixed rated loans using the effective interest rate method.

Early Repayment clauses in loan facility agreements
Within the group's loan documentation there are clauses that allow the early repayment of the loans, subject to the payment of breakage cost and compensation. The breakage and compensation payments can either be payable to the lender or receivable by the borrower. The group's management judges that the effect of these clauses does not breach the conditions laid out in paragraph 11.9 of section 11 'Basic Financial Instruments' of FRS 102 and so recognise the related loans as being classified as basic.

Recognition of a deferred tax asset
The recognition of deferred tax assets is based upon whether it is expected that sufficient taxable profits will be available in the future, to allow the reversal of temporary timing differences. Management must make judgements regarding the future financial performance of the company. Only if they judge the forecast financial performance to be suitable will a deferred tax asset be recognised.

Interest rate exposure
Interest rate swaps are used to manage the group's exposure to fluctuations in interest rates on its floating rate borrowings. The maturity profile of these swaps is matched with the underlying debt. The group's hedging policy is to fix no more than 90% of its term debt but also leave no more than 50% of the group's borrowings on floating rate. The expected future debt profile of the group is based on estimates of the timings and size of future housing developments funding demands offset by an estimate of cash generated by the group's operating activities. If management materially underestimate the group's future debt profile this could lead to too few interest hedges being in place and the group more exposed to interest rate fluctuations. An overestimation of the group's future debt profile could lead to too many interest rate swaps being put in place which would subsequently not be effective for hedging purposes.

Cash generating units
When reviewing social housing properties for impairment the directors are required to consider the level of cash generating unit. For impairment purposes, the directors consider that each individual property constitutes a cash generating unit as it generates cash flows that are largely independent of the cash flows generated by other assets.

Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful lives of social housing property assets
Social housing property assets are split into their component parts, with each component being depreciated over a separate estimated useful economic life. The annual depreciation charge for social housing property assets in total is sensitive to changes in these estimated useful economic lives. The useful economic lives of individual components are re-assessed as part of a rolling stock condition survey, examining 20% of the stock annually, and amended where necessary. See note 4 for the useful economic lives for each class of component.

Rebalancing surpluses from HomeBuy first tranche sales
Where social housing development schemes consist of social rental and HomeBuy properties the cost of development is split between the individual properties by property classification. As these costs cannot be accurately assigned to individual properties management assumes that they are evenly spread by floor area.

The HomeBuy property costs are then further split between the percentage of the property to remain as property, plant and equipment and the current asset based on the percentage to be sold as the first tranches sale.

The exception to this treatment is where the overall surplus of the scheme, including social rental properties, is less than the surplus to be recognised for the first tranche sale. The surplus for the entire scheme is calculated by taking the present value of the net cash flows expected to be generated by the scheme over a period of 30 years, (its existing use valuation – social housing (EUV-SH)), value away from the cost of the scheme. If the resulting surplus is smaller than the surplus on the first trance sales alone the first tranche surplus must be restricted to that of the total scheme. This is achieved by transferring costs from property, plant and equipment to the current asset until the excess surplus is removed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Depreciated replacement cost depreciation start date
Properties owned prior to 1 April 2014 are recognised at their 31 March 2014 valuation or deemed cost. When these properties are assessed for impairment using the depreciated replacement cost model management assume the depreciation starts from 1 April 2014 rather than the properties' construction date. This assumption is based on the properties' deemed cost being its Existing Value in Use - Social Housing (EUV-SH) representing the value of its service potential.

Impairment of debtors
The group makes an estimate of the recoverable value of rent arrears and other debtors. When assessing these debts for impairment, management considers factors including the status of the tenant, (current or former), the aging profile of the debtors and historical experience. Former tenant debts are assumed to be impaired and so are fully provided for. Current tenant debts which have an arrangement to pay over the period greater than 12 months are discounted, to reflect the time value of money. See note 22 for the net carrying amount of the debtors and the associated impairment provision.

Defined benefit pension scheme
The group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in the determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends. See note 31 for the disclosures relating to defined benefit pension schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Turnover, operating cost and profit
6a

	Note	2017 Turnover £000	2017 Operating costs £000	2017 Operating profit/(loss) £000	2016 Turnover £000	2016 Operating costs £000	2016 Operating profit/(loss) £000
Income and expenditure from lettings							
Housing accommodation before impairment	6b	148,436	(89,159)	59,277	143,931	(88,517)	55,414
Other income and expenditure							
Social Housing							
Housing services provided to third parties		2,034	(2,541)	(507)	1,625	(1,896)	(271)
Supporting People contract		1,169	(1,060)	109	1,283	(1,206)	77
Properties managed by agents		281	-	281	276	-	276
Community involvement and transform		57	(469)	(412)	191	(1,155)	(964)
Domiciliary care		5,034	(4,616)	418	4,072	(3,682)	390
Helpline / Telecare		2,187	(2,130)	57	1,405	(1,251)	154
Home improvements		1,373	(1,444)	(71)	2,686	(2,947)	(261)
First tranche shared ownership		20,752	(19,177)	1,575	15,618	(14,831)	787
Development costs not capitalised		-	(948)	(948)	-	(108)	(108)
Other		248	-	248	-	74	74
		33,135	(32,385)	750	27,156	(27,002)	154
Non Social Housing							
Garage lettings		2,728	(323)	2,405	2,622	(438)	2,184
Sewerage services		192	(163)	29	322	(55)	267
Market rented properties		903	(313)	590	812	(176)	636
Open market property sales		4,031	(3,047)	984	3,219	(3,149)	70
Other		1,144	(527)	617	920	(305)	615
		8,998	(4,373)	4,625	7,895	(4,123)	3,772
Total		190,569	(125,917)	64,652	178,982	(119,642)	59,340
Administrative expenses				(303)			(142)
Operating profit before impairment				64,349			59,198
Net reversal of impairment / impairment of social housing	6b			321			(3,144)
Impairment of current assets				(230)			-
Operating profit				64,440			56,054

Net impairment of housing properties includes the reversal of an impairment charged in the previous year relating to one of the groups' schemes where costs have been agreed at a lower figure than estimated last year. Part of this reversal has been offset by the impairment of a block of flats which have been demolished.

The impairment of current assets relates to unsold extra care shared ownership properties that have been converted to general needs rental properties. They have been capitalised at depreciated replacement cost. The reduction in value has been recognised as an impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Income and expenditure from lettings
6b

	2017				
	General needs housing £000	Supported housing £000	Shared ownership £000	Other £000	Total £000
Income					
Rents	116,594	17,416	4,319	605	138,934
Service charges	3,169	4,486	827	4	8,486
Amortisation of government grants	86	61	25	-	172
Other revenue grants	744	71	19	10	844
Total net rents from lettings	120,593	22,034	5,190	619	148,436
Expenditure					
Management	(23,300)	(166)	(2)	(428)	(23,896)
Services	(5,731)	(3,086)	(151)	(20)	(8,988)
Routine maintenance	(11,638)	(818)	(12)	(35)	(12,503)
Planned maintenance	(6,413)	(458)	-	-	(6,871)
Major improvements and repairs	(13,788)	-	-	-	(13,788)
Bad debts	(757)	(111)	-	(15)	(883)
Depreciation of housing properties	(18,042)	(2,634)	(641)	-	(21,317)
Accelerated depreciation of components	(826)	(87)	-	-	(913)
Operating costs on housing lettings	(80,495)	(7,360)	(806)	(498)	(89,159)
Operating profit on lettings activities before impairment	40,098	14,674	4,384	121	59,277
Net reversal of impairment of housing properties	321	-	-	-	321
Operating profit on lettings activities	40,419	14,674	4,384	121	59,598
Rental income is stated net of void losses as set out below:					
Void losses	523	334	2	75	934

Net reversal of impairment of housing properties includes the reversal of an impairment charged in the previous year relating to one of the group's development schemes where costs have been agreed at a lower figure than estimated last year.

	2016				
	General needs housing £000	Supported housing £000	Shared ownership £000	Other £000	Total £000
Income					
Rents	114,947	17,149	3,734	948	136,778
Service charges	1,912	4,048	599	1	6,560
Amortisation of government grants	(113)	-	-	-	(113)
Other revenue grants	564	62	35	45	706
Total net rents from lettings	117,310	21,259	4,368	994	143,931
Expenditure					
Management	(26,212)	(325)	(203)	(783)	(27,523)
Services	(3,480)	(3,304)	(623)	(16)	(7,423)
Routine maintenance	(11,237)	(1,717)	(20)	(37)	(13,011)
Planned maintenance	(6,273)	(959)	-	-	(7,232)
Major improvements and repairs	(11,679)	(210)	-	-	(11,889)
Bad debts	(597)	(168)	(2)	(10)	(777)
Depreciation of housing properties	(16,782)	(2,388)	(547)	-	(19,717)
Accelerated depreciation of components	(804)	(141)	-	-	(945)
Operating costs on housing lettings	(77,064)	(9,212)	(1,395)	(846)	(88,517)
Operating profit on lettings activities before impairment	40,246	12,047	2,973	148	55,414
Impairment of housing properties	(3,144)	-	-	-	(3,144)
Operating profit on lettings activities	37,102	12,047	2,973	148	52,270
Rental income is stated net of void losses as set out below:					
Void losses	471	476	7	47	1,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6c Segmental analysis

The group has determined the Group Executive Board to be the chief operating decision maker. The team reports to the Group Board and has operational responsibility for all aspects of the group's business. It has the power to make operational decisions and allocate resources. The Group Executive Board have determined that the group's operating segments are represented by the group's individual subsidiaries. The tables below are a summary of the management information received by the Group Executive Board for decision making purposes. Segments are reported on by expenditure and income. Segmental assets and liabilities have not been disclosed because they are not regularly provided to the Group Executive Board for decision making.

TURNOVER	2017						
	Net rental income £000	Care & support income £000	Repairs & maintenance income £000	Design & build and management services fees £000	First tranche and open market property sales £000	Other £000	Total £000
Aster Communities	98,907	-	-	2,017	10,752	382	112,058
Synergy Housing Limited	52,257	-	-	17	10,000	1,123	63,397
Aster Living	-	8,414	1,373	-	-	-	9,787
Aster Property Limited	-	-	55,146	-	-	-	55,146
Aster Homes Limited	-	-	-	66,880	149	662	67,691
Zebra Property Solutions Limited	-	-	-	-	3,882	86	3,968
Aster Group Limited	-	-	-	18,525	-	-	18,525
Aster Treasury Plc	-	-	-	-	-	-	-
Silbury Housing & Holdings Limited	-	-	-	-	-	1,463	1,463
Aster Options Plus Limited	-	-	-	-	-	254	254
Aster Solar Limited	-	-	-	-	-	315	315
Eliminations	-	(24)	(54,637)	(86,812)	-	(562)	(142,035)
Total turnover	151,164	8,390	1,882	627	24,783	3,723	190,569

PROFIT/(LOSS) FOR THE YEAR ENDED 31 MARCH 2017	2017				
	Turnover £000	Operating expenses £000	Depreciation £000	Impairment £000	Operating profit £000
Aster Communities	112,058	(60,629)	(14,562)	(230)	36,637
Synergy Housing Limited	63,397	(33,483)	(7,827)	321	22,408
Aster Living	9,787	(8,971)	(303)	-	513
Aster Property Limited	55,146	(52,811)	(763)	-	1,572
Aster Homes Limited	67,691	(65,724)	-	-	1,967
Zebra Property Solutions Limited	3,968	(3,037)	-	-	931
Aster Group Limited	18,525	(16,496)	(1,115)	-	914
Aster Treasury Plc	-	-	-	-	-
Silbury Housing & Holdings Limited	1,463	(857)	-	-	606
Aster Options Plus Limited	254	(253)	-	-	1
Aster Solar Limited	315	(66)	(141)	-	108
Eliminations	(142,035)	140,818	-	-	(1,217)
	190,569	(101,509)	(24,711)	91	64,440
Net interest					(25,248)
Asset disposals					3,694
Share of Joint venture profit					734
Fair value adjustment of investment properties					482
Profit before taxation					44,102

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6c Segmental analysis

TURNOVER	2016						
	Net rental income £000	Care & support income £000	Repairs & maintenance income £000	Design & build and management services fees £000	First tranche and open market property sales £000	Other £000	Total £000
Aster Communities	96,060	-	-	2,235	10,418	516	109,229
Synergy Housing Limited	50,493	-	-	20	5,200	1,085	56,798
Aster Living	-	6,760	2,686	-	-	-	9,446
Aster Property Limited	-	-	55,224	-	-	-	55,224
Aster Homes Limited	-	-	-	55,790	3,219	613	59,622
Zebra Property Solutions Limited	-	-	-	-	-	82	82
Aster Group Limited	-	-	-	18,511	-	-	18,511
Aster Treasury Plc	-	-	-	-	-	-	-
Silbury Housing & Holdings Limited	-	-	-	-	-	1,357	1,357
Aster Options Plus Limited	-	-	-	-	-	260	260
Aster Solar Limited	-	-	-	-	-	126	126
Eliminations	-	-	(55,224)	(74,430)	-	(2,019)	(131,673)
Total turnover	146,553	6,760	2,686	2,126	18,837	2,020	178,982

