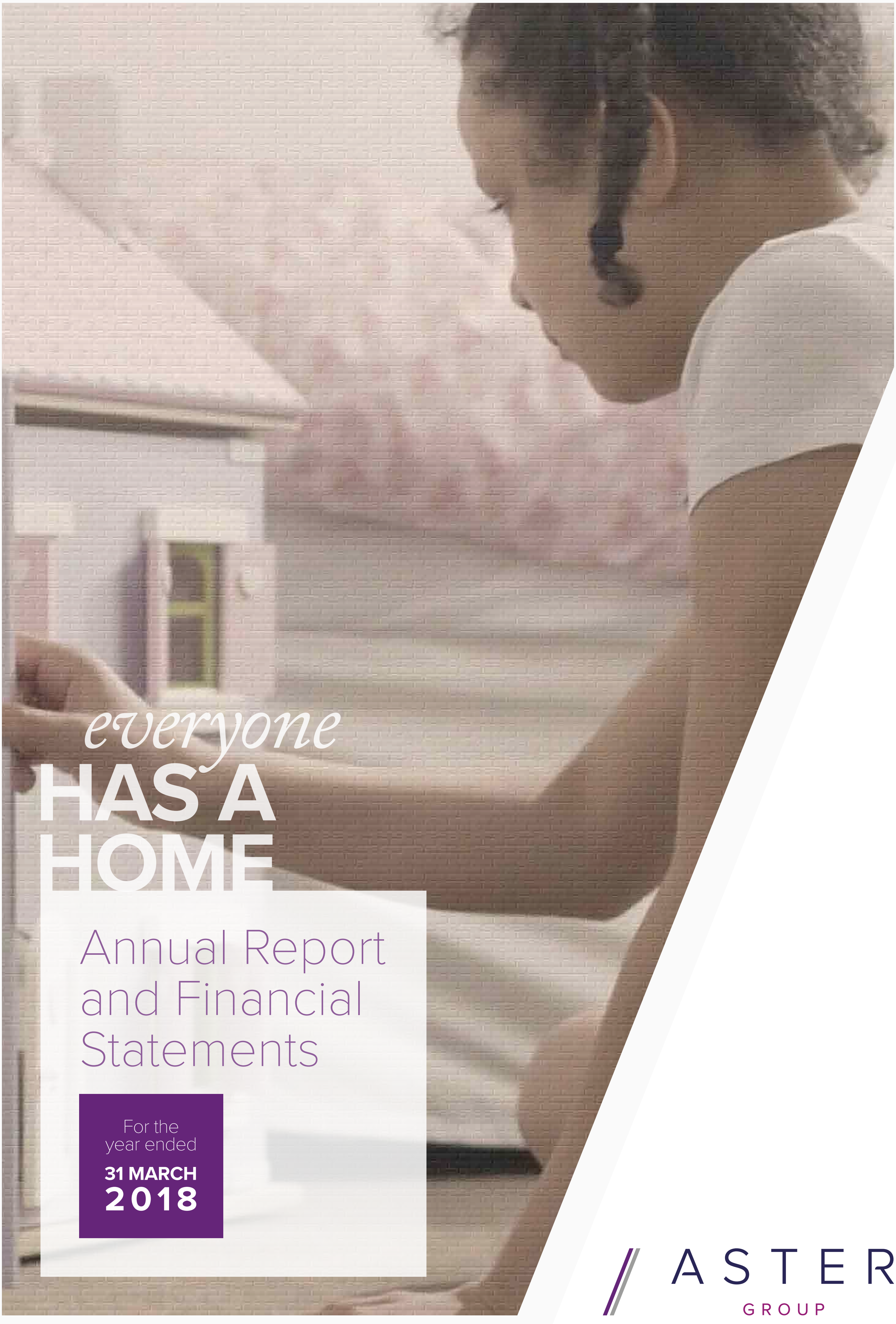

everyone
HAS A HOME

Annual Report and Financial Statements

For the year ended
31 MARCH 2018

ASTER
GROUP

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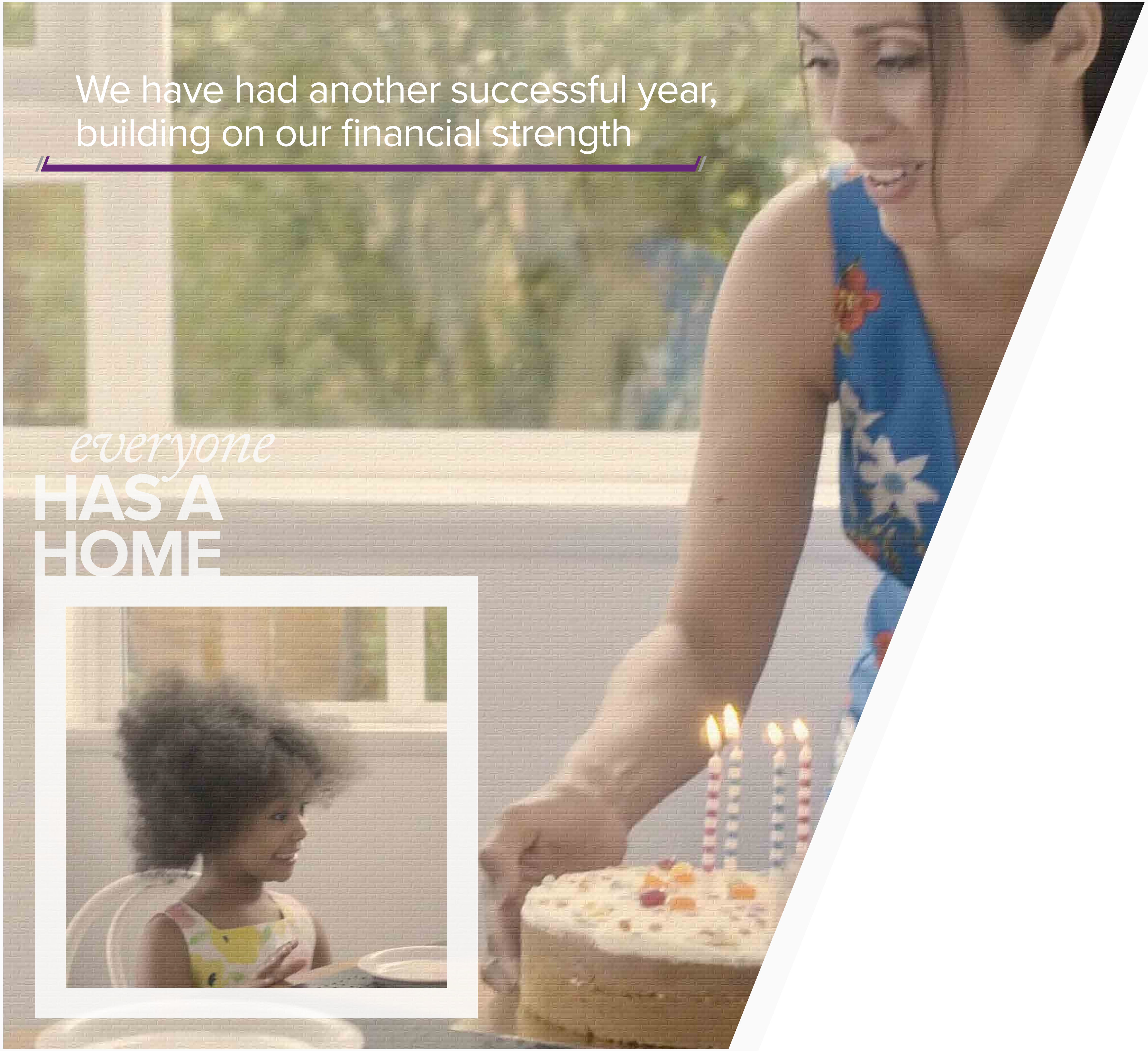
We have had another successful year, building on our financial strength



Our purpose is to provide safety and security through our reliable landlord and independent living services and we supply a wide range of options in response to the housing crisis through our Registered Providers and other member companies.

Chairman's Statement

Whether it's through building more homes, maintaining the thousands we already own, providing a good service to our customers or making a commitment to give back to our communities through the work of our Foundation, we carefully balance a commercial approach to running our business with a social heart – doing the right thing for our customers and each other.

We have had another successful year, building on our financial strength.

We were proud to complete the development of 939 new homes last year, a 14 per cent increase on 2017's total of 829 new homes. Of the new homes, 482 were for affordable and social rent, 357 were for shared ownership and 100 were for open-market sale.

Aster Group's development rate ensures it remains one of the UK's leading housing associations for building new homes. Our development programme for 2017/18 has been ranked as one of the biggest in the sector by Inside Housing magazine. The publication has also placed us 9th when it comes to our development pipeline for 2018/19. This is a great result and puts us alongside housing associations such as L&Q, Sovereign, and Orbit.

We've also been placed 12th in the sector in terms of completions last year – a huge achievement given the sector as a whole is increasing development, and larger associations are accelerating delivery. The ranking is based on the number of units to be delivered and we are building far more than many others of a similar scale. There was an investment of over £180 million in new and existing schemes during the year 2017/18.

As part of our commitment to the development of affordable homes, we acquired £50 million of additional funding through a loan from the European Investment Bank (EIB).

At the end of the year, we have sufficient loan facilities in place to fund our development programme until July 2019. Since year end the Group has successfully issued £50m of bonds through a tap of its existing bond and created £150m of retained bonds that will further enhance the Group's ability to deliver its development programme.

This year also saw the introduction of Aster 3 Limited – a new RP within the group set up to provide additional development capacity.

Other highlights from the results for the year include headline revenue reaching £204.7 million with operating profit before impairment, interest and taxation at £60.9 million.

Throughout the year we spent over £31.8 million on repairing and maintaining our stock of more than 29,000 homes. Net profit after tax was a record £49.7 million. We reinvest our profits back into building new homes and ensuring we provide a good service to our customers. This is why we describe ourselves as a not-for-dividend business.

We continue to place the highest priority on the safety of our colleagues and customers. We are proud that 100 per cent of our homes achieve the 'Decent Homes Standard' and we are committed to investing in and maintaining our homes to the highest industry regulatory standards. We also launched an internal campaign supporting a safety-first culture across the business - Safety First. Always. This campaign is built around three core themes: "See it. Report it. Escalate it".

Our vision - everyone has a home

This past year has seen us review and change how we see our role as a landlord and developer of new homes and refine our vision and purpose. This change is a direct result of the work we've done with the business to understand what an ethical approach to business means for us and the re-balance of our landlord and development focus.

To help turn our vision into a reality, we are guided by six business priorities:

1. Being a customer focussed, easily accessible, good and safe landlord
2. Having a positive impact on our customer's lives and in our local communities through the work of the Aster Foundation
3. Developing as many homes as we can across a range of tenures
4. Enabling customers to live safely and independently in their homes
5. Supporting business transformation through our culture, brand, technology and employee offer
6. Delivering our corporate strategy quicker and better through growth.

Aster Foundation

For our customers, we want to do much more through the Aster Foundation. With new funding and through partnership working with local support agencies, we're going to deliver financial and digital inclusion training and support for employability and skills development.

The Foundation will also back projects that ensure our communities are places people are proud to call home. We're excited about the potential for the Foundation to continue evolving and responding to the changing needs of our customers and communities.

All the while, we'll continue to support colleague volunteering and match-funding to benefit local communities and charities.

The future

To continue this success, we can't stand still – we never have done. Change and growth has always been a part of who we are. Now, it is more important than ever.

The group is two years into the four year program of 1% annual rent reductions announced by the Chancellor back in July 2015. As a result the group will see the rent it is able to charge fall by 1% in 2018/19 and again in 2019/20. However in October 2017, following the Conservative Party Conference, the Department of Communities and Local Government ('DCLG') revealed that from April 2020 rents could increase annually by CPI + 1% until at least 2025. This rent stability, gives us a great opportunity to make an even bigger, positive impact on thousands of lives.

We have an ambitious transformation strategy which will protect our business for the long-term. It will see us grow our business, evolve our culture and use new technology - all with the aim to create a great place for our people to work, which we know will help us continue to deliver a good service to all of our customers.

Growing our business means we have the strength and stability to continue making an impact long into the future. This ensures we can provide as many homes for as many people as possible. We'll be flexible and not pursue growth at all costs. Our plan is to do so sustainably, too, through expanding our development programme, looking for opportunities to merge where we can guarantee a strong offer for our colleagues and customers - or forming strategic partnerships - and looking for opportunities to launch new and different services such as our new Independent Living service, that help us achieve our vision.

This growth will see us extend our development ambitions eastward and north, illustrated recently by our announcement of a new joint venture with Galliford Try which will deliver 130 new homes in Horsham, West Sussex.

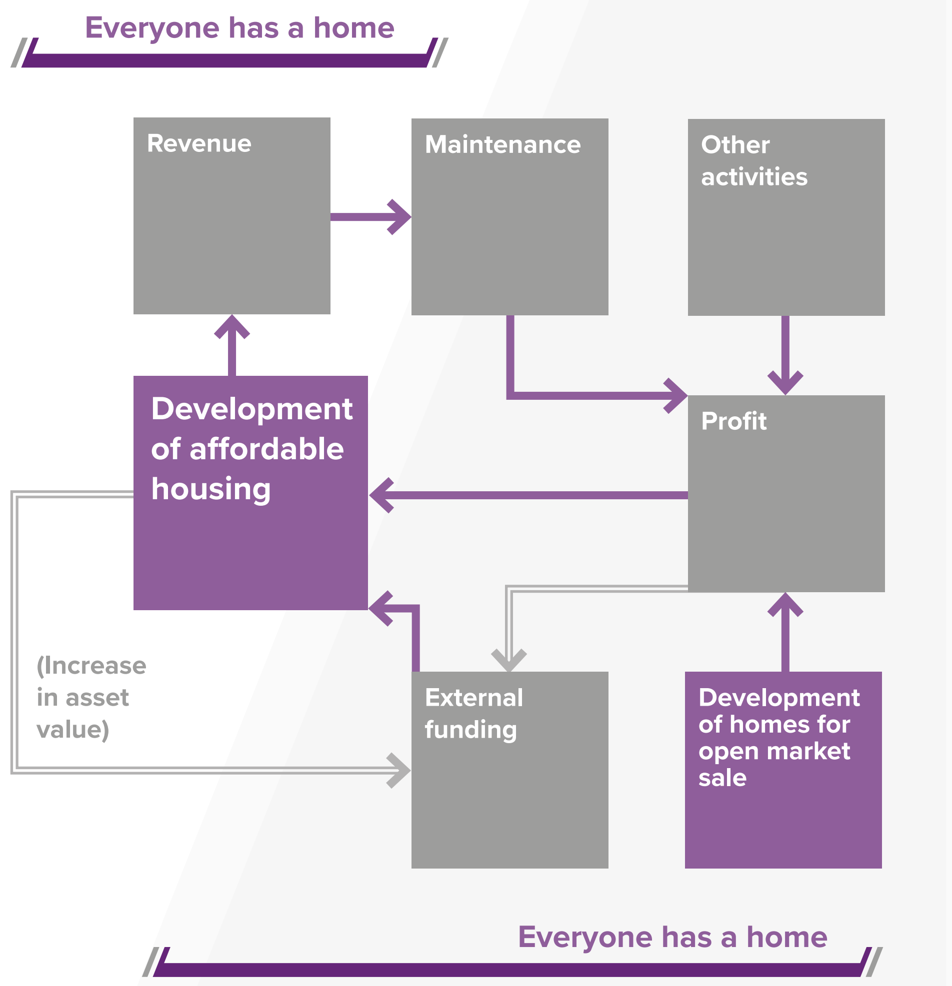
The last year has seen us achieve some great things – the next 12 months is set to be even better.

Andrew Jackson
Group Chairman

7 August 2018

everyone HAS A HOME

Our Business Model



The group's activities are categorised into four areas:

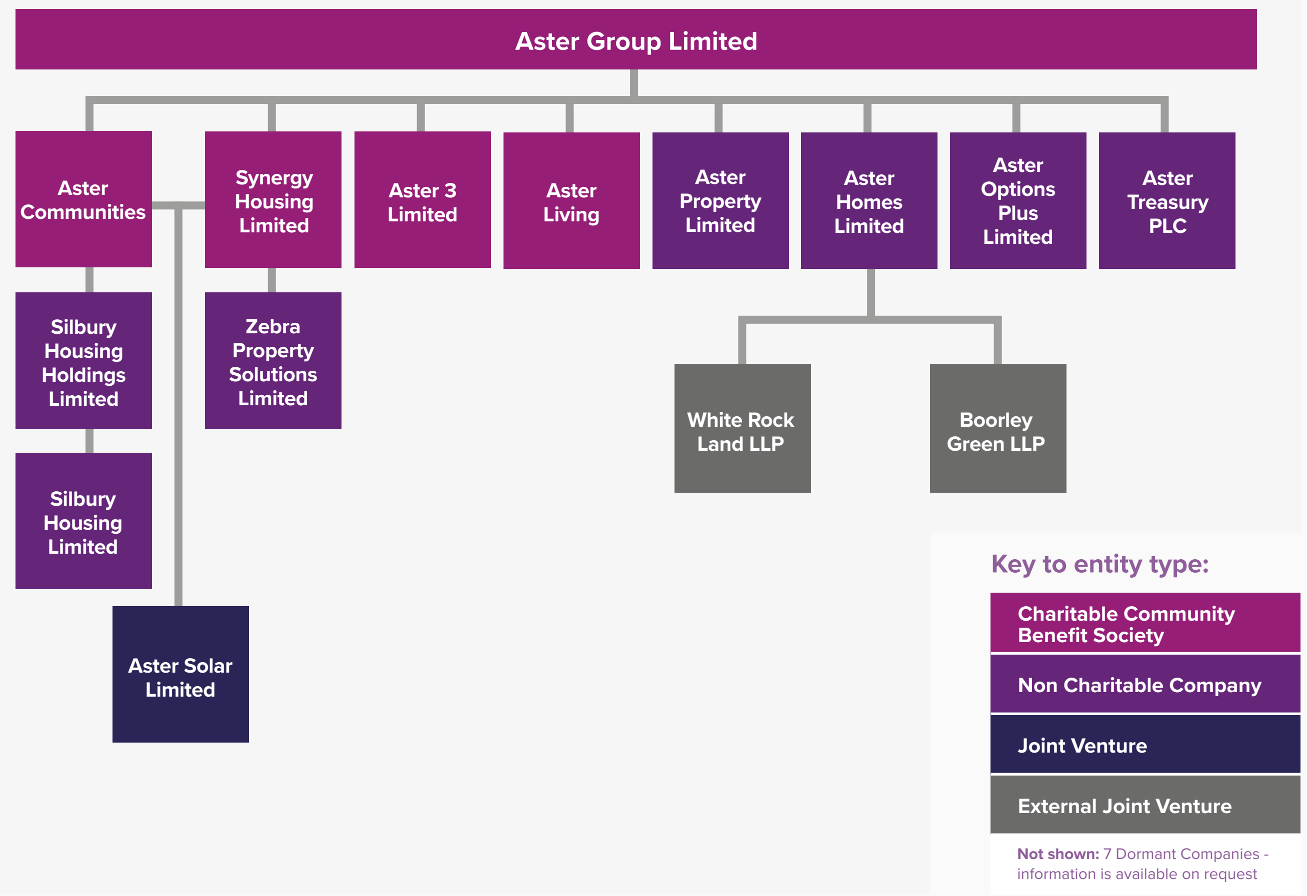
1. **Provision of housing** through its Registered Providers - Aster Communities, Synergy Housing Limited and Aster 3 Limited;
2. **Care and support services** through Aster Living;
3. **Property management and maintenance** through Aster Property Limited;
4. **Development of housing for rent and sale** through Aster Homes Limited, Zebra Property Solutions Limited and joint ventures with Galliford Try Homes Limited (White Rock Land LLP and Boorley Green LLP).

The group primarily generates revenues from rent and service charges associated with the provision of housing, and from the sale of houses built for shared ownership and open market sale. 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 Programme.

Group Structure

The structure of the group is:



The main activity of each of the companies in the group is:

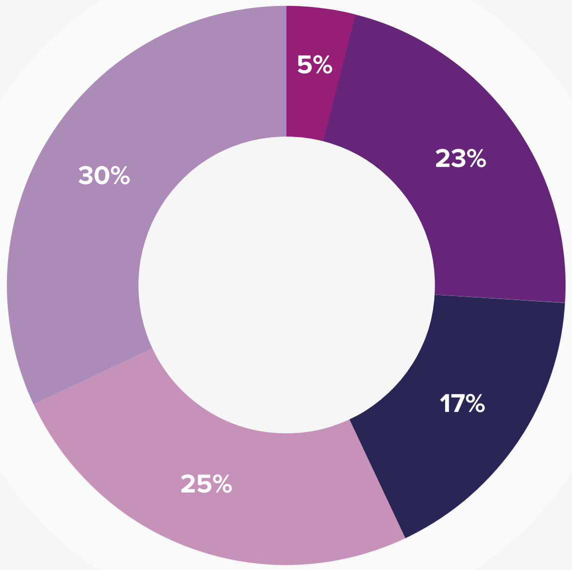
Aster Group Limited	Acts as holding company for the group and provides support services for each of the subsidiaries.
Aster Communities	Registered Provider, with properties primarily in Hampshire, Wiltshire, Somerset and Devon and Cornwall.
Synergy Housing Limited	Registered Provider, with properties primarily in Dorset, Hampshire and Wiltshire.
Aster 3 Limited	Registered Provider.
Aster Living	Provision of care and support services to vulnerable people in specialist housing or their own homes.
Aster Property Limited	Management and maintenance of housing stock and related areas.
Aster Homes Limited	Development of homes for affordable and market sale and rent.
Aster Options Plus Limited	Special purpose vehicle for cost sharing.
Aster Treasury Plc	Special purpose vehicle for raising bond finance on behalf of other group entities.
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 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.

Our Market

Aster Group owns and manages approximately 30,000 properties and provides services to more than 65,000 customers across central, southern and south west England. With the largest number of homes in Dorset and Wiltshire.

Homes owned and managed - 2018

- Devon & Cornwall
- Hampshire
- Somerset
- Wiltshire
- Dorset

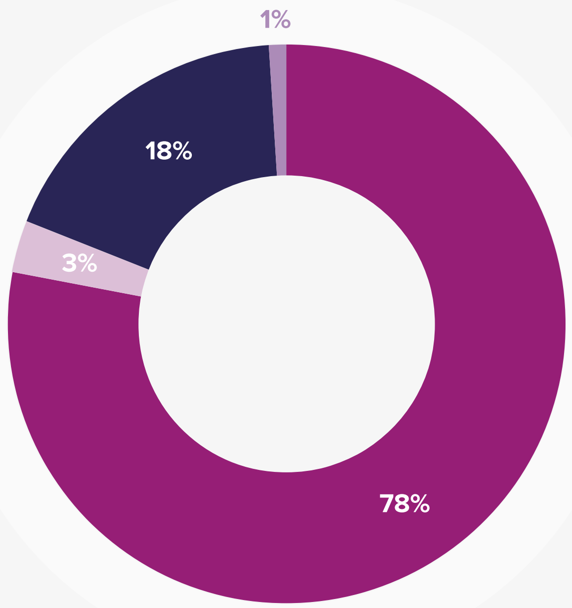


Total units owned and managed 29,912

The group was formed by six LSVTs (large scale voluntary transfers). The main source of revenue for the group is through the provision of affordable housing services. Outright and shared ownership sales and care and support services also play an important part in generating revenue for the business, which it uses to provide a good, reliable landlord service for its customers and into the provision of more homes for people.

Group revenue split - 2018

- Provision of affordable housing
- First tranche shared ownership
- Care & Support income
- Other income



Total revenue £205 million

Following the Chancellor's 2015 Autumn Statement, 2017/18 marked the second year of the four year 1% annual rent reduction that will continue until the end of April 2020.

During 2017/18 the group continued to make efficiency savings, focusing on improving and streamlining processes and introducing new ways to explore how things can be done differently. Innovation reviews, improvement plans and customer scrutiny exercises were just some of the new methods the business has adopted over the last 12 months. The group drove further efficiencies through the adoption of its condition based repairs approach, only replacing major housing components where they have worn out. An increased focus on the use of new technology has meant that customers can quickly and easily access the information they need, and further improves the offer to customers whilst increasing efficiency.

In October 2017, the government announced that increases to social housing rents will return to the Consumer Price Index (CPI) plus 1% for five years from April 2020. This will give social tenants, councils and housing associations the security and certainty they need.

In order to gain greater control over the group's delivery of housing, the business has increased its land-led programme and in addition will use profits generated from open market sale activity to subsidise its affordable homes programme going forward. The business will also continue to seek larger opportunities for development (i.e. exceeding 20 homes) to capture economies of scale and further drive efficiencies.

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

This year the group embarked on its void disposals programme ('VDP'), a programme designed to sell under-performing void properties on the open market that no longer meet the standard the group requires. Properties identified for sale are assessed against a number of criteria and where the relevant thresholds are not met are approved by an independent panel for sale. Capital generated from these sales funds the group's ambitious development pipeline to build 11,800 new homes over seven years. On average for every property sold under the VDP programme the business builds two or more homes, often within five miles from where the property was sold.

The group will also continue to invest in developing a programme of homes for open market sale with profits generated used to enable the delivery of more affordable homes. This will continue to be delivered primarily through joint venture opportunities.

Operating review

This fiscal year marks the second 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 £204.7 million (2017: £190.6 million) – driven primarily by first tranche shared ownership sales which increased by £16 million to £36.3 million this year. Service charge income also increased by £2.3 million to £10.8 million (2017: £8.5 million) this year with an associated increase in service costs of £3.1 million to £12.1 million (2017: £9.0 million). Operating expenditure increased by £17.6 million to £143.8 million this year (2017: £126.2 million) primarily related to the increase in shared ownership cost of sales (£11.6 million), management costs (£5.8 million), service costs (£3.1 million) and depreciation of housing properties (£1.1 million). These increases were offset by a reduction in major improvements and repairs of £1.9 million. Operating profit before interest and taxation has increased by £4.2 million to £73.5 million for the year (2017: £69.3 million).

Net interest and financing costs of £23.8 million (2017: £25.2 million) were in line with expectations for the year. Interest receivable increased marginally by £41,000 with interest on the total loans to the joint ventures up on the previous year. Interest payable decreased by £1.1 million driven by new borrowing being at a lower rate than previously achieved. However, the group's weighted average interest cost fell from 3.51% last year to 3.46% this year, with these new borrowings being at lower rates of interest.

In December 2017, the group secured and drew down on £50 million of further European Investment Bank ('EIB') funding, taking the total funding to £100 million from the EIB.

Aster Communities and Synergy Housing Limited continue to manage bad debt and customer arrears well and in line with KPI targets. Both have dealt well with the introduction of the Welfare Reform Act, which introduced direct payment to tenants. Whilst bad debts have increased to £1.6 million this year (2017: £883,000), this includes a one-off charge for potentially non-recoverable service chargeable work at one of the groups estates.

Efficiencies in response, planned and major improvements of £0.5 million (2017: £2.6 million) have been delivered in 2017/18.

Zebra Property Solutions Limited completed the sale of all its remaining market rental units to Synergy Housing Limited for the consideration of £1.8 million. In addition, the company transferred its interest in the freehold of Waverley Point to Synergy Housing Limited. The company generated profit before tax of £136,000 (2017: £921,000).

Aster Homes Limited delivered 839 affordable homes for affordable rent and sale, up from 723 in the previous financial year. Spend on development of these affordable units was £146 million compared to £101 million last year.

A key driver for the group is to increase the number of homes delivered on land it owns or acquires. This 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. The business will also continue to work strategically with developer partners where it can balance its return on investment and deliver good quality homes.

Aster Homes Limited will continue to invest in joint ventures to deliver homes for open market sale. This allows the group to access the supply chain and expertise of a developer partner and ensures that the business can maximise profit. Aster Homes Limited will also deliver homes for open market sale on its own land when it can meet its agreed hurdle rates. To support this strategy, Aster Homes Limited partnered with two developers. E.G. Carter and Galliford Try to enable optimum delivery and control of its building programme.

The group also delivered 93 homes through the Boorley Green LLP and White Rock Land LLP joint ventures with Galliford Try. Whilst this delivery is lower than expected, due to a planned slow down in build rate at the Tithebarn scheme, these homes will be completed and sold in the next financial year. In addition, the profit over the life of both joint venture schemes is projected to be more than expected at scheme approval.