PROFIT/(LOSS) FOR THE YEAR ENDED 31 MARCH 2016	2016				
	Turnover £000	Operating expenses £000	Depreciation £000	Impairment £000	Operating profit £000
Aster Communities	109,229	(58,966)	(14,687)	(1,719)	33,857
Synergy Housing Limited	56,798	(29,472)	(7,028)	(1,425)	18,873
Aster Living	9,446	(8,790)	(296)	-	360
Aster Property Limited	55,224	(53,179)	(711)	-	1,334
Aster Homes Limited	59,622	(59,212)	-	-	410
Zebra Property Solutions Limited	82	81	-	-	163
Aster Group Limited	18,511	(16,675)	(1,031)	-	805
Aster Treasury Plc	-	-	-	-	-
Silbury Housing & Holdings Limited	1,357	(898)	-	-	459
Aster Options Plus Limited	260	(264)	-	-	(4)
Aster Solar Limited	126	(163)	-	-	(37)
Eliminations	(131,673)	131,507	-	-	(166)
	178,982	(96,031)	(23,753)	(3,144)	56,054
Net interest					(25,063)
Profit on asset disposals					1,982
Share of Joint venture profit					635
Fair value adjustment of investment properties					482
Profit or loss before taxation					34,090

7 Operating profit

	2017 £000	2016 £000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration (including irrecoverable VAT)		
In their capacity as auditors:		
Financial statements audit	138	190
In respect of other services:		
Completion of Corporation Tax returns	20	15
Depreciation:		
Property, plant and equipment - social housing	21,317	19,716
Accelerated depreciation of components	913	945
Property, plant and equipment - other assets	2,324	2,311
Amortisation of intangible assets	1,309	1,257
Impairment:		
Housing properties - net reversal/(charge)	321	(3,144)
Current assets	(230)	-
Profit on shared ownership properties, first tranche	(1,575)	(787)
Profit on disposal of property, plant and equipment	(3,577)	(1,982)
Inventory recognised as an expense	6,816	7,618
Operating lease payments		
Land and buildings	77	443
Office premises	286	1

8 Employee information

	2017 No.	Restated 2016 No.
The average number of persons employed during the year (full time equivalents 'FTE') based on 37 hours per week	1,201	1,232

FTE by salary bands:
Salary includes salary, car allowance and any acting up allowances, but excludes pension contributions made by the group.

	2017	2016
£59,999 or less	1,152	1,200
£60,000 to £69,999	22	7
£70,000 to £79,999	6	4
£80,000 to £89,999	7	10
£90,000 to £99,999	4	3
£100,000 to £109,999	3	1
£110,000 to £119,999	1	2
£120,000 to £129,999	2	1
£130,000 to £139,999	-	-
£140,000 to £149,999	1	-
£150,000 to £159,999	1	2
£160,000 to £169,999	-	-
£170,000 to £179,999	1	1
£180,000 to £189,999	-	-
£190,000 to £199,999	-	-
£200,000 to £209,999	-	-
£210,000 to £219,999	-	-
£220,000 to £229,999	1	1
	1,201	1,232

Staff costs:

	2017 £000	2016 £000
Wages and salaries	36,842	36,995
Social security costs	3,635	3,376
Other pension costs	2,321	4,427
	42,798	44,798

9 Profit /(loss) on disposal of property, plant and equipment

	2017			2016		
	Proceeds £000	Cost of sales £000	Profit / (loss) £000	Proceeds £000	Cost of sales £000	Profit / (loss) £000
Right to buy	3,499	(3,570)	(71)	3,015	(3,393)	(378)
Right to acquire	418	(288)	130	289	(354)	(65)
Shared ownership staircasing	2,391	(1,710)	681	2,148	(1,652)	496
Disposal of void properties	2,485	(581)	1,904	2,873	(1,218)	1,655
Others	942	(39)	903	-	-	-
Total social housing	9,735	(6,188)	3,547	8,325	(6,617)	1,708
Motor vehicles	31	-	31	21	-	21
Computer equipment	-	(1)	(1)	-	(60)	(60)
Office disposal	-	-	-	269	(95)	174
Land sale	-	-	-	139	-	139
Total other assets	31	(1)	30	429	(155)	274
Total	9,766	(6,189)	3,577	8,754	(6,772)	1,982

Legal and other related costs are included in cost of sales.

10 Profit on disposal of investment properties

	2017			2016		
	Proceeds £000	Cost of sales £000	Profit £000	Proceeds £000	Cost of sales £000	Profit £000
Investment properties	845	(728)	117	-	-	-

Legal and other related costs are included in cost of sales.

11 Finance income and expense

	Note	2017 £000	2016 £000
Interest receivable and similar income			
Interest on short term deposits		455	454
Finance debtor interest receivable		2,596	2,663
Interest receivable on lease contracts		-	17
Other interest receivable		1,244	957
Total interest income on financial assets not measured at fair value through profit or loss		4,295	4,091
Unwinding of trade debtor discounting		269	174
		4,564	4,265
Interest payable and similar charges			
Guaranteed fixed rate secured bond		(11,196)	(11,159)
Fixed rated loans		(16,004)	(11,781)
Floating rated loans		(2,952)	(6,507)
Less interest capitalised		2,390	2,312
		(27,762)	(27,135)
Disposal proceeds fund interest		(2)	(1)
Recycled capital grant fund interest		(6)	(19)
Amortisation of arrangement fees		(69)	(85)
Administration charge		(305)	(374)
Amortisation of issue costs		(34)	(71)
Total interest income on financial liabilities not measured at fair value through profit or loss		(28,178)	(27,685)
Movement in SHPS recovery plan liability discounting		(146)	(118)
Trade debtor discounting		(300)	(448)
		(28,624)	(28,251)
Ineffective cash flow hedge fair value movements			
Financial liabilities measured at fair value through profit or loss	12	-	128
Interest on net pension liability			
Local government pension schemes	31	(1,188)	(1,205)
Total finance income and expense		(25,248)	(25,063)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Gains and losses on financial instruments measured at fair value through profit or loss or other comprehensive income

	2017			
	Profit and loss		Other comprehensive income	
	Gains £000	Losses £000	Gains £000	Losses £000
Financial assets measured at fair value through profit and loss	-	-	-	-
Financial liabilities measured at fair value through profit and loss	-	-	17	(1,818)
	-	-	17	(1,818)

	2016			
	Profit and loss		Other comprehensive income	
	Gains £000	Losses £000	Gains £000	Losses £000
Financial assets measured at fair value through profit and loss	-	-	-	-
Financial liabilities measured at fair value through profit and loss	128	-	-	(676)
	128	-	-	(676)

13 Tax on profit on ordinary activities

	2017 £000	2016 £000
(a) Tax expense included in profit or loss The tax (credit) / charge on the profit on ordinary activities was as follows:		
Current tax		
UK corporation tax expense	40	-
Under provision in previous years	-	(9)
Total current tax	40	(9)
Deferred tax		
Origination and reversal of timing differences	(154)	92
Adjustment for prior year	5	-
Changes in tax rate or laws	32	17
Total deferred tax	(117)	109
Tax on profit on ordinary activities	(77)	100

	2017 £000	2016 £000
(b) Tax credit included in other comprehensive income/(expense)		
Deferred tax		
Origination and reversal of timing differences	(190)	(7)
Adjustment for prior years	-	-
Impact of change in tax rate	-	-
	(190)	(7)

The tax assessed for the year differs from the standard rate of corporation tax in the UK as explained below.

	2017 £000	2016 £000
(c) Factors affecting tax charge/(credit) for the year		
Profit on ordinary activities before taxation:	44,102	34,090
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 20% (2016: 20%)	8,818	6,818
Effects of:		
Profit from charitable activities	(8,898)	(6,748)
Expenses not deductible	(6)	-
Effects of tax rate changes	32	-
Utilisation of losses	-	(128)
Joint venture profit share	-	127
Items not allowable for tax purposes	-	(10)
Deferred tax asset transferred to another group entity	(10)	-
Items charged to other comprehensive income	(12)	(1)
Adjustments for prior year	5	(12)
Other timing differences	(6)	28
	(77)	74

	2017 £000	2016 £000
(d) Deferred Tax		
Asset at start of period	(102)	(204)
Adjustment in respect of prior years	5	-
Deferred tax (credit) / charge to income statement for the period	(122)	109
Deferred tax (credit) / charge in equity for the period	-	-
Deferred tax (credit) / charge in other comprehensive income for the period	(190)	(7)
Asset at end of period	(409)	(102)

(e) Tax rate changes
The Finance Act 2015 was substantively enacted on 26 October 2015 and reduced the main rate of corporation tax to 19% with effect from 1 April 2017. The Finance Act 2016 was substantively enacted on 15 September 2016 and reduced the main rate of corporation tax to 17% from 1 April 2020. Closing Deferred tax balances have therefore been valued at 17% or 19% (2016 18%, 19% or 20%) depending on the date they are expected to fully unwind.

14 Intangible assets

	2017		
	Assets under construction £000	Computer software £000	Total £000
Cost			
At 1 April 2016	20	9,208	9,228
Additions	30	240	270
Completions	(44)	44	-
Reclassification to other assets	(6)	(26)	(32)
At 31 March 2017	-	9,466	9,466
Accumulated amortisation			
At 1 April 2016	-	4,842	4,842
Charge for year	-	1,309	1,309
Reclassification to other assets	-	(26)	(26)
At 31 March 2017	-	6,125	6,125
Net book value	-	3,341	3,341

	2016		
	Assets under construction £000	Computer software £000	Total £000
Cost			
At 1 April 2015	325	7,512	7,837
Additions	184	860	1,044
Completions	(489)	489	-
Reclassification to other assets	-	428	428
Disposals	-	(81)	(81)
At 31 March 2016	-	9,208	9,208
Accumulated amortisation			
At 1 April 2015	-	3,666	3,666
Charge for year	-	1,257	1,257
Disposals	-	(81)	(81)
At 31 March 2016	-	4,842	4,842
Net book value	20	4,366	4,386

15 Property, plant and equipment (social housing)

On transition to FRS 102 Aster Group has elected to take the transitional exemption laid out in paragraph 35.10(d) of FRS 102 and is using the 31 March 2014 valuation as the deemed cost of social housing properties held at that date. All social housing properties completed or acquired after that date are recognised at cost.

	2017				
	Housing properties under construction £000	Completed housing properties £000	Shared ownership under construction £000	Shared ownership completed £000	Total £000
Cost					
At 1 April 2016	19,904	1,217,243	21,994	74,894	1,334,035
Additions	65,640	75	42,706	-	108,421
Components	-	11,984	-	-	11,984
Disposal of components	-	(3,340)	-	-	(3,340)
Net reversal of Impairment	-	321	-	-	321
Completions	(52,395)	52,395	-	-	-
Transfer (to) / from current assets	-	-	(48,118)	20,769	(27,349)
Disposals	-	(2,798)	-	(1,419)	(4,217)
At 31 March 2017	33,149	1,275,880	16,582	94,244	1,419,855
Accumulated depreciation					
At 1 April 2016	-	34,598	-	974	35,572
Charge for year	-	20,703	-	614	21,317
Disposal of components	-	(2,427)	-	-	(2,427)
Disposals	-	(289)	-	(37)	(326)
At 31 March 2017	-	52,585	-	1,551	54,136
Net book value at 31 March 2016	33,149	1,223,295	16,582	92,693	1,365,719

The cost of completed properties during the year includes £2.4 million (2016: £2.3 million) of capitalised borrowing costs at an average rate of 2.62% (2016: 3.77%).

The below valuation was carried out by Jones Lang LaSalle Limited Chartered Surveyors on 31 March 2017, on the basis of Existing Use Value - Social Housing. The valuations were carried out in accordance with RICS Appraisal and Valuation Manual effective from 1 January 1996 (as amended).

	2017				
	Housing properties under construction £000	Completed housing properties £000	Shared ownership under construction £000	Shared ownership completed £000	Total £000
Current value of completed social housing properties					
Existing Use Valuation - Social Housing					
Valuation at 31 March 2017	-	1,168,670	-	102,040	1,270,710
Valuation at 31 March 2016	-	1,015,580	-	81,730	1,097,310

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Property, plant and equipment (social housing)

	2016				
	Housing properties under construction £000	Completed housing properties £000	Shared ownership under construction £000	Shared ownership completed £000	Total £000
Cost					
At 1 April 2015	33,512	1,132,891	20,623	68,283	1,255,309
Additions	66,830	420	27,480	-	94,730
Components	-	13,619	-	-	13,619
Disposal of components	-	(3,229)	-	-	(3,229)
Impairment	-	(3,144)	-	-	(3,144)
Completions	(80,274)	80,274	-	-	-
Transfer to / from current assets	-	-	(26,109)	10,092	(16,017)
Transfer to investment properties	(164)	-	-	-	(164)
Disposals	-	(3,588)	-	(3,481)	(7,069)
At 31 March 2016	19,904	1,217,243	21,994	74,894	1,334,035
Accumulated depreciation					
At 1 April 2015	-	18,051	-	440	18,491
Charge for year	-	19,152	-	564	19,716
Disposal of components	-	(2,324)	-	-	(2,324)
Disposals	-	(281)	-	(30)	(311)
At 31 March 2016	-	34,598	-	974	35,572
Net book value at 31 March 2016	19,904	1,182,645	21,994	73,920	1,298,463

The cost of completed properties during the year includes £2.3 million of capitalised borrowing costs at an average rate of 3.77%.

Impairment relates to both a downward revaluation following the trigger of the Government decision to reduce rents by 1% for the next four years and a small number of schemes where expenditure exceeded the original approved budget for the scheme. This affected 207 units with a carrying value prior to impairment of £28 million.

	2017 £000	2016 £000
Net book value of Property, plant and equipment - Social Housing by tenure		
Freehold	**1,364,600**	1,297,855
Long leasehold	**1,119**	608
Net book value	**1,365,719**	1,298,463

16 Property, plant and equipment (other assets)

	2017						
	Office premises £000	Leasehold office improvements £000	Assets under construction £000	Motor vehicles £000	Office & estate equipment & furniture £000	Computer equipment £000	Total £000
Cost							
At 1 April 2016	14,893	880	188	6,014	10,374	4,548	36,897
Additions	26	3	146	774	141	377	1,467
Completions	-	-	(332)	-	-	332	-
Reclassification (to) / from intangible assets	-	-	6	-	-	26	32
Disposals	-	-	-	(620)	(25)	(73)	(718)
At 31 March 2017	14,919	883	8	6,168	10,490	5,210	37,678
Accumulated depreciation							
At 1 April 2016	2,947	125	-	4,182	4,852	3,415	15,521
Charge for year	332	19	-	776	590	607	2,324
Reclassification from intangible assets	-	-	-	-	-	26	26
Disposals	(1)	-	-	(616)	(32)	(71)	(720)
At 31 March 2017	3,278	144	-	4,342	5,410	3,977	17,151
Net book value at 31 March 2017	11,641	739	8	1,826	5,080	1,233	20,527
Net book value at 31 March 2016	11,946	755	188	1,832	5,522	1,133	21,376

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Property, plant and equipment (other assets)

	2016						
	Office premises £000	Leasehold office improvements £000	Assets under construction £000	Motor vehicles £000	Office & estate equipment & furniture £000	Computer equipment £000	Total £000
Cost							
At 1 April 2015	14,947	880	756	5,591	6,901	4,155	33,230
Additions	6	-	555	591	3,792	103	5,047
Completions	154	-	(695)	-	-	541	-
Reclassification to intangible assets	-	-	(428)	-	-	-	(428)
Disposals	(214)	-	-	(168)	(319)	(251)	(952)
At 31 March 2016	14,893	880	188	6,014	10,374	4,548	36,897
Accumulated depreciation							
At 1 April 2015	2,681	106	-	3,648	4,471	3,106	14,012
Charge for year	332	19	-	709	700	551	2,311
Disposals	(66)	-	-	(175)	(319)	(242)	(802)
At 31 March 2016	2,947	125	-	4,182	4,852	3,415	15,521
Net book value at 31 March 2016	11,946	755	188	1,832	5,522	1,133	21,376
Net book value at 31 March 2015	12,266	774	756	1,943	2,430	1,049	19,218

17 Investment properties

	2017 Market rented properties £000	2016 Market rented properties £000
Fair value		
At 1 April	15,550	14,560
Additional Properties	-	544
Replacement components	-	13
Disposals of components	-	(49)
Disposals of properties	(722)	-
Fair value adjustments	482	482
At 31 March	15,310	15,550

The above valuation was carried out by Jones Lang LaSalle Limited Chartered Surveyors, as at 31 March 2017, on the basis of Market Value using the comparison method. Market value is defined by the Royal Institution of Chartered Surveyors (RICS) as 'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion'. The valuations were carried out in accordance with RICS Appraisal and Valuation Manual effective from 1 January 1996 (as amended).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 HomeBuy loans receivable

The group operates the HomeBuy Scheme lending up to 25% of the cost of a property purchase to tenants who wish to own their own home. This loan is secured on the title of the property. On subsequent sale of the property by the purchaser, the group receives a proportion of the sale proceeds equal to the original percentage lent.

	2017 £000	2016 £000
At 1 April	**4,820**	5,084
Proceeds received from sales	**(456)**	(338)
Losses / (profits) taken to profit or loss	**131**	74
At 31 March	**4,495**	4,820

19 Investments in joint ventures

Aster Homes Limited has set up two limited liability partnership jointly controlled entities, White Rock Land LLP and from 29 June 2016, Boorley Green LLP, with Galliford Try Homes Limited to develop and sell properties for social and private housing. For the year to 31 March 2017 White Rock Land LLP made a profit after distributions of £1.8 million (2016: profit £1.3 million) and Boorley Green LLP made a loss of £1.2 million (2016: nil). During the year White Rock Land LLP made a distribution to shareholders of £820,000. Boorley Green LLP made no distribution to shareholders. The balance sheets of White Rock Land LLP, Boorley Green LLP and the Group's share (50%) are as follows:

	2017 £000	Group's share (50%) £000	2016 £000	Group's share (50%) £000
Current assets - White Rock Land LLP	**53,716**	**26,858**	57,158	28,579
Current assets - Boorley Green LLP	**47,117**	**23,558**	-	-
Total current assets	**100,833**	**50,416**	57,158	28,579
Current liabilities - White Rock Land LLP	**(52,241)**	**(26,120)**	(57,526)	(28,763)
Current liabilities - Boorley Green LLP	**(48,312)**	**(24,156)**	-	-
Total current liabilities	**(100,553)**	**(50,276)**	(57,526)	(28,763)
Net assets	**280**	**140**	(368)	(184)

20 Inventories

	2017 £000	2016 £000
Trade consumables	**590**	328
Work in progress	**885**	165
	1,475	493

21 Debtors: falling due after one year

	2017 £000	2016 £000
Finance debtor	**41,306**	42,655
European Investment Bank liquidity reserve funds	**2,129**	-
Loan to Joint Ventures	**36,194**	24,007
	79,629	66,662

A condition of the European Investment Bank (EIB) loans is that Aster Group holds an amount of at least twelve months interest payments in liquidity reserve funds as security against default on interest payments. These funds are controlled by the EIB and the Aster Group can only access the funds when the principal of the loans are repaid.

22 Debtors: falling due within one year

	2017 £000	2016 £000
Trade debtors	**1,991**	2,759
Rent arrears	**7,798**	7,918
Service charge under-recovery	**3,300**	3,301
Less discounting of debts payable over more than 12 months	**(724)**	(694)
Less provision for bad debts	**(3,688)**	(3,490)
	8,677	9,794
Finance debtor	**3,073**	3,125
Other debtors	**220**	596
Less provision for bad debts	**(92)**	(222)
Corporation tax payable	**-**	1
Deferred tax	**409**	162
VAT Recoverable	**300**	327
Other capital grants receivable	**-**	345
Prepayments and accrued income	**2,024**	2,272
	14,611	16,400

Group deferred tax liabilities have been netted from the group's deferred tax asset as all deferred tax relates to the same authority.

23 Shared ownership properties held for sale

	2017 £000	2016 £000
Unsold completed units	**6,609**	4,146
Units under construction	**11,050**	6,848
	17,659	11,004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Cash and cash equivalents

	2017 £000	2016 £000
Short term deposits	**45,058**	50,478
Cash at bank and in hand	**63,814**	31,265
	108,872	81,743

25 Creditors: Amounts falling due within one year

	Note	2017 £000	2016 £000
Trade creditors		**6,128**	5,363
Taxation and social security payable		**926**	901
Pension contributions		**365**	363
Social Housing Pension scheme recovery plan		**1,065**	1,022
VAT		**412**	639
Rent paid in advance		**3,361**	3,003
Service charge over-recovery		**3,479**	3,582
Amounts due under right to buy sharing agreement		**1,799**	2,103
Corporation tax		**40**	61
Capital grant received in advance		**41**	170
Social Housing Grant	27	**1,626**	1,711
Recycled capital grant	28	**870**	1,188
Disposal proceeds fund	29	**65**	226
PFI Payments		**-**	167
Other creditors		**2,566**	2,288
Accruals and deferred income		**13,638**	11,089
Loan repayable by instalment (within 1 year)		**1,255**	2,785
		37,636	36,661

26 Creditors: Amounts falling due after more than one year

	Note	2017 £000	2016 £000
Loans repayable			
In less than five years		**70,715**	72,495
In five years or more		**747,009**	686,075
Less unamortised issue fees		**(1,858)**	(1,892)
Less unamortised discount issue fees		**(2,930)**	(2,986)
Less deferred arrangement fees		**(570)**	(639)
Plus unamortised premium on issue		**7,819**	5,236
		820,185	758,289
Social Housing Grant	27	**19,472**	15,057
Recycled capital grant fund	28	**1,164**	1,108
Deferred recycled capital grant fund	28	**330**	361
Disposal proceeds fund	29	**497**	258
Financial liabilities - interest rate swaps		**22,857**	21,056
HomeBuy Grant		**4,495**	4,820
Social Housing Pension scheme recovery plan liability		**5,926**	6,804
		874,926	807,753

Interest is payable on housing loans at varying commercial rates. Loans are secured by fixed charges on individual properties. Interest rates ranged from 1.5% to 6.3% (2016: 1.9% to 6.3%) for fixed/hedged loans and 0.5% to 0.8% (2016: 0.7% to 1.02%) for variable loans.

At 31 March 2017, the group had undrawn loan facilities of £119.0 million (2016: £110.7 million) to finance future operating cash flows and investments.

27 Social Housing Grant

	2017 £000	2016 £000
Balance as at 1 April	**16,768**	10,961
Additions	**4,502**	5,921
Amortised within Statement of Comprehensive Income	**(172)**	(114)
Balance as at 31 March	**21,098**	16,768
Recognised in:		
Creditors: amounts falling due within one year	**1,626**	1,711
Creditors: amounts falling due after one year	**19,472**	15,057
	21,098	16,768

Social housing grant (SHG) is receivable from the Homes and Communities Agency (HCA). Grant received for properties under construction is classified as a creditor due in less than one year. Once properties have been completed the grant is classified as a long-term creditor and amortised to the profit or loss for the period over the life of the properties' structure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GOVERNMENT GRANTS RECEIVED	2017 £000	2016 £000
Social Housing Grant	247,243	242,741
HomeBuy Grant	4,495	4,820
	251,738	247,561

Set out above is the cumulative amount of grant received by the group in relation to properties owned at the balance sheet date.

28 Recycled Capital Grant Fund

	2017 £000	2016 £000
Funds relating to activities within areas covered by the HCA:		
Balance as at 1 April	2,296	2,186
Additions:		
Grants recycled	679	514
Interest accrued	10	-
Withdrawals:		
New build	(951)	(404)
Balance as at 31 March	2,034	2,296
Analysis of Maturity:		
- in less than one year	870	1,118
- in one to two years	473	631
- in more than two years	691	477
	2,034	2,296

The Recycled Capital Grant Fund relates to Social Housing or Housing Association Grant previously received on social housing properties that have been sold, demolished or for which there has been a change of use which does not meet the original conditions of the grant. The Homes and Communities Agency permits grants to be reinvested within a three year period into schemes within the Approved Development Programme. The Homes and Communities Agency requires funds which have not been reinvested within three years to be repaid.

DEFERRED RECYCLED CAPITAL GRANT FUND	2017 £000	2016 £000
Funds relating to activities within areas covered by the HCA:		
Balance as at 1 April	361	350
Additions:		
Grants recycled	-	42
Withdrawals:		
New build	(31)	(31)
Balance as at 31 March	330	361
Analysis of Maturity:		
- in more than two years	330	361
	330	361

The Deferred Recycled Capital Grant Fund relates to Social Housing or Housing Association Grant previously received on social housing properties that have been sold, demolished or which there has been a change of use which does not meet the original conditions of the grant, but the profit realised is insufficient to cover the grant. The Homes and Communities Agency permits this to be held until further sales within the same scheme have been sold and profits are large enough to cover grants. At this point the deferred grant can be transferred to the Recycled Capital Grant Fund.

29 Disposal Proceeds Fund

	2017 £000	2016 £000
Funds relating to activities within areas covered by the HCA:		
Balance as at 1 April	484	420
Additions:		
Funds recycled	299	258
Net Preserved Right to Buy receipts	1	-
Withdrawals:		
New build	(222)	(194)
Balance as at 31 March	562	484
Analysis of Maturity:		
- in less than one year	65	226
- in one to two years	199	60
- in more than two years	298	198
	562	484

Section 24 of the Housing Act 2004 requires registered Social Landlords to credit the net proceeds of right to Acquire and Voluntary Purchase Grant Sales to the Disposal Proceeds Fund. These sales are disclosed in note 9.