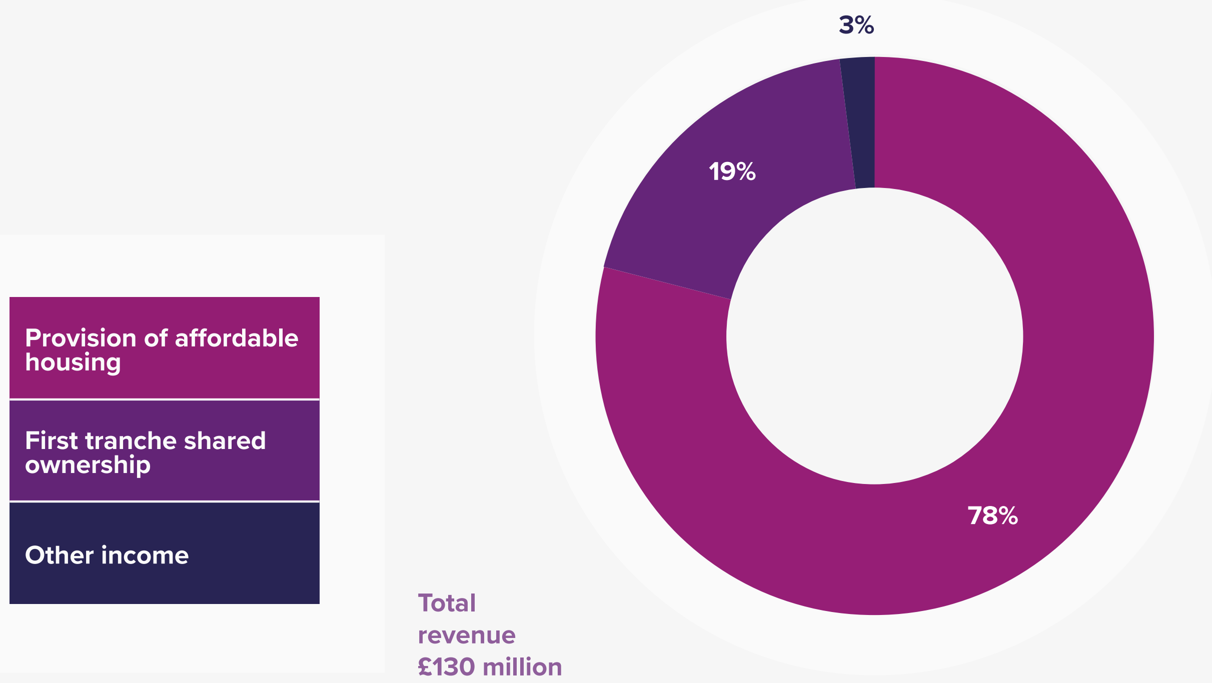
Aster Property Limited's programmed work was delivered on target, with an element of additional works. All homes were compliant with the government's Decent Homes standard by 31 March 2018. Throughout 2017/18, £30.4 million was spent on making improvements to tenants' homes. More than 700 residents received new kitchens and over 500 had new bathrooms fitted. Tenants' satisfaction is a key measure used to monitor the company's planned and cyclical maintenance performance and this stood at 90%, against a target of 90% this year.

Aster Living generated a loss before tax of £214,000 (2017: profit before tax of £505,000) following its exit from the care and support market, a decision that was made based on the number of contracts ending and the remaining contracts becoming financially unviable. The group remains committed to giving people the help they need to live independently in their own homes and through Aster Living will launch a new independent living service in 2018/19 for both its sheltered and extra care customers. The service will be delivered by a team of Independent Living Officers. There will be a stronger link to Assistive Living services with the two services being managed by the Head of Independent Living.

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

Aster Communities

Income streams:



Aster Communities' principal activity is to provide affordable homes and associated services as a Registered Provider. Aster Communities owns and manages approximately 20,000 homes for more than 44,000 customers, and is a developer of new affordable housing.

The business has had a successful financial year. Operating profit prior to impairment increased from £36.9 million to £39.3 million. Impairment increased by £3.4 million primarily due to a review of office carrying values. As a result, operating profit for the year after impairment was £35.7 million, £0.9 million lower than last year.

Turnover increased by £18.2 million to £130.1 million. Service charge income increased by £2.7 million to £7.4 million and other income has increased by £3.5 million to £3.6 million. Void loss has increased by £0.3 million to £1.1 million.

Operating review (continued)

Aster Communities (continued)

First tranche shared ownership income increased by £13.3 million to £24.1 million during the year with open market sales of £0.9 million.

Operating costs increased by £15.8 million to £90.7 million, this was mainly due to an £11.0 million increase in cost of first tranche and open market sales and a £2.7 million increase in service charge costs.

The organisation made a charitable donation to Aster Group Limited of £10 million to further the charitable aims of the group.

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

Targets for Aster Communities 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.

Key highlights are as follows:

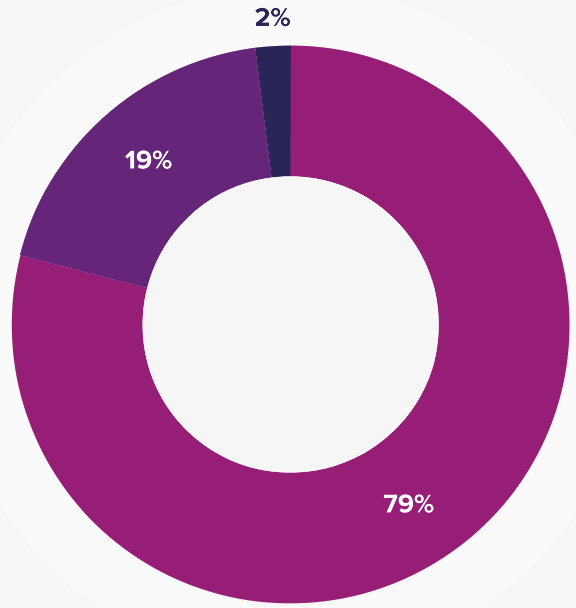
- Despite a challenging environment income collection remains strong with the arrears percentage at just 1.8% (2017: 1.7%) against a target of 3.0%.
- Rent lost through properties being empty is 1.0% (2017: 0.7%) compared to a target of 0.7%. The increase is due to the void disposal programme, option appraisals and major repairs all underperforming marginally by 0.1%.
- Completed 614 (2017: 422) new homes for rental or sale against a target of 887.
- A continued strong focus on managing the impacts of welfare reform and the roll out of Universal Credit, through the internal Strategy and Practitioners Groups, ensuring that customers are supported at the same time as protecting income streams.
- Aster Communities 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 £0.2 million were achieved through an innovation review within the voids and lettings team and the reception service.
- Work to transform the way customers contact the business continued with the merging of two contact centres into one, the cost of which was £0.2 million lower than budget. The business continues to change the way it works making processes simpler and easier and providing services through a range of different channels, more efficiently.
- The void disposal programme (VDP) and stock option appraisal programme (SOAP) has generated proceeds of £12.3 million during the year. There have been 30 VDP sales, 19 SOAP sales, four commercial property sales and nine land sales.
- The average number of days to rent general needs properties remains below target at 14 days, although the time taken to re-let housing for older people stood at 34 days, nine days over the group's internal target.

	2017 / 18 Target	2017 / 18 Actual	2016 / 17 Actual
% rent lost through vacant properties	0.7%	**1%**	0.7%
Average number of days to re-let - General Needs	15	**14**	13
Average number of days to re-let - Housing for Older People (HOPS)	24	**34**	25
% arrears (General Needs & HOPS)	3%	**1.8%**	1.7%
% repairs completed on time	98%	**92%**	98%
% of tenants satisfied with repair work	80%	**92%**	84%
% of all appointments kept	90%	**98%**	98%
New homes completed	887	**614**	422

ASTER GROUP

Synergy Housing Limited

Income streams:



Total revenue £66 million

Synergy Housing Limited's principal activity is to provide affordable homes and associated services as a Registered Provider. Synergy Housing Limited owns and manages approximately 10,000 homes for more than 21,000 customers, and is a developer of new affordable housing.

The business has had a successful financial year. Turnover was £66.1 million (2017: £63.4 million) an increase of £2.7 million. However, operating profit decreased by £2.6 million to £19.8 million (2017: £22.4 million).

The turnover increase of £2.7 million was mainly due to rental income increasing by £0.8 million to £48.5 million. This was partly offset by a decrease in service charge income by £0.4 million to £3.4 million.

First tranche shared ownership income increased by £2.3 million to £12.3 million during the year.

Operating costs increased £5.0 million to £46.3 million, due in part to increases in; legal provisions of £1.5 million; office costs of £0.8 million and development costs not capitalised of £0.4 million. First tranche cost of sales increased by £0.8 million as a result of higher sales.

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

Targets for Synergy Housing Limited 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.

	2017 / 18 Target	2017 / 18 Actual	2016 / 17 Actual
% rent lost through vacant properties	0.7%	**0.4%**	0.3%
Average number of days to re-let - General Needs	15	**14**	11
Average number of days to re-let - Housing for Older People (HOPS)	24	**19**	16
% arrears (General Needs & HOPS)	3%	**2.2%**	2.3%
% repairs completed on time	98%	**96%**	98%
% of tenants satisfied with repair work	80%	**88%**	85%
% of all appointments kept	90%	**98%**	99%
New homes completed	303	**225**	301

Operating review (continued)

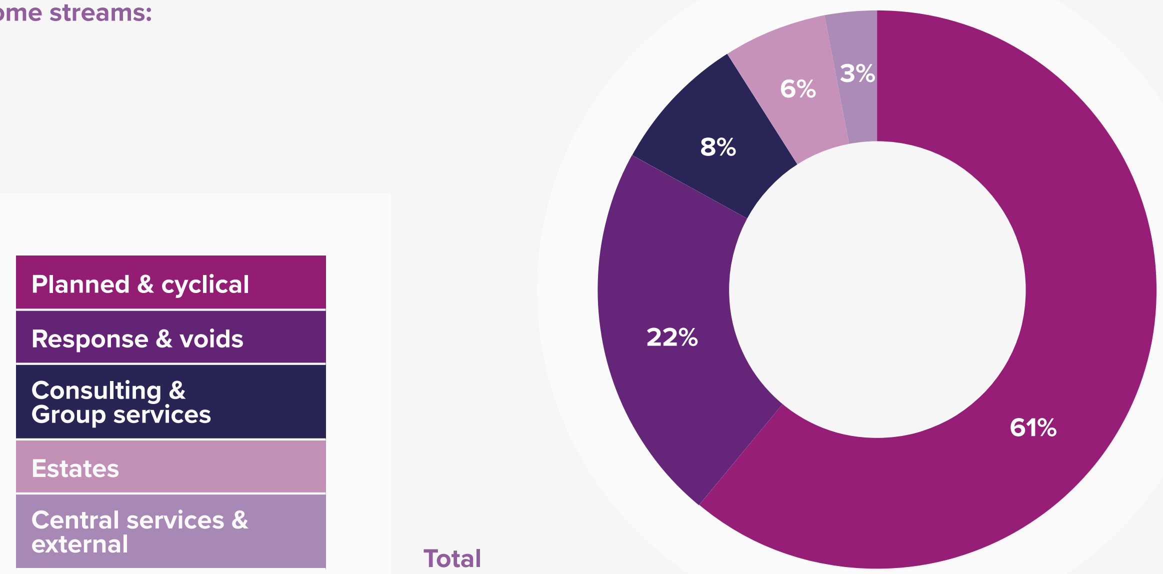
Synergy Housing Limited (continued)

Key highlights are as follows:

- Good performance in income collection despite a challenging environment evidenced by current tenant arrears of 2.2% against a target of 3.0% and prior year of 2.3%.
- Rent lost through properties being empty is 0.4% (2017: 0.3%) compared to a target of 0.7%. The increase is due to the void disposal programme which began in 2017/18 and options appraisals.
- Improved performance in re-letting homes with the average number of days to re-let one day better than target for general needs and five days better than target for housing for older people (HOPS).
- Completed 225 new homes for rent or sale against a target of 303 and prior year of 301.
- A continued focus on managing the impact 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.
- Work to transform customer contact started with the merging of Synergy Housing Limited contact centres. The business continues to change the way it works to make processes simpler and easier, providing services through a range of different channels more efficiently.
- The void disposal programme (VDP) and stock option appraisal programme (SOAP) has generated proceeds of £2.5 million during the year. There have been ten VDP sales and one SOAP sale.

Aster Property Limited

Income streams:



Total revenue £61 million

Aster Property Limited is responsible for the group's property maintenance activities including facilities, contract and asset management. Aster Property Limited's mission is to support the group corporate strategy by providing efficient and effective property maintenance and asset management services.

This year, Aster Property Limited has made an operating profit of £1.3 million (2017: £1.6 million) with an operating margin of 2.1% (2017: 2.9%). During the year the company generated a turnover of £61.3 million (2017: £55.1 million) and profit after taxation of £1.3 million (2017: £1.6 million).

Maintenance efficiencies of £0.5 million (2017: £1.0 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 £274,000 (2017: £277,000), generating a net margin of 2.2% (2017: 2.0%).

The performance of planned and cyclical maintenance remained strong throughout 2017/18; 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, with all homes attaining Decent Homes Standard's by 31 March 2018. Throughout 2017/18 £30.4 million was spent on making improvements to tenants' homes. More than 700 residents received new kitchens and over 500 had new bathrooms fitted. Tenants' satisfaction is 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 £687,000 (2017: £774,000) was made as part of the capital replacement programme in place to maintain Aster Property Limited's fleet of vehicles.

Operating review (continued)

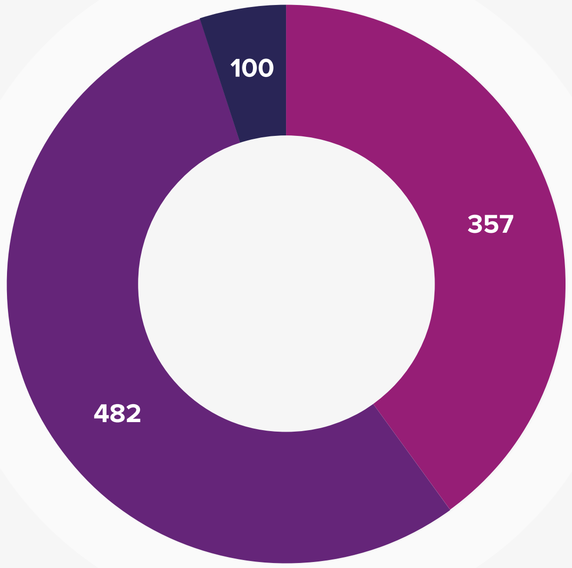
Aster Homes Limited

Unit development:

Open market sales (through JVs)

Shared ownership

Affordable rent



Total units developed 939

Aster Homes Limited provides design and build services for developing affordable homes for the Aster Group companies as well as other housing associations. It is also a commercial development company building new homes for direct sale.

Aster Homes Limited has had a very successful year with net profit before tax of £3.6 million (2017: £2.1 million) which will all be gift aided to Aster Group Limited.

Turnover generated by Aster Homes Limited was £97.2 million (2017: £69.2 million). This included £96.4 million (2017: £68.4 million) of design and build fee income from services provided to Aster Communities and Synergy Housing Limited. 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.

Other income of £757,000 (2017: £662,000) is mainly attributable to first tranche shared ownership sales fees charged to Aster Communities and Synergy Housing Limited. Also included in other income is £30,000 for the provision of development services to Teign Housing Limited and £29,000 for recovery of aborted scheme costs from Aster Communities and Synergy Housing Limited. The provision of development services to Teign Housing Limited ended this year and will not continue in the future.

The sales team generated £36.2 million (2017: £20.7 million) of shared ownership sales income for Aster Communities and Synergy Housing Limited; and £935,000 of private sale income for Aster Communities.

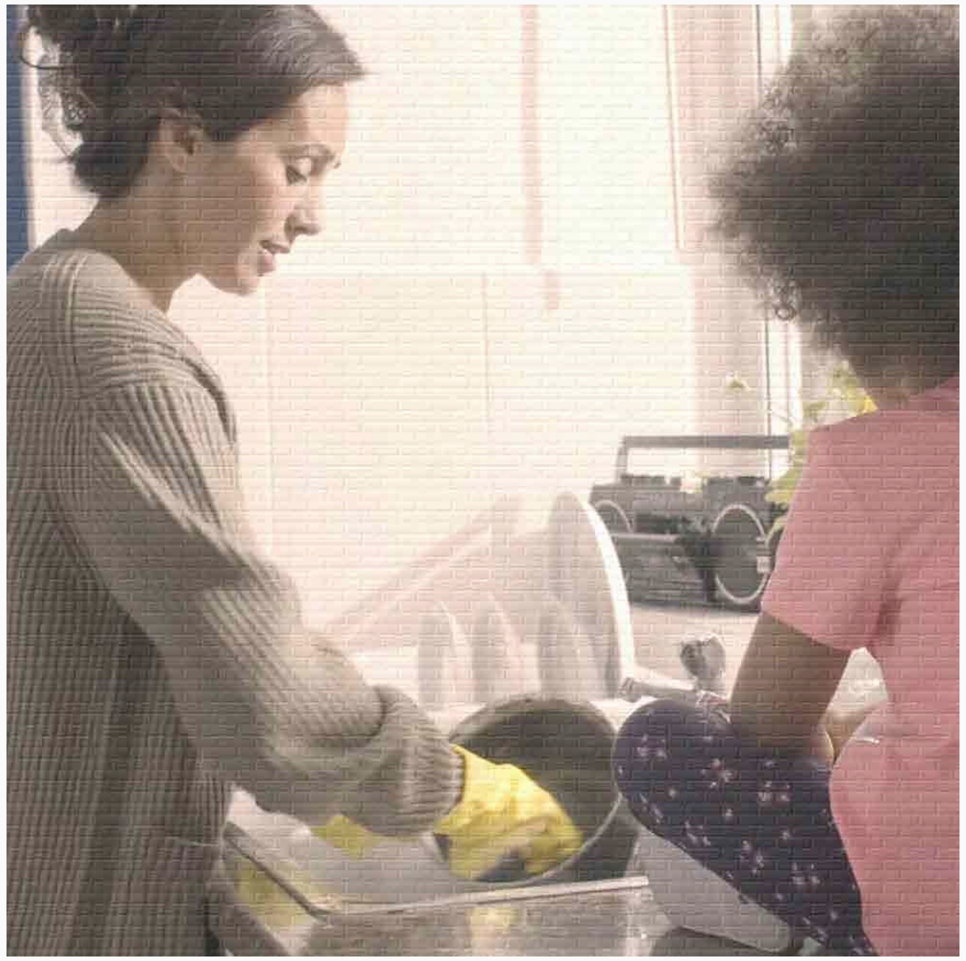
Homes completed	2017 /18 Actual	2016 / 17 Actual
Homes completed for Aster Communities	614	422
Homes completed for Synergy Housing Limited	225	301
Total affordable homes built	839	723
Private sales completed*	100	106
Total	939	829

* Includes units completed through Joint Venture

Joint venture performance

Private sale development projects were delivered through joint venture arrangements with Galliford Try Homes Limited. White Rock Land LLP saw 58 private sale completions in 2017/18 and is forecast to build and sell a further 421 private homes and 83 affordable homes over the next five years. Boorley Green LLP sold 35 private homes and 13 affordable homes in the year and will deliver a further 268 private homes and 127 affordable homes over the next six years.

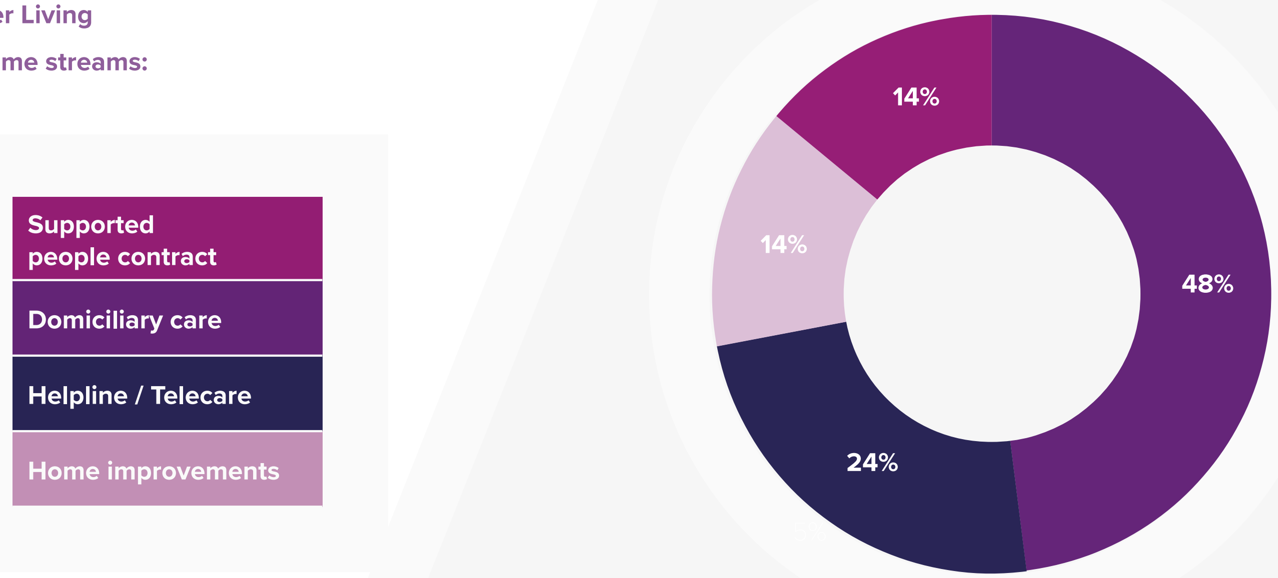
Aster Homes Limited's 50% share of the commercial trading activity through White Rock Land LLP and Boorley Green LLP is estimated to generate £133 million of sales income and £20 million of profit over the next six years. Aster Homes Limited's share is consolidated at group level and not reflected in Aster Homes Limited's results. Turnover for White Rock Land LLP was £8.7 million (2017: £12.8 million) and profits for the year were £720,000 before distributions (2017: £1.3 million). Boorley Green LLP made a profit of £534,000 (2017: Loss £597,000). Aster Homes Limited received dividend income of £100,000 (2017: £410,000) from White Rock Land LLP for the Okehampton scheme which has been completed with all homes sold.



Operating review (continued)

Aster Living

Income streams:



Total revenue £8 million

Aster Living's principal activity is to provide care and support services to help vulnerable people keep their independence. The company helps people to live independently by providing services through two main streams; care and support; and assistive living, encompassing Telecare, home improvements and handihelp services.

Aster Living generated a loss before tax of £214,000 (2017: profit of £505,000) following challenging trading conditions.

The key factors affecting the performance of the company are set out below:

- The decision to exit care and support was made in 2017/18 as a result of contracts ending and those remaining becoming financially unviable. This resulted in redundancy costs of £241,000. Although income in 2017/18 does not reflect the impact of this decision, Aster Living will see a significant reduction in income (offset in part by associated staff costs) relating to those services in future years. However, in 2018/19 Aster Living will launch an independent living service to customers living in sheltered and extra care schemes which will bring enhanced housing management and assistive living services together.
- A provision was made for £359,000 to cover the potential underpayment to staff for sleep in shifts in the learning difficulties and Somerset extra care services from January 2012 to March 2018. Aster Living has joined the Social Care Compliance scheme, which gives a deadline for identifying and calculating the back payment of 31 December 2018 and a payment deadline of 31 March 2019.

The company was fully compliant with the expectations of the company's regulators, the Care Quality Commission (CQC), Regulator for Social Housing (RSH) and Telecare Services Association (TSA).

The company supports 10,000 customers (2017: 11,000) across Hampshire, Wiltshire, Somerset, Dorset, Devon and Cornwall. The reduction in customer numbers was driven by several factors:

- Handihelp, which provides practical help around the home for adaptations, maintenance and minor repairs, saw a reduction of 464 customers, primarily due to the non-renewal of the Berkshire local authority contract.
- The Home Improvement Agency service saw a reduction of 150 customers, with a reduction in Berkshire, Somerset and Wiltshire of around 50 per region.
- Telecare saw a net reduction of 204 customers due to customers leaving the service not being replaced at the same rate.

Aster Solar Limited

Aster Solar Limited's main activity is to provide green electricity to the group's tenants through 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 Aster Solar Limited to further their charitable objectives. The alleviation of fuel poverty amongst their tenants is a key objective for both, together with the ability to generate investment that can be re-invested into charitable activities.

The company generated a profit before tax of £103,000 (2017: £117,000). Turnover reduced to £299,000 (2017: £316,000). The decrease in performance can be primarily attributed to less favourable weather.

This is the second full year of Feed in Tariff (FIT) generation for Aster Solar Limited with all 757 planned system installations complete.

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 2018 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 2018 there was no profit or loss (2017: £nil) 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 Group, its other members and other organisations. The company ceased trading from 1 April 2018.

All companies receiving services were required, where possible, to become a member of Aster Options Plus Limited. Services provided to members during 2017/18 included internal audit and consultancy.

Total revenue was £230,000 (2017: £254,000), slightly behind last year with fewer internal audit days completed, however, Aster Options Plus Limited benefited from a lower cost base and achieved its break-even objective, generating a profit before taxation for the year of £5,000.

During the year, the company carried out 21 internal audits across 312 working days, producing income of £219,000.

During the year, the company provided an out of hours response repairs service. This covers emergency property repairs and generated income of £3,800.

The company also provided consultancy work generating income of £7,200.

Subsequent to the year-end the board of Aster Options Plus Limited agreed to close this special purpose vehicle, transferring the responsibility for delivery of the services to Aster Group Limited.

Bjorn Howard
Group Chief Executive

7 August 2018

Financial review

The group had a record year and achieved a profit before tax for the year of £50 million (2017: £44 million). The main movements are set out below:

	2018 £m	2017 £m	Change £m
Turnover			
Social Housing	**162**	161	1
First tranche shared ownership	**36**	21	15
Non Social Housing	**7**	9	(2)
	205	191	14
Operating costs			
Social Housing	**(111)**	(102)	(9)
First tranche shared ownership	**(31)**	(19)	(12)
Non Social Housing	**(6)**	(6)	-
	(148)	(127)	(21)
Operating profit	**57**	64	(7)
Profit on asset sales	**15**	4	11
Other turnover, including joint ventures	**2**	1	1
	17	5	12
Interest and similar income and charges	**(24)**	(25)	1
Profit on ordinary activities before taxation	**50**	44	6

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 £2.3 million to £10.8 million (2017: £8.5 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 £1.9 million in major improvements and repairs. This offsets the increased management costs (£5.8 million, including £1.7 million legal and professional fees, £0.5 million restructuring cost, £0.8 million increase in pension fund deficit payments and £0.9 million office costs), service charge costs (£3.1 million), routine and planned maintenance (£0.7 million) and housing depreciation (£1.1 million).

Cash inflows and outflows

The detailed cash flow for the group is set out on page 85. In summary the main cash flows for the group were:

	2018 £m	2017 £m
Net cash generated from operating activities	**126**	115
less net interest paid	**(28)**	(30)
	98	85
Investment in new properties	**(180)**	(120)
Social housing grant received	**3**	5
Proceeds from sale of housing	**26**	10
Purchase of other fixed assets	**(2)**	(2)
	(55)	(22)
Drawdown of loans	**50**	100
Loans to joint ventures	**(2)**	(11)
Repayment of borrowings	**(1)**	(40)
(Decrease) / increase in cash holdings	**(8)**	27

The group held £101 million (2017: £109 million) of cash and cash equivalents at year end and had £867 million (2017: £821 million) of bank loans and bonds.

Net cash flows from operating activities increased by £11 million due primarily to the increased profit for the year (£5 million), increase in proceeds from the sale of property, plant and equipment, impairment (£16 million), increase in current assets (£12 million) and increase in debtors and inventory (£5 million).

Cash invested in new properties was £60 million more than 2017 at £180 million (2017: £120 million).

The loan drawdown of £50 million reflects the additional European Investment Bank loan, borrowed at an all in rate of under 2.0%.