The purpose of the Disposal Proceeds Fund is to provide replacement properties for rent, at no greater cost than properties provided through the Approved Development Programme. If the net proceeds remain unspent after the third year, the fund becomes repayable to the Homes and Communities Agency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Financial instruments

30a Financial instruments' descriptions

The Aster Group holds several different types of financial instrument which it uses to fund its activities and manage it interest rate risk. The characteristics of the main classes of financial instrument held are given below:

Interest rate swaps

An interest rate swap is an agreement between two parties to exchange interest rate types. Floating rate interest is exchanged for fixed rated interest and vice-versa. During the year the group managed its interest rate risk and reduced interest rate volatility through five interest rate swaps, exchanging floating rated interest for fixed rated interest.

The value of the group's interest rate swaps is measured at each year end at the instruments fair value using a mark-to-market valuation. Where an instrument has a positive mark-to-market valuation it is treated as an asset and conversely where the mark-to-market value is negative it's treated as a liability. Any changes in the mark-to-market fair value are recognised in profit or loss unless the interest rate swap is designated as a hedging instrument and used in a hedging relationship for hedge accounting. Hedge accounting is outlined below.

At the 31 March 2017 the group held £22.9 million (2016: £21.1 million) of interest rate swap financial liabilities.

Guaranteed fixed rate secured bonds

The group has issued £250 million of guaranteed fixed rate secured bonds. They are listed on the London Stock Exchange and denominated in sterling. Their interest or coupon rate is 4.5% payable half-yearly in arrears. Their maturity date is 18 December 2043.

The bonds were issued in three tranches, two tranches at a premium and one at a discount so the amount of funds received were not the same as the principal amount. Issue costs were also deducted from the amount received. The carrying value of these bonds in the group's financial statements is calculated using the effective interest rate method. This spreads the premium or discount and the issue fees over the life of the bond. The interest charge to profit or loss is the effective interest and not the amount actually paid.

Fixed rate loans

The group's fixed rate loans have a base fixed interest rate plus a margin that varies over the life of the borrowing. Due to this variation these loans are recognised using the effective interest method which averages the interest rate over the life of the loan. As with the group's bonds the interest charged to profit or loss is the effective interest and not the amount actually paid.

At the end of the year the group had drawn £355.0 million (2016: £272.7 million) of fixed rated loans which incurred an effective interest charge during the year of between 1.5% and 6.3% (2016: 1.9% and 6.3%).

Floating rate loans

The interest on these loans varies or floats as the London Inter-Bank Offered Rate (LIBOR) changes. In addition to LIBOR a margin is also charged which makes up the total interest rate. Within the total amount the group can borrow from its lenders there is a set amount designated as floating loans, once this limited is reached the group cannot draw down any more floating rated loans. At the end of the year the group had drawn £213.9 million (2016: £237.5 million) of floating rated loans and was charged interest rates of between 0.5% and 0.8% (2016: 0.7% and 1.0%).

Disposal proceeds fund

The group receives Social Housing Grant from the Homes and Communities Agency (HCA) to build Social Housing. If a tenant purchases their home under the Right to Acquire the grant associated with building the property can be released into the Disposal Proceeds Fund to be used to fund the building of other properties. If the grant is not re-used within three years it is re-payable to the HCA. A notional amount of interest is added to the fund each year. The interest rate is dependent on the value of the fund. The balance in the group's Disposal Proceeds Fund at the end of the year was £562,000 (2016: £484,000).

Recycled capital grant fund

The Recycled Capital Grant Fund works in a similar way to the Disposal Proceeds Fund. When the tenant of a New Build HomeBuy property purchases a further tranche of the property, if there are sufficient sales proceeds, the associated grant will be recycled via the Recycled Capital Grant Fund. Like the Disposal Proceeds Fund a notional amount of interest is added to the fund each year depending on the value of the fund. The balance in the group's Recycled Capital Grant Fund at the end of the year was £2,034,000 (2016: £2,296,000), this includes £10,085 (2016: £nil) of interest added during the year.

Loan commitments measured at cost less impairment

The group has various borrowing facilities available to it. The undrawn committed facilities are valued at cost less impairment. The amount of undrawn borrowings at 31 March 2017 was £119 million (2016: £105 million), the cost of the undrawn facility is £241,058 (2016: £330,136).

Hedge accounting

The group has five interest rate swaps that meet the requirements under FRS 102 section 12: 'Other financial instruments', for hedge accounting. The group uses hedge accounting to manage the volatility of the fair value movements of its interest rate swaps. The hedging relationship is between an interest rate swap, the hedging instrument, and a loan, the hedged item.

The relationship allows the fair value movements in the hedging instrument that are equal to the fair value movements in the hedged item, the effective part, to be recognised through other comprehensive income in the cash flow hedge reserve rather than profit or loss. The parts of the movement that do not match, the ineffective part, are recognised in profit or loss.

For the year ended 31 March 2017 the group recognised £1,801,000 (2016: £676,000) of net effective cash flow hedge losses in other comprehensive (expense) / income and movement of £nil (2016: gains £128,000) of ineffective cash flow hedge movements in profit or loss.

30b Financial instruments' classifications

Amortised cost

Basic financial instruments such as loans are measured at amortised cost. This is calculated using the effective interest rate method. For floating rated loans and fixed rate loans with no interest rate changes the effective interest will equal the amount of interest paid. For fixed rated loans which have changes in interest rate over the life of the loan the effective interest rate will average the different interest rates over the life of the loan. The effective interest is the amount that is recognised in profit or loss.

Fair Value Through Profit or Loss (FVTPL)

Complex financial instruments, such as derivatives are recognised at Fair Value Through Profit or Loss. At the end of each financial period their value is calculated by looking at an active market of similar instruments and establishing what their value would be if they were traded on that market, their Fair Value. Any changes in the fair value are recognised in profit or loss.

Equity

Equity is the difference between an entity's total assets and total liabilities. Where a company has joint or a controlling interest in another company its share of the equity in that company is recognised in its financial statements.

30 Financial instruments (continued)

30c Financial instrument carrying values

The group has the following financial instruments:

	2017 £000	2016 £000
Financial assets measured at fair value through profit or loss		
Derivative financial instruments held to manage interest rates		
Interest rate swaps	-	-
	-	-
Financial instruments that are debt instruments measured at amortised cost		
Short term deposits	45,058	50,478
Cash at bank and in hand	63,814	31,265
Finance debtor	44,379	45,780
Loans to limited liability partnership	36,194	24,007
Trade and rent debtors	13,089	13,978
Liquidity funds	2,129	-
Other grants receivable	-	345
Other debtors	220	596
	204,883	166,449
Financial instruments that are equity instruments measured at cost less impairment		
Investment in joint venture	140	(184)
Financial liabilities measured at fair value through profit or loss		
Derivative financial instruments held to manage interest rates		
Interest rate swaps	(22,857)	(21,056)
Financial instruments measured at amortised cost		
Guaranteed fixed rate secured bonds	(250,339)	(250,358)
Fixed rate loans	(316,378)	(273,300)
Hedged floating rated loans classified as fixed rated loans	(158,359)	(120,000)
Floating rated loans	(96,364)	(117,416)
Disposal proceeds fund	(562)	(484)
Recycled Capital Grant Fund	(2,034)	(2,296)
Deferred Recycled Capital Grant Fund	(330)	(361)
Trade and rent creditors	(12,968)	(11,948)
Accruals	(13,638)	(11,089)
Other creditors	(2,566)	(2,288)
	(853,538)	(789,540)
Loan commitments measured at cost less impairment		
Undrawn committed borrowings	119,000	104,823
Carrying value of undrawn committed borrowings	-	-

Methods and assumptions used in the assessment of fair values
Fair values are calculated using measurements based on inputs that are observable for the asset or liability either directly or indirectly from market data. The carrying values of interest rate swaps have been calculated using mark to market valuations.

Some of the above comparative figures have been updated so they are on the same basis as the current year disclosure.

30d Interest rate profile of borrowings

	2017 £000	2016 £000
Group borrowings comprise		
Guaranteed fixed rate secured bonds	250,000	250,000
Fixed rated loans	314,137	272,787
Hedged floating rate loans classified as fixed rate loans	158,359	120,000
Floating rated loans	96,364	117,416
Disposal proceeds fund	562	484
Recycled capital grant fund	2,034	2,657
	821,456	763,344

The above values are the loan principal repayable not the loans carrying value. When floating rate loans have been hedged they are classified in the above table as fixed rate.

	2017		2016	
	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Weighted average period for which rate is fixed Years
At 31 March				
Guaranteed fixed rate secured bonds	4.50	26.7	4.50	27.7
Fixed rated loans	3.57	12.2	3.77	10.3

30e Maturity of borrowings

The maturity profile of the principal value of the group's loans, shown in note 30d, is:

	2017			2016		
	Repayment			Repayment		
	By instalments £000	Not by instalments £000	Total £000	By instalments £000	Not by instalments £000	Total £000
0 -1 years	1,255	935	2,190	3,166	1,414	4,580
1 - 2 years	19,854	672	20,526	1,255	1,052	2,307
2 - 5 years	50,862	989	51,851	49,785	675	50,460
Over 5 years	423,927	322,962	746,889	433,035	272,962	705,997
	495,898	325,558	821,456	487,241	276,103	763,344

The 2016 figures have been restated using the same methodology as the 2017 position which shows repayments based on loan documentation and considering the impact of undrawn facilities.

The above borrowings are secured against the group's social housing properties. The value of the secured properties is £1,228.7 million (2016: £1,146.7 million). At 31 March 2017 properties valuing £189.4 million (2016: £174.3 million) were unsecured and available to be secured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Financial instruments (continued)

30f Hedge accounting

CASH FLOW HEDGES	2017						
HEDGING INSTRUMENT	Principal £000	Interest rate payable %	Maturity	Cash flows	Fair value £000	Charge to other comprehensive income £000	Charge to profit or loss £000
Barclays swaps	40,924	3.08	2034	Monthly	(7,400)	777	-
Credit Suisse swap	37,500	2.97	2031	Monthly	(4,916)	41	-
Credit Suisse swap	50,000	2.26	2022	Monthly	(3,811)	(17)	-
Notting Hill swap	8,000	2.96	2038	Half yearly	(1,874)	293	-
Notting Hill swap	22,000	2.85	2037	Quarterly	(4,856)	707	-
	158,424				(22,857)	1,801	-

CASH FLOW HEDGES	2016						
HEDGING INSTRUMENT	Principal £000	Interest rate payable %	Maturity	Cash flows	Fair value £000	Charge to other comprehensive income £000	Charge to profit or loss £000
Barclays swaps	42,654	3.08	2034	Monthly	(6,623)	-	-
Credit Suisse swap	40,000	2.97	2031	Monthly	(4,875)	(62)	-
Credit Suisse swap	50,000	2.26	2022	Monthly	(3,828)	621	-
Notting Hill swap	8,000	2.96	2038	Half yearly	(1,581)	-	(21)
Notting Hill swap	22,000	2.85	2037	Quarterly	(4,149)	117	(107)
	162,654				(21,056)	676	(128)

The objective of the hedge is to use an interest rate swap to eliminate the variability of cash flows associated with the interest payments on an associated portion of a floating loan.

The cash flows on both the hedged loans and interest rate swaps relating to the Barclay's and Credit Suisse hedging arrangements are paid monthly and affect profit or loss with the same frequency. The cash flows of the loans hedged by the Notting Hill interest rate swaps occur monthly and are recognised in profit or loss with this frequency. The Noting Hill interest swap cash flows occur half yearly and quarterly. They affect profit or loss with this frequency. Interest accruals are used to match the frequencies until the cash flows occur.

Swaps can be valued on different basis which range from the client's valuation calculation to effectively a fair value valuation calculation which is the average of the client and counterparty's view. The group has selected the fair value valuation calculation as this calculation equates to known evidence of how swap transactions have been terminated in the market. For the group the calculation ranges from £24.2 million (2016: £22.4 million) for the client valuation calculation to £22.9 million (2016: £21.1 million) for the fair value valuation calculation.

31 Pension Obligations

Group pension schemes

The cost of providing retirement pensions and related benefits is accounted for in accordance with FRS 102 section 28 – 'Employee Benefits'. The group participates in eight pension schemes.

- There are six defined benefit schemes:
  - Wiltshire Pension Scheme (closed to new members),
  - Hampshire County Council Pension Scheme (closed to new members),
  - Somerset County Council Pension Scheme (closed to new members),
  - Dorset County Council Pension Scheme (closed to new members),
  - Social Housing Pension Scheme ('SHPS') final salary defined benefit scheme (closed to new members),
  - SHPS career average of earnings (CARE),
- and two defined contribution ('stakeholder') schemes:
  - SHPS defined contribution scheme,
  - Friends Provident defined contribution scheme (closed to new members).

The accounting treatments for each of the schemes are described below.

Summary of movements and balances in funding

ASTER GROUP CONSOLIDATED	2017			
	Total cost by scheme £000	Total interest on net pension liability by scheme £000	Actuarial gains in pension scheme £000	Pension deficit £000
County pension schemes				
Wiltshire	217	175	(108)	(5,162)
Hampshire	30	170	140	(5,170)
Somerset	197	317	(1,197)	(10,391)
Dorset	513	526	(2,022)	(17,097)
SHPS	1,343	-	-	-
Friends Provident	21	-	-	-
	2,321	1,188	(3,187)	(37,820)

During the year ended 31 March 2016 SHPS pension cost included additional charges relating to the introduction of a fourth tier of the recovery plan. This charge has not been repeated for year ended 31 March 2017 resulting in a lower SHPS pension cost.

ASTER GROUP CONSOLIDATED	2016			
	Total cost by scheme £000	Total interest on net pension liability by scheme £000	Actuarial gains in pension scheme £000	Pension deficit £000
County pension schemes				
Wiltshire	276	188	689	(5,310)
Hampshire	60	180	800	(5,170)
Somerset	201	333	1,603	(8,927)
Dorset	535	504	1,763	(14,366)
SHPS	3,332	-	-	-
Friends Provident	23	-	-	-
	4,427	1,205	4,855	(33,773)

The pension cost to the group for the year ended 31 March 2017 was £2.3 million (2016: £4.4 million) in respect of 1,219 (2016: 1,170) employees.

31 Pension Obligations (continued)

Wiltshire Pension Fund

The figures from Wiltshire Council are the consolidated figures in respect of Aster Communities, Aster Living, Aster Property Limited, and direct employees of the Aster Group Limited (the Association).

The group participates in the above fund as an admitted body under the Local Government Superannuation Regulations 1995, funded jointly by employer and employee contributions. The fund is a defined benefit final salary multi-employer scheme, and is contracted out.

As at the balance sheet date there were 21 (2016: 25) active members of the scheme employed across the whole group. The annual pensionable payroll in respect of these members was £728,000 (2016: £847,315) for the whole group.

The fund is subject to an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the scheme in order to address the level of future contributions required so that the scheme can meet its pension obligations as they fall due.

The scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the Scheme as at 31 March 2017. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard No. 102 section 28 – Employee Benefits are stated below. The actuary has used the projected unit credit method of valuation.

The last triennial valuation was performed on 31 March 2016 and the results have been incorporated into the financial statements for 2017.

The next triennial valuation will be carried out on 31 March 2019 and the results for this will be incorporated into the financial statements for 2020.

The information in the statement relating to the valuation of the pensions scheme's assets and liabilities has been prepared by the scheme's actuaries, Hymans Robertson LLP.

Wiltshire Pension Scheme (continued)

FINANCIAL ASSUMPTIONS	*31 March* **2017** **%p.a.**	*31 March* 2016 %p.a.
Pension increases	**2.4**	2.1
Salary increases	**2.7**	4.1
Discount rate	**2.6**	3.4

MORTALITY	Males years	Females years
Current pensioners	22.5	24.9
Future pensioners	24.1	26.7

FAIR VALUE OF EMPLOYER ASSETS	*31 March* **2017** **£000**	*31 March* 2016 £000
Equities	**15,224**	13,363
Bonds	**3,002**	2,599
Property	**2,787**	2,412
Cash	**429**	185
	21,442	18,559

TOTAL COST RECOGNISED AS EXPENSE	*31 March* **2017** **£000**	*31 March* 2016 £000
Current service cost	**217**	276
Interest costs	**809**	788
Expected return on assets employed	**(634)**	(600)
Total	**392**	464
Return on plan assets	**3,045**	(611)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Pension Obligations (continued)

Wiltshire Pension Scheme (continued)

RECONCILIATION OF DEFINED BENEFIT OBLIGATION	*31 March* 2017 £000	*31 March* 2016 £000
Opening defined benefit obligation	**23,869**	25,327
Current service cost	**217**	276
Interest cost	**809**	788
Contributions by members	**53**	61
Actuarial (gains) / losses	**2,519**	(1900)
Estimated unfunded benefits paid	**(9)**	(9)
Estimated benefits paid	**(854)**	(674)
Closing defined benefit obligation	**26,604**	23,869

RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS	*31 March* 2017 £000	*31 March* 2016 £000
Opening fair value of employer assets	**18,559**	19,115
Expected return on assets	**634**	600
Contributions by members	**53**	61
Contributions by employers	**639**	668
Unfunded contributions	**9**	9
Actuarial (losses) / gains	**2,411**	(1,211)
Unfunded benefits paid	**(9)**	(9)
Benefits paid	**(854)**	(674)
Closing fair value of employer assets	**21,442**	18,559

PROJECTED PENSION EXPENSE *for the year to 31 March 2018*	*31 March* 2018 £000
Projected current service cost	307
Interest on obligation	467
Expected return on plan assets	(346)
Total	428

31 Pension Obligations (continued)

Hampshire County Council Pension Fund

The group participates in the above fund as an admitted body under the Local Government Superannuation Regulations 1995, funded jointly by employer and employee contributions. The fund is a defined benefit final salary multi-employer scheme, and is contracted out.

At the balance sheet date there were 4 (2016: 5) active members of the scheme employed by Aster Communities. The annual pensionable payroll in respect of these members was £133,550 (2016: £185,484).

The fund is subject to an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the Scheme as at 31 March 2017. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard No. 102 section 28 'Employee Benefits' are stated below. The actuary has used projected unit credit method of valuation.

The last triennial valuation was performed on 31 March 2016 and the results have been incorporated into the financial statements for 2017.

The next triennial valuation will be carried out on 31 March 2019 and the results for this will be incorporated into the financial statements for 2020. This includes the unfunded element of the scheme.

The information in the statement relating to the valuation of the pensions scheme's assets and liabilities has been prepared by the scheme's actuaries, Hewitt Associates Limited.

Hampshire County Council Pension Fund (continued)

FINANCIAL ASSUMPTIONS	31 March 2017 %p.a.	31 March 2016 %p.a.
Price increases - RPI	**3.1**	2.8
Pension increases - CPI	**2.0**	1.7
Pension increases	**2.0**	1.7
Salary increases	**3.5**	3.2
Discount rate	**2.5**	3.4

MORTALITY	Males years	Females years
Current pensioners	24.0	27.0
Future pensioners	26.0	29.3

FAIR VALUE OF EMPLOYER ASSETS	31 March 2017 £000	31 March 2016 £000
Equities	**7,385**	6.266
Gilts	**2,931**	2,860
Bonds	**163**	234
Property	**756**	857
Cash	**395**	913
	11,630	11,130

TOTAL COST RECOGNISED AS EXPENSE	31 March 2017 £000	31 March 2016 £000
Current service cost	**30**	60
Interest costs	**530**	530
Expected return on assets employed	**(370)**	(360)
Total	**190**	230
Return on plan assets	**970**	160

31 Pension Obligations (continued)

Hampshire County Council Pension Fund (continued)

RECONCILIATION OF DEFINED BENEFIT OBLIGATION	*31 March* 2017 £000	*31 March* 2016 £000
Opening defined benefit obligation	**15,890**	16,690
Current service cost	**30**	60
Interest cost	**530**	530
Contributions by members	**10**	10
Actuarial losses/(gains)	**410**	(980)
Estimated benefits paid	**(520)**	(420)
Closing defined benefit obligation	**16,350**	15,890

RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS	*31 March* 2017 £000	*31 March* 2016 £000
Opening fair value of employer assets	**11,130**	11,330
Expected return on assets	**370**	360
Contributions by members	**10**	10
Contributions by employers	**40**	50
Actuarial (losses) / gains	**600**	(200)
Benefits paid	**(520)**	(420)
Closing fair value of employer assets	**11,630**	11,130

Unfunded Scheme

FINANCIAL ASSUMPTIONS	*31 March* 2017 %p.a.	*31 March* 2016 %p.a.
Price increases - RPI	**3.1**	2.8
Price increases - CPI	**2.0**	1.7
Discount rate	**2.5**	3.4

MORTALITY	Males years	Females years
Current pensioners	24.0	27.0

Hampshire County Council Pension Fund (continued)

Unfunded Scheme

RECOGNITION IN THE STATEMENT OF COMPREHENSIVE INCOME	*31 March* 2017 £000	*31 March* 2016 £000
Interest costs	**10**	10

RECONCILIATION OF UNFUNDED LIABILITIES	*31 March* 2017 £000	*31 March* 2016 £000
Opening defined benefit obligation	**410**	440
Actuarial losses/(gains)	**50**	(20)
Interest cost	**10**	10
Estimated benefits paid	**(20)**	(20)
Closing defined benefit obligation	**450**	410

PROJECTED PENSION EXPENSE *for the year to 31 March 2018*	*31 March* 2018 £000
Funded benefits	
Projected current service cost	50
Interest on obligation	110
Expected return on plan assets	-
Total	160
Unfunded benefits	
Interest on obligation	10
Total	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Pension Obligations (continued)

Somerset County Council Pension Fund

The group participates in this fund as an admitted body under the Local Government Superannuation Regulations 1995, funded jointly by employer and employee contributions. The fund is a defined benefit final salary multi-employer scheme, and is contracted out.

As at the balance sheet date there were 22 (2016: 24) active members of the Scheme employed by Aster Communities. The annual pensionable payroll in respect of these members was £682,919 (2016: £592,251).

The fund is subject to an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the scheme in order to address the level of future contributions required so that the scheme can meet its pension obligations as they fall due.

The scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the Scheme as at 31 March 2017. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard No. 102 section 28 – Employee Benefits are stated below. The actuary has used the projected unit credit method of valuation.

The last triennial valuation was performed on 31 March 2016 and the results have been incorporated into the financial statements for 2017.

The next triennial valuation will be carried out on 31 March 2019 and the results for this will be incorporated into the financial statements for 2020.

The information in the statement relating to the valuation of the pensions scheme's assets and liabilities has been prepared by the scheme's actuaries, Barnett Waddingham.

Somerset County Council Pension Fund (continued)

FINANCIAL ASSUMPTIONS	*31 March* **2017** **%p.a.**	*31 March* 2016 %p.a.
Price increases	**3.5**	3.2
Pension increases	**2.6**	2.3
CPI increases	**2.6**	2.3
Salary increases	**4.1**	4.1
Discount rate	**2.7**	3.6

MORTALITY	Males years	Females years
Current pensioners	23.9	25.0
Future pensioners	26.1	27.4

FAIR VALUE OF EMPLOYER ASSETS	*31 March* **2017** **£000**	*31 March* 2016 £000
Equities	**7,953**	6,463
Gilts	**684**	711
Bonds	**1,094**	1,040
Property	**984**	1,062
Cash	**440**	153
	11,155	9,429

TOTAL COST RECOGNISED AS EXPENSE	*31 March* **2017** **£000**	*31 March* 2016 £000
Current service cost	**189**	194
Interest costs	**650**	646
Expected return on assets employed	**(333)**	(313)
Administration expenses	**8**	7
Total	**514**	534
Actual return on plan assets	**2,307**	93

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Pension Obligations (continued)

Somerset County Council Pension Fund (continued)

RECONCILIATION OF DEFINED BENEFIT OBLIGATION	*31 March* 2017 £000	*31 March* 2016 £000
Opening defined benefit obligation	**18,356**	19,829
Current service cost	**189**	194
Interest cost	**650**	646
Contributions by members	**45**	45
Actuarial losses/(gains)	**2,944**	(1,823)
Estimated benefits paid	**(638)**	(535)
Closing defined benefit obligation	**21,546**	18,356

RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS	*31 March* 2017 £000	*31 March* 2016 £000
Opening fair value of employer assets	**9,429**	9,614
Expected return on assets	**333**	313
Contributions by members	**45**	45
Contributions by employers	**247**	219
Administration expenses	**(8)**	(7)
Return on assets less interest	**1,974**	(220)
Other actuarial (losses) / gains	**(227)**	-
Benefits paid	**(638)**	(535)
Closing fair value of employer assets	**11,155**	9,429

PROJECTED PENSION EXPENSE *for the year to 31 March 2018*	*31 March* 2018 £000
Projected current service cost	272
Interest on obligation	276
Administration expenses	9
Total	557

31 Pension Obligations (continued)

Dorset County Council Pension Fund

The group participates in the above fund as an admitted body under the Local Government Superannuation Regulations 1995, funded jointly by employer and employee contributions. The fund is a defined benefit final salary multi-employer scheme, and is contracted out.

As at the balance sheet date there were 51 (2016: 55) active members of the scheme employed by Synergy Housing Limited. The annual pensionable payroll in respect of these members was £1.6 million (2016: £1.6 million).