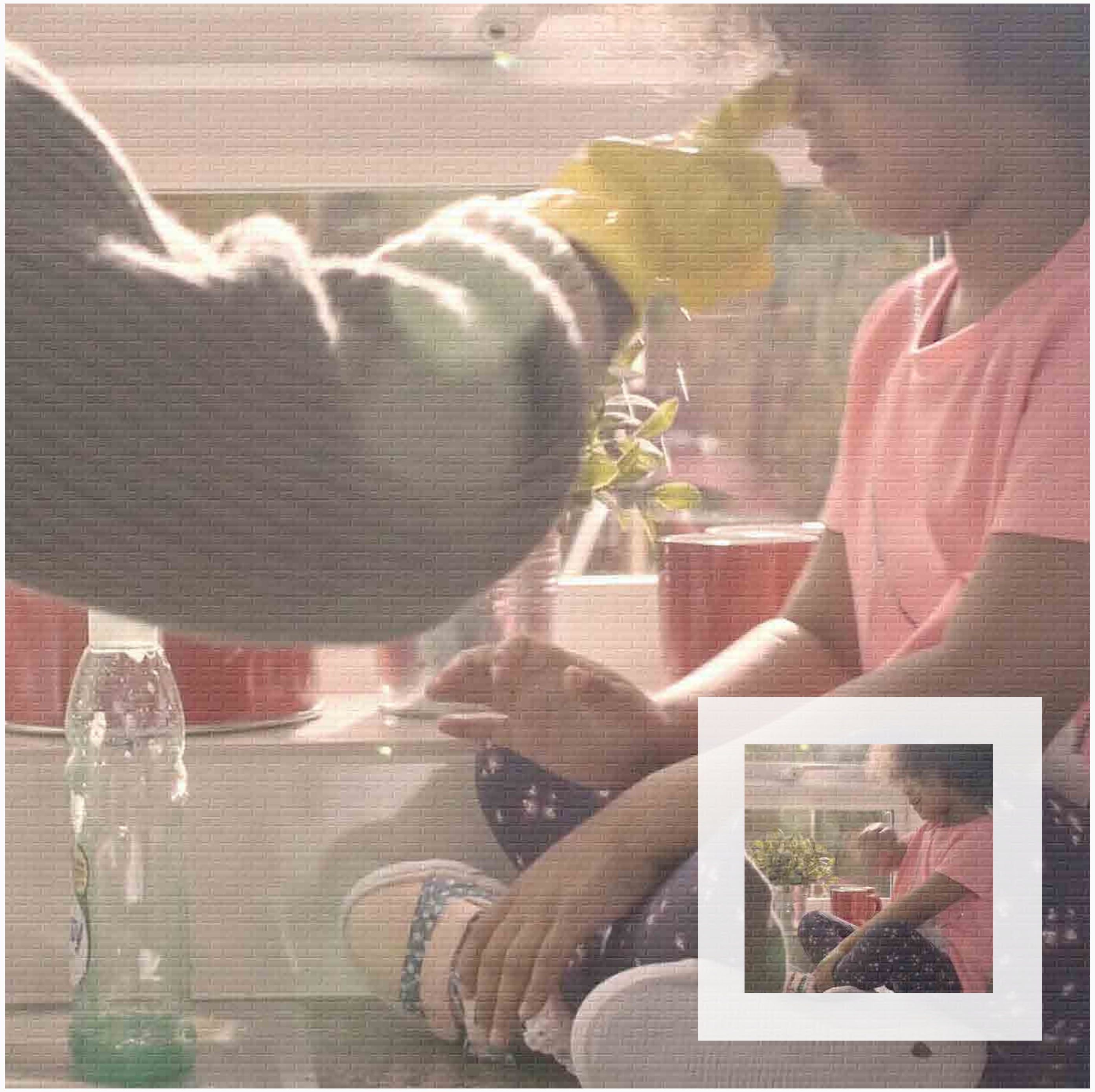
Statement of financial position

Main movements were as follows:

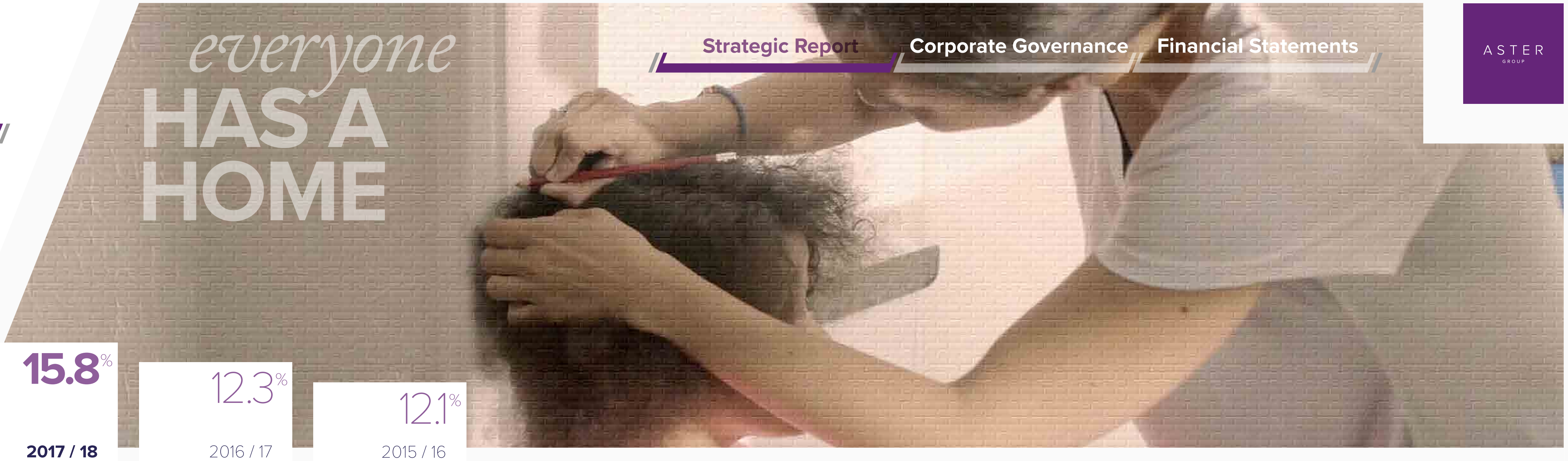
Fixed assets	2018 £m	2017 £m	Movement £m
Property, plant and equipment	**1,498**	1,395	103
Investment properties	**16**	15	1
	1,514	1,410	104
Current assets			
Inventory	**2**	1	1
Debtors	**100**	94	6
Shared ownership properties held for resale	**23**	18	5
Properties held for open market sale	**2**	-	2
Cash and cash equivalents	**101**	109	(8)
	228	222	6
Creditors amounts falling due within one year	**(63)**	(38)	(25)
	1,679	1,594	85
Creditors: amounts falling due after more than one year	**(903)**	(875)	(28)
Pension liability	**(33)**	(38)	5
Other provisions	**(2)**	-	(2)
Net assets	**741**	681	60

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 rent arrears (£3 million), loan to joint ventures (£2 million) and grants received (£1 million).
- **Shared ownership properties held for resale -** increase in units under construction at the end of the year (£6 million) partly offset by a reduction in unsold completed units (£1 million).
- **Cash -** Decreased by £8 million as a result of increased development spend offset by net new borrowings.
- **Creditors: amounts falling due within one year -** Increases in loans repayable (£14 million) and accruals and deferred income (£11 million).
- **Creditors: amounts falling due after more than one year -** Net increase in loans (£32 million) and other creditors (£1 million), offset by interest rate swaps (£5 million).
- **Pension deficit -** Decrease in pension deficit for Dorset and Wiltshire County Council pension schemes.



Value for Money Metrics



Aster Group complies with the Regulator for Social Housing's economic standard on Value for Money.

In line with the new standard published in April 2018, Aster Group's performance against the seven agreed metrics is included below:

Reinvestment

2017 / 18	2016 / 17	2015 / 16
15.8%	12.3%	12.1%

Reflects the investment in social housing properties (existing stock and new supply) as a percentage of the total value of social housing properties held (Aster measures the total value of social housing properties at deemed cost*).

The increase in the reinvestment percentage reflects the group's increased spending on development of new housing. Spending on existing properties has remained in line with 2016/17.

New supply delivered

2017 / 18	2016 / 17	2015 / 16
3.0%	2.7%	2.4%

Sets out the number of new housing units (social and non-social, but excluding those homes delivered through the group's joint ventures) that have been acquired or developed as a proportion of total social housing units owned at the period end.

A total of 839 affordable homes were delivered in 2017/18, 116 more than in 2016/17.

Gearing

2017 / 18	2016 / 17	2015 / 16
52.0%	52.2%	52.3%

Calculated as net debt (loans less cash) as a proportion of social housing assets. Shows how much of the social housing assets are made up of debt, and the degree of dependence on debt finance. It also sets out the potential capacity for further borrowing which can be used to fund the future development of new housing.

Aster holds its social housing assets at deemed cost* on the balance sheet. Gearing has remained consistent with the increase in net debt of £53 million offset by the increase in total value of social housing assets held.

EBITDA MRI** interest cover

2017 / 18	2016 / 17	2015 / 16
223.2%	262.4%	224.5%

Seeks to measure the level of surplus generated compared to interest payable. It is a key indicator for liquidity and investment capacity.

The reduction in interest cover reflects the reduced operating profit (which includes a one-off impairment charge) combined with an increase in capitalised major repairs spend as a result of the cyclical stock condition survey works. The group's interest cost remains level with last year. Adjusting for the impairment in the year, the interest cover would improve to 234.7%.

Headline social housing cost per unit (CPU)

2017 / 18	2016 / 17	2015 / 16
£3,455	£3,155	£3,269

Assesses the headline social housing cost per unit as defined by the regulator. Costs include management costs, service charges, maintenance, major repairs, other social housing costs and other operating costs on housing lettings, but exclude depreciation.

The increase in cost per unit is driven by increased management costs and service charge costs in the year, offset by reduced maintenance and other social housing costs. The increase in management costs includes £2.4 million of one-off expenditures in the year. The group service charge cost is distorted by a one-off repair cost in relation to the group's Kingsway Gardens' properties. Adjusting for these one-off expenditures the underlying social housing cost per unit is £3,290.

Value for Money Metrics

	2017 / 18	2016 / 17	2015 / 16
Operating margin - Overall	28.0%	33.8%	31.3%
Operating margin - Social housing only	35.2%	39.9%	38.5%

Demonstrates the profitability of operating assets before exceptional expenses. Defined as operating profit as a percentage of total turnover or social housing turnover as appropriate.

The reduction in the overall operating margin is driven by a £3.6 million impairment charge for office properties in the year and £2.4 million of one-off management costs. Excluding these, the underlying overall margin improves to 30.9% with the reduction since 2016/17 primarily due to an increased proportion of first tranche shared ownership sales which achieve lower margins than the group's average. The reduction in the social housing margin is also distorted by the one-off £2.4m additional management costs, adjusting for this, the underlying social housing margin is 36.7%, and this is lower than last year due to increased service charge costs and remaining management costs.

	2017 / 18	2016 / 17	2015 / 16
Return on capital employed (ROCE)	4.4%	4.3%	4.0%

Compares the operating profit*** to total assets less current liabilities.

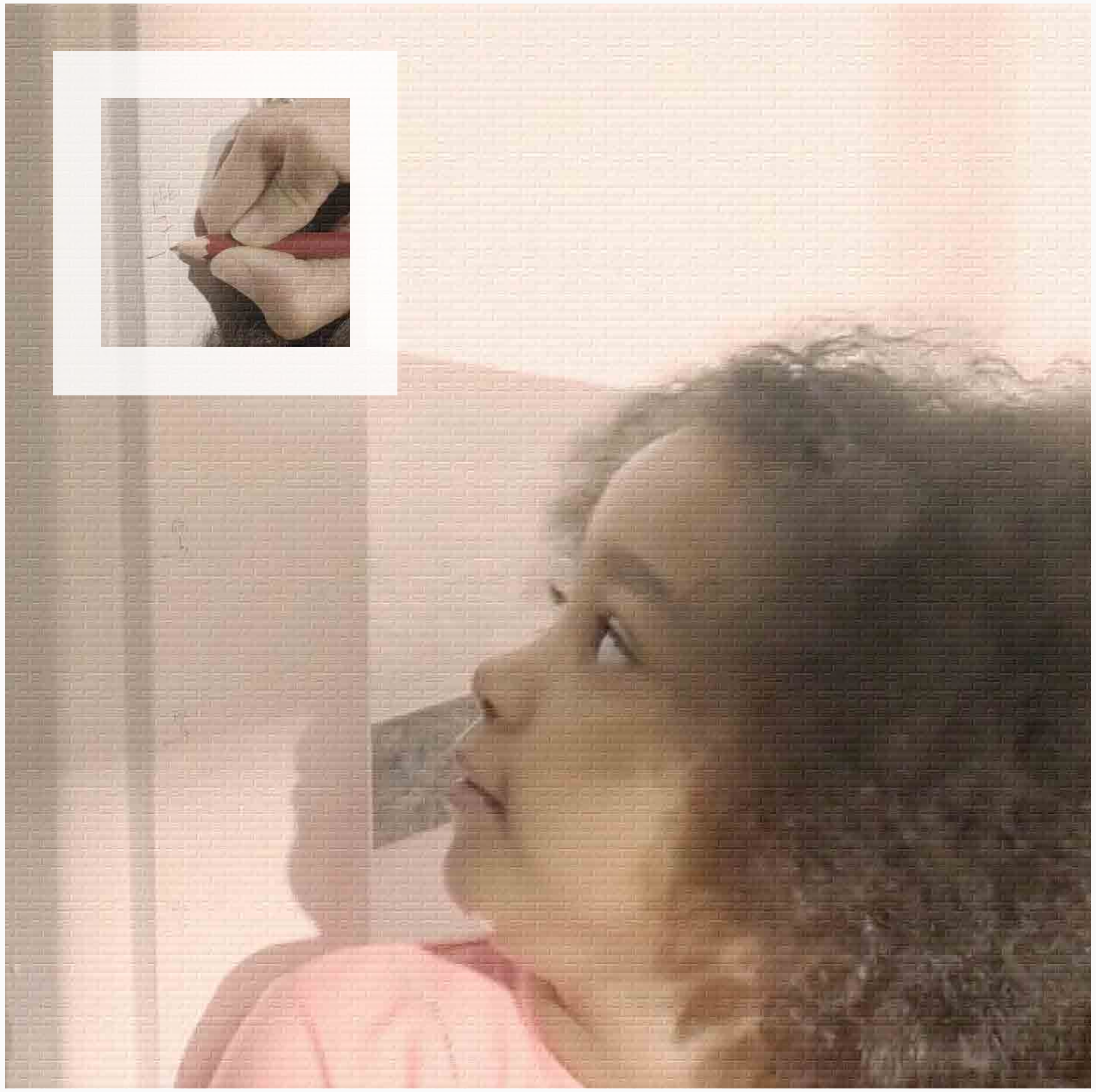
The movement reflects the group's increase in operating profit*** over an increased asset base following the group's successful development programme of social housing.

Aster holds its social housing assets (which make up the majority of the net assets of the group) at deemed cost*.

* Deemed cost assets consists of social housing assets held at an EUV-SH valuation up to 31 March 2014, and subsequent additions at cost.

** EBITDA MRI is Earnings before interest, tax, depreciation, amortisation, excluding profit on disposal of property, plant and equipment, but including the cost of capitalised major repairs (major repairs included). Interest includes the group's interest payable plus interest capitalised during the year but excluding interest on the net pension liability.

*** Operating profit includes the group's operating profit plus profit from disposals of property plant and equipment, and the share of profit in joint ventures.



Principal risks and uncertainties

Risk identification and management

Aster Group's system for identifying and managing risks is embedded throughout the business in its organisational structure, operations and management systems and adheres to 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 business. 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, chaired 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. These sources inform a consolidated group risk map, including overall financial risk exposure. Assessment of the potential risks plays a fundamental role in the evaluation of each new opportunity and the management of all projects. Significant risks are reviewed by the Leadership Team monthly, including the undertaking of a focused discussion about a topical risk.

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

Brexit

The British Government has triggered Article 50 which starts the process of Britain leaving the EU, scheduled to occur on 29 March 2019. An agreement has been reached between government and the EU on a 21-month transition period to run from 29 March 2019 to 31 December 2020 to allow businesses to prepare for the moment when the new post-Brexit rules between the UK and EU begin. The exact outcome and consequences of the decision remain unknown. The group's principal risks are explained below and Brexit could potentially trigger some or all of these risks.

Principal risks

During 2017/18, 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 risks to the group at the end of March 2018. The list is not exhaustive or set out in order of priority and is continually subject to change:

Risk	Potential impact	Mitigation
Operating environment – global and economic (inc. Brexit) 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 Overlap Board and entity boards can 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.
Operating environment - Government policy change As a registered provider of social housing, developer and employer, the group is exposed to the impact of changes in government policy.	Government policy, particularly around benefits paid to the group's customers such as housing benefit or the housing element of Universal Credit or changes to the rent level the group is able to charge, can have a negative impact on the income streams of the group. Government policy also impacts the availability of development schemes through the developer contribution route (e.g. changes to S106, starter homes or shared ownership). These changes could affect the long-term viability of the group. Further change will be introduced by the Green Paper in the second half of 2018.	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.

Principal risks (continued)

Risk	Potential impact	Mitigation
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 Board, Group Treasury Committee and the Group Overlap Board and entity boards. Contingency plans are in place should the group come close to breaching any of its loan covenants.
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 Group Treasury Committee. The group works with valuers to ensure the valuation assumptions maximise the security potential of all assets..
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.
Liquidity The group requires sufficient cash at all times to meet its commitments including on-lending.	Liquidity problems would cause the group to slow down or stop its development programme.	Liquidity is monitored against levels set in the Treasury Management Policy and the position against these financial risk appetites are reported quarterly to the Group Overlap Board and the entity boards.

Risk	Potential impact	Mitigation
Cyber security As the group continues to deliver its digital transformation strategy, the risk from cyber security threats will grow.	Cyber-attacks can result in financial loss, disruption of service or damage to reputation.	The group's Information Technology infrastructure is secured through a comprehensive framework of protections, with regular penetration testing ensuring known methods of attack are protected against. In a continuously changing threat environment, disaster recovery and cyber response plans ensure disruption should be minimised following an event.
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 times 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.
Reputational risk The Aster Group 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. The group's reputation could be negatively impacted as a result of a wide variety of reasons, examples being single but significant incidents in our communities, persistent negative media coverage about the group's service or by a misunderstanding of its vision and purpose. 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.	Proactive communications about the positive impact the group has on the communities in which it operates is key to managing a positive brand image and helps balance the impact that negative media coverage might have. The operations of the group are monitored regularly by the Executive and the Aster Group Ltd and entity Boards, and any potential reputational issues arising resolved as a priority.
Void disposal pool programme To fund the development of good quality affordable homes, the group identifies void properties that meet pre-designated criteria which may then be sold on the open market.	An inability to complete the target programme of sales could restrict the level of new housing development. A delay in individual property sales may result in damage to reputation when the purpose of the programme is not fully understood.	The financial plan undergoes scenario and stress testing using single and multiple variables to ensure that the business can cope with changes to forecast income. Sales progress and completions are regularly monitored and reported to the project board.

Principal Risks and Uncertainties

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 Management Policy before it is approved by the board of Aster Group Limited (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 2018, 86% of debt was fixed (2017: 88%). 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 cash and having at least twelve months sufficient cash and committed loan facilities capable of immediate draw down to cover the next twelve months forecast cash requirement. The group has sufficient undrawn committed and secured facilities and cash available to fund the group, at its full committed and generic development programme level, until July 2019, further financing is not required for another 16 months. This is above the RSH's requirement for funding which expects finance to be agreed and in place 12 months before it is required.

Cash held at 31 March 2018 was £101.1million (2017: £108.9 million) which is considerably more than the six months committed capital expenditure required by the Group Treasury Management policy, £34 million (2017: £44 million). These funds will be used to fund the development programme over the next two years.

At 31 March 2018, undrawn loan and overdraft facilities amounted to £118.7 million (2017: £119.0 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, 86% (2017: 91%), £747 million (2017: £746 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

Equality and diversity

Aster Group remains committed to treating its customers, colleagues and stakeholders fairly. This includes ensuring that its services are delivered in a way that gives equality of access to everyone and that colleagues have equality in the workplace.

The business is reviewing its Equalities Network to ensure that it is representative of its wider workforce and customer profile and is building an action plan to identify opportunities for changes that have a positive impact.

During the year organisations with over 250 employees were required to publish their Gender Pay Gap.
The gap for the whole Aster Group is 20.3% and 19.5% for Aster Property Limited and although there are many factors that have contributed to this, the Group is determined to reduce it over the coming years.

The group has seen some changes in its two senior leadership teams which have led to an improved gender balance. The Executive Board now has 43% women and the Leadership Team has 50%.

In addition, the group is proud to be a Disability Confident Committed employer and has an action plan in place to achieve the next level of registration.

Employee wellbeing

During 2017/18 Aster Group launched a year-long campaign to help end the stigma attached to people suffering with poor mental health.

To date, the group has trained 51 colleagues to become mental health first aiders, with another 32 mental health places coming soon, as well as an opportunity for 100 managers to take part in a shorter course. In addition, the group has made a 'Time to Change' pledge, which commits to a series of actions to improve mental wellbeing of its employees and is running awareness sessions across the business.

Employee voice

The group's Transformation Network has been active for the last year. The Network is made up of 90 colleagues who volunteered to act as cultural ambassadors to support wider culture change – moving to more empowerment and engagement across the business. They are supported with coaching and mentoring from members of the group's Culture Working Group.

Highlights over the year include Networkers hosting debates with their colleagues considering what it means to work in an ethical way, which led to a change in the group's corporate purpose from being an ethical housing developer and landlord to benefit society to providing safety and security through being a reliable landlord, offering independent living services and supplying a wide range of options in response to the housing crisis. They also took part in a Chartered Institute of Housing consultation event called 'Re-thinking Social Housing' where they led colleague discussions about the changing sector and wider impacts on the Aster Group and its day-to-day role.

In addition, as a result of Networker feedback, two significant events were held in June 2018 and supported by the group. They were 'This is Aster', which brought the group's corporate strategy to life ensuring everyone understands how their role supports the group's vision that 'Everyone has a home', and a week-long series of events for anyone in a line management role, working with an external consultancy called Corporate Rebels to explore their eight habits of great workplaces.

In preparation for the event, all colleagues were invited to complete a Corporate Rebels survey, which asked for opinions on where they felt the business was against the Rebels' eight habits. The results informed the Corporate Rebels workshops and will highlight where the group focuses its work moving forwards to achieve the cultural shift it is aspiring to.

Giving back

With match funding, where Aster Group matches every £250 raised for charity, colleagues have given back £35,240 to a wide range of different causes from Macmillan Cancer Support to Mind, Comic Relief and Save the Children as well as local charities nominated by employees.

The group's volunteering scheme has seen colleagues dedicate 66 days to activities in local communities. This has included the group's operatives and supply chain working together to create a new sensory garden for a local special school in Andover, a garden makeover at one of Aster Group's supported housing schemes and a clean-up day working with the Forestry Commission.

Through the Aster Foundation, the group's initiative for delivering support to non-core activities of value to its customers and colleagues, the group has provided 10 work placements for members of its local communities, as well as eight apprenticeships and two volunteering opportunities.

Environmental impact and mitigation

The group has adopted a target for all of its properties to have an Energy Performance Certificate ('EPC') rating of at least band C by 2025, which is five years ahead of the national Fuel Poverty Regulations 2030 deadline. The Regulations also set out an interim target whereby properties are required to meet at least an EPC D rating by 2020, where reasonably practicable. As a result of energy efficiency improvements, 99.67 % of Aster Group's properties are currently rated D or above and 85.20% are rated C or above, which means the group is on track to achieve both the interim target set by the Regulations and its own 2025 target.

Whilst the average energy efficiency Standard Assessment Procedure ('SAP') score of Aster Group's stock is 74, equivalent to an EPC mid-C band rating and well above the national average, a proactive approach identifies those properties that need additional energy efficiency investment and upgrades are carried out as required. Where the investment needed to bring a property to a C energy performance rating is uneconomical, individual properties will be considered for potential disposal under the Void Disposal Programme ('VDP').

The group continues to help its customers minimise their energy bills by providing web-based advice on energy efficiency. In addition, through the colleague energy training scheme, customers are provided with advice on switching energy suppliers, and the triage system for dealing with condensation and mould enquiries provides a targeted approach to these issues. 755 homes continue to benefit from the free electricity generated by Aster Group's 2015 Photovoltaic ('PV') programme, with the Energy Team providing customer advice on how to get the best out of the PV systems and achieve savings on annual energy bills of up to £200.

The group has upgraded its ISO 14001 environmental management system ('EMS') certification to the latest (2015) version of the standard, and no non-conformities were raised or observations made at the most recent external audit (Jan 2018). The new standard requires greater focus on broader, life-cycle issues such as procurement of goods and services, management of contractors and reducing customers' environmental impacts. As a result, work has begun to examine Aster Group's supply chain in order to identify areas where the business can drive and promote environmental, social and economic sustainability.

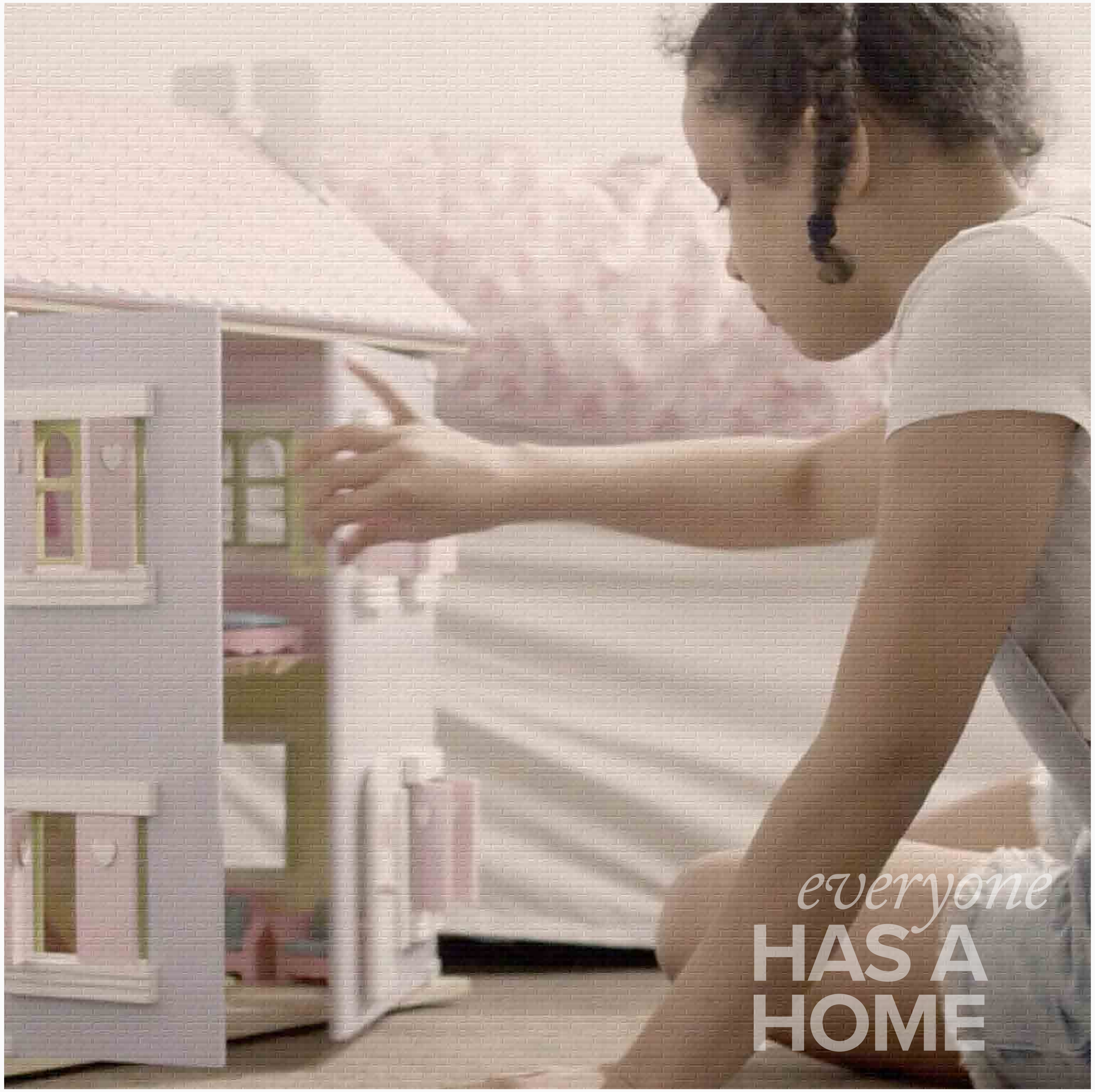
More broadly, the group is considering how it can best address the risks and opportunities presented by the sustainability agenda going forward. This will result in a new set of objectives being agreed, backed up by action plans. Areas to be addressed include waste minimisation and management, business travel, energy efficiency and procurement, as well as furthering Aster Group's work to alleviate fuel poverty amongst its customers. To better inform its plans, research will be commissioned in some of the key areas where knowledge gaps exist, including energy storage, smart grids and modular homes.

By order of the board

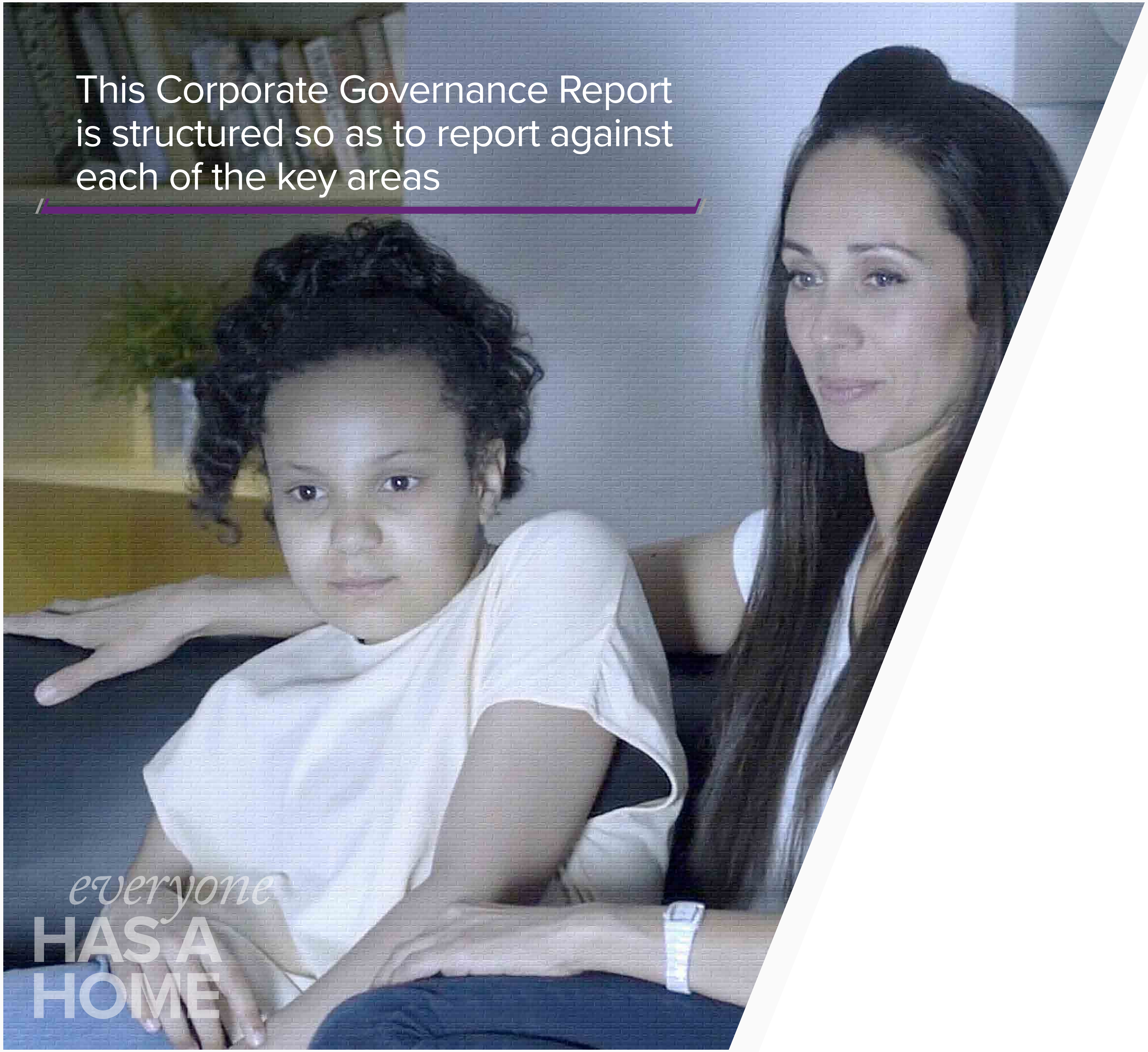
Bjorn Howard

Group Chief Executive

7 August 2018



This Corporate Governance Report is structured so as to report against each of the key areas



Corporate Governance 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.