The fund is subject to an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the scheme in order to address the level of future contributions required so that the scheme can meet its pension obligations as they fall due.

The scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the Scheme as at 31 March 2017. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard No. 102 section 28 – Employee Benefits are stated below. The actuary has used the projected unit credit method of valuation.

The last triennial valuation was performed on 31 March 2016 and the results have been incorporated into the financial statements for 2017.

The next triennial valuation will be carried out on 31 March 2019 and the results for this will be incorporated into the financial statements for 2020.

The information in the statement relating to the valuation of the pensions scheme's assets and liabilities has been prepared by the scheme's actuaries, Barnett Waddingham.

Dorset County Council Pension Fund (continued)

FINANCIAL ASSUMPTIONS	31 March 2017 %p.a.	31 March 2016 %p.a.
Price increases (CPI)	**2.7**	2.4
Pension increases	**2.7**	2.4
Salary increases	**4.2**	3.9
Discount rate	**2.7**	3.7

MORTALITY	Males years	Females years
Current pensioners	23.9	26.0
Future pensioners	26.1	28.3

FAIR VALUE OF EMPLOYER ASSETS	31 March 2017 £000	31 March 2016 £000
Equities	**16,440**	13,471
Bonds	**4,350**	2,328
Debt Instruments	**979**	313
Other Bonds	**5**	21
Alternative Assets	**3,358**	3,006
Absolute Return Portfolio	**1,270**	1,140
Property	**2,576**	2,637
Cash	**325**	992
	29,303	23,908

TOTAL COST RECOGNISED AS EXPENSE	31 March 2017 £000	31 March 2016 £000
Current service cost	**494**	518
Interest costs	**1,397**	1,311
Expected return on assets employed	**(871)**	(807)
Past service cost	**-**	15
Administration expenses	**19**	17
Total	**1,039**	1,054
Return on plan assets	**4,987**	(233)

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31 Pension Obligations (continued)

Dorset County Council Pension Fund (continued)

RECONCILIATION OF DEFINED BENEFIT OBLIGATION	*31 March* 2017 £000	*31 March* 2016 £000
Opening defined benefit obligation	**38,274**	40,169
Current service cost	**494**	518
Past service cost	**-**	15
Interest cost	**1,397**	1,311
Contributions by members	**100**	108
Actuarial (gains) / losses	**7,297**	(2,803)
Estimated unfunded benefits paid	**(7)**	(7)
Estimated benefits paid	**(1,155)**	(1,037)
Closing defined benefit obligation	**46,400**	38,274

RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS	*31 March* 2017 £000	*31 March* 2016 £000
Opening fair value of employer assets	**23,908**	24,744
Expected return on assets	**871**	807
Contributions by members	**100**	108
Contributions by employers	**330**	350
Administration expenses	**(19)**	(17)
Return on assets less interest	**4,116**	(1,040)
Other actuarial gains	**1,159**	-
Benefits paid	**(1,162)**	(1,044)
Closing fair value of employer assets	**29,303**	23,908

PROJECTED PENSION EXPENSE *for the year to 31 March 2018*	*31 March* 2018 £000
Projected current service cost	696
Interest on obligation	450
Administration expenses	24
Total	1,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Pension Obligations (continued)

The Social Housing Pension Scheme

The group participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the 'SHPS House Policies and Rules Employer Guide'.

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 three defined benefit structures have been available, namely:

- Final salary with a 1/60th accrual rate – now closed to new members.
- Final salary with a 1/70th accrual rate – not available to employees of Aster Group.
- Career average revalued earnings (CARE) with a 1/60th accrual rate – closed to new members.
- From April 2010 a further two defined benefit structures have been available, namely:
- Final salary with a 1/80th accrual rate – not available to employees of Aster Group.
- Career average revalued earnings (CARE) with a 1/80th accrual rate – not available to employees of Aster Group.

A defined contribution benefit structure was made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open defined benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Aster Group currently operates a final salary with a 1/60th accrual rate (closed to new members), a career average revalued earnings (CARE) with a 1/60th accrual rate (closed to new members) and a defined contribution scheme for active members offering variable levels of contribution.

In February 2014, Aster Group introduced a career average revalued earnings (CARE) with a 1/120th accrual rate.

SHPs defined benefit scheme

Aster Group participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme. .

SHPs defined benefit scheme (continued)

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123 million, liabilities of £4,446 million and a deficit of £1,323 million. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

DEFICIT CONTRIBUTIONS	
Tier 1 From 1 April 2016 to 30 September 2020	£40.60 million per annum (payable monthly and increasing by 4.7% per annum each 1 April)
Tier 2 From 1April 2016 to 30 September 2023	£28.6 million per annum (payable monthly and increasing by 4.7% per annum each 1 April)
Tier 3 From 1 April 2016 to 30 September 2026	£32.7 million per annum (payable monthly and increasing by 3% per annum each 1 April)
Tier 4 From 1 April 2016 to 30 September 2026	£31.7 million per annum (payable monthly and increasing by 3% per annum each 1 April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062 million, liabilities of £3,097 million and a deficit of £1,035 million. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit.

The present value is calculated using the discount rate of 1.33% (2016: 2.06%). The unwinding of the discount rate is recognised as a finance cost.

32 Other provisions

	2017			2016		
	Redundancy £000	Other £000	Total £000	Redundancy £000	Other £000	Total £000
At 1 April	**42**	**647**	**689**	291	-	291
Additions during the year	**7**	**-**	**7**	42	647	689
Amounts utilised during the year	**(11)**	**507**	**(518)**	(291)	-	(291)
At 31 March	**38**	**140**	**178**	42	647	689

Other provisions relates to a provision for unused office space rented by the association under an operating lease.

33 Called up share capital

	2017 £	2016 £
Ordinary shares allotted, issued and fully paid of £1 each		
At 1 April	**7**	7
Issued during the year	**1**	1
Cancelled during the year	**(1)**	(1)
At 31 March	**7**	7

34 Other reserves

	2017			
	Revaluation reserve £000	Restricted reserve £000	Cash flow hedge reserve £000	Total £000
At 1 April	**411,733**	**208**	**(21,057)**	**390,884**
Revaluation surplus realised on disposals	**(2,519)**	**-**	**-**	**(2,519)**
Effective cash flow hedge fair value movements	**-**	**-**	**(1,801)**	**(1,801)**
At 31 March	**409,214**	**208**	**(22,858)**	**386,564**

	2016			
	Revaluation reserve £000	Restricted reserve £000	Cash flow hedge reserve £000	Total £000
At 1 April	414,276	208	(20,381)	394,103
Revaluation surplus realised on disposals	(2,543)	-	-	(2,543)
Effective cash flow hedge fair value movements	-	-	(676)	(676)
At 31 March	411,733	208	(21,057)	390,884

Revaluation reserve
Prior to transition to FRS 102, on 1 April 2014, the group's social housing properties were revalued each year. The revaluation reserve represents the increases in value of properties held at this date. On transition to FRS 102 the group moved to recognising its social housing at deemed cost and no longer records increases in social housing property valuation.

Restricted reserve
The restricted reserve consists of the sales proceeds of some properties where the local council required the group to retain a portion of the proceeds. The reserve can only be used to fund investments in properties in the Mendip area, in agreement with Mendip District Council.

Cash flow hedge reserve
The cash flow hedge reserve is used to record the effective transactions from the group's cash flow hedging arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Capital commitments

	2017 £000	2016 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	187,514	138,530
Capital expenditure that has been authorised by the board but has not yet been contracted	89,796	25,643
	277,310	164,173

These commitments will be funded through a mixture of cash and committed borrowings. The group's available committed borrowings are set out in note 30c.

36 Joint venture commitments

	2017 £000	2016 £000
Expenditure that has been contracted for but has not been provided for in the financial statements of the joint venture	66,075	83,029

37 Operating leases

	2017 £000	2016 £000
The group has total commitments under non-cancellable operating leases due to expire as follows:		
Land and buildings		
Leases expiring within one year	72	669
Leases expiring within two to five years	193	630
Leases expiring in over five years	448	1,052
Office premises		
Leases expiring within one year	291	11
Leases expiring within two to five years	1,040	65
Leases expiring in over five years	1,737	3,883
Office equipment		
Not later than one year	-	18
Later than one but not later than five years	-	21
Later than five years	-	-
	3,781	6,349

The comparative operating leases disclosure includes leases which were subsequently found to be cancellable. These have not been included in the current year figures. The current year's disclosure is only for non-cancellable leases in line with the requirements of FRS 102 section 20: 'Leases' .

38 Homes and bed spaces in management and in development

	2017 No.	2016 No.
Under development at end of year:		
Housing accommodation	990	885
Shared ownership	633	522
	1,623	1,407
Under management at end of year:		
Owned and managed by the Group:		
Housing accommodation		
Social rent	19,157	19,045
Affordable rent	2,553	2,362
Supported housing		
Social rent	3,604	3,592
Affordable rent	70	73
Shared ownership	1,785	1,504
Market rented	15	16
Leasehold	1,448	1,438
Temporary Social Housing	107	54
	28,739	28,084
Not owned but managed by the Group:		
Housing accommodation		
Social rent	249	260
Shared ownership	-	-
Leasehold	20	88
Temporary social housing	32	32
	301	380
Owned but managed by others at the end of the year:		
Supported housing		
Social rent	75	76
Shared ownership	-	-
Care homes	25	25
Market rented	79	85
	179	186
	29,219	28,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Contingent liabilities

Aster Communities

Aster Communities has entered into a service concession arrangement contract (previously known as a private finance initiative contract) with Wiltshire Council. The 242 properties covered by the contract are available for occupation and the costs of construction have been transferred to a finance debtor that is recovered over the contract period on an annuity basis.

Wiltshire Council holds an option to purchase the properties at the end of the contract period in 2034 at price equal to the existing use valuation – social housing (EUV-SH) of the properties less 40% of the 'authority residual value overage share' (ARVOS). ARVOS is the difference between the EUV-SH and the terminal debt, £12.9 million, providing EUV-SH is greater than the terminal debt. If EUV-SH is less than the terminal debt there is no ARVOS. If Wiltshire Council does not take up this option Aster Communities can purchase the properties. If this happens Aster Communities will repay the terminal debt balance £12.9 million. Aster Communities will then pay Wiltshire Council 40% of ARVOS, providing the properties EUV-SH is greater than the terminal debt, £12.9 million. As it is unknown whether or nor Wiltshire Council will opt to purchase the properties at the end of the contract Aster Communities' potential liabilities are disclosed as contingent liabilities.

Aster Homes Limited

At the time of entering into contracts, the vendors of the three large joint venture development sites with deferred payment terms required a parent company guarantee, that would only be applicable in the event of the JV defaulting on payment. Galliford Try Homes Limited, a joint venture partner of Aster Homes Limited, have provided the guarantee. Aster Homes Limited agreed, through a deed of contribution entered into at site acquisition, to honour their 50% share of this guarantee. At 31 March 2017, this contingent liability was £2.6 million (2016: £2.2 million) for Aster Homes Limited, £22,000 (2016: £2.2 million) relating to White Rock LLP and £2.6 million relating to Boorley Green LLP.

40 Related party transactions

Aster Group Limited provides management and other services to all group companies under the terms of documented service level agreements. The group has taken advantage of the exemption allowed under Section 33 Related Party Disclosures of FRS 102 not to disclose related party transactions with wholly owned subsidiaries within the group. These have been eliminated on consolidation in the group's financial statements. Set out below are other transactions that require disclosure under FRS 102:

a) Bjorn Howard and John Brace are executive directors of Aster Group Limited, they both have related parties working within the group; the party related to Mr Howard is a member of the Executive Board. These related parties operate independently from Mr Howard and Mr Brace and do not directly report to them. They have no direct influence over the related parties' remuneration packages, which are in line with other staff in similar positions within the group. All transactions between these related parties and the group are included within these financial statements.

b) Throughout the year Aster Options Plus Limited provided £9,000 (2016: £3,000) of consultancy and internal audit services to English Rural Housing Association, and £2,500 (2016: nil) of out of hours responsive repairs work to East Borough Housing Trust. Both organisations are minority shareholders in Aster Options Plus limited. East Borough Housing Trust also paid a £1,500 membership fee to Aster Options Plus Limited. At 31 March 2017 the amount owed to Aster Options Plus Limited was £nil (2016: amounts owed by English Rural Housing Association £11,000).