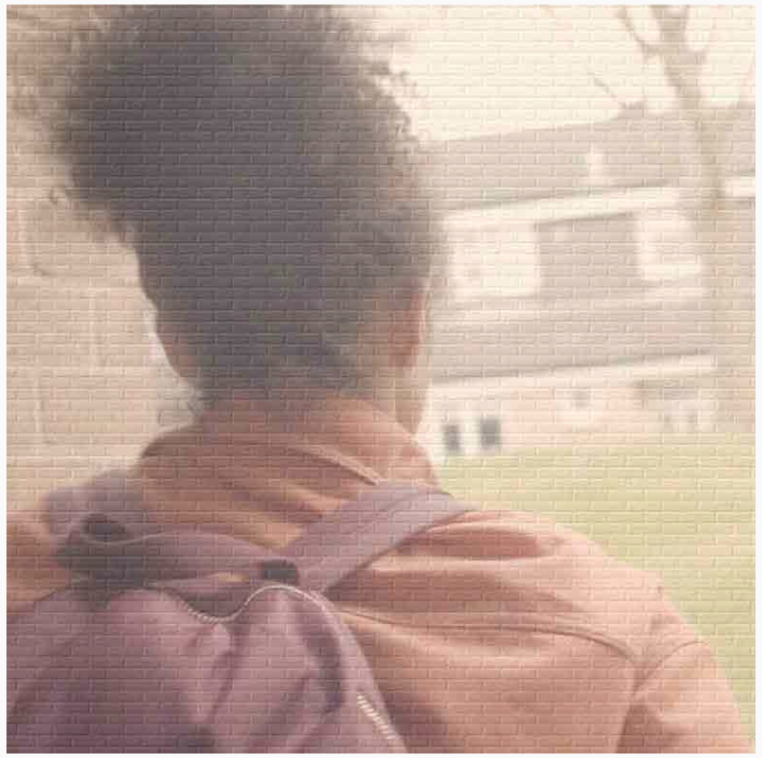
The board of Aster Group Limited (group board) is responsible for ensuring the sound running of the group. This can only be achieved if supported by appropriate and well managed governance processes. The key elements which are believed to be essential for this are described below and discussed in more detail throughout this section of the report.

The group operates an "Overlap Boards" structure, meaning that with the exception of Aster Communities, the same people sit on the boards of Aster Group Limited, Aster Homes Limited, Aster 3 Limited, Aster Living, Aster Property Limited and Synergy Housing Limited. In addition to those members sitting on the Overlap Boards, Aster Communities' board includes two local council nominees. The meetings of the Overlap Boards clearly indicate the entity for which decisions are being considered to enable board members of our registered societies and directors of our companies to fulfil their duties to act in the best interest of the individual entities. The group's other operating subsidiaries have their own boards that are appointed by the group board.

Corporate Governance Report

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. It was revised again in September 2014, the revision focused on the provision by companies of information about the risks which affect longer term viability. A further revision in September 2016 implemented the European Union's Audit Regulations and applied to the group from 1 April 2017. 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 & Community Network	Oversees service delivery to all of Aster Group's customers and the work it does in communities. Its focus is Aster Group's social purpose and social impact while being mindful of the economic and regulatory environment that Aster Group 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 and scrutinises the statutory accounts.
Group Treasury Committee	Oversees all of the group's treasury management activities and makes recommendations to the 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 group strategy.

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.

During 2017/18 an internal evaluation of the effectiveness of the boards and committees was undertaken and was considered by the Group Remuneration & Nominations Committee in July 2017. At its meeting in September 2017 the group board noted that "The positivity across governing bodies was clear to interviewers and the constructive observations evidence of a positive and challenging culture of governance".

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 Remuneration & Nominations Committee has appointed Altair Limited, a specialist housing consultancy, as its independent advisors and Altair will undertake an external evaluation of the entity boards during 2018/19.

Compliance with the Code of Governance (continued)

Aster Group complies with the Code at group level and the spirit of the Code to divisions whilst still providing to operate and deliver value. The group does not fully comply with the Code as follows:

- The board of Aster Treasury Plc. (AT) is composed of three 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;
- 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 mainly 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. A non-executive director was appointed to the Silbury boards during the year;
- 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 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 and an evaluation of these boards was included in the board evaluation which concluded with a report to the group board in September 2017.

During the year the Group Remuneration & Nominations Committee supported the group board to re-appoint the Chair. The re-appointment of the Chair was led by the Senior Independent Director and was informed by the appraisal of the Chair and the evaluation of the group board.

The committee continuously monitors its succession plan and during the year supported the board with the recruitment of two independent members. An appointment was made to the Group Risk & Compliance Committee and a new Chair was appointed to the Customer & Community Network following the expiry of the term of office of the previous Chair. In accordance with the succession plan the Group Risk & Compliance Committee appointment was made from the internal talent pool, following an internal competition. The new Chair of the Customer and Community was appointed from within the existing membership of the Network following a period of evaluation. This individual was appointed to the network in September 2017 to enable this emulation to take place and had previously been a co-optee to the network since 2015.

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 interests of Aster Group 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. A periodic review of standing orders and financial regulations during the year confirmed the division of responsibilities as fit for purpose.

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.

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 and for implementing the group's strategy and policies agreed by the board. He has the 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 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.

The role of the Non-Executive Directors (continued)

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. Phillip ensures a strong independent link between the board and Aster's customers and sits on the Customer & Community Network.

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 Group.

The role of the Company Secretary

On 1 February 2018 David Betteridge was appointed as Company Secretary following the redundancy of Douglas Smith who had been company secretary since 2014.

David Betteridge is secretary to the board and its committees. David 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. David'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, independent member and co-optee.

Board Meetings

The board meets regularly throughout the year in order to effectively discharge its duties, during 2018 it has met 12 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 Group Remuneration & Nominations Committee and the Group Treasury Committee and the details are contained in the respective committee reports.

Group Treasury Committee

The Group Treasury 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:

- Approved the Group Investment Policy;
- Agreed and monitored the Group Treasury Plan;
- Continuously monitored the security utilisation to maximise investment;
- Monitored the on-lending arrangements across the group;
- Routinely reviewed the cash-flow and funding requirements;
- Reviewed its terms of reference.
- Reviewed the disclosures relating to financial instruments;
- Scrutinised treasury management activities through comprehensive performance reporting;
- Supported the boards to stretch the group's capacity for funding the development programme within prudent limits;
- Recommend funding arrangements with the European Investment Bank and Affordable Housing Finance.

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 four 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, retired during the year), David Finch (independent member) and Caroline Wehrle (independent member). The committee met six times during the year. Details of their work during the year is set out on pages 53 and 54 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 four other members, Mike Biles (non-executive), Mary Watkins (non-executive) Caroline Wehrle (independent member) and Malcolm Curtis (independent member, retired during the year). The committee met six times during the year. Details of their work during the year is set out on pages 49 to 52 of this Corporate Governance Report.

Customer and Community Network

The Customer and Community Network is chaired by Tracey Peters (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), Peter Kingsbury (co-optee), Steve 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.

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 & 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**	**6**	**4**	**6**	**4**
Andrew Jackson	10 (83%)				4 (100%)		4 (100%)
Mike Biles	12 (100%)		4 (100%)	6 (100%)		4 (67%)	
Caroline Wehrle				5 (83%)		4 (80%)	
Sally Higham	12 (100%)				4 (100%)	6 (100%)	
David Finch				6 (100%)			
Phillip Owens	10 (83%)		3 (75%)	4 (67%)	4 (100%)		
Steve Trusler	12 (100%)				4 (100%)		
Mary Watkins	8 (67%)					4 (67%)	
Clive Barnett							4 (100%)
Peter Kingsbury			4 (100%)				
Tony Brooks			3 (75%)				
Debbie Cattell			3 (75%)				
Mark Skellon			4 (100%)				
Chris Bain			3 (75%)				
Nigel Woollcombe-Adams			4 (100%)				
Malcolm Curtis				1 (100%)		1 (100%)	
Andrew Kluth	12 (100%)						4 (100%)
Stephanie Taylor			3 (75%)				
Tracey Peters			4 (100%)		3 (75%)		
Bjorn Howard	12 (100%)	12 (100%)	3 (75%)				
John Brace	6 (86%)	7 (100%)					
Michael Reece	5 (100%)	11 (92%)					
Amanda Williams	3 (60%)	10 (83%)					
Graeme Stanley		5 (42%)					
Rachel Credidio		12 (100%)	3 (75%)				
Brian Whittaker		4 (100%)					
Chris Benn		7 (88%)					
Dawn Fowler-Stevens		8 (100%)					
Jean Dalziel			4 (100%)				

Malcolm Curtis, Independent Member of the Group Risk and Compliance Committee and Group Audit Committee retired at 5 June 2017 after being involved with Aster Group and its predecessor organisations since 2004.

Caroline Wehrle was appointed as independent member to Group Risk and Compliance Committee from 11 July 2017 for three years to 10 July 2020.

John Brace retired from the Overlap Boards following the October 2017 meeting. He has been succeeded by Michael Reece, Group Operations Director and Amanda Williams, Group Development Director, who have both been members of the Overlap Boards since November 2017.

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 Group 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 ('NHF') 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 Group 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 Group'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 Group 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.

The group considers that the board's collective experiences equip it to direct the group's strategy and meet its business needs as they evolve over time. The succession plan ensures the board remains 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 Group.

Directors' conflicts of interest

The Companies Act 2006 provides that directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The board has established procedures for the disclosure by directors of any such conflicts and also for the consideration and authorisation of these conflicts by the board. In accordance with the Act, the board considered and authorised each director's reported potential conflicts of interest during the year. Whenever a director takes on additional external responsibilities, the board considers any potential conflicts that may arise and whether the director continues to have sufficient time to fulfil his or her role as a director. The board continues to monitor and review potential conflicts of interest on a regular basis and during the year confirmed its code of conduct policy as fit for purpose.

Board evaluation

The board agreed that the board evaluation 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 key areas. The questionnaires were followed up by interviews with the Company Secretary and his team.

The outcomes from this review were considered by the board in September 2017 and an action plan agreed. During the year the Group Remuneration & Nomination Committee carried out a competitive tender for its independent consultants and re-appointed Altair Limited. Altair will support the Committee to carry out an independent board evaluation exercise during 2018/19.

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. In addition the board and its committees undertake deep-dive reviews of specific areas of business activity throughout the year to enhance knowledge of a broad range of operational areas.

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. Our 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.

No fixed quota is applied to decisions regarding recruitment, rather the Group 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. The Group Remuneration & Nominations Committee is supporting the group to ensure compliance with The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

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 plan for the overlap boards 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 Group 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 Group Remuneration and Nominations Committee. The membership and terms of reference of the Committee are summarised in the directors' remuneration report, which describes the work of the Committee in discharging its responsibilities.

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 ongoing 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 entities are non-executive directors and entities within the group and engagement with shareholders is through the day to day reporting structure.

Annual statement on internal control

Introduction

The group is committed to conducting its activities in a legally and regulatory compliant way, ensuring that it takes every reasonable step to comply with all relevant law.

The Overlap Boards are responsible for the Aster Group's compliance system and for regularly reviewing its effectiveness. The group has in place Integrated Governance, Risk and Compliance frameworks (the "frameworks"), which play a critical role in setting out how Aster Group manages and assures itself that the risks relating to the achievement of its corporate vision, strategy and objectives are effectively controlled. This system of internal control is in accordance with the UK Corporate Governance Code and is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The following describes the key elements of the frameworks and the processes used by the Overlap Boards during 2017-18 to review the effectiveness of the system and the approach to be taken in 2018-19.

1. Strategic direction

1.1
The Group's Strategy and Business Plan are proposed by the Executive Board and approved by the Overlap Boards. The Group CEO is responsible for managing the group's business and implementing the Group's Strategy and overall objectives in consultation with the Overlap Boards and Executive Board. The Group CEO is also ultimately responsible for implementing the decisions of the Overlap Boards and its committees, and driving performance against the Group's Key Performance Indicators ('KPIs').

2. Operational management

2.1
The executive directors continue to be supported by the Leadership Team ('LT'). The Business Plan and budgets are prepared annually to help ensure the group delivers its strategy. After an iterative process, the Business Plan and budgets are presented to the Overlap Boards for approval. To help monitor and ensure that the Group's Financial Plan remains viable and does not put any undue pressure on its resources, a quarterly update is prepared and considered, this is known as a "living" business plan.

3. Risk management

3.1
The Group Risk & Compliance Committee continues to be responsible for the development of the Risk Management Framework and processes within the group and for overseeing the implementation of the requirements of this framework. It does this by ensuring that the framework for the identification, assessment, mitigation and reporting on all areas of risk is fit for purpose and that appropriate assurance arrangements are in place in relation to these risks to bring them within the Risk Appetite Statement agreed by the Overlap Boards.

3.2
The Risk Management Framework defines the processes through which Aster Group seeks to systematically identify, analyse, assess, treat and monitor the business risks it faces. The Group Risk & Compliance Committee, which has met six times during 2017-18, including once jointly with the Group Audit Committee, continues to focus on ensuring the risk framework and strategies embedded in the business are fit for purpose.

Annual statement on internal control (continued)

3. Risk management (continued)

3.3
To supplement the role of the committee, business and project risks, together with the mitigating measures and responsibilities, are identified and managed at a company and departmental level. Group, entity and operational Risk Registers are used to capture, assess, monitor and review risks before being brought together to identify the most significant risks facing the group. These risks are regularly reviewed by the Leadership Team, Executive Board, Group Risk & Compliance Committee and the Overlap Boards to ensure that the business understands the key risks it faces and that there is an embedded risk management approach in place across the group.

3.4
Enhancements to the group's approach to risk management during 2017-18 included the following:

- the Group Risk Appetite statement was reviewed to ensure it was still aligned with the strategy. Across various categories, the acceptable levels of risk taking were set and agreed with the boards and senior management; and
- the Group Risk & Compliance Committee undertook 'deep dive' sessions with business area managers focusing on both risk and opportunity associated with a specific topic during each meeting.

3.5
The Group Risk & Compliance Committee reports on the group's risk profile to the Overlap Boards. Additionally, the Overlap Boards receive internal reviews of the effectiveness of internal controls relative to the key risks.

3.6
During 2017-18, the approach to internal audit scoping and focus was adjusted to be driven by the key risks and compliance obligations identified on the Group's Risk Register and Compliance Obligations Register, and the controls mapped against them. The Group Audit Committee, through the audit reports, has oversight of the effectiveness of internal controls relative to these risks and compliance obligations.

4. Assurance

4.1
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 and management level; secondly through overview by specialist functions and the governing bodies; and thirdly the independent assurance gained through internal or external audits or accreditation.

4.2
The directors derived assurance from the following internal and external controls during 2017-18:

- a regularly updated schedule of matters specifically reserved for a decision by the boards;
- business and financial reporting, including Business Critical KPIs reported to the Overlap Boards monthly;
- embedded regulatory compliance framework and framework for opportunity and risk management;
- maintenance of a Risk Register and compliance obligations register;
- implementation of policies and procedures for key business activities;
- appropriate corporate and executive structures;
- delegations of authority for all financial transactions and other key technical and commercial decisions;
- segregation of duties where necessary;
- functional management reviews;
- refreshed training for managers on their responsibilities;
- technical specialist function reviews;
- an annual internal audit plan and reports thereon, which is approved by the Executive Board, Group Audit Committee and Overlap Boards and is driven by risks and key controls;
- reports from the Group Audit and Group Risk & Compliance Committees;
- reports from the external auditor on matters identified during its statutory audit;
- independent third-party reviews; and
- the skills and experience of all employees.

4.3
A key responsibility of the Overlap Boards is to review, assess and confirm the adequacy and effectiveness 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 Overlap Boards have delegated part of this responsibility to the Group Audit Committee ('GAC'). The role and work of the GAC in this regard and the role of the group's internal audit function are described in that Committee's Report.

4. Assurance (continued)

4.4
The Overlap Boards, through setting their own annual agenda plan, define the review process to be undertaken, including the scope and frequency of assurance reports received throughout the year. The boards' agenda plans, together with that of the GAC, are designed to ensure that all significant areas of risk are reported on and considered during the course of the year.

4.5
The boards, in part through the GAC, have conducted an overarching review of the effectiveness of the group's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls, and financial reporting processes, for the year.

4.6
The Group's Internal Auditors have submitted their annual report that includes reference to the standard of control that has been achieved throughout the year and generally shows a strong compliance with controls. The standards of control have been reported to the GAC in regular internal audit reports.

5. Fraud

5.1
The group complies with the Regulator of Social Housing's ('RSH') (previously Homes & Communities Agency) requirements on fraud. In particular, it has a clear policy that has been approved by the Overlap Boards and is available to all staff. It is also publicly available on request. The policy requires a register to be maintained of all actual and attempted fraud. All such cases are reported to the GAC. Any significant items would be reported to the appropriate regulator.

5.2
Contingency plans exist to be invoked in the case of suspected fraud. These are designed to prevent further loss and to maximise the chance of recovery of any losses that might have been incurred. During the financial year, there have been no fraud incidents resulting in a material financial loss to the group.

6. Scenario testing

6.1
The group has undertaken multi-variate scenario testing to analyse the effects of realistic economic and risk scenarios on the business plan. It has modelled those identified scenarios and assessed the impact on the group's financial covenants. To ensure the group is able to recover from the impact of the scenarios, mitigation strategies have been developed for each scenario to bring the group within its internal benchmark covenant levels and identified a mitigation strategy for those eventualities. Scenario testing complies with the RSH regulatory guidance.

7. Regulator of Social Housing - regulatory standards

7.1
From 1st April 2015, all Registered Providers ('RPs') have been expected to comply with the RSH's Regulatory Framework - The Regulatory Framework for Social Housing in England.

7.2
Self-assessment against the RSH Regulatory Framework continues to be held centrally in the Compliance Obligations Register, creating a continuous assessment record. A director leads for each area of the framework, supported by the portfolio-owning Regional Directors and Heads of Service.

7.3
Compliance assurance has been mapped using the three lines of defence model for each required outcome within each regulatory standard.

8. Compliance as at 31 March 2018

8.1
Based on assessments and mapped assurance, it is considered that the group is compliant with all regulatory standards. Aster Group continues to hold a G1/V1 rating, confirmed in March 2017 following an In Depth Assessment by the RSH and reconfirmed in November 2017.

8.2
Over 2017/18, the group was a member organisation of a pilot for a set of metrics to assess value-for-money across eight categories varying from supply of new homes delivered to customer satisfaction. This pilot was sponsored by the RSH and Housemark, a sector data and insight organisation, and informed the metrics now adopted by the RSH going into 2018/19 for registered providers to each assess their Value-for-Money against their peers.

8.3
The group continues to maintain an Asset & Liability Register in accordance with the expectation introduced in the Governance and Financial Viability Standard from April 2015. 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."

Annual statement on internal control (continued)

8. Compliance as at 31 March 2018 (continued)

8.4
The Governance and Financial Viability Standard set an expectation for all RP boards to take reasonable measures to assure themselves of compliance with all relevant law.

8.4.1
The group's approach to regulatory and legislative compliance assurance includes the maintenance of a Compliance Requirements Register. This register identifies all relevant areas of regulation, legislation and industry standards and ensures accountability for compliance is clearly identified.

8.4.2
This register informs the Compliance Obligations Risk Register which:

- contains detailed assessments including how an obligation affects the group, the controls in place to ensure compliance or prevent non-compliance and the assurance available from the three lines of defence;
- directs focus on highest compliance risks and critical processes;
- provides exception reporting to the Group Risk & Compliance and Group Audit Committees; and
- provide a continuous process of compliance assurance to the Overlap Boards, Group Risk & Compliance, Group Audit Committees and Executive Board.

8.4.3
The Group Risk & Compliance Committee focussed on ensuring the compliance framework and strategies embedded in the group were fit-for-purpose.

8.4.4
A total of 91 compliance obligations records have been completed. These records cover over 200 individual Acts, Regulations and Regulatory Standards.

8.4.5
The Compliance Framework sets out the processes for responsible managers for when legislation or regulation changes, or new obligations are introduced, ensuring implications on policy, procedure, staff training and knowledge are amended to meet new requirements.

9. Regulatory interaction

9.1
The group has care services regulated by the Care Quality Commission ('CQC'). The services are provided to:

(a) customers of Extra Care Housing in Cornwall, Devon and Dorset; and

(b) customers with a learning disability, living in an Aster Group property or in the local community.

There were no CQC inspections during 2017-18; all services have a CQC rating of "Good" in all five aspects that are assessed.

9.2
During 2017-18, Aster Group has communicated with the Health & Safety Executive ('HSE') in relation to incidents as and when required.

9.3
In accordance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ('RIDDOR'), the group made nine reports to the HSE during the year. These reports did not lead to HSE investigations.

9.3.1
The HSE have concluded their investigation with regards to the lift incident at Emmadale Close, Weymouth in August 2015. They have issued summons with regards to an alleged breach of Section 3 of the Health and Safety at Work etc. Act 1974 served against Synergy Housing Limited and Aster Property Limited. The court process continues with no plea entered at the magistrates hearing held during February 2018. The next scheduled hearing is at Bournemouth Crown Court in the second half of 2018.

9.3.2
Following an accident involving a contractor's employee, which occurred in January 2016, Aster Property Limited has pleaded guilty to one charge in relation to Section 3 of the Health and Safety at Work etc. Act 1974. Aster Property Limited was fined £14,600 and £5,000 in costs at the sentencing hearing in April 2018. At the sentencing hearing the HSE confirmed that although Aster Group's written processes and procedures were robust, it had not supervised the work of an employee, who had contract management responsibility, returning from sickness absence sufficiently closely.

9.4
Given the rural nature of our stock we have a number of sewage treatment plants. During 2017-18, the group has communicated with the Environment Agency ('EA') in relation to incidents as necessary. There have been no prosecutions as a result of breaching environmental legislation.

Conclusion

I, Bjorn Howard, CEO of the Aster Group, am satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year, and that those systems were aligned to an ongoing process for management of the significant risks facing the group.

Audit Committee

Committee composition skills and experience

The Committee comprises Mike Biles (Chair and Non-Executive Director), Phillip Owens (Non-Executive Director), and David Finch and Caroline Wehrle as independent Committee members.

All members of the Committee have a high level of financial literacy. In addition Mike Biles has a doctorate in law and was housing ombudsman for England for 13 years until 2014. Phillip Owens is a qualified solicitor and a former Chief Executive of a District Council, and until his retirement, was a director, company secretary and senior management consultant for two consultancy firms serving the housing and public sector.

David Finch is a Chartered Management Accountant with expertise in financial management, governance, audit and risk management having been a Group Head of Risk and Assurance. 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 written terms of reference sets out that 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.

Significant financial statement areas considered during the year

The following matters of significant importance and risk to the Group financial statements audit were agreed by the committee:

- Development assumptions and judgements.
- LGPS pension liability.
- Aster Group turnover – services provided to subsidiaries.

These were discussed in sufficient detail with our external auditors to ensure that resolution of any issues was in line with auditing standards and accounting requirements.

The committee, having discussed the above, concur with the findings and key audit matters reflected in the long form audit report.

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 are appropriate.

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:

- 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.

Corporate Governance Report

Audit Committee (continued)

Activity during the year

The Director of Audit is satisfied that the group complies with the audit provisions of the code. A number of activities were undertaken during the year which supports the ongoing work of the committee over and above its core responsibilities outlined above. These activities include:

- A private meeting held by the members of the committee and the external auditors at the July 2017 meeting of the committee.
- a full procurement exercise was undertaken which resulted in the committee recommending the appointment of new external auditors to the Group Board.
- A joint meeting between members of the Group Audit Committee and the Group Risk and Compliance Committee in year which resulted in an action plan to develop closer working arrangements, and which started to be delivered during the year.
- The introduction of a standing agenda item to consider the detail of and response to notifications received under the group's Speak Up (whistleblowing) policy.

Viability statement

In accordance with provision C.2.2 of the 2016 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 23 years, resulting in a 30 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 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 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 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 probability of occurrence is reduced due to an October 2017 government announcement that social housing rent increases will be allowable at the Consumer Price Index plus 1% for five years, starting from 2020.

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.

Board of Directors

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.

Non-executive directors:

Andrew Jackson	Chairman
Phillip Owens	Senior Independent Director
Sally Higham	
Steve Trusler	
Mary Watkins	Retired from the board 31 July 2018
Mike Biles	
Andrew Kluth	

Executive directors:

Bjorn Howard	Group Chief Executive
John Brace	Group Resources Director and Deputy Group Chief Executive - retired from the board 31 October 2017
Michael Reece	Group Operations Director - appointed 1 November 2017
Amanda Williams	Group Development Director - appointed 1 November 2017

Executive Board:

Bjorn Howard	Group Chief Executive
John Brace	Group Resources Director and Deputy Group Chief Executive - redundant 30 April 2018
Rachel Credidio	Group People & Transformation Director
Michael Reece	Group Operations Director
Graeme Stanley	Group Strategy and Implementation Director
Amanda Williams	Group Development Director
Brian Whittaker	Group Human Resources Director - redundant 4 August 2017
Dawn Fowler-Stevens	Group Growth & Assurance Director - appointed 27 July 2017
Chris Benn	Group Finance Director - appointed 27 July 2017

Company Secretary:

David Betteridge	Appointed 1 February 2018
Douglas Smith	Redundant 1 February 2018

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 has served on the Aster Group Board and previously chaired the Group Audit and Group Risk Committees.

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

Board of Directors

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.

Until July 2018 Sally was a non-executive director for Bromford Housing Group Board, and a member of their Audit and Assurance and Remuneration and Nominations Committees. She is 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

Stephen Trusler
Non-executive director

Steve is the Residential Sector Leader at Laing O'Rourke where he is responsible for leading strategic growth in the residential business.

Stephen has previously held senior roles with large housing companies: Wates Living Space, Alfred McAlpine and Lovell.

With over 30 years' experience in the housing industry Stephen has an extensive track record in successfully growing major businesses. He is committed to ensuring that housing supply and affordability remains high on the Government's political agenda and a passionate supporter of driving innovation across the construction industry.

Stephen 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
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 January 2016 she spoke on the value of nursing and its potential impact on society and has contributed to debates on subjects ranging from 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

Board of Directors

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, including leading Aster Group's successful merger with Synergy Housing Limited in 2012. Since then, the group's housing business has grown to more than 29,000 homes.

Bjorn has worked in the housing, care and support industry for nearly 30 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, regeneration boards 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

Michael Reece
Group operations director

Michael is responsible for all group housing, care and support, asset management and maintenance activities.

Michael joined Aster Group in 2008 as managing director of Aster Property Management Limited where he progressed to group operations and asset director.

He has spent over 25 years in the maintenance sector working in a variety of contractor, consultant, local authority and housing association senior roles.

Michael has extensive operations experience including improving, restructuring and merging property maintenance functions, including improving direct labour organisations.

He has quantity surveying qualifications, a law degree and an MBA.

Amanda Williams
Group development director

Amanda has over 25 years' experience in development, marketing and asset management for registered social landlords, joining Aster Group in 2012.

She was previously director of business development at Synergy Housing Limited, prior to the merger with Aster Group and drove the strategic direction of the association's new-build development activity, including becoming an independent preferred investment partner.

Before Aster Group, Amanda was head of development for Sanctuary Housing Group for London and the South East, and an associate director of Adams Integra, a consultancy specialising in housing development and planning. She was also director of development services for Apex Housing (now A2Dominion) for nine years where she was responsible for growing a mixed development programme from scratch to over 1,000 units per year.

Amanda is a Board Director of Bracknell Forest Homes.

Remuneration and Nominations Committee ('RNC') overview

The directors' remuneration report for the year ended 31 March 2018 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 Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013.

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.

This report details the existing remuneration policy that is in place for the Executive Board for Aster. As part of our ongoing approach to excellence and best practice, we will be completing a review of this policy during 2018 to ensure that it is fit for purpose in the future.

The composition of the Remuneration & Nominations Committee comprises four non-executive directors and one independent member.

Members	
Steve Trusler (NED)	Committee member and Chair since 1 September 2014
Philip Owens (NED)	Committee member since 1 September 2014
Sally Higham (NED)	Committee member since 1 September 2014
Andrew Jackson (NED)	Committee member since 14 March 2017
Tracey Peters (independent member)	Committee member since 14 March 2017

Other attendees at committee meetings include the Group CEO, Group People & Transformation Director, Group Growth & Assurance Director and the Governance & Risk Director. The committee met four times during 2017/18.

The work of the committee is supported by the group's governance and assurance team and the Group Growth & Assurance 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 Chairman, non-executive directors and independent members.

Committee activities during 2017/18

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 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:

- Considered a report on gender pay gap reporting
- Commenced a review of executive remuneration and approach to bonus payments
- Reviewed its terms of reference to ensure it remained fit for purpose
- Reviewed the Board Succession Policy
- Agreed a board diversity statement
- Considered the outcomes for the board & committee evaluation programme

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

Directors' Remuneration Report

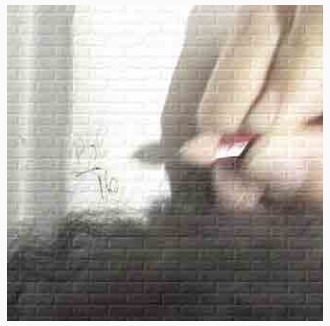
Remuneration policy

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.



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 may be payable depending on the travel requirements of the role.		10% of basic salary.
	Pension	Access to the group's pension scheme offering.		In line with wider staff provisions. Employer contributions of up to 9.4% of basic salary, depending on the scheme.
	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.

Remuneration policy (continued)

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% of basic salary;
- Reward performance on an annual basis.

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

Details on each variable 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 eight 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 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% to 3%
Good performance – all set targets have been met.	3% to 7%
Excellent performance – all set targets have been met and the majority have been exceeded.	7% to 10%

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. During the year the committee supervised a competitive tender exercise for independent advisors to the committee and in January 2018 Altair were reappointed.

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' emoluments

The information provided in this part of the Directors' Remuneration Report is subject to audit.

Members of the Executive Board

Name	Position	Remuneration					
		2018					
		Salary and allowances £	Benefits in kind £	Bonus £	Employers' pension contribution £	Loss of office £	Total £
Bjorn Howard *	Group Chief Executive	216,618	784	17,573	20,362	-	255,337
John Brace *	Group Resources Director & Deputy Group Chief Executive Redundant 30 April 2018	167,504	2,170	14,688	15,745	193,172	393,279
Michael Reece	Group Operations Director	151,830	1,100	12,974	12,974	-	178,878
Graeme Stanley	Group Strategy & Implementation Director **	80,564	-	-	-	-	80,564
Amanda Williams	Group Development Director	143,916	-	12,036	13,011	-	168,963
Brian Whittaker	Group Human Resources Director Redundant 4 August 2017	52,479	873	500	4,933	210,891	269,676
Rachel Credidio	Group People & Transformation Director	121,140	784	8,412	11,387	-	141,723
Dawn Fowler-Stevens	Group Growth & Assurance Director Appointed 27 July 2017	69,795	460	-	6,437	-	76,692
Chris Benn	Group Finance Director Appointed 27 July 2017	91,667	460	-	4,652	-	96,779
Total 2018		1,095,513	6,631	66,183	89,501	404,063	1,661,891

During the year the group's Executive Team was restructured. John Brace and Brian Whittaker were made redundant and Dawn Fowler-Stevens and Chris Benn joined the team. Their remuneration is shown above from the date they left or joined the team. John Brace received loss of office payment of £193,172 redundancy payment. Brian Whittaker received loss of office payments consisting of £69,762 payment in lieu of notice and £141,129 redundancy payment totalling £210,891.

All employed members of the executive board are ordinary members of the Social Housing Pension Scheme ('SHPs'). Five, including Bjorn Howard, are members of the final salary 1/60th structure, one is a member of the Career Average of Earnings (CARE) 1/60th structure, one is a member of the CARE 1/120th structure and one is a member of the SHPs defined contribution structure. No enhanced or special terms apply and there are no additional pension arrangements in place.

* Bjorn Howard, Michael Reece and Amanda Williams are also Group Board Directors. John Brace was a Group Board Director until 31 October 2017.

** Graeme Stanley is employed as a consultant.

Members of the Executive Board (continued)

Name	Position	Remuneration					
		2017					
		Salary and allowances £	Benefits in kind £	Bonus £	Employers' pension contribution £	Loss of office £	Total £
Bjorn Howard *	Group Chief Executive	213,416	1,326	13,447	18,389	-	246,578
John Brace *	Group Resources Director & Deputy Group Chief Executive Redundant 30 April 2018	165,140	1,950	9,932	14,513	-	191,535
Michael Reece	Group Operations & Asset Director	149,586	989	9,425	10,652	-	170,652
Graeme Stanley	Group Strategy & Implementation Director **	79,115	-	-	-	-	79,115
Amanda Williams	Group Development Director	141,001	-	8,884	12,818	-	162,703
Brian Whittaker	Group Human Resources Director Redundant 4 August 2017	124,087	1,559	3,351	10,869	-	139,866
Rachel Credidio	Group Strategic Change Director	108,790	704	6,854	9,296	-	125,644
Dawn Fowler-Stevens	Group Growth & Assurance Director Appointed 27 July 2017	-	-	-	-	-	-
Chris Benn	Group Finance Director Appointed 27 July 2017	-	-	-	-	-	-
Total 2017		981,135	6,528	51,893	76,537	-	1,116,093

Directors' emoluments (continued)

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

Non-executive directors - Aster Group Board

Name	Position	2018 Total £	2017 Total £
Mike Biles		13,158	12,512
Sally Higham		13,071	12,878
Andrew Jackson		26,664	26,905
Andrew Kluth		13,071	11,598
Arthur Merchant	Retired 30 September 2016	-	6,375
Phillip Owens		17,776	17,513
Steve Trusler		13,071	12,878
Mary Watkins		13,039	11,847
		109,850	112,506

Non-executive directors - Subsidiary companies

Name	Position	2018 Total £	2017 Total £
Richard Clewer		1,255	1,236
Anthony Ward	Retired 1 April 2017	-	1,224
Clare Crawford	Appointed 16 May 2017	4,125	-
Nigel Woollcombe-Adams*		5,960	5,870
		11,340	8,330

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

Expenses for all boards of £6,793 (2017: £8,433) were reimbursed during the year.

Committee members

Name	Position	2018 Total £	2017 Total £
Caroline Wehrle*	Appointed 8 November 2016	8,108	1,842
David Finch	Appointed 8 November 2016	4,706	1,844
Clive Barnett	Appointed 8 March 2016	4,705	4,935
Malcolm Curtis	Retired 5 June 2017	1,274	6,954
		18,793	15,575

*Caroline Wehrle is a member of two committees.

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 shown in the table on the previous page.

Customer and Community Network members

The Customer and Community Network has seven (2017: eight) members who do not serve on any other committees. Five members who served for a full year were each paid an annual salary of £4,705 (2017: £4,636). One member, chair for five months, served a full year and received an annual salary of £9,411 (2017: £9,272) The new chair, who has served for a seven months as chair, during the year received an annual salary of £10,646 (2017: part year £2,432). The total remuneration paid to the members was £42,943 (2017: £33,238).

Expenses for all committees and networks of £2,453 (2017: £1,778) were reimbursed during the year.

The Remuneration Report was approved by the Board of Directors on and signed on its behalf by:

Stephen Trusler

Steve Trusler
Chairman of the Remuneration Committee

7 August 2018

Report of the Board

The board presents its report and the audited consolidated financial statements for the year ended 31 March 2018.

The board's report comprises page 72 of this report. Some of the matters required by legislation have been included in the Strategic Report (pages 5 to 37) 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 Aster 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 £49.7 million (2017: £44.2 million). Profit before tax was £49.6 million (2017: £44.1 million)

The Board

The members of the board are listed in the Board of Directors details on page 56 of this report. On 31 October 2017 John Brace retired from the board. On 1 November 2017 Michael Reece and Amanda Williams were appointed to the board.

Share capital

During the year, no shares (2017: 1 share) were issued and no shares (2017: 1 share) were cancelled leaving a balance in the share capital of the association of £7 (2017: £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 54, the directors consider it appropriate to adopt the going concern basis of accounting in preparing this Annual Report.

By order of the board

David Betteridge
Company Secretary

7 August 2018

Statement of Directors' Responsibilities

Statement of Board's responsibilities in respect of the annual report and the financial statements

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association 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 UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

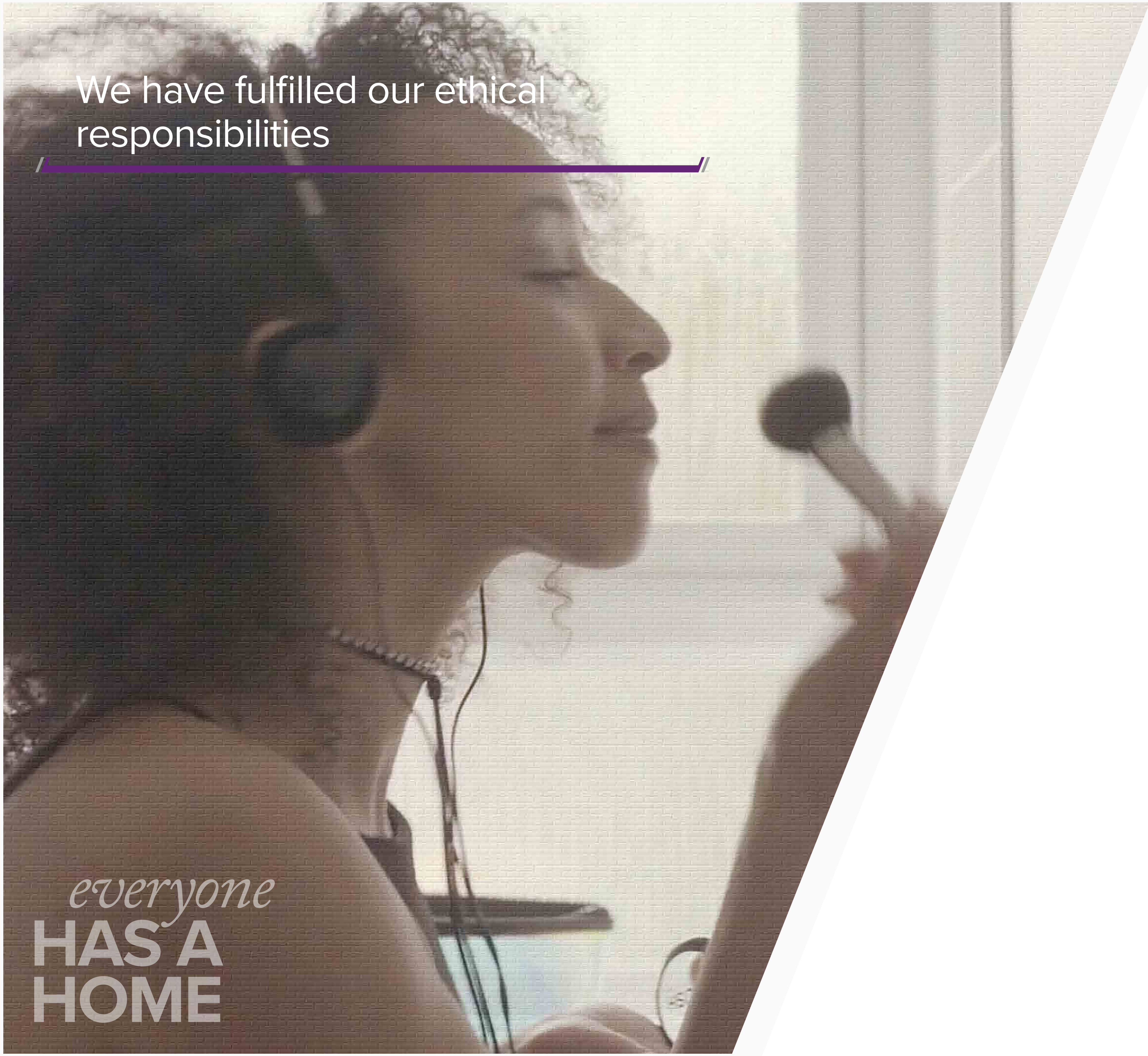
We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the board

Bjorn Howard
Group Chief Executive

7 August 2018

We have fulfilled our ethical responsibilities



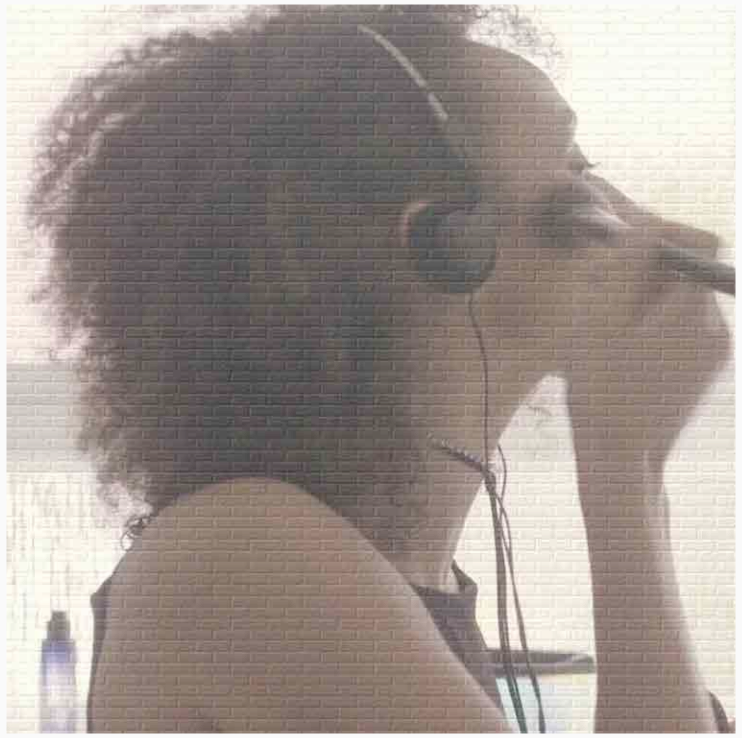
Independent Auditor's Report to the Members of Aster Group Limited

Our opinion is unmodified

We have audited the financial statements of Aster Group Limited ("the Association") for the year ended 31st March 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Reserves, Consolidated Statement of Cash Flows and the related notes to the Consolidated Financial Statements and the Association's Statement of Comprehensive Income, Association's Statement of Changes in Reserves, Association's Statement of Financial Position and the related notes to the Association's Financial Statements, including the accounting policies in note 4 to the Consolidated Financial Statements and note 3 to the Association's Financial Statements.

In our opinion 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 2018 and of the Group's and parent Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.



1. **Our opinion is unmodified** (continued)

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview	
Materiality: Group financial statements as a whole	£4m (2017:N/a) 2% (2017: N/a) of Revenue
Coverage:	99.8% (2017: N/a) of Revenue
Risks of material misstatement:	**New risks:** 1. Development assumptions and judgments 2. Post retirement benefits obligation 3. Parent Association revenue recognition

2. **Key audit matters: our assessment of risks of material misstatement**

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, as we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of significance, were as follows:

	The risk	Our response
Development assumptions and judgments (£1,473.8 million; 2017: £1,365.7m) Refer to page 53 (Audit Committee Report), page 89 (accounting policy) and page 117 (financial disclosures).	**Significant development programme** The Group has a significant development programme. This includes mixed tenure schemes as well as a significant number of open market developments. The accounting for these schemes contains a number of assumptions and judgments relating to the recoverability of work in progress and capitalised costs. This also includes the consideration of impairment on significant developments due to time delays, increases in construction costs and/or budget overruns. There is a risk that the appropriate valuation and accounting treatment is not applied to development transactions.	**Our procedures included:** • **Reviewing judgments:** Reviewing the judgments applied to amounts capitalised to ensure compliance with the relevant accounting standards specifically on areas such as capitalised interest and development administration costs; • **Assess accounting treatment:** Reviewing property disposals in the year to ensure the correct accounting treatment is adopted. Reviewing the accounting treatment for transactions and verification of costs back to source documentation focusing on balance sheet capitalisation; • **Review of classification:** Reviewing the appropriateness of the classification of current asset stock and WIP balances, and their recoverability, and the surplus achieved on the sale of units; • **Consideration of impairment:** Reviewing the consideration of impairment triggers on significant developments. **Our results:** • We found the capitalisation of development costs and assets to be acceptable.

2. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Pension obligation (£33.2 million; 2017: £37.8m) Refer to page 53 (Audit Committee Report), page 93 (accounting policy) and page 135 (financial disclosures).	**Actuarial assumptions** The Group participates in eight pension schemes. There are four Local Government Pension Schemes (LGPS) including Dorset County Council, Hampshire County Council, Somerset County Council and Wiltshire Council. The valuation of such Local Government Pension Schemes relies on a number of actuarial assumptions. The different actuarial firms involved in valuing pension liabilities in the sector adopt a range of assumptions. It is therefore critical that the assumptions appropriately reflect the profile of the Group's employees, and are based on the most recent actuarial valuation. It is also important that assumptions are derived on a consistent basis year to year, or updated to reflect the Group's current position.	**Our procedures included:** • **Use of pension specialists:** engaging KPMG actuarial specialists to assess the reasonableness of standing membership data; • **Analytical review of data:** using substantive analytical procedures to assess the completeness and accuracy of standing membership data; • **Assessing underlying inputs:** agreeing the inputs from source data from management into the actuaries' reporting. The data is input directly from the source system and we have tied this through to payslips and contribution rates. The triennial valuation has been used to evaluate the active members' proportion of gross retirement benefit. **Our results:** • We found the valuation of the pension obligation to be acceptable.
Parent Association revenue recognition (£19.5 million; 2017: £18.5m) Refer to page 53 (Audit Committee Report), page 166 (accounting policy) and page 167 (financial disclosures).	**Provision of support services** Aster Group Ltd is the holding entity for the group and provides central support services to each of its subsidiary entities. As such, the entity will incur charges for these centralised costs and recharge these to other group companies. This results in the majority of the balance sheet items being driven by amounts owing/ due to group companies and the income statement is driven by costs incurred on behalf of the group and related income. Therefore the revenue generated from the services provided to subsidiaries is seen as the key area of audit focus.	**Our procedures included:** • **Review of costs incurred:** reviewing the costs incurred and comparing the movement year on year to determine the cost base; • **Review of parent Association income:** testing the parent Association income to determine the recharges that have been applied to relevant costs. **Our results:** • We found the revenue recognised in the group related to central services to be acceptable.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £4m, determined with reference to a benchmark of revenue, of which it represents 2.0% (2017: N/a).

Materiality for the parent Association financial statements as a whole was set at £0.4m (2017: N/a), determined with reference to a benchmark of expenditure, of which it represents 1.9% (2017: N/a).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.2m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

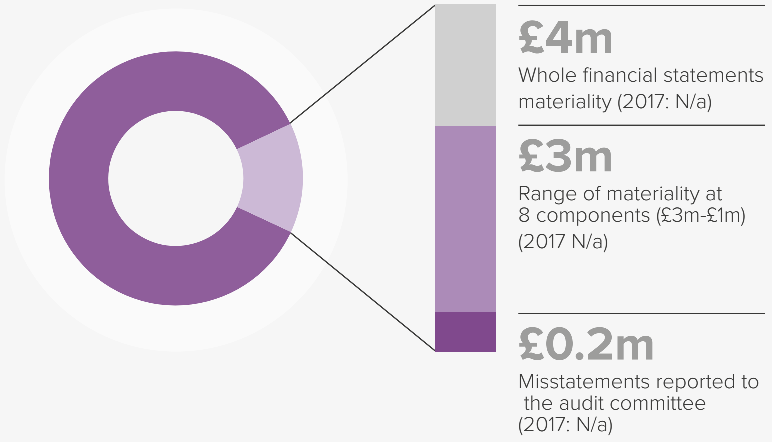
Of the group's 14 (2017: N/a) reporting components, we subjected 6 (2017: N/a) to full scope audits for group purposes and 2 (2017: N/a) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed. The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 0.2% of total group revenue, 2.8% of group surplus before tax and 0.7% of total group assets is represented by 6 reporting components, none of which individually represented more than 1.2% of total group revenue, group profit before tax or total group assets. For these residual components, we performed an analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

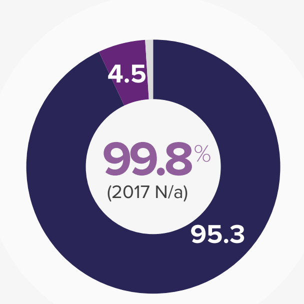
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £3m to £1m, having regard to the mix of size and risk profile of the Group across the components. The work on 5 of the 8 in-scope components (2017: N/a) was performed by component auditors and the rest, including the audit of the parent Association, was performed by the Group team.

Group revenue
£204.7m (2017: £190.6m)

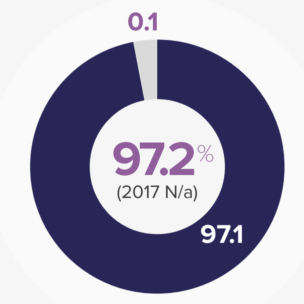
Group materiality
£4m (2017: N/a)



Group revenue

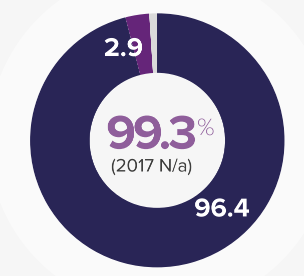


Group surplus before tax



Group net assets

Group gross assets



Independent Auditor's Report to the Members of Aster Group Limited

4. We have nothing to report on going concern

We are required to report to you if we have anything material to add or draw attention to in relation to the Board's statement in note 3 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Association's use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the annual report

The Association's Board is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the requirements of the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.
- Disclosures of principal risks and longer-term viability
- Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:
- the Board's confirmation within the Viability Statement that it has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; an
- the Board's explanation in the Viability Statement of how it has assessed the prospects of the Group, over what period it has done so and why it considered that period to be appropriate, and its statement as to whether it has 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.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Board's statement that it considers that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

- Under the Cooperative and Community Benefit Society Act 2014, we are required to report to you if, in our opinion:
- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the Association's books of account; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Board's responsibilities

As explained more fully in their statement set out on page 73, the Association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association as a body, for our audit work, for this report, or for the opinions we have formed.

Harry Mears
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Gateway House
Tollgate
Eastleigh
SO53 3TG

24 August 2018

Consolidated Statement of Comprehensive Income

for the year ended **31 MARCH 2018**

	Note	2018 £000	2017 £000
Turnover	6a	**204,728**	190,569
Operating expenditure before impairment	6a	**(111,978)**	(103,693)
Cost of sales	6a	**(31,538)**	(22,224)
Administrative expenses	6a	**(292)**	(303)
Operating profit before impairment		**60,920**	64,349
Net impairment (charge) / reversal	6a	**(3,622)**	91
Operating profit	6a, 7	**57,298**	64,440
Profit on disposal of property, plant and equipment	9	**14,567**	3,577
Profit on disposal of investment properties	10	**27**	117
Share of profit in joint ventures		**1,155**	734
Increase in fair value of investment properties	17	**445**	482
Profit before interest and taxation		**73,492**	69,350
Interest receivable and similar income	11	**4,605**	4,564
Interest payable and similar charges	11	**(27,482)**	(28,624)
Interest on net pension liability	11	**(971)**	(1,188)
Net finance expense		**(23,848)**	(25,248)
Profit before taxation		**49,644**	44,102
Tax on profit on ordinary activities	13	**84**	77
Profit for the year		**49,728**	44,179
Other comprehensive income / (expense)			
Actuarial gains / (losses) in respect of pension schemes	33	**4,669**	(3,187)
Movement in pension deferred taxation	13	**(66)**	190
Effective cash flow hedge fair value movements	12	**4,927**	(1,801)
Other comprehensive income / (expense) for the year		**9,530**	(4,798)
Total comprehensive income for the year		**59,258**	39,381

Consolidated Statement of Financial Position

as at **31 MARCH 2018**

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	14	**2,627**	3,341
Property, plant and equipment (social housing)	15	**1,473,779**	1,365,719
Property, plant and equipment (other assets)	16	**16,707**	20,527
Investment properties	17	**15,766**	15,310
HomeBuy loans receivable	18	**4,216**	4,495
Investments in joint ventures	19	**1,195**	140
Other investments	20	**20**	-
		1,514,310	1,409,532
Non-current assets			
Debtors: amounts falling due after one year	21	**81,435**	79,629
Current assets			
Inventories	22	**1,948**	1,475
Debtors: falling due within one year	23	**18,416**	14,611
Shared ownership properties held for resale	24	**23,256**	17,659
Properties held for open market sale	25	**1,570**	-
Cash and cash equivalents	26	**101,075**	108,872
		146,265	142,617
Creditors: amounts falling due within one year	27	**(62,736)**	(37,636)
Net current assets		**83,529**	104,981
Total assets less current liabilities		**1,679,274**	1,594,142
Non current liabilities			
Creditors: amounts falling due after more than one year	28	**(903,068)**	(874,926)
Pension liability	33	**(33,202)**	(37,820)
Other provisions	34	**(2,528)**	(178)
Net assets		**740,476**	681,218
Capital and reserves			
Called up share capital	35	**-**	-
Profit and loss reserve		**353,566**	294,654
Revaluation reserve	36	**404,633**	409,214
Restricted reserve	36	**208**	208
Cash flow hedge reserve	36	**(17,931)**	(22,858)
Total reserves		**740,476**	681,218

The financial statements on pages 82 to 163 were approved and authorised for issue by the board on 7 August 2018 and were signed on its behalf by:

Andrew Jackson
Chairman

Bjorn Howard
Group chief executive

David Betteridge
Company secretary

Consolidated Statement of Changes in Reserves

for the year ended **31 MARCH 2018**

	2018				
	Profit and loss reserve £000	Revaluation reserve £000	Restricted reserve £000	Cash flow hedge reserve £000	Total reserves £000
Balance at 1 April 2017	**294,654**	**409,214**	**208**	**(22,858)**	**681,218**
Profit for the year	**49,728**	-	-	-	**49,728**
Other comprehensive income for the year	**4,603**	-	-	**4,927**	**9,530**
Transfer from revaluation reserve to income and expenditure reserve	**4,581**	**(4,581)**	-	-	-
Deferred tax timing differences	-	-	-	-	-
Balance at 31 March 2018	**353,566**	**404,633**	**208**	**(17,931)**	**740,476**

	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	(2,997)	-	-	(1,801)	(4,798)
Transfer from revaluation reserve to income and expenditure reserve	2,519	(2,519)	-	-	-
Balance at 31 March 2017	294,654	409,214	208	(22,858)	681,218

Consolidated Statement of Cash Flows

for the year ended **31 MARCH 2018**

	Note	2018 £000	2017 £000
Net cash generated from operating activities	1	**126,003**	114,637
Taxation paid		**(39)**	-
Cash flow from investing activities			
Acquisition and construction of social housing properties		**(139,507)**	(90,430)
Acquisition and construction of social housing shared ownership first tranche properties for sale - capital cost		**(38,149)**	(27,349)
Acquisition and construction of properties for open market sale - capital cost		**(2,383)**	(2,626)
Proceeds from sale of social housing properties		**26,099**	9,735
Proceeds from sale of investment properties		**198**	845
Purchase of intangible assets		**(580)**	(270)
Purchase of other assets		**(1,699)**	(1,467)
Acquisition of investments		**(20)**	-
Proceeds from sale of other assets		**46**	31
Loans granted to joint ventures		**(1,978)**	(11,094)
Dividends received from joint ventures		**100**	410
Grants received		**2,762**	4,502
Interest received		**344**	455
Cash flow used in investing activities		**(154,767)**	(117,258)
Cash flow from financing activities			
Interest paid		**(27,600)**	(30,050)
New secured loans		**50,000**	100,000
Repayment of borrowings		**(1,394)**	(40,200)
Cash flow generated from financing activities		**21,006**	29,750
Net (decrease) / increase in cash and cash equivalents		**(7,797)**	27,129
Cash and cash equivalents at beginning of the year		**108,872**	81,743
Cash and cash equivalents at end of the year		**101,075**	108,872

1 Note to the consolidated statement of cash flows

Cash flow from operating activities	2018 £000	2017 £000
Profit for the year	**49,728**	44,179
Adjustments for non-cash items		
Amortisation of intangible assets	**1,288**	1,309
Depreciation of property, plant and equipment	**24,723**	23,641
Charge to / (reversal of) impairment of property, plant and equipment	**3,134**	(321)
Investment property fair value adjustments	**(445)**	(482)
Accelerated depreciation of components	**1,032**	913
Increase in inventory	**(473)**	(982)
(Increase) / decrease in debtors	**(1,947)**	3,820
Increase in creditors	**4,288**	1,497
Increase / (decrease) in provisions	**2,350**	(511)
Movement in shared ownership properties held for sale less capital cost	**32,552**	20,694
Movement in open market properties held for sale less capital cost	**813**	-
Pension cost less contributions payable	**(920)**	860
Carrying amount of property, plant and equipment	**11,578**	6,188
Carrying amount of investment properties	**171**	728
	78,144	57,354
Adjustments for investing or financing activities		
Proceeds from the sale of property, plant and equipment	**(26,145)**	(9,766)
Proceeds from the sale of investment properties	**(198)**	(845)
Government grants recycled / (utilised) in the year	**626**	(345)
Interest payable	**28,453**	28,624
Interest receivable	**(4,605)**	(4,564)
	(1,869)	13,104
Net cash generated from operating activities	**126,003**	114,637

2 Legal status

Aster Group is registered under the Cooperative and Community Benefit Society Act 2014, and is registered with the Regulator for Social Housing ('RSH') as a Registered Provider as defined by the Housing Act 2004.

3 Basis of preparation

The financial statements of the group and association have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS102), the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. The group is classified as a Public Benefit Entity under FRS102.

The financial statements are presented in Sterling (£).

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

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.

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 association's financial statements the investment in the joint venture 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.

Going concern

The group's business activities, its current financial position and factors likely to affect its future development are set out within the strategic report. The group has in place long term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day to day operations. The group also has a long term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, 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.

4 Summary of significant accounting policies

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 Regulator for Social Housing - recognised over the period the related costs are incurred.

Asset related fees and grants from local authorities and the Regulator for Social Housing - recognised over the life of the related asset. For grants relating to completed properties the grant is amortised through turnover over the effective useful life of the property's structure.

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

Helpline and 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.

Green Electricity - amounts received or receivable from the feed in tariff receivable for green electricity produced by the photovoltaic panels the company owns. Turnover is recognised as the energy is produced. Additional kilowatts of energy generated are sold to the National Grid at 4.85 pence per kilowatt.

Other income, such as domiciliary care, home improvements, design and build fees and sewerage services - recognised when the performance of a service is completed, or when the requirements of an agreement with a third party or other group subsidiary are met.

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 Consolidated Statement of Consolidated income for the year. Where the agency carries the financial risk, the profit or loss for the year 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 gain or loss 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 Consolidated Statement of Comprehensive income for the year at the date of transfer after adjusting for any local authority claw back agreement in operation. The relevant local authority claw back is recognised as a liability until it is repaid to the authority.