Transactions with other Aster Group subsidiaries throughout the year totalled £241,000 (2016: £357,000).

c) The group provides services to English Rural Housing Association (ERHA) and East Borough Housing Trust (EBHT) through its subsidiary Aster Options Limited, in which they both hold one class B share. During the year ended 31 March 2017 ERHA received £9,000 (2016: £3,000) of consultancy and internal audit services from Aster Options Limited and had a closing debtor balance of £nil (2016: £11,000). EBHT received £2,100 of out of hours response repair work, covering emergency property repairs from Aster options Limited and paid a membership fee of £1,500. EBHT had no outstanding balance (2016: £nil) with Aster Options Limited at year end.

d) Aster Homes Limited is party to limited liability partnerships, White Rock Land LLP and Boorley Green LLP, with Galliford Try Homes Limited. Both LLPs develop and sell properties for social and private housing. Aster Homes Limited entered into the following transactions during the year with the LLP partnerships:

During the year, loans were made to the LLPs to fund each of the developments it was engaged in. The details of the loans at year end are as follows:

SCHEME	2017 Interest received £000	2016 Interest received £000	2017 Loan value £000	2016 Loan value £000	Interest rate %	Latest repayment date
White Rock	**832**	562	**7,400**	6,471	3.5 plus base*	31 March 2020
Tithebarn	**1,689**	1,072	**13,608**	14,844	4.0 plus base*	31 December 2021
Oakhampton	-	136	-	922	4.0 plus base*	31 December 2021
Boorley Green	**342**	-	**12,323**	-	4.0 plus base*	1 July 2026
	2,863	1,770	**33,331**	22,237		

* base rate was 0.25% to 0.5% for the year (2016: 0.5%).

The loans made to White Rock Land LLP and Boorley Green LLP are secured against the land and properties being developed.

During year ended 31 March 2017 £896,000 (2016: £957,000) of loan interest and a dividend of £410,000 (2016: £nil) was recognised in profit and loss from White Rock Land LLP. At the end of year ended 31 March 2017 White Rock Land LLP had an outstanding loan balance of £23.5 million (2016: £24.0 million).

During year ended 31 March 2017 £343,000 (2016: £nil) of loan interest was recognised in profit and loss from Boorley Green LLP. At the end of year ended 31 March 2017 Boorley Green LLP had an outstanding loan balance of £12.7 million (2016: £nil).

The Aster Group recognised £734,000 (2016: 635,000) of profit from its joint venture activities during 2016/17. White Rock Land LLP's income during the year was £25.6 million (2016: £18.3 million) and its expenditure was £23.0 million (2016: £17.0 million) making a profit of £2.6 million (2016: £1.3 million). The group's 50% share of this profit was £1.3 million (2016: £635,000). Boorley Green LLP had no income (2016: £nil) during 2016/17 and had expenditure of £1.2 million (2016: £nil). The group's share 50% of this loss was £598,000 (2016: £nil).

White Rock Land LLP's and Boorley Green LLP's principal place of business are:
Cowley Business Park
Cowley
Uxbridge
Middlesex
UB8 2AL

e) The Office for National Statistics classifies housing associations as public sector bodies, giving the state control over them.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Status

Aster Group Limited is the ultimate parent and ultimate controlling party within the Aster Group, which comprises:

- Aster Communities, a wholly owned subsidiary which is a registered provider and Charitable Community Benefit Society, registered with the Homes and Communities Agency;
- Aster Living, a wholly owned subsidiary whose activities include providing care and support services. Aster Living is a Charitable Community Benefit Society;
- Aster Property Limited, a wholly owned subsidiary of Aster Group Limited whose activities include property maintenance services to group members. Aster Property Limited is incorporated under the Companies Act 2006;
- Aster Homes Limited, a subsidiary of Aster Group Limited which provides property based development services to group members. Aster Homes Limited is incorporated under the Companies Act 2006;
  Synergy Housing Limited, a wholly owned subsidiary which is a registered provider and Charitable Community Benefit Society, registered with the Homes and Communities Agency;
- Zebra Property Solutions Limited, which is a wholly owned subsidiary of Synergy Housing Limited and which provides property based development services to group members. Zebra Property Solutions Limited is incorporated under the Companies Act 2006;
- Silbury Housing Holdings Limited, which is a wholly owned subsidiary of Aster Communities and has a subsidiary, Silbury Housing Limited, which provides a service concession arrangement for Wiltshire Council. Both companies are incorporated under the Companies Act 2006;
- Aster Treasury Plc, a wholly owned subsidiary of Aster Group Limited, providing long term finance under a finance bond to group members. Aster Treasury Plc is incorporated as a public limited company under the Companies Act 2006;
- Aster Options Plus Limited, a cost sharing vehicle incorporated under the Companies Act 2006;
- Aster Solar Limited, a subsidiary jointly owned by Aster Communities and Synergy Housing Limited, provides investment in photo voltaic panels on behalf of the group. Aster Solar Limited is incorporated under the Companies Act 2006;
- White Rock Land LLP, a 50% owned Limited Liability Partnership between Aster Homes Limited and Galliford Try Homes Limited, established to develop sites in the South-West of England.
- Boorley Green LLP, a 50% owned Limited Liability Partnership between Aster Homes Limited and Galliford Try Homes Limited, established to develop sites in Hampshire.

Printed copies of the financial statements are available from the following address:

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

Sarsen Court is the registered office of all but two of the group's subsidiaries. The registered office of Synergy Housing Limited and Zebra Property Solutions Limited is Link House, First Floor, West Street, Poole, Dorset, BH15 1LD.

42 Key management compensation

	2017 £000	2016 £000
Salaries and short-term benefits	**1,033**	1,013
Non-executive directors' fees	**170**	179
Post-employment benefits	**79**	78
	1,282	1,270
Of which		
Executive directors - Aster Group Board	**435**	424
Non-executive directors - Aster Group Board	**113**	121
Non-executive directors - Subsidiaries, members of committees and the Customer and Community network	**57**	58
Executive board members	**677**	667
	1,282	1,270

Details of the remuneration of directors and executive board members is given in the Directors' Remuneration Report.

15.0 ASSOCIATION'S STATEMENT
OF COMPREHENSIVE INCOME AND STATEMENT OF CHANGES IN RESERVES
for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Turnover	5	**18,525**	18,511
Operating expenditure	5	**(17,611)**	(17,706)
Operating profit	6	**914**	805
Loss on disposal of property, plant and equipment (other fixed assets)		**(1)**	-
Charitable donations received	9	**5,500**	-
Interest receivable and similar income	10	**3**	-
Interest payable and similar charges	10	**(44)**	(35)
Interest on net pension liability	20	**(50)**	(58)
Total finance income and expense		**(91)**	(93)
Profit before gift aid and tax		**6,322**	712
Gift aid	11	**4,411**	1,453
Tax on profit on ordinary activities	12	**-**	-
Profit for the financial year		**10,733**	2,165
Other comprehensive income			
Actuarial gains in respect of pension schemes	20	**314**	333
Other comprehensive income for the year		**314**	333
Total comprehensive income for the year		**11,047**	2,498
STATEMENT OF CHANGES IN RESERVES			
Retained earnings as at the start of the year		**5,358**	2,860
Profit for the financial year		**10,733**	2,165
Other comprehensive income for the year		**314**	333
Retained earnings as at 31 March		**16,405**	5,358

16.0 ASSOCIATION'S STATEMENT OF FINANCIAL POSITION
as at 31 March 2017

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	13	**798**	1,077
Property, plant and equipment (other assets)	14	**1,187**	1,265
Investments in subsidiaries	15	**8,050**	3,050
		10,035	5,392
Current assets			
Debtors: amounts falling due within one year	16	**8,165**	4,177
Cash and cash equivalents	17	**6,573**	2,774
		14,738	6,951
Creditors: amounts falling due within one year	18	**(5,456)**	(3,488)
Net current assets		**9,282**	3,463
Total assets less current liabilities		**19,317**	8,855
Non current liabilities			
Creditors: amounts falling due after more than one year	19	**(1,759)**	(1,983)
Pension liability	20	**(1,122)**	(1,483)
Other provisions	21	**(31)**	(31)
Net assets		**16,405**	5,358
Capital and Reserves			
Called up shared capital	22	**-**	-
Retained earnings		**16,405**	5,358
Total equity		**16,405**	5,358

The financial statements on pages 156 to 170 were approved by the board on 8 August 2017 and were signed on its behalf by:

Andrew Jackson
Chairman

John Brace
Group resources director

Douglas Smith
Company secretary

Aster Group Limited company number 29573R

17.0 NOTES TO THE ASSOCIATION'S ACCOUNTS

1 General Information
Aster Group Limited (the association) is a Housing Association registered with the Homes and Communities Agency (HCA) as a Registered Provider as defined by the Housing Act 2004. It is also a Charitable Community Benefit Society and classified as a Public Benefit entity under FRS102. The association's primary function is to provide management services to the other group companies.

2 Statement of compliance
The financial statements of the association have been prepared in accordance with applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102). The financial statements comply with Schedule 1 of the Housing Act 2004, the Accounting Direction for Social Housing in England from April 2015 and the Statement of Recommended Practice (SORP 2014) published by the National Housing Federation (NHF) in 2014.

3 Summary of significant accounting policies

Basis of preparation
These financial statements are prepared on the going concern basis, under the historical cost convention. The principal accounting policies, have been applied consistently throughout the years presented.

Presentation
Aster Group Limited (the association) has elected not to produce the following:

a) A Statement of Cash Flows as outlined in section 7 of FRS 102;

b) The detailed disclosures of financial instruments, carrying values, terms and conditions and hedging relationships outlined in paragraph 11.41, 11.42 11.44, 11.45, 11.48, 12.27, 12.29 and 12.29A of FRS 102;

c) The requirement to disclose key management personnel compensation outlined in paragraph 33.7 of FRS 102;

Aster Group Limited has taken advantage of the above exemptions this year. A full set of disclosures are included in the group's consolidated financial statements.

Paragraph 4.4 of the Housing SORP 2014 allows registered providers that are subsidiaries of a group to opt out of providing a Strategic Report. Aster Group Limited has taken this opt out and not produced a Strategic Report.

Summary of significant accounting policies
The group's accounting policies are detailed in note 4 of the consolidated financial statements. In addition to these policies the association applies the following:

Gift aid
The commercial companies within the group can donate any excess profits in the form of gift aid to charitable group members. These donations can only be made if the commercial company has distributable reserves for the financial year in question. Gift aid is recognised where irreversible board resolutions have been made or where cash has been paid.

Taxation
Aster Group Limited has adopted charitable rules and benefits from various exemptions from taxation afforded by tax legislation and is therefore not liable to corporation tax on income or gains falling within those exemptions.

Investments
Aster Group Limited holds investments in other group companies. These are recognised at cost less impairment.

4 Critical accounting judgements and estimation uncertainty

Basis of preparation
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Those applied by the Aster Group can be found in note 5 to the consolidated financial statements. The association has no additional critical accounting judgements and estimation uncertainties.

5 Turnover, operating cost and profit

	2017			2016		
	Turnover £000	Operating expenditure £000	Operating profit £000	Turnover £000	Operating expenditure £000	Operating profit £000
Services provided to subsidiaries - registered providers	**12,877**	**(12,242)**	**635**	12,547	(12,002)	545
Services provided to subsidiaries - other	**5,523**	**(5,250)**	**273**	5,882	(5,626)	256
Services provided to third party organisations	**125**	**(119)**	**6**	82	(78)	4
	18,525	**(17,611)**	**914**	18,511	(17,706)	805

6 Operating profit

	2017 £000	2016 £000
Operating profit is stated after charging/(crediting) Auditors' remuneration (including irrecoverable VAT):		
In their capacity as auditors:	**40**	65
Depreciation - Property, plant and equipment (other assets)	**606**	554
Amortisation of intangible assets	**510**	476
Loss on disposal of property, plant and equipment (other assets)	**(1)**	-

7 Directors' emoluments

See Directors' remuneration report on page 62.

8 Employee information

	2017 No.	2016 No.
The average number of persons employed during the year (full time equivalents 'FTE') based on 37 hours per week	**177**	177

NOTES TO THE ASSOCIATION'S ACCOUNTS

FTE by salary bands:
Salary includes salary, car allowance and acting up allowances, but excludes pension contributions made by the group.

	2017 No.	2016 No.
£59,999 or less	147	157
£60,000 to £69,999	12	4
£70,000 to £79,999	6	4
£80,000 to £89,999	3	5
£90,000 to £99,999	2	2
£100,000 to £109,999	2	-
£110,000 to £119,999	1	2
£120,000 to £129,999	2	1
£170,000 to £179,999	1	1
£220,000 to £229,999	1	1
	177	177

	2017 £000	2016 £000
Wages and salaries	7,372	7,188
Social security costs	806	737
Other pension costs	417	1,005
	8,595	8,930

9 Charitable donations received

	2017 £000	2016 £000
Aster Communities	5,500	-

10 Finance income and other expense

	2017 £000	2016 £000
Interest receivable and similar income	3	-
Interest payable and similar charges		
Movement in SHPS recovery plan liability discounting	(44)	(35)
Interest on net pension liability		
Local government pension schemes	(50)	(58)
Total finance income and expense	(91)	(93)

11 Gift aid

	2017 £000	2016 £000
Gift aid receivable from subsidiaries:		
Aster Homes Limited	2,766	452
Aster Property Limited	1,645	981
Aster Treasury Plc	-	20
	4,411	1,453

12 Tax on surplus on ordinary activities

	2017 £000	2016 £000
(a) Tax expense included in profit or loss		
The tax charge on the surplus on ordinary activities was as follows		
Current tax		
UK corporation tax expense	-	-
Under provision in previous years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Adjustment for prior year	-	-
Changes in tax rate or laws	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-

	2017 £000	2016 £000
(b) Tax expense included in other comprehensive income		
Deferred tax		
Origination and reversal of timing differences	-	-
Impact of change in tax rate	-	-
	-	-

The tax assessed for the year differs from the standard rate of corporation tax in the UK as explained below.