Right to acquire

The gain 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 gain or loss on disposal is recognised in the Consolidated Statement of Comprehensive Income for the year at the date of transfer.

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 statement of comprehensive income 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.

Investments

The group holds investments in companies outside the group. These are recognised at cost less impairment

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. Freehold properties are depreciated 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.

Social housing properties held on long leases are depreciated 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

Freehold land is not depreciated.

The Aster Group elected to take the transitional exemption laid out in paragraph 35.10(d) of FRS 102 and use 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.

4 Summary of significant accounting policies (continued)

Donated land

Land donated by local authorities and others is added to the 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 turnover in the Consolidated Statement of Comprehensive Income for the year.

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 Consolidated Statement of Comprehensive Income for the year.

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.

Interest receivable and payable

Interest is recognised on an accruals basis, using the effective interest rate method recognised in the Consolidated Statement of Comprehensive Income over the life of the financial instrument.

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 Consolidated Statement of Comprehensive Income for the year 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 the Consolidated Statement of Comprehensive Income for the year using the effective interest method.

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income for the year 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 Consolidated Statement of Comprehensive Income for the year 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 Regulator for Social Housing ('RSH'). On subsequent sale by the purchaser, the SHG is recycled and the group keeps any profit. In the event of a loss, the SHG is written off and expensed through operating expenditure.

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, after an offer has been received. 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 the lower of cost and net realisable value (selling price 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 Consolidated Statement of Comprehensive Income for the year.

c) Social Housing
Social Housing properties are subject to impairment trigger reviews on completion and then annually thereafter. If there is a trigger and evidence of impairment is found the carrying value of the property is compared to its depreciated replacement cost. This represents the amount it would cost the group 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 Consolidated Statement of Comprehensive Income for the year.

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.

4 Summary of significant accounting policies (continued)

Accrued income

When, as a result of performing a service or otherwise meeting the requirements of an agreement with a third party, income falls due but has not been invoiced in the year, 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 turnover 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 Consolidated Statement of Comprehensive Income for the year 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 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 twelve 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) Derivatives - Financial assets
Financial assets are recognised at fair value. They represent some of the financial instruments that have been designated as hedging instruments. Hedging is further explained below in the derivative note.

d) Derivatives - Financial liabilities

i) Financial liabilities are recognised at fair value. They represent some of the financial instruments that have been designated as hedging instruments. Hedging is further explained below in the derivative note.

ii) Bonds are classified as other financial liabilities under section 11 of FRS 102 and held at amortised cost using the effective interest rate method to allocate costs of issue (including the discount on issue).

iii) Accrued interest payable on the bonds is also classified as other financial liabilities and held at amortised cost.

e) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the Consolidated 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 creditors
Trade creditors are not interest-bearing and are stated at their transaction value.

g) Trade debtors
Trade debtors are recognised at amortised cost.

h) 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 a loan facility agreement is entered into, any associated costs are capitalised, discounted at the prevailing market rate of interest amortised over the life of the related loans.

i) Derivative financial instruments
Various derivative financial instruments are used to manage 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. Derivatives are designated as either:

(I) a standalone derivative recognised at fair value through the Consolidated Statement of Comprehensive Income; 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.

j) 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 Consolidated Statement of Comprehensive Income for the year immediately.

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 Consolidated Statement of Comprehensive Income for the year.

Social housing and other grants

Social housing grant (SHG) is receivable from the Regulator for Social Housing ('RSH'). 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 Consolidated Statement of Comprehensive Income for the year 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. It can be recycled for use in a project approved by the RSH or repaid to the RSH if it is not used within the agreed timescale.

Prior to transition to FRS 102 Aster Group held its social housing properties at valuation. On transition this became the deemed cost. All SHG received prior to transition on 1 April 2014 was transferred to the profit and loss reserve. It is recycled from this reserve if a relevant event occurs.

Government grants received after 1 April 2014 are recognised in income over periods in which the related costs are recognised for which the grant is intended to compensate, over the useful economic life of the property's structure.

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

When part of the government grant is deferred, it is recognised as deferred income within creditors and allocated between due within one year and due after more than one year as appropriate.

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 LGPSs 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 year 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 expenditure. Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the Consolidated Statement of Financial Position net of the related deferred tax. Actuarial gains and losses which arise from the difference between

4 Summary of significant accounting policies (continued)

Pension costs (continued)

actual and expected performance of the scheme are recognised in Other Comprehensive Income.

All LGPS schemes are closed to new starters.

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.

Defined contribution scheme costs are charged to the Consolidated Statement of Comprehensive Income as they fall due.

At the year 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.

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 Consolidated Statement of Comprehensive Income for the year. 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

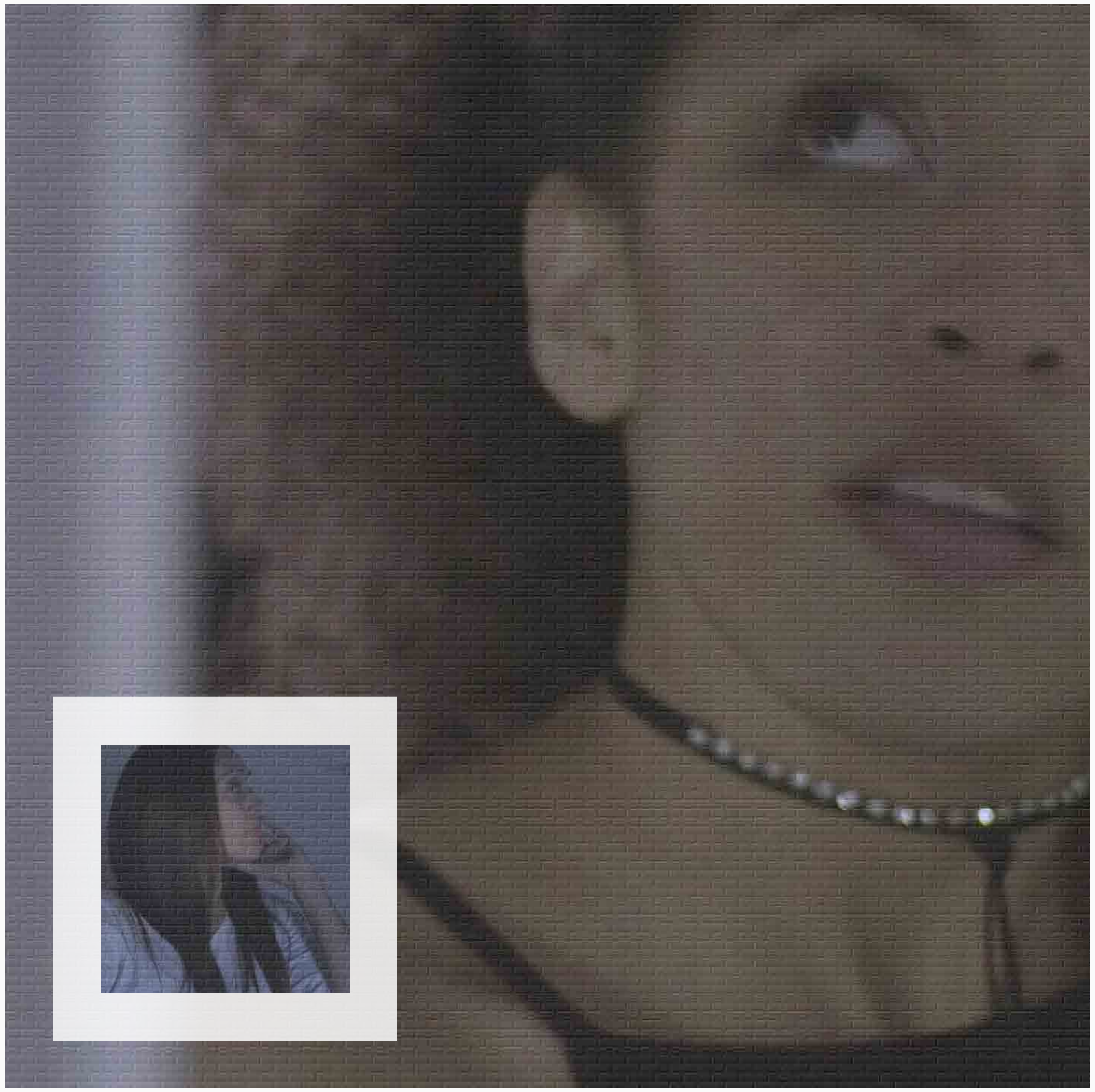
Deferred taxation is provided in accordance with Section 29 of FRS 102 'Income Tax'. It is recognised in respect of all timing differences at the reporting date where transactions or events have occurred at that date that will result in an either an obligation to pay more tax in the future or a right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

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.



5 Critical accounting judgements and estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates, which are shown below.

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

Two multi-employer defined benefit pension schemes are participated in, one based on final salary and one based on a career average of earnings, both provided by the Social Housing Pension Scheme. In the judgement of the directors, there is not sufficient information on the plan assets and liabilities to be able to reliably account for their share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for as a defined contribution scheme, see note "Pension Obligations" note for further details.

Fair value

The directors have made the following judgements regarding fair value:

- If land is donated 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 year.

Derivative financial instruments are used to manage 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

Derivative financial instruments are used to manage 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 Consolidated Statement of Comprehensive Income for the year.

The ineffective portion of these gains or losses is recognised in the Consolidated Statement of Comprehensive Income for the year immediately.

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

Indexation uplifting in leases

Several 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

Different types of financial instruments are used to fund 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. 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 costs and compensation. The breakage and compensation payments can either be payable to the lender or receivable by the borrower. Management judges that the effect of these clauses do 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 term debt but also leave no more than 50% of borrowings on a floating rate. The expected future debt profile is based on estimates of the timings and size of future housing developments funding demands offset by an estimate of cash generated by operating activities. If management materially underestimate the future debt profile this could lead to too few interest hedges being in place and more exposure to interest rate fluctuations. An overestimation of the 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.

Impairment triggers for housing properties

On completion each development scheme is reviewed for impairment triggers using the group's Property Impairment Flow Chart. If it is judged that there is evidence that the scheme has activated one of the triggers in the flow chart an impairment review is undertaken. Where impairment is found the carrying value of the properties in the scheme is reduced to their depreciated replacement cost. This process is also applied to completed properties annually.

5 Critical accounting judgements and estimation uncertainty (continued)

Critical accounting estimates and assumptions

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 HomeBuy element of a scheme is less than the surplus to be recognised for the first tranche sale. The surplus for the HomeBuy element of a scheme is calculated by taking the present value of the net cash flows expected to be generated by this element of the scheme over a period of 30 years, away from the cost of this element of the scheme. If the resulting surplus is smaller than the surplus on the first tranche sales alone the first tranche surplus must be restricted to that of HomeBuy element of the scheme. This is achieved by transferring costs from property, plant and equipment to the current asset until the excess surplus is removed.

Depreciated replacement cost depreciation start date

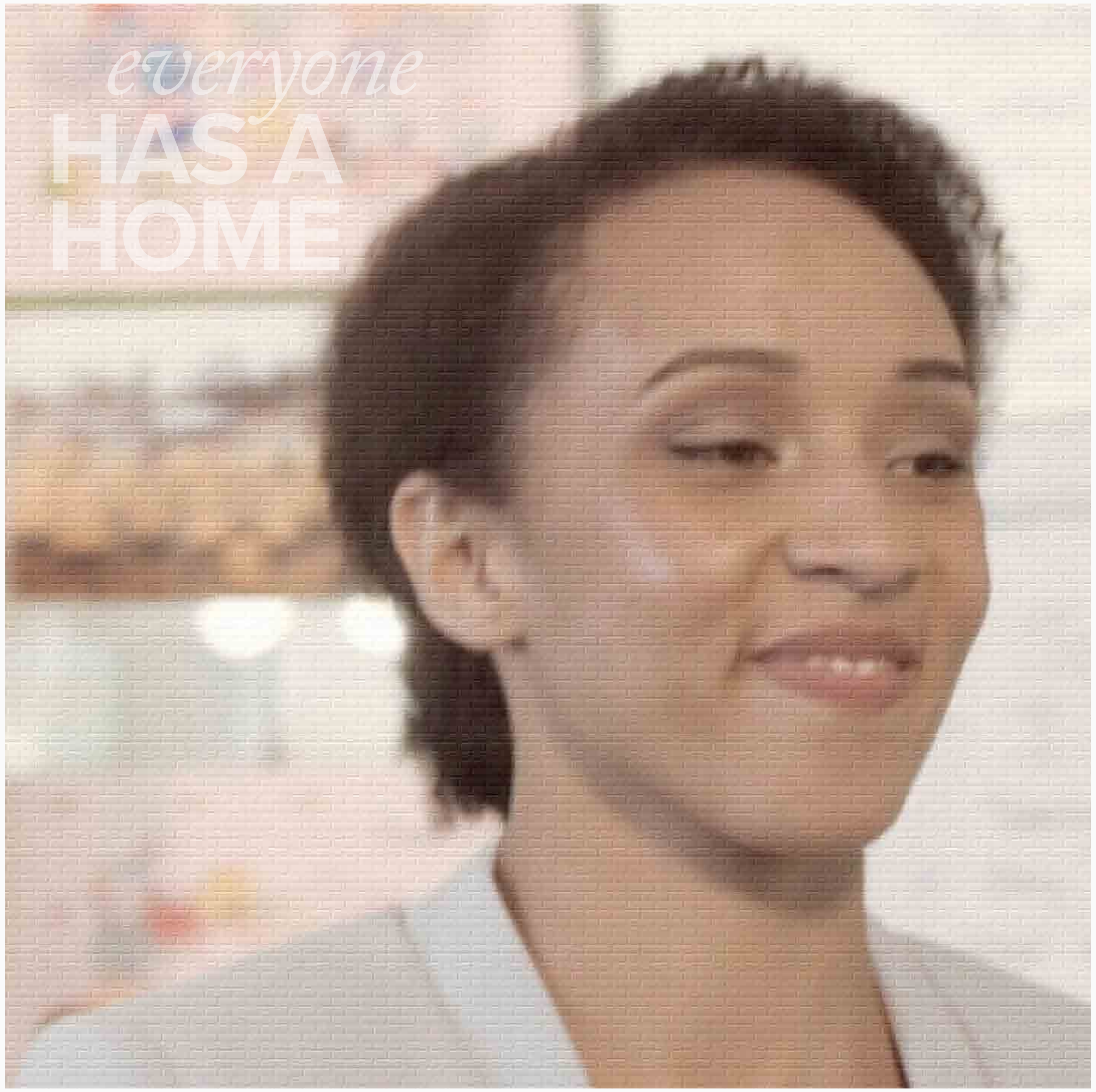
Properties owned prior to 1 April 2014 are recognised at their 31 March 2014 valuation or deemed cost. When these properties are assessed for impairment using the depreciated replacement cost model management assume the depreciation starts from 1 April 2014 rather than the properties' construction date. 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 "Debtors: amounts falling due within one year" note 23 for the net carrying amount of the debtors and the associated debtor discounting.

Defined benefit pension scheme

There is 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 Consolidated Statement of Financial Position. The assumptions reflect historical experience and current trends. See "Pension Obligations" note 33 for the disclosures relating to defined benefit pension schemes.



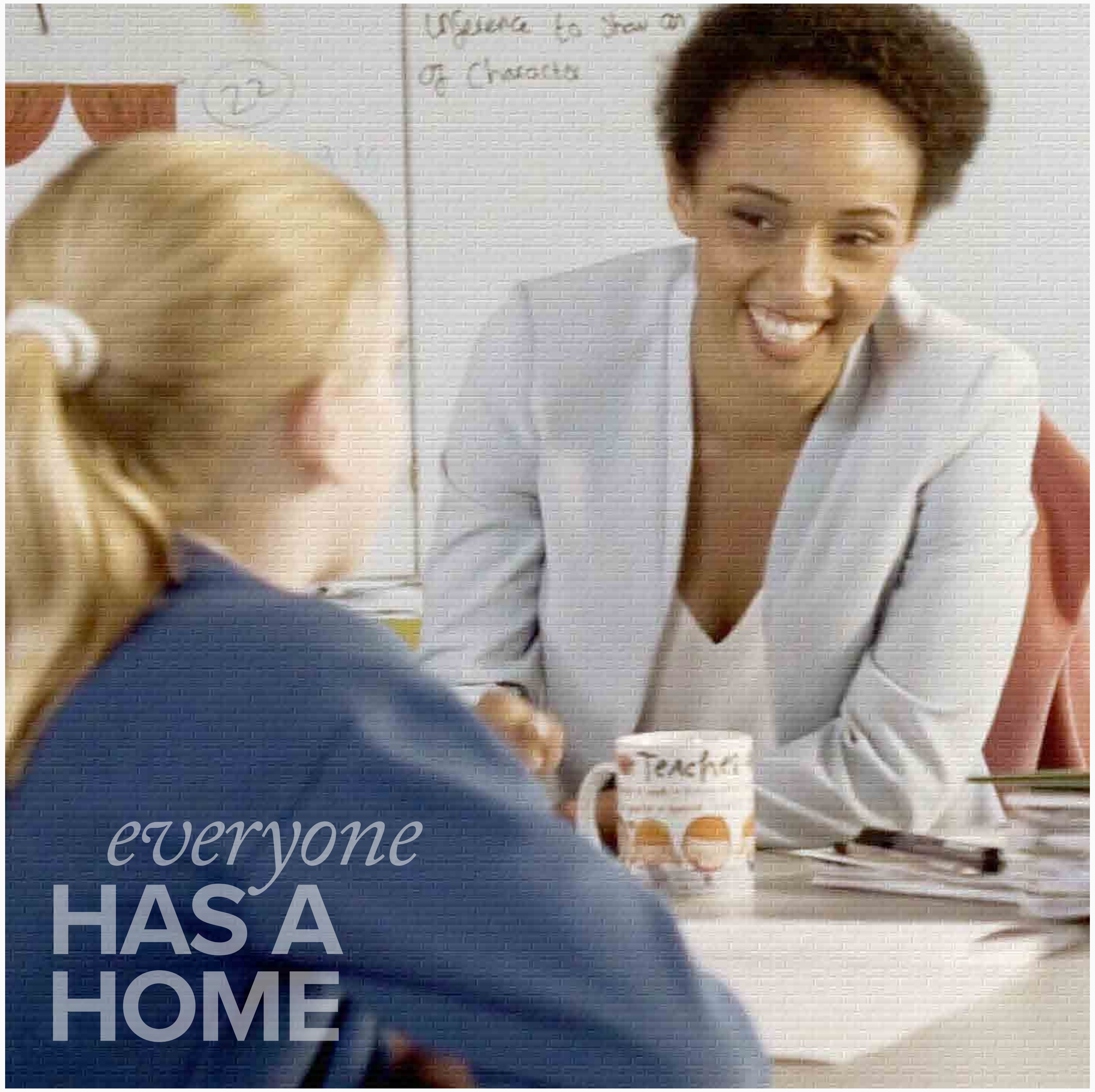
6 Turnover, operating expenditure cost and profit

6a

	Note	2018 Turnover £000	2018 Operating expenditure / cost of sales £000	2018 Operating profit / (loss) £000	2017 Turnover £000	2017 Operating expenditure / cost of sales £000	2017 Operating profit / (loss) £000
Income and expenditure from lettings							
Housing accommodation before impairment	6b	152,142	(98,643)	53,499	148,436	(89,159)	59,277
Other income and expenditure Social Housing							
Housing services provided to third parties		2,085	(2,189)	(104)	2,034	(2,541)	(507)
Supporting People contract		1,069	(976)	93	1,169	(1,060)	109
Properties managed by agents		289	-	289	281	-	281
Community involvement		49	(648)	(599)	57	(469)	(412)
Domiciliary care		3,577	(4,010)	(433)	5,034	(4,616)	418
Helpline / Telecare		1,818	(1,847)	(29)	2,187	(2,130)	57
Home improvements		1,063	(908)	155	1,373	(1,444)	(71)
Development costs not capitalised		-	(1,792)	(1,792)	-	(948)	(948)
Other		52	84	136	248	-	248
		10,002	(12,286)	(2,284)	12,383	(13,208)	(825)
Non Social Housing							
Garage lettings		3,387	(309)	3,078	2,728	(323)	2,405
Sewerage services		159	(170)	(11)	192	(163)	29
Market rented property rental		848	(257)	591	903	(313)	590
Other		921	(313)	608	1,144	(527)	617
		5,315	(1,049)	4,266	4,967	(1,326)	3,641
Total income and expenditure		167,459	(111,978)	55,481	165,786	(103,693)	62,093
Other income and cost of sales Social Housing							
First tranche shared ownership		36,334	(30,742)	5,592	20,752	(19,177)	1,575
Non Social Housing							
Open market property sales		935	(796)	139	4,031	(3,047)	984
Total other income and cost of sales		37,269	(31,538)	5,731	24,783	(22,224)	2,559
Total		204,728	(143,516)	61,212	190,569	(125,917)	64,652
Administrative expenses				(292)			(303)
Operating profit before impairment				60,920			64,349
Impairment of / net reversal of impairment social housing	6b			(488)			321
Impairment of office premises	6b			(3,134)			-
Impairment of current assets				-			(230)
Operating profit				57,298			64,440

The impairment of housing assets was triggered by the sale of a block of flats where the carrying value was shown to be greater than its depreciated replacement cost. The prior year net reversal of impairment of housing properties includes the reversal of an impairment charged in 2016 relating to one of the group's development schemes where costs were agreed at a lower figure than estimated.

The impairment of office premises follows a review of all office premises, in light of future plans, where it was observed that the carrying value of an office block was greater than market value.



6 Income and expenditure from lettings

6b

	2018				
	General needs housing £000	Supported housing £000	Shared ownership £000	Other £000	Total £000
Income					
Rents	117,310	17,215	5,465	567	140,557
Service charges	3,613	3,945	680	2,555	10,793
Amortisation of government grants	109	64	35	-	208
Other revenue grants	442	101	39	2	584
Total net rents from lettings	121,474	21,325	6,219	3,124	152,142
Expenditure					
Management	(29,459)	(136)	(5)	(52)	(29,652)
Services	(8,471)	(2,860)	(700)	(38)	(12,069)
Routine maintenance	(12,145)	(793)	(56)	(46)	(13,040)
Planned maintenance	(6,808)	(191)	-	-	(6,999)
Major improvements and repairs	(11,844)	-	-	-	(11,844)
Bad debts	(1,475)	(132)	-	(20)	(1,627)
Depreciation of housing properties	(18,880)	(2,682)	(812)	-	(22,374)
Accelerated depreciation of components	(916)	(122)	-	-	(1,038)
Operating costs on housing lettings	(89,998)	(6,916)	(1,573)	(156)	(98,643)
Operating profit on lettings activities before impairment	31,476	14,409	4,646	2,968	53,499
Impairment of housing properties	(488)	-	-	-	(488)
Impairment of office premises	(3,134)	-	-	-	(3,134)
Operating profit on lettings activities	27,854	14,409	4,646	2,968	49,877
Rental income is stated net of void losses as set out below:					
Void losses	908	401	-	44	1,353

The impairment of housing assets triggered by the sale of a block of flats where the carrying value was shown to be greater than its depreciated replacement cost.

The impairment of office premises follows a review of all office premises where it was observed that the carrying value of an office block was greater than market value.

	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.

6c Segmental analysis

The group has determined the Group Executive Board to be the chief operating decision maker. The team reports to the Group Overlap 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	2018						
	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	102,781	-	-	2,068	25,005	217	130,071
Synergy Housing Ltd	52,748	-	-	17	12,264	1,070	66,099
Aster Living	-	6,488	1,063	-	-	-	7,551
Aster Property Ltd	-	-	61,294	-	-	-	61,294
Aster Homes Ltd	-	-	-	96,861	727	30	97,618
Zebra Property Solutions Ltd	-	-	-	-	-	76	76
Aster Group Ltd	-	-	-	19,493	-	-	19,493
Aster Treasury Plc	-	-	-	-	-	-	-
Silbury Housing & Holdings Ltd	-	-	-	-	-	1,560	1,560
Aster Options Plus Ltd	-	-	-	-	-	230	230
Aster Solar Ltd	-	-	-	-	-	299	299
Eliminations	-	(24)	(61,021)	(117,759)	(727)	(32)	(179,563)
Total turnover	155,529	6,464	1,336	680	37,269	3,450	204,728

Profit / (Loss) for the year ended **31 MARCH 2018**	2018				
	Turnover £000	Operating expenditure £000	Depreciation £000	Impairment £000	Operating profit / (loss) £000
Aster Communities	130,071	(74,589)	(16,129)	(3,622)	35,731
Synergy Housing Ltd	66,099	(37,986)	(8,352)	-	19,761
Aster Living	7,551	(7,572)	(193)	-	(214)
Aster Property Ltd	61,294	(59,243)	(780)	-	1,271
Aster Homes Ltd	97,618	(93,998)	-	-	3,620
Zebra Property Solutions Ltd	76	(12)	-	-	64
Aster Group Limited	19,493	(19,054)	(1,258)	-	(819)
Aster Treasury Plc	-	-	-	-	-
Silbury Housing & Holdings Ltd	1,560	(880)	-	-	680
Aster Options Plus Ltd	230	(225)	-	-	5
Aster Solar Ltd	299	(69)	(136)	-	94
Eliminations	(179,563)	176,668	-	-	(2,895)
	204,728	(116,960)	(26,848)	(3,622)	57,298
Net interest					(23,848)
Profit on asset and investment property disposals					14,594
Share of joint venture profit					1,155
Fair value adjustment of investment properties					445
Profit before taxation					49,644

6c **Segmental analysis** (continued)

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 Ltd	52,257	-	-	17	10,000	1,123	63,397
Aster Living	-	8,414	1,373	-	-	-	9,787
Aster Property Ltd	-	-	55,146	-	-	-	55,146
Aster Homes Ltd	-	-	-	66,880	149	662	67,691
Zebra Property Solutions Ltd	-	-	-	-	3,882	86	3,968
Aster Group Ltd	-	-	-	18,525	-	-	18,525
Aster Treasury Plc	-	-	-	-	-	-	-
Silbury Housing & Holdings Ltd	-	-	-	-	-	1,463	1,463
Aster Options Plus Ltd	-	-	-	-	-	254	254
Aster Solar Ltd	-	-	-	-	-	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 2018**	2017				
	Turnover £000	Operating expenditure £000	Depreciation £000	Impairment £000	Operating profit / (loss) £000
Aster Communities	112,058	(60,629)	(14,562)	(230)	36,637
Synergy Housing Ltd	63,397	(33,483)	(7,827)	321	22,408
Aster Living	9,787	(8,971)	(303)	-	513
Aster Property Ltd	55,146	(52,811)	(763)	-	1,572
Aster Homes Ltd	67,691	(65,724)	-	-	1,967
Zebra Property Solutions Ltd	3,968	(3,037)		-	931
Aster Group Limited	18,525	(16,496)	(1,115)	-	914
Aster Treasury Plc	-	-	-	-	-
Silbury Housing & Holdings Ltd	1,463	(857)	-	-	606
Aster Options Plus Ltd	254	(253)	-	-	1
Aster Solar Ltd	315	(66)	(141)	-	108
Eliminations	(142,035)	140,818	-	-	(1,217)
	190,569	(101,509)	(24,711)	91	64,440
Net interest					(25,248)
Profit on asset disposals					3,694
Share of joint venture profit					734
Fair value adjustment of investment properties					482
Profit or loss before taxation					44,102

7 Operating profit

	2018 £000	2017 £000
Operating profit is stated after charging / (crediting):		
Auditors' remuneration (including irrecoverable VAT)		
In their capacity as auditors:		
Financial statements audit	147	138
In respect of other services:		
Service charge review	2	-
Bank covenant compliance	1	-
Depreciation:		
Property, plant and equipment - (social housing)	22,374	21,317
Accelerated depreciation of components	1,038	913
Property, plant and equipment - (other assets)	2,349	2,324
Amortisation of intangible assets	1,288	1,309
Impairment:		
Housing properties - net reversal / (charge)	488	(321)
Office premises	3,134	-
Current assets	-	230
Profit on shared ownership properties, first tranche	(5,592)	(1,575)
Inventory recognised as an expense	7,261	6,816
Operating lease payments		
Land and buildings	67	77
Office premises	252	286

8 Employee information

	2018 No.	2017 No.
The average number of persons employed during the year (full time equivalents 'FTE') based on 37 hours per week	1,210	1,201

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

FTE by salary bands:	2018 No.	2017 No.
£59,999 or less	1,144	1,152
£60,000 to £69,999	25	22
£70,000 to £79,999	10	6
£80,000 to £89,999	13	7
£90,000 to £99,999	5	4
£100,000 to £109,999	5	3
£110,000 to £119,999	1	1
£120,000 to £129,999	1	2
£130,000 to £139,999	2	-
£140,000 to £149,999	-	1
£150,000 to £159,999	1	1
£160,000 to £169,999	1	-
£170,000 to £179,999	-	1
£180,000 to £189,999	1	-
£220,000 to £229,999	-	1
£230,000 to £239,999	1	-
	1,210	1,201

None of the above employees received any enhanced pension payments during the year (2017: nil).

Staff costs:	2018 £000	2017 £000
Wages and salaries	39,163	36,842
Social security costs	3,902	3,635
Other pension costs	2,574	2,321
	45,639	42,798

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

	2018			2017		
	Proceeds £000	Cost of disposal £000	(Loss) / profit £000	Proceeds £000	Cost of disposal £000	(Loss) / profit £000
Right to buy	**4,148**	**(4,581)**	**(433)**	3,499	(3,570)	(71)
Right to acquire	**855**	**(218)**	**637**	418	(288)	130
Shared ownership staircasing	**6,084**	**(3,605)**	**2,479**	2,391	(1,710)	681
Disposal of void properties	**14,612**	**(3,128)**	**11,484**	2,485	(581)	1,904
Others	**400**	**(17)**	**383**	942	(39)	903
Total social housing	**26,099**	**(11,549)**	**14,550**	9,735	(6,188)	3,547
Motor vehicles	**28**	**(10)**	**18**	31	-	31
Computer equipment	**-**	**-**	**-**	-	(1)	(1)
Solar panels	**18**	**(19)**	**(1)**	-	-	-
Total other assets	**46**	**(29)**	**17**	31	(1)	30
Total	**26,145**	**(11,578)**	**14,567**	9,766	(6,189)	3,577

Local authority clawback payments, legal and other related costs are included in cost of disposal.