	2017 £000	2016 £000
(c) Factors affecting tax charge for the year		
Profit on ordinary activities before taxation	10,733	2,165
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 19% (2016: 20%)	2,147	146
Effects of:		
Surplus from charitable activities	-	-
Expenses not deductible	-	-
Utilisation of losses	-	-
Tax at marginal rates	-	-
Items not allowable for tax purposes	(2,147)	(146)
Capital allowances less than depreciation	-	-
Items charged to other comprehensive income	-	-
Other timing differences	-	-
Total tax charge	-	-

(d) Tax rate changes

The Finance Act 2015 was substantively enacted on 26 October 2015 and reduced the main rate of corporation tax to 19% with effect from 1 April 2017. The Finance Act 2016 was substantively enacted on 15 September 2016 and reduced the main rate of corporation tax to 17% from 1 April 2020. Closing Deferred tax balances have therefore been valued at 17% or 19% (2016 18%, 19% or 20%) depending on the date they are expected to fully unwind.

13 Intangible assets

	2017		
	Assets under construction £000	Computer software £000	Total £000
Cost			
At 1 April 2016	20	2,180	2,200
Additions	31	206	237
Transfer to tangible assets	(6)	(26)	(32)
Completions	(45)	45	-
At 31 March 2017	-	2,405	2,405
Accumulated amortisation			
At 1 April 2016	-	1,123	1,123
Charge for year	-	510	510
Transfer to tangible assets	-	(26)	(26)
At 31 March 2017	-	1,607	1,607
Net book value	-	798	798

	2016		
	Assets under construction £000	Computer software £000	Total £000
Cost			
At 1 April 2015	325	1,115	1,440
Additions	184	576	760
Completions	(489)	489	-
At 31 March 2016	20	2,180	2,200
Accumulated amortisation			
At 1 April 2015	-	647	647
Charge for year	-	476	476
At 31 March 2016	-	1,123	1,123
Net book value	20	1,057	1,077

14 Property, plant and equipment (other assets)

	2017			
	Assets under construction £000	Furniture and equipment £000	Computer equipment £000	Total £000
Cost				
At 1 April 2016	188	321	2,728	3,237
Additions	146	-	377	523
Completions	(332)	-	332	-
Transfer from intangible assets	6	-	26	32
Disposals	-	-	(3)	(3)
At 31 March 2017	8	321	3,460	3,789
Accumulated depreciation				
At 1 April 2016	-	275	1,697	1,972
Charge for year	-	15	591	606
Transfer from intangible assets	-	-	26	26
Disposals	-	-	(2)	(2)
At 31 March 2017	-	290	2,312	2,602
Net book value	8	31	1,148	1,187

	2016			
	Assets under construction £000	Furniture and equipment £000	Computer equipment £000	Total £000
Cost				
At 1 April 2015	137	321	2,321	2,779
Additions	592	-	91	683
Completions	(541)	-	541	-
Disposals	-	-	(225)	(225)
At 31 March 2016	188	321	2,728	3,237
Accumulated depreciation				
At 1 April 2015	-	259	1,384	1,643
Charge for year	-	16	538	554
Disposals	-	-	(225)	(225)
At 31 March 2016	-	275	1,697	1,972
Net book value	188	46	1,031	1,265

NOTES TO THE ASSOCIATION'S ACCOUNTS

15 Investments in subsidiaries

	2017 £	2016 £
Aster Treasury Plc	50,000	50,000
Aster Communities	1	1
Synergy Housing Limited	1	1
Aster Living	1	1
Aster Property Limited	3,000,001	3,000,001
Aster Homes limited	5,000,096	96
Aster Options plus	94	99
	8,050,194	3,050,199

During the year Aster Homes Limited issued a £1 share which had a premium of £4,999,999 associated with it.

16 Trade and other debtors

	2017 £000	2016 £000
Trade debtors	245	37
Amounts owed by group undertakings	6,936	3,308
Other debtors	16	8
Prepayments and accrued income	968	824
	8,165	4,177

17 Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	6,573	2,774

18 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	208	172
Taxation and social security	224	203
Pension contributions	107	104
VAT	259	380
Amounts owed to group undertakings	3,604	2,114
Other creditors	44	37
Accruals and deferred income	689	170
Social Housing Pension Scheme recovery plan liability	321	308
	5,456	3,488

19 Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Social Housing Pension Scheme recovery plan	1,759	1,983

20 Pension Obligations

The cost of providing retirement pensions and related benefits is accounted for in accordance with FRS 102 section 28 'Employee Benefits'. The association participates in four pension schemes.

There are three defined benefit schemes:

- Wiltshire Pension Scheme (closed to new members)
- Social Housing Pension Scheme ("SHPS") final salary defined benefit scheme (closed to new members)
- SHPS career average of earnings (CARE).

and one defined contribution ("stakeholder") scheme.

- SHPS defined contribution scheme

The accounting treatments for each of the schemes are described below.

Summary of movements and balances in pension funding

	2017			
	Total contribution by scheme £000	Total interest on net pension liability by scheme £000	Actuarial losses / (gains) in pension scheme £000	Pension deficit £000
Wiltshire Pension Scheme	71	(50)	314	(1,122)
SHPS	346	-	-	-
	417	(50)	314	(1,122)

During the year ended 31 March 2016 SHPS pension cost included additional charges relating to the introduction of a fourth tier of the recovery plan. This charge has not been repeated for year ended 31 March 2017 resulting in a lower SHPS pension cost.

	2016			
	Total contribution by scheme £000	Total interest on net pension liability by scheme £000	Actuarial losses / (gains) in pension scheme £000	Pension deficit £000
Wiltshire Pension Scheme	95	(58)	333	(1,483)
SHPS	910	-	-	-
	1,005	(58)	333	(1,483)

The pension cost to the association for the year ended 31 March 2017 was £417,000 (2016: £1 million) in respect of 185 (2016: 150) employees.

NOTES TO THE ASSOCIATION'S ACCOUNTS

20 Pension Obligations (continued)

Wiltshire Pension Scheme

Aster Group Limited participates in the above fund as an admitted body under the Local Government Superannuation Regulations 1995, funded jointly by employer and employee contributions. The fund is a defined benefit final salary multi-employer scheme and is contracted out.

As at the balance sheet date there were 6 (2016: 7) active members of the Scheme employed by Aster Group Limited. The annual pensionable payroll in respect of these members was £247,000 (2016: £294,000).

The fund is subject to an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the scheme in order to address the level of future contributions required so the scheme can meet its pension obligations as they fall due.

The scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 31 March 2017. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard 102, section 28 'Employee Benefits' are stated below. The actuary has used the projected unit credit method of valuation.

The last triennial valuation was performed on 31 March 2016 and the results have been incorporated into the financial statements for 2017.

The next triennial valuation will be carried out on 31 March 2019 and the results for this will be incorporated into the financial statements for 2020.

The information in the statement relating to the valuation of the pensions scheme's assets and liabilities has been prepared by the scheme's actuaries, Hymans Robertson LLP.

FINANCIAL ASSUMPTIONS	31 March 2017 %p.a.	31 March 2016 %p.a.
Price increases	**2.4**	2.2
Pension increases	**2.4**	2.2
Salary increases	**2.7**	4.2
Expected return on assets	**2.6**	3.5
Discount rate	**2.6**	3.5

Expected return on assets by category

MORTALITY	Males years	Females years
Current pensioners	22.5	24.9
Future pensioners	24.1	26.7

FAIR VALUE OF EMPLOYER ASSETS	31 March 2017 £000	31 March 2016 £000
Equities	**3,304**	2,839
Bonds	**651**	552
Property	**605**	512
Cash	**93**	39
	4,653	3,942

RECOGNITION IN THE STATEMENT OF COMPREHENSIVE INCOME	31 March 2017 £000	31 March 2016 £000
Current service cost	**71**	**95**
Interest costs	**188**	**186**
Expected return on assets employed	**(138)**	**(128)**
Total	**121**	**153**
Return on plan assets	**704**	(126)

NOTES TO THE ASSOCIATION'S ACCOUNTS

20 Pension Obligations (continued)

Wiltshire Pension Fund (continued)

RECONCILIATION OF DEFINED BENEFIT OBLIGATION	*31 March* 2017 £000	*31 March* 2016 £000
Opening defined benefit obligation	**5,425**	5,783
Current service cost	**71**	95
Interest cost	**188**	186
Contributions by members	**18**	21
Actuarial losses / (gains)	**252**	(587)
Estimated benefits paid	**(179)**	(73)
Closing defined benefit obligation	**5,775**	5,425

RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS	*31 March* 2017 £000	*31 March* 2016 £000
Opening fair value of employer assets	**3,942**	3,941
Expected return on assets	**138**	128
Contributions by members	**18**	21
Contributions by employers	**168**	179
Actuarial gains / (losses)	**566**	(254)
Benefits paid	**(179)**	(73)
Closing fair value of employer assets	**4,653**	3,942

PROJECTED PENSION EXPENSE *for the year to 31 March 2018*	*31 March* 2018 £000
Projected current service cost	93
Interest on obligation	152
Expected return on plan assets	(124)
Total	121

The Social Housing Pension Scheme

Aster Group Limited participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme. The Scheme is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the 'SHPS House Policies and Rules Employer Guide'. Full details of the Scheme and its operation can be found in note 31 of the Consolidated Financial Statements.

21 Other provisions

	2017 Redundancy £000	2016 Redundancy £000
At 1 April	**31**	154
Amounts utilised during the year	**-**	(123)
At 31 March	**31**	31

22 Called up share capital

	2017 £	2016 £
Ordinary shares allotted, issued and fully paid		
At 1 April	**7**	7
Issued during the year	**1**	1
Cancelled during the year	**(1)**	(1)
At 31 March	**7**	7

NOTES TO THE ASSOCIATION'S ACCOUNTS

23 Related party transactions

Aster Group Limited provides management and other services to all group companies under the terms of documented service level agreements. Overheads are apportioned on the basis of the amount of time spent and the affordability to the subsidiary. The amount of turnover relating to registered provider and other subsidiaries is shown in note 5.

Aster Group Limited has taken advantage of the exemption allowed under FRS 102 Section 33 'Related Party Disclosures' not to disclose related party transactions within the group. This exemption is available providing the transactions are entered into between two or more members of a group, so long as any subsidiary which is party to the transaction is wholly owned.

The association received £122,500 of services from Aster Options Plus Limited, a fellow member of the Aster Group, during the year and had a balance owning of £295,392 from that company at year end, due to expenses paid on Aster Options Plus Limited's behalf not yet reimbursed.

24 Status

Aster Group Limited is the ultimate parent and ultimate controlling party within the Aster Group, which comprises:

Aster Communities, a wholly owned subsidiary which is a registered provider;

Aster Living, a wholly owned subsidiary whose activities include providing care and support services;

Aster Property Limited, a wholly owned subsidiary of Aster Group Limited whose activities include property maintenance services to group members;

Aster Homes Limited, a subsidiary of Aster Group Limited which provides property based development services to group members;

Synergy Housing Limited, a wholly owned subsidiary which is a registered provider;

Zebra Property Solutions Limited, a wholly owned subsidiary of Synergy Housing Limited and which provides property based development services to group members;

Silbury Housing Holdings Limited, a wholly owned subsidiary of Aster Communities and which has a subsidiary, Silbury Housing Limited, which provides a service concession arrangement for Wiltshire Council;

Aster Treasury Plc, a wholly owned subsidiary of Aster Group Limited, providing long term finance under a finance bond to group members;

Aster Options Plus Limited, a wholly owned subsidiary whose activities include providing services as a cost sharing vehicle to Aster Group and other organisations;

Aster Solar Limited, a subsidiary jointly owned by Aster Communities and Synergy Housing Limited, providing investment in photo voltaic panels on behalf of the group;

White Rock Land LLP, a 50% owned Limited Liability Partnership between Aster Homes Limited and Galliford Try Homes Limited to develop three sites in Devon.

Boorley Green LLP, a 50% owned Limited Liability Partnership between Aster Homes Limited and Galliford Try Homes Limited to develop one site in Hampshire.

Printed copies of the financial statements are available from the following address:

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

Sarsen Court is the registered office of all but 2 of the group's subsidiaries. The registered office of Synergy Housing Limited and Zebra Property Solutions Limited is Link House, First Floor, West Street, Poole, Dorset, BH15 1LD.

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