10 Profit on disposal of investment properties

	2018			2017		
	Proceeds £000	Cost of disposal £000	Profit £000	Proceeds £000	Cost of disposal £000	Profit £000
Investment properties	**198**	**(171)**	**27**	845	(728)	117

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

11 Finance income and expense

	Note	2018 £000	2017 £000
Interest receivable and similar income			
Interest on short term deposits		**344**	455
Finance debtor interest receivable		**2,517**	2,596
Other interest receivable		**1,481**	1,244
Total interest income on financial assets not measured at fair value through profit or loss		**4,342**	4,295
Unwinding of trade debtor discounting		**263**	269
		4,605	4,564
Interest payable and similar charges			
Guaranteed fixed rate secured bond		**(11,194)**	(11,196)
Fixed rated loans		**(14,000)**	(12,038)
Interest rate swaps		**(3,690)**	(3,966)
Floating rated loans		**(1,647)**	(2,952)
Less interest capitalised		**3,943**	2,390
		(26,588)	(27,762)
Disposal proceeds fund interest		**-**	(2)
Recycled capital grant fund interest		**(14)**	(6)
Interest charged on amounts due under right to buy sharing agreement		**(6)**	-
Amortisation of arrangement fees		**(43)**	(69)
Administration charge		**(259)**	(305)
Amortisation of issue costs		**(36)**	(34)
Total interest income on financial liabilities not measured at fair value through profit or loss		**(26,946)**	(28,178)
Movement in SHPS recovery plan liability discounting		**(85)**	(146)
Trade debtor discounting		**(451)**	(300)
		(27,482)	(28,624)
Interest on net pension liability			
Local government pension schemes	33	**(971)**	(1,188)
Net finance expense		**(23,848)**	(25,248)

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

	2018			
	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	-	-	4,927	-
	-	-	4,927	-

	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)

13 Tax on profit on ordinary activities

	2018 £000	2017 £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	75	40
Under provision in previous years	(1)	-
Total current tax	74	40
Deferred tax		
Origination and reversal of timing differences	(177)	(154)
Adjustment for prior year	-	5
Changes in tax rate or laws	19	32
Total deferred tax	(158)	(117)
Tax on profit on ordinary activities	(84)	(77)

	2018 £000	2017 £000
(b) Tax credit included in other comprehensive income/(expense)		
Deferred tax		
Origination and reversal of timing differences	66	(190)
Adjustment for prior years	-	-
Impact of change in tax rate	-	-
	66	(190)

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

	2018 £000	2017 £000
(c) Factors affecting tax charge/(credit) for the year		
Profit on ordinary activities before taxation:	49,644	44,102
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 19% (2017: 20%)	9,432	8,818
Effects of:		
Profit from charitable activities	(9,496)	(8,898)
Expenses not deductible	2	(6)
Effects of tax rate changes	18	32
Utilisation of losses	-	-
Joint venture profit share	-	-
Items not allowable for tax purposes	-	-
Deferred tax asset transferred to another group entity	-	(10)
Items charged to other comprehensive income	-	(12)
Adjustments for prior year	(40)	5
Other timing differences	-	(6)
	(84)	(77)

	2018 £000	2017 £000
(d) Deferred Tax		
Asset at start of year	(409)	(102)
Adjustment in respect of prior years	-	5
Deferred tax (credit) / charge to income statement for the year	(158)	(122)
Deferred tax (credit) / charge in other comprehensive income for the year	66	(190)
Asset at end of year	(501)	(409)

(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% (2017: 17%, or 19%) depending on the date they are expected to fully unwind.

14 Intangible assets

	2018		
	Assets under construction £000	Computer software £000	Total £000
Cost			
At 1 April 2017	-	9,466	9,466
Additions	22	558	580
Disposals	-	(6)	(6)
At 31 March 2018	22	10,018	10,040
Accumulated amortisation			
At 1 April 2017	-	6,125	6,125
Charge for year	-	1,288	1,288
At 31 March 2018	-	7,413	7,413
Net book value	22	2,605	2,627

	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
Disposals	-	(26)	(26)
At 31 March 2017	-	6,125	6,125
Net book value	-	3,341	3,341

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.

	2018				
	Housing properties under construction £000	Completed housing properties £000	Shared ownership under construction £000	Shared ownership completed £000	Total £000
Cost					
At 1 April 2017	33,149	1,275,559	16,582	94,244	1,419,534
Additions	73,825	1,687	44,203	-	119,715
Components	-	20,280	-	-	20,280
Disposal of components	-	(4,407)	-	-	(4,407)
Transfer to investment properties	-	(169)	-	-	(169)
Completions	(58,310)	58,310	(35,061)	35,061	-
Disposals	-	(5,799)	-	(2,831)	(8,630)
At 31 March 2018	48,664	1,345,461	25,724	126,474	1,546,323
Accumulated depreciation					
At 1 April 2017	-	52,264	-	1,551	53,815
Charge for year	-	21,588	-	786	22,374
Disposal of components	-	(3,369)	-	-	(3,369)
Impairment	-	488	-	-	488
Disposals	-	(686)	-	(78)	(764)
At 31 March 2018	-	70,285	-	2,259	72,544
Net book value at 31 March 2018	48,664	1,275,176	25,724	124,215	1,473,779

The impairment of housing assets was triggered by the sale of a block of flats where the carrying value was shown to be greater than its depreciated replacement cost.

The cost of completed properties during the year includes £3.9 million (2017: £2.4 million) of capitalised borrowing costs at an average cost of borrowing of 2.23% (2017: 2.62%).

The below valuation was carried out by Jones Lang LaSalle Limited Chartered Surveyors on 31 March 2018, 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).

Current value of completed social housing properties	Housing properties under construction £000	Completed housing properties £000	Shared ownership under construction £000	Shared ownership completed £000	Total £000
Existing Use Valuation - Social Housing					
Valuation at 31 March 2018	-	1,256,570	-	120,940	1,377,510
Valuation at 31 March 2017	-	1,168,670	-	102,040	1,270,710

15 Property, plant and equipment (social housing) (continued)

	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	64,034	75	14,287	-	78,396
Components	-	11,984	-	-	11,984
Disposal of components	-	(3,340)	-	-	(3,340)
Completions	(50,789)	50,789	(19,699)	19,699	-
Disposals	-	(1,192)	-	(349)	(1,541)
At 31 March 2017	33,149	1,275,559	16,582	94,244	1,419,534
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)
Impairment	-	(321)	-	-	(321)
Disposals	-	(289)	-	(37)	(326)
At 31 March 2017	-	52,264	-	1,551	53,815
Net book value at 31 March 2017	33,149	1,223,295	16,582	92,693	1,365,719

The presentation of the above comparatives has been changed. Additions are shown net of transfers to current asset.

The cost of completed properties during the year includes £2.4 million of capitalised borrowing costs at an average cost of borrowing of 2.62%.

Net impairment of housing properties includes the reversal of impairment charged in the previous year relating to one of the group's development schemes where costs were agreed at a lower figure than estimated in 2016. Part of this reversal was offset by the impairment of a block of flats which was demolished.

The below valuation was carried out by Jones Lang LaSalle Limited Chartered Surveyors on 31 March 2018, 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).

Net book value of property, plant and equipment - Social Housing by tenure	**2018 £000**	2017 £000
Freehold	**1,472,765**	1,364,600
Long leasehold	**1,014**	1,119
Net book value	**1,473,779**	1,365,719

16 Property, plant and equipment (other assets)

	2018						
	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 2017	**14,919**	**883**	**8**	**6,168**	**10,490**	**5,210**	**37,678**
Additions	**454**	**-**	**385**	**710**	**142**	**8**	**1,699**
Completions	**-**	**-**	**(369)**	**-**	**-**	**369**	**-**
Disposals	**-**	**(4)**	**-**	**(368)**	**(34)**	**(1)**	**(407)**
At 31 March 2018	**15,373**	**879**	**24**	**6,510**	**10,598**	**5,586**	**38,970**
Accumulated depreciation							
At 1 April 2017	**3,278**	**144**	**-**	**4,342**	**5,410**	**3,977**	**17,151**
Charge for year	**344**	**18**	**-**	**786**	**549**	**652**	**2,349**
Impairment	**3,134**	**-**	**-**	**-**	**-**	**-**	**3,134**
Disposals	**-**	**-**	**-**	**(358)**	**(13)**	**-**	**(371)**
At 31 March 2018	**6,756**	**162**	**-**	**4,770**	**5,946**	**4,629**	**22,263**
Net book value at 31 March 2018	**8,617**	**717**	**24**	**1,740**	**4,652**	**957**	**16,707**
Net book value at 31 March 2017	11,641	739	8	1,826	5,080	1,233	20,527

The impairment of office premises follows a review of all office premises where it was observed that the carrying value of an office block was greater than market value.

16 Property, plant and equipment (other assets) (continued)

	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

17 Investment properties

	2018 Market rented properties £000	2017 Market rented properties £000
Fair value		
At 1 April	**15,310**	15,550
Additional Properties	**169**	-
Replacement components	**6**	-
Disposals of components	**(3)**	-
Disposals of properties	**(161)**	(722)
Fair value adjustments	**445**	482
At 31 March	**15,766**	15,310

The above valuation was carried out by Jones Lang LaSalle Limited Chartered Surveyors, as at 31 March 2018, 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).

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.

	2018 £000	2017 £000
At 1 April	4,495	4,820
Proceeds received from sales	(378)	(456)
Profit taken to profit and loss	99	131
At 31 March	4,216	4,495

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 2018 White Rock Land LLP made a profit after distributions of £1.0 million (2017: profit £1.8 million) and Boorley Green LLP made a profit of £1.0 million (2017: loss £1.2million). During the year White Rock Land LLP made a distribution to shareholders of £200,000 (2017: £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:

	2018 £000	Group's share (50%) £000	2017 £000	Group's share (50%) £000
Current assets - White Rock Land LLP	48,612	24,306	53,716	26,858
Current assets - Boorley Green LLP	54,240	27,120	47,117	23,558
Total current assets	102,852	51,426	100,833	50,416
Current liabilities - White Rock Land LLP	(46,096)	(23,048)	(52,241)	(26,120)
Current liabilities - Boorley Green LLP	(54,366)	(27,183)	(48,312)	(24,156)
Total current liabilities	(100,462)	(50,231)	(100,553)	(50,276)
Net assets	2,390	1,195	280	140

20 Other investments

	2018 £000	2017 £000
White Rock Land LLP - 1 £1 share	-	-
Boorley Green LLP - 1 £1 share	-	-
MORhomes Limited - 20,000 £1 shares	20	-
	20	-

Aster Homes Limited holds one £1 share in White Rock Land LLP and one £1 share in Boorley Green LLP. Both these entities are jointly controlled with Galliford Try Homes Limited, Aster Group holding 50%. The shares are fully paid.

During the year Aster Group Limited purchased 20,000 fully paid £1 ordinary shares in MORhomes Limited, which is a social housing funding vehicle.

21 Debtors: falling due after one year

	2018 £000	2017 £000
Finance debtor	40,201	41,306
European Investment Bank liquidity reserve funds	3,062	2,129
Loan to joint ventures	38,172	36,194
	81,435	79,629

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 Inventories

	2018 £000	2017 £000
Trade consumables	332	590
Work in progress	1,616	885
	1,948	1,475

Trade consumables relate to small items carried on the group's repair vehicles to be used in minor repairs. Work in progress comprises uninvoiced design and build fees and the initial costs of a development scheme for which the tenure mix is yet to be decided.

23 Debtors: amounts falling due within one year

	2018 £000	2017 £000
Trade debtors	2,286	1,991
Rent arrears	10,995	7,798
Service charge under-recovery	2,015	3,300
Less discounting of debts payable over more than 12 months	(914)	(724)
Less provision for bad debts - rent arrears	(4,432)	(3,688)
	9,950	8,677
Finance debtor	3,073	3,073
Other debtors	257	220
Less provision for bad debts - other debtors	(25)	(92)
Deferred tax	501	409
VAT Recoverable	278	300
Other capital grants receivable	953	-
Prepayments and accrued income	3,429	2,024
	18,416	14,611

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

24 Shared ownership properties held for sale

	2018			2017		
	Under construction £000	Completed £000	Total £000	Under construction £000	Completed £000	Total £000
At 1 April	**11,050**	**6,609**	**17,659**	6,848	4,156	11,004
Additions	**38,149**	**-**	**38,149**	27,349	-	27,349
Completions	**(32,107)**	**32,107**	**-**	(23,147)	23,147	-
Sales percentage adjustment	**-**	**(2,096)**	**(2,096)**	-	(2,186)	(2,186)
Disposals	**-**	**(30,456)**	**(30,456)**	-	(18,508)	(18,508)
At 31 March	**17,092**	**6,164**	**23,256**	11,050	6,609	17,659

The group assumes that first tranches sales will be 40% of the property value. Additions are therefore 40% of the construction cost of the properties. The sales percentage adjustment relates to occasions when the first tranche sale percentage is not 40%.

25 Properties held for open market sale

	2018			2017		
	Under construction £000	Completed £000	Total £000	Under construction £000	Completed £000	Total £000
At 1 April	**-**	**-**	**-**	-	-	-
Additions	**2,383**	**-**	**2,383**	2,676	-	2,676
Completions	**(813)**	**813**	**-**	(2,676)	2,676	-
Disposals	**-**	**(813)**	**(813)**	-	(2,676)	(2,676)
At 31 March	**1,570**	**-**	**1,570**	-	-	-

26 Cash and cash equivalents

	2018 £000	2017 £000
Short term deposits	**35,109**	45,058
Cash at bank and in hand	**65,966**	63,814
	101,075	108,872

27 Creditors: amounts falling due within one year

	Note	2018 £000	2017 £000
Trade creditors		**3,694**	6,128
Taxation and social security payable		**980**	926
Pension contributions		**503**	365
Social Housing Pension scheme recovery plan liability	33	**1,111**	1,065
VAT		**574**	412
Rent paid in advance		**3,812**	3,361
Service charge over-recovery		**1,758**	3,479
Amounts due under right to buy sharing agreement		**2,871**	1,799
Corporation tax		**75**	40
Capital grant received in advance		**100**	41
Social Housing Grant	29	**2,758**	1,626
Recycled Capital Grant Fund	30	**473**	870
Disposal Proceeds Fund	31	**199**	65
Accrued holiday pay		**71**	140
Other creditors		**3,109**	2,566
Accruals and deferred income		**25,794**	13,498
Loan repayable by instalment (within 1 year)		**14,854**	1,255
		62,736	37,636

28 Creditors: amounts falling due after more than one year

	Note	2018 £000	2017 £000
Loans repayable			
In less than five years		**103,672**	70,715
In five years or more		**746,149**	747,009
Less unamortised issue fees		**(1,822)**	(1,858)
Less unamortised discount issue fees		**(2,873)**	(2,930)
Less deferred arrangement fees		**(527)**	(570)
Plus unamortised premium on issue		**7,551**	7,819
		852,150	820,185
Social Housing Grant	29	**20,770**	19,472
Recycled Capital Grant Fund	30	**2,783**	1,164
Deferred Recycled Capital Grant Fund	30	**-**	330
Disposal Proceeds Fund	31	**365**	497
Financial liabilities - interest rate swaps		**17,930**	22,857
HomeBuy Grant		**4,216**	4,495
Social Housing Pension scheme recovery plan liability	33	**4,854**	5,926
		903,068	874,926

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% (2017: 1.5% to 6.3%) for fixed/hedged loans and 0.7% to 1.0% (2017: 0.5% to 1.0%) for variable loans.

At 31 March 2018, the group had undrawn loan facilities of £118.7 million (2017: £119.0 million) to finance future operating cash flows and investments.

29 Social Housing Grant

	2018 £000	2017 £000
Balance as at 1 April	**21,098**	16,768
Additions	**2,762**	4,502
Amortised within Statement of Comprehensive Income	**(208)**	(172)
Disposals	**(124)**	-
Balance as at 31 March	**23,528**	21,098
Recognised in:		
Creditors: amounts falling due within one year	**2,758**	1,626
Creditors: amounts falling due after one year	**20,770**	19,472
	23,528	21,098

Social housing grant ('SHG') is receivable from the Regulator for Social Housing ('RSH'). 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.

Government Grants Received	2018 £000	2017 £000
Social Housing Grant	**250,005**	247,243
HomeBuy Grant	**4,216**	4,495
	254,221	251,738

Set out above is the cumulative amount of grant received by the group in relation to properties owned at the Consolidated Statement of Financial Position date. This grant is recognised in:

	2018 £000	2017 £000
Profit and loss reserve	**226,477**	226,145
Creditors: amounts falling due within one year	**2,758**	1,626
Creditors: amounts falling due after more than one year	**24,986**	23,967
	254,221	251,738

30 Recycled Capital Grant Fund

	2018 £000	2017 £000
Funds relating to activities within areas covered by the RSH:		
Balance as at 1 April	**2,034**	2,296
Additions:		
Grants recycled	**1,209**	679
Interest accrued	**13**	10
Withdrawals:		
New build	**-**	(951)
Balance as at 31 March	**3,256**	2,034

	2018 £000	2017 £000
Analysis of Maturity:		
- in less than one year	**473**	870
- in one to two years	**1,561**	473
- in more than two years	**1,222**	691
	3,256	2,034

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 Regulator for Social Housing permits grants to be reinvested within a three year period into schemes within the Approved Development Programme. The Regulator for Social Housing requires funds which have not been reinvested within three years to be repaid.

Deferred Recycled Capital Grant Fund	2018 £000	2017 £000
Funds relating to activities within areas covered by the RSH:		
Balance as at 1 April	**330**	361
Additions:		
Grants recycled	**-**	-
Withdrawals:		
New build	**(330)**	(31)
Balance as at 31 March	**-**	330

	2018 £000	2017 £000
Analysis of Maturity:		
- in more than two years	**-**	330
	-	330

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 Regulator for Social Housing 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.

31 Disposal Proceeds Fund

	2018 £000	2017 £000
Funds relating to activities within areas covered by the RSH:		
Balance as at 1 April	562	484
Additions:		
Funds recycled	1	299
Interest	1	1
Withdrawals:		
New build	-	(222)
Balance as at 31 March	564	562

	2018 £000	2017 £000
Analysis of Maturity:		
- in less than one year	199	65
- in one to two years	365	199
- in more than two years	-	298
	564	562

Following the deregulation changes made to the Housing and Planning Act 2016, which came into force on 6 April 2017, the requirement to recycle grant into the Disposal Proceed Fund was removed. The Disposal Proceeds Fund will continue to have interest added and withdrawals made to fund new builds until the fund is exhausted or until the wind down period ends on 6 April 2020. After this date any unused funds will be repaid to the RSH.

32 Financial instruments

32a 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 is 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 2018 the group held £17.9 million (2017: £22.9 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. During the year the effective interest charged to Consolidated Statement of Comprehensive Income was £505,000 (2017: £302,000) higher than the actual interest paid.

At the end of the year the group had drawn £347.5 million (2017: £314.1 million) of fixed rated loans which incurred an effective interest charge during the year of between 1.5% and 6.3% (2017: 1.5% and 6.3%). These loans have a carrying value of £348.3 million (2017: £316.4 million) giving a cumulative effective interest adjustment of £0.8 million (2017: £2.3 million).

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 £268.4 million (2017: £254.7 million) of floating rated loans and was charged interest rates of between 0.7% and 1.0% (2017: 0.5% and 0.8%).

Disposal Proceeds Fund

Following the deregulation changes made to the Housing and Planning Act 2016, which came into force on 6 April 2017, the requirement to recycled grant into the Disposal Proceed Fund was removed. The Disposal Proceeds Fund will continue to have interest added and withdrawals made to fund new builds until the fund is exhausted or until the wind down period ends on 6 April 2020. The balance on the fund is £564,000 (2017: £562,000).

Recycled Capital Grant Fund

The group receives Social Housing Grant from the RSH to build Social Housing. 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 £3.3 million (2017: £2.0 million), this includes £13,000 (2017: £10,000) 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 2018 was £118.7 million (2017: £119.0 million), the cost of the undrawn facility is £201,000 (2017: £241,000).

32 Financial instruments (continued)

32a Financial instruments' descriptions (continued)

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 2018 the group recognised £4.9 million gains (2017: £1.8 million losses) of net effective cash flow hedge movements in other comprehensive (expense)/income and movement of £nil (2017: £nil) of ineffective cash flow hedge movements in profit or loss.

32b Financial instruments' classifications

Amortised cost

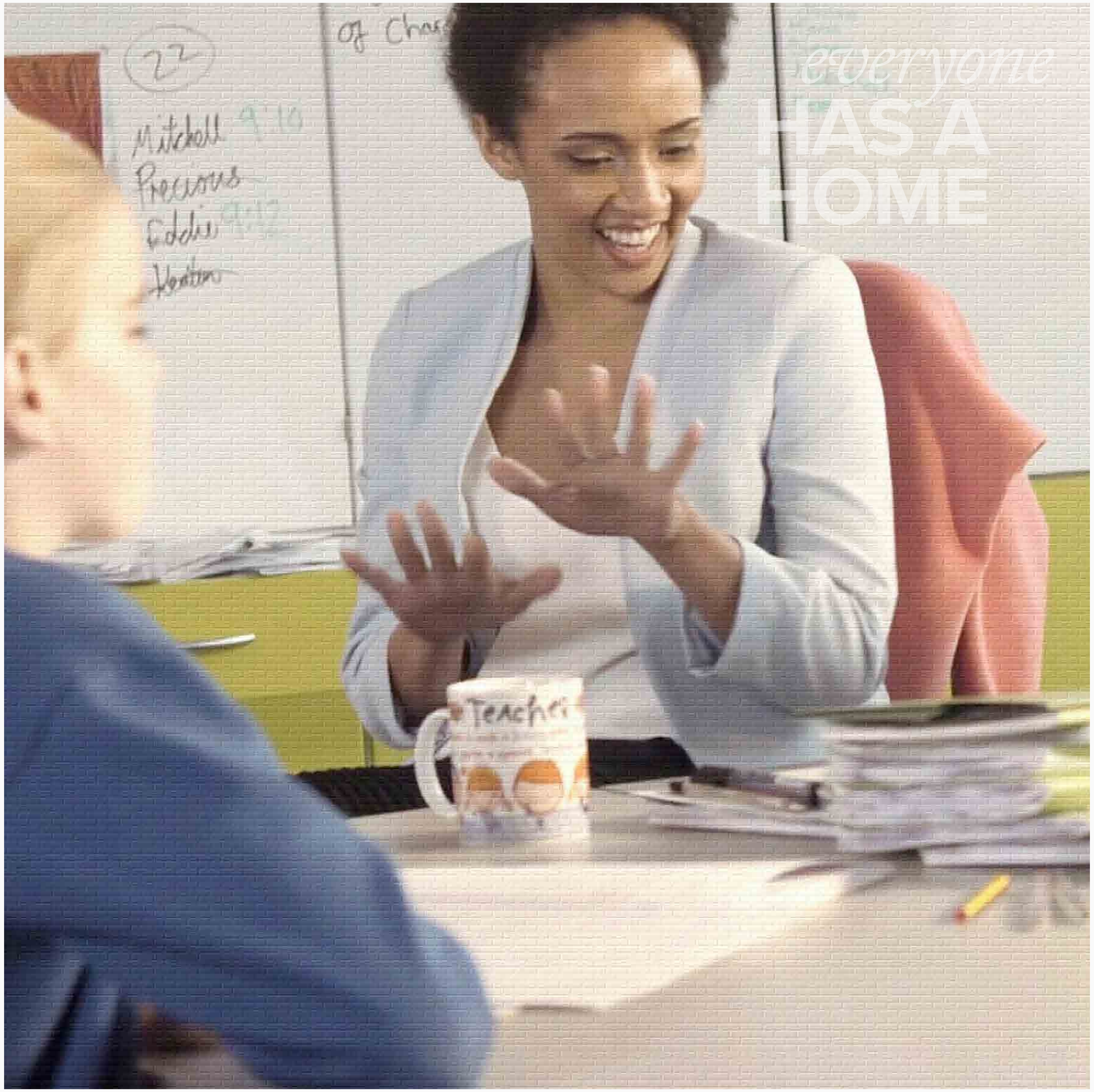
Basic financial instruments such as loans are measured at amortised cost. This is calculated using the effective interest rate method. For floating rated loans and fixed rate loans with no interest rate changes the effective interest will equal the amount of interest paid. For fixed rated loans which 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 Consolidated Statement of Comprehensive Income.

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 the Consolidated Statement of Comprehensive Income.

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.



32 Financial instruments (continued)

32c Financial instrument carrying values

The group has the following financial instruments:

	2018 £000	2017 £000
Financial assets measured at fair value through profit or loss		
Derivative financial instruments held to manage interest rates		
Interest rate swaps	-	-
	-	-
Financial assets that are debt instruments measured at amortised cost		
Finance debtor	43,274	44,379
Loans to limited liability partnership	38,172	36,194
Trade and rent debtors	15,296	13,089
Liquidity funds	3,062	2,129
Other grants receivable	953	-
Other debtors	257	220
	101,014	96,011
Financial assets that are equity instruments measured at cost less impairment		
Investment in joint venture	1,195	140
Financial liabilities measured at fair value through profit or loss		
Derivative financial instruments held to manage interest rates		
Interest rate swaps	(17,930)	(22,857)
Financial liabilities measured at amortised cost		
Guaranteed fixed rate secured bonds	(250,319)	(250,339)
Fixed rate loans	(348,297)	(316,378)
Hedged floating rated loans classified as fixed rated loans	(154,604)	(158,359)
Floating rated loans	(113,784)	(96,364)
Disposal Proceeds Fund	(564)	(562)
Recycled Capital Grant Fund	(3,256)	(2,034)
Deferred Recycled Capital Grant Fund	-	(330)
Trade and rent creditors	(9,264)	(12,968)
Accruals	(25,794)	(13,498)
Other creditors	(3,109)	(2,566)
	(908,991)	(853,398)
Loan commitments measured at cost less impairment		
Undrawn committed borrowings	118,705	119,000
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.

32d Interest rate profile of borrowings

	2018 £000	2017 £000
Group borrowings comprise		
Guaranteed fixed rate secured bonds	250,000	250,000
Fixed rated loans	347,511	314,137
Hedged floating rate loans classified as fixed rate loans	154,604	158,359
Floating rated loans	113,784	96,364
Disposal proceeds fund	564	562
Recycled capital grant fund	3,256	2,034
	869,719	821,456

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.

	2018		2017	
	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	25.7	4.50	26.7
Fixed rated loans	3.36	12.4	3.57	12.2

32e Maturity of borrowings

The maturity profile of the principal value of the group's loans, shown in note 32d, is:

	2018			2017		
	Repayment			Repayment		
	By instalments £000	Not by instalments £000	Total £000	By instalments £000	Not by instalments £000	Total £000
0 - 1 years	14,854	1,606	16,460	1,255	935	2,190
1 - 2 years	12,942	990	13,932	19,854	672	20,526
2 - 5 years	90,730	1,224	91,954	50,862	989	51,851
Over 5 years	424,411	322,962	747,373	423,927	322,962	746,889
	542,937	326,782	869,719	495,898	325,558	821,456

The repayment profile is 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 £1,214.6 million (2017: £1,228.7 million). At 31 March 2018 properties valuing £229.4 million (2017: £189.4 million) were unsecured and available to be secured.

32 Financial instruments (continued)

32f Hedge accounting

Cash flow hedges	2018						
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	39,666	3.08	2034	Monthly	(5,775)	(1,625)	-
Credit Suisse swap	35,000	2.97	2031	Monthly	(3,620)	(1,296)	-
Credit Suisse swap	50,000	2.26	2022	Monthly	(2,136)	(1,675)	-
Notting Hill swap	8,000	2.96	2038	Half yearly	(1,773)	(101)	-
Notting Hill swap	22,000	2.85	2037	Quarterly	(4,626)	(230)	-
	154,666				(17,930)	(4,927)	-

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	-

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 the Consolidated Statement of Comprehensive Income 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 Notting Hill interest swap cash flows occur half yearly and quarterly. They affect the Consolidated Statement of Comprehensive Income with this frequency. Interest accruals are used to match the frequencies until the cash flows occur.

33 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	Note	2018 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	33a	260	119	1,755	(3,168)
Wiltshire asset ceiling	33a	-	-	4	4
Hampshire - funded	33b	40	110	(80)	(4,250)
Hampshire - unfunded	33c	-	10	-	(440)
Somerset	33d	248	276	621	(9,953)
Dorset	33e	609	456	2,369	(15,395)
SHPS		1,402	-	-	-
Friends Provident		15	-	-	-
		2,574	971	4,669	(33,202)

Aster Group consolidated	Note	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	33a	217	175	140	(4,914)
Wiltshire asset ceiling	33a	-	-	(248)	(248)
Hampshire - funded	33b	30	160	190	(4,720)
Hampshire - unfunded	33c	-	10	(50)	(450)
Somerset	33d	197	317	(1,197)	(10,391)
Dorset	33e	513	526	(2,022)	(17,097)
SHPS		1,343	-	-	-
Friends Provident		21	-	-	-
		2,321	1,188	(3,187)	(37,820)

The pension cost to the group for the year ended 31 March 2018 was £2.6 million (2017: £2.3 million) in respect of 1,170 (2017: 1,219) active members of all schemes.

33 Pension obligations (continued)

33a 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.

As at the balance sheet date there were 18 (2017: 21) active members of the scheme employed across the whole group. The annual pensionable payroll in respect of these members was £619,000 (2017: £728,000) 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 2018. 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 2018.

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.

During the year Aster Living closed its Wiltshire County Council Pension Scheme. The net assets were transferred to Aster Group Limited. The obligation transfer was adjusted by £49,000 relating to additional changes in financial assumptions.

Financial assumptions	2018 %p.a.	2017 %p.a.
Pension increases	**2.4**	2.4
Salary increases	**2.7**	2.7
Discount rate	**2.7**	2.6

Mortality	2018 years	2017 years
Current pensioners		
Females	**24.9**	24.9
Males	**22.5**	22.5
Future pensioners		
Females	**26.7**	26.7
Males	**24.1**	24.1

Fair value of employer assets	31 MARCH 2018 £000	31 MARCH 2017 £000
Equities	**16,238**	15,399
Bonds	**3,479**	3,037
Property	**3,015**	2,820
Cash	**464**	434
	23,196	21,690
Asset ceiling adjustment	**4**	(248)
	23,200	21,442

Total cost recognised as expense	2018 £000	2017 £000
Current service cost	**260**	217
Interest costs	**665**	809
Expected return on assets employed	**(546)**	(634)
Total	**379**	392
Return on plan assets	**1,827**	3,045

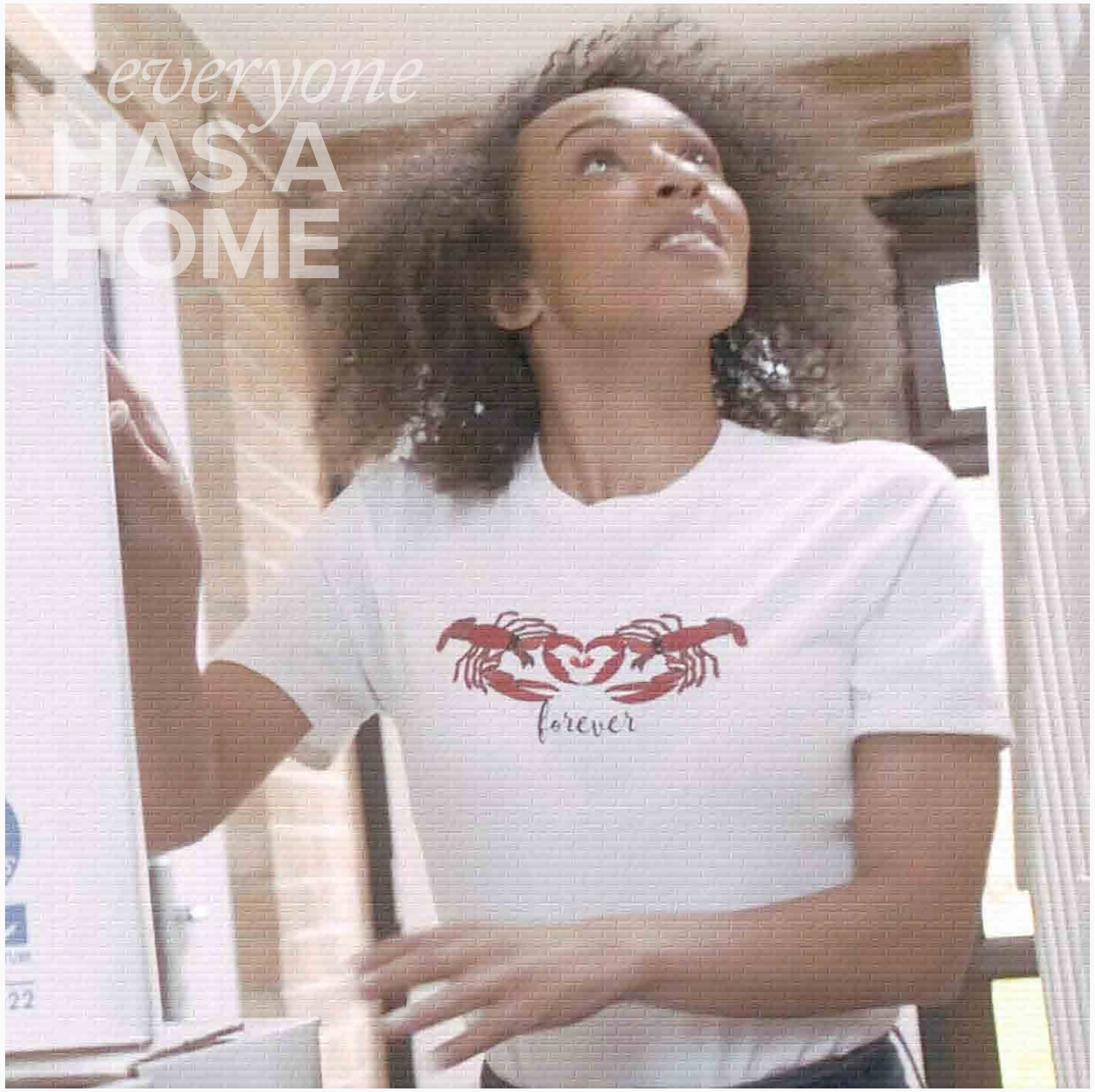
33 Pension obligations (continued)

33a Wiltshire Pension Fund (continued)

Reconciliation of defined benefit obligation	31 MARCH 2018 £000	31 MARCH 2017 £000
Opening defined benefit obligation	**26,604**	23,869
Current service cost	**260**	217
Interest cost	**665**	809
Contributions by members	**45**	53
Actuarial (gains) / losses	**(478)**	2,519
Estimated unfunded benefits paid	**(9)**	(9)
Estimated benefits paid	**(723)**	(854)
Closing defined benefit obligation	**26,364**	26,604

Reconciliation of fair value of employer assets	31 MARCH 2018 £000	31 MARCH 2017 £000
Opening fair value of employer assets	**21,442**	18,559
Expected return on assets	**546**	634
Contributions by members	**45**	53
Contributions by employers	**609**	639
Unfunded contributions	**9**	9
Actuarial gains	**1,277**	2,659
Unfunded benefits paid	**(9)**	(9)
Benefits paid	**(723)**	(854)
Closing fair value of employer assets	**23,196**	21,690
Asset ceiling adjustment	**4**	(248)
Closing fair value of scheme assets recognised in financial statements	**23,200**	21,442
Pension liability	**3,164**	5,162

Projected pension expense for the year to **31 MARCH 2019**	2019 £000
Projected current service cost	243
Expected return on plan assets	(627)
Interest on obligation	697
Total	313



33 Pension obligations (continued)

33b 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.

At the balance sheet date there were 4 (2017: 4) active members of the scheme employed by Aster Communities. The annual pensionable payroll in respect of these members was £129,905 (2017: £133,550).

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 2018. 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 2018.

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 also provides unfunded pension scheme. This relates to unfunded pension arrangements provided by the group. These are termination benefits made on a discretionary basis upon early retirement in respect of members of the LGPS.

Financial assumptions	2018 %p.a.	2017 %p.a.
Price increases - RPI	3.2	3.1
Price increases - CPI	2.1	2.0
Pension increases	2.1	2.0
Salary increases	3.6	3.5
Discount rate	2.6	2.5

Mortality	2018 years	2017 years
Current pensioners		
Females	27.2	27.0
Males	24.1	24.0
Future pensioners		
Females	29.4	29.3
Males	26.2	26.0

Fair value of employer assets	31 MARCH 2018 £000	31 MARCH 2017 £000
Equities	7,581	7,013
Gilts	375	372
Bonds	2,991	3,094
Property	848	756
Cash	315	395
	12,110	11,630

Total cost recognised as expense	2018 £000	2017 £000
Current service cost	40	30
Interest costs	400	530
Expected return on assets employed	(290)	(370)
Total	150	190
Return on plan assets	350	970

33 Pension obligations (continued)

33b Hampshire County Council Pension Fund (continued)

Reconciliation of defined benefit obligation	31 MARCH 2018 £000	31 MARCH 2017 £000
Opening defined benefit obligation	**16,350**	15,890
Current service cost	**40**	30
Interest cost	**400**	530
Contributions by members	**10**	10
Actuarial losses	**140**	410
Estimated benefits paid	**(580)**	(520)
Closing defined benefit obligation	**16,360**	16,350

Reconciliation of fair value of employer assets	31 MARCH 2018 £000	31 MARCH 2017 £000
Opening fair value of employer assets	**11,630**	11,130
Expected return on assets	**290**	370
Contributions by members	**10**	10
Contributions by employers	**700**	40
Actuarial gains	**60**	600
Benefits paid	**(580)**	(520)
Closing fair value of employer assets	**12,110**	11,630
Pension liability	**4,250**	4,720

33c Hampshire County Council Pension Fund - Unfunded Scheme

Financial assumptions	2018 %p.a.	2017 %p.a.
Price increases - RPI	**3.2**	3.1
Price increases - CPI	**2.1**	2.0
Discount rate	**2.6**	2.5

Mortality	2018 years	2017 years
Current pensioners		
Females	**27.2**	27.0
Males	**24.1**	24.0

Recognition in the statement of comprehensive income	2018 £000	2017 £000
Interest costs	**10**	10

Reconciliation of unfunded liabilities	31 MARCH 2018 £000	31 MARCH 2017 £000
Opening defined benefit obligation	**450**	410
Actuarial losses	**-**	50
Interest cost	**10**	10
Estimated benefits paid	**(20)**	(20)
Closing defined benefit obligation	**440**	450

Projected pension expense for the year to **31 MARCH 2019**	2019 £000
Funded benefits	
Projected current service cost	50
Interest on obligation	100
Total	150
Unfunded benefits	
Interest on obligation	10
Total	10

33 Pension obligations (continued)

33d 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.

As at the balance sheet date there were 17 (2017: 22) active members of the Scheme employed by Aster Communities. The annual pensionable payroll in respect of these members was £560,646 (2017: £682,919).

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 2018. 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 2018.

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.

Financial assumptions	2018 %p.a.	2017 %p.a.
Pension increases	2.3	2.6
CPI increases	2.3	2.6
Salary increases	3.8	4.1
Discount rate	2.5	2.7

Mortality	2018 years	2017 years
Current pensioners		
Females	25.2	25.0
Males	24.0	23.9
Future pensioners		
Females	27.5	27.4
Males	26.2	26.1

Fair value of employer assets	31 MARCH 2018 £000	31 MARCH 2017 £000
Equities	8,231	7,953
Gilts	624	684
Bonds	1,080	1,094
Property	1,095	984
Cash	501	440
	11,531	11,155

Total cost recognised as expense	2018 £000	2017 £000
Current service cost	242	189
Interest costs	575	650
Expected return on assets employed	(299)	(333)
Administration expenses	6	8
Total	524	514
Actual return on plan assets	542	2,307

33 Pension obligations (continued)

33d Somerset County Council Pension Fund (continued)

Reconciliation of defined benefit obligation	31 MARCH 2018 £000	31 MARCH 2017 £000
Opening defined benefit obligation	**21,546**	18,356
Current service cost	**242**	189
Interest cost	**575**	650
Contributions by members	**40**	45
Actuarial (gains) / losses	**(378)**	2,944
Estimated benefits paid	**(541)**	(638)
Closing defined benefit obligation	**21,484**	21,546

Reconciliation of fair value of employer assets	31 MARCH 2018 £000	31 MARCH 2017 £000
Opening fair value of employer assets	**11,155**	9,429
Expected return on assets	**299**	333
Contributions by members	**40**	45
Contributions by employers	**341**	247
Administration expenses	**(6)**	(8)
Return on assets less interest	**243**	1,974
Other actuarial losses	**-**	(227)
Benefits paid	**(541)**	(638)
Closing fair value of employer assets	**11,531**	11,155
Pension liability	**9,953**	10,391

Projected pension expense for the year to 31 MARCH 2019	2019 £000
Projected current service cost	236
Interest on obligation	249
Administration expenses	7
Total	492

33 Pension obligations (continued)

33e 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.

As at the balance sheet date there were 46 (2017: 51) active members of the scheme employed by Synergy Housing Limited. The annual pensionable payroll in respect of these members was £1.5 million (2017: £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 2018. 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 2018.

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.

Financial assumptions	2018 %p.a.	2017 %p.a.
Price increases (CPI)	2.6	2.7
Pension increases	2.4	2.7
Salary increases	3.9	4.2
Discount rate	2.6	2.7

Mortality	2018 years	2017 years
Current pensioners		
Females	26.1	26.0
Males	24.0	23.9
Future pensioners		
Females	28.4	28.3
Males	26.2	26.1

Fair value of employer assets	31 MARCH 2018 £000	31 MARCH 2017 £000
Equities	16,263	16,440
Bonds	3,940	4,350
Debt Instruments	1,086	979
Alternative Assets	1,416	5
Other Bonds	2,109	3,358
Absolute Return Portfolio	1,819	1,270
Property	3,033	2,576
Cash	423	325
	30,089	29,303

Total cost recognised as expense	2018 £000	2017 £000
Current service cost	588	494
Interest costs	1,238	1,397
Expected return on assets employed	(782)	(871)
Administration expenses	21	19
Total	1,065	1,039
Return on plan assets	1,468	4,987

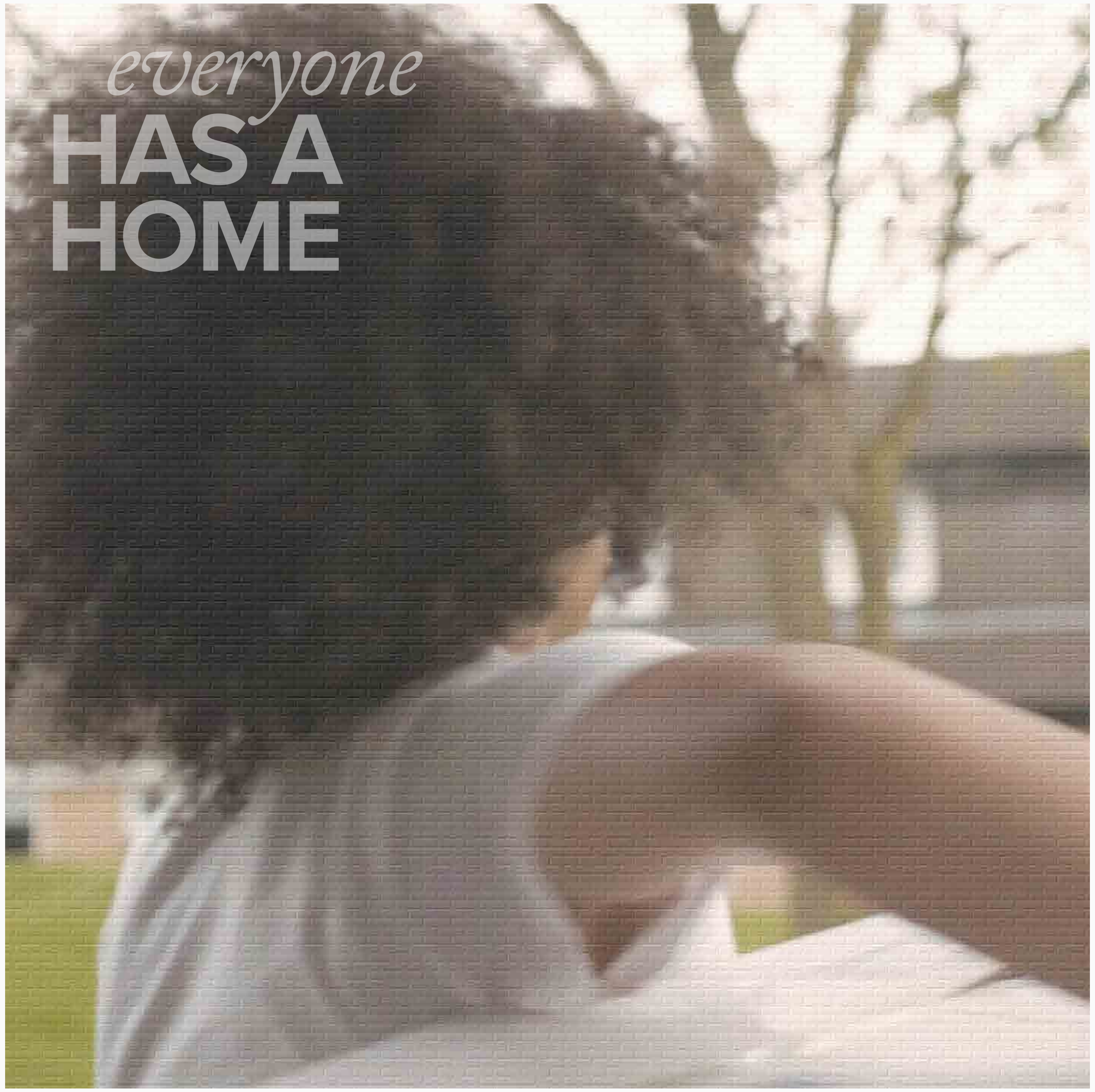
33 **Pension obligations** (continued)

33e **Dorset County Council Pension Fund** (continued)

Reconciliation of defined benefit obligation	31 MARCH 2018 £000	31 MARCH 2017 £000
Opening defined benefit obligation	**46,400**	38,274
Current service cost	**588**	494
Interest cost	**1,238**	1,397
Contributions by members	**94**	100
Actuarial (gains) / losses	**(1,683)**	7,297
Estimated unfunded benefits paid	**(7)**	(7)
Estimated benefits paid	**(1,146)**	(1,155)
Closing defined benefit obligation	**45,484**	46,400

Reconciliation of fair value of employer assets	31 MARCH 2018 £000	31 MARCH 2017 £000
Opening fair value of employer assets	**29,303**	23,908
Expected return on assets	**782**	871
Contributions by members	**94**	100
Contributions by employers	**398**	330
Administration expenses	**(21)**	(19)
Return on assets less interest	**686**	4,116
Other actuarial gains	**-**	1,159
Benefits paid	**(1,153)**	(1,162)
Closing fair value of employer assets	**30,089**	29,303
Pension liability	**15,395**	17,097

Projected pension expense for the year to **31 MARCH 2019**	2019 £000
Projected current service cost	556
Interest on obligation	381
Administration expenses	21
Total	958



ASTER GROUP

33 Pension obligations (continued)

The Social Housing Pension Scheme

The group participates in the Social Housing Pension Scheme ("the Scheme"). The Scheme is funded by both contributing parties.

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 – 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.

In February 2014, Aster Group introduced a career average revalued earnings (CARE) with a 1/120th accrual rate.

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), a career average revalued earnings (CARE) with a 1/120th accrual rate and a defined contribution scheme for active members offering variable levels of contribution.

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.

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 – each tier relates to a separate tri-annual scheme valuation		
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 1 April 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 1.72% (2017: 1.33%). The unwinding of the discount rate is recognised as a finance cost.

Reconciliation of opening and closing social housing pension scheme recovery plan liability	2018 £000	2017 £000
At 1 April	**7,020**	7,715
Unwinding of the discount factor	**85**	146
Deficit contribution paid	**(1,065)**	(1,022)
Remeasurements - changes in assumptions	**(75)**	181
Remeasurements - contribution schedule	**-**	-
At 31 March	**5,965**	7,020
Recognised in:		
Creditors: amounts falling due within one year	**1,111**	1,065
Creditors: amounts falling due after one year	**4,854**	5,955
	5,965	7,020

Social housing pension scheme recovery plan liability profit and loss impact	2018 £000	2017 £000
Recognised in operating profit		
Remeasurements - changes in assumptions	**(75)**	181
Remeasurements - contribution schedule	**-**	-
	(75)	181
Recognised in total finance income and expense		
Interest expense	**85**	146

The social housing pension scheme defined contribution scheme

The scheme is administered by the Pensions Trust. It is open to all members of staff and is the pension scheme for auto-enrolment. The company paid contributions between 2% and 10% (2017: 2% and 10%) and employees paid contributions from 2% (2017: from 2%). On retirement, funds or units earned can be converted into a pension with the Trust, or used to secure a pension with another provider. At 31 March 2018 there were 881 (2017: 885) active members of the scheme.

34 Provisions

	2018		
	Redundancy £000	Other £000	Total £000
At 1 April 2017	38	140	178
Additions during the year	647	1,850	2,497
Amounts utilised during the year	(7)	(140)	(147)
At 31 March 2018	678	1,850	2,528

	2017		
	Redundancy £000	Other £000	Total £000
At 1 April 2016	42	647	689
Additions during the year	7	-	7
Amounts utilised during the year	(11)	(507)	(518)
At 31 March 2017	38	140	178

Other provisions relates to a provision for unused office space rented by the group under an operating lease and legal matters.

35 Called up share capital

	2018 £	2017 £
Ordinary shares allotted, issued and fully paid of £1 each		
At 1 April	7	7
Issued during the year	-	1
Cancelled during the year	-	(1)
At 31 March	7	7

36 Other reserves

Other reserves consist of the following amounts:

	2018			
	Revaluation reserve £000	Restricted reserve £000	Cash flow hedge reserve £000	Total £000
At 1 April 2017	409,214	208	(22,858)	386,564
Revaluation surplus realised on disposals	(4,581)	-	-	(4,581)
Effective cash flow hedge fair value movements	-	-	4,927	4,927
At 31 March 2018	404,633	208	(17,931)	386,910

	2017			
	Revaluation reserve £000	Restricted reserve £000	Cash flow hedge reserve £000	Total £000
At 1 April 2016	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 2017	409,214	208	(22,858)	386,564

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.

37 Capital commitments

	2018 £000	2017 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	229,730	187,514
Capital expenditure that has been authorised by the board but has not yet been contracted	84,585	89,796
	314,315	277,310

These commitments will be funded through a mixture of cash and committed borrowings. The group's available committed borrowings are set out in note 32c.

38 Joint venture commitments

	2018 £000	2017 £000
Expenditure that has been contracted for but has not been provided for in the financial statements of the joint venture	128,501	66,075

39 Operating leases

	2018 £000	2017 £000
The group has total commitments under non-cancellable operating leases due to expire as follows:		
Land and buildings		
Not later than one year	34	72
Later than one but not later than five years	124	193
Later than five years	405	448
Office premises		
Not later than one year	284	291
Later than one but not later than five years	926	1,040
Later than five years	1,540	1,737
	3,313	3,781

The above disclosure only recognises non-cancellable leases in line with the requirements of FRS 102 section 20: 'Leases'.

40 Homes and bed spaces in management and in development

	2018 No.	2017 No.
Under development at end of year:		
Housing accommodation	1,143	990
Shared ownership	778	633
Open market sale	7	-
	1,928	1,623
Under management at end of year:		
Owned and managed by the Group:		
Housing accommodation		
Social rent	19,270	19,157
Affordable rent	2,818	2,553
Supported housing		
Social rent	3,604	3,604
Affordable rent	70	70
Shared ownership	2,094	1,785
Market rented	94	15
Leasehold	1,469	1,448
Temporary Social Housing	122	107
	29,541	28,739
Not owned but managed by the Group:		
Housing accommodation		
Social rent	249	249
Leasehold	3	20
Temporary social housing	32	32
	284	301
Owned but managed by others at the end of the year:		
Supported housing		
Social rent	62	75
Care homes	25	25
Market rented	-	79
	87	179
	29,912	29,219

The above table consists of:

	2018 No.	2017 No.
Homes	29,889	29,196
Bed spaces	23	23
	29,912	29,219

41 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 2018, this contingent liability was £2.7 million (2017: £2.6 million) for Aster Homes Limited, £22,000 (2017: £22,000) relating to White Rock LLP and £2.7 million (2017: £2.6 million) relating to Boorley Green LLP.

42 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) John Brace was an executive director of Aster Group Limited until his retirement from that board on 31 October 2017 and a member of the Executive Board until he was made redundant on 30 April 2018. Both he and Bjorn Howard, who is also an executive director of Aster Group Limited, 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 £7,100 (2017: £9,000) of consultancy and internal audit services to English Rural Housing Association, and £3,700 (2017: £2,500) of out of hours responsive repairs work to East Borough Housing Trust. Both organisations are minority shareholders in Aster Options Plus limited. At 31 March 2018 the amount owed by these organisations to Aster Options Plus Limited was £7,400 (2017: £nil). Transactions with other Aster Group subsidiaries throughout the year totalled £219,000 (2017: £241,000).

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 2018 ERHA received £7,100 (2017: £9,000) of consultancy and internal audit services from Aster Options Limited and had a closing debtor balance of £2,600 (2017: £nil). EBHT received £3,700 (2017: £2,500) of out of hours response repair work, covering emergency property repairs from Aster options Limited. EBHT had an outstanding balance of £260 (2017: £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	2018 Interest received £000	2017 Interest received £000	2018 Loan value £000	2017 Loan value £000	Interest rate %	Latest repayment date
White Rock	1,053	832	4,690	7,400	3.5 plus base*	31 March 2020
Tithe Barn	2,262	1,689	12,398	13,608	4.0 plus base*	31 December 2021
Boorley Green	1,029	342	16,340	12,323	4.0 plus base*	1 July 2026
	4,344	2,863	33,428	33,331		

* base rate was 0.5% for the year (2017: 0.25% to 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 2018 £794,000 (2017: £896,000) of loan interest and a dividend of £100,000 (2017: £410,000) was recognised in profit and loss from White Rock Land LLP. At the end of year ended 31 March 2018 White Rock Land LLP had an outstanding loan balance of £20.8 million (2017: £23.5 million).

During year ended 31 March 2018 £687,000 (2017: £343,000) of loan interest was recognised in profit and loss from Boorley Green LLP. At the end of year ended 31 March 2018 Boorley Green LLP had an outstanding loan balance of £17.4 million (2017: £12.7 million).

The Aster Group recognised £1.2 million (2017: £734,000) of profit from its joint venture activities during 2017/18. White Rock Land LLP's income during the year was £17.5 million (2017: £25.6 million) and its expenditure was £16.3 million (2017: £23.0 million) making a profit of £1.2 million (2017: £2.6 million). The group's 50% share of this profit was £0.6 million (2017: £1.3 million). Boorley Green LLP had £15.3 million (2017: £nil) of income during 2017/18 and had expenditure of £14.3 million (2017: £1.2 million) making a profit of £1.1 million (2017: loss £1.2 million). The group's share 50% of this profit was £535,000 (2017: loss £598,000).

White Rock Land LLP's and Boorley Green LLP's principal place of business are:
Cowley Business Park
Cowley
Uxbridge
Middlesex
UB8 2AL

42 Related party transactions (continued)

The Aster Group has taken advantage of the exemption permitted by FRS 102 'Related Party Disclosures' and does not disclose transactions with other wholly owned entries within the group that are eliminated on consolidation. The Accounting Direction for Private Registered Providers of Social Housing requires disclosure of the material recharges for services between non-regulated and regulated entities. These are:

From non-regulated entity	To regulated entity	Nature of supply	2018 Total £000
Aster Property Limited	Aster Communities	Property maintenance services	41,164
Aster Property Limited	Synergy Housing Limited	Property maintenance services	19,316
Aster Property Limited	Aster Group Limited	Facility management services	907
Aster Homes Limited	Aster Communities	Property development services	70,632
Aster Homes Limited	Synergy Housing Limited	Property development services	24,421
Aster Living	Aster Communities	Site management services	535
Aster Living	Synergy Housing Limited	Site management services	601
Silbury Housing Limited	Aster Communities	Site management services	610
Aster Solar Limited	Aster Communities	Supply of photovoltaic panels	18
Zebra Property Solutions Limited	Synergy Housing Limited	Property development services	11

From non-regulated entity	To regulated entity	Nature of supply	2018 Total £000
Aster Group Limited	Aster Property Limited	Management and other services	1,366
Aster Group Limited	Aster Homes Limited	Management and other services	4,097
Aster Group Limited	Aster Living	Management and other services	556
Aster Group Limited	Silbury Housing Limited	Management and other services	255
Aster Group Limited	Aster Solar Limited	Management and other services	13
Aster Group Limited	Zebra Property Solutions Limited	Management and other services	11

Recharges from Aster Property Limited and Aster Homes Limited are at cost plus a profit margin. All other recharges are at cost.

43 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 Regulator for Social Housing;
- 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 Regulator for Social Housing;
- 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;
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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.

44 Key management compensation

	2018 £000	Restated 2017 £000
Salaries and short-term benefits	**1,169**	1,040
Non-executive directors' fees	**183**	170
Post-employment benefits	**89**	76
Compensation for loss of office	**404**	-
	1,845	1,286
Of which		
Executive directors - Group Overlap Board	**996**	438
Non-executive directors - Group Overlap Board	**110**	113
Non-executive directors - Subsidiaries, members of committees and the Customer and Community network	**73**	57
Executive board members	**666**	678
	1,845	1,286

Details of the remuneration of directors and executive board members is given in the Directors' Remuneration Report.

The value of the executive directors' and board's benefits in kind have been included in the salaries and short-term benefits figure. The previous year's comparative figure has been restated to reflect this change.

45 Post Balance Sheet Events

On the 16 May 2018 the directors tapped into the existing bond for £50 million nominal value. The proceeds were on-lent with the group. Retained bonds of £150 million were also created.

ASTER GROUP

Association's Statement of Comprehensive Income

for the year ended **31 MARCH 2018**

	Note	2018 £000	2017 £000
Turnover	5	19,493	18,525
Operating expenditure	5	(20,312)	(17,611)
Operating (loss) / profit	5,6	(819)	914
Loss on disposal of property, plant and equipment (other fixed assets)		-	(1)
Charitable donations received	9	10,000	5,500
Gift aid	10	1,183	4,411
Interest receivable and similar income	11	27	3
Interest payable and similar charges	11	(25)	(44)
Interest on net pension liability	21	(27)	(50)
Total finance income and expense		(25)	(91)
Profit before tax		10,339	10,733
Tax on profit on ordinary activities	12	-	-
Profit for the financial year		10,339	10,733
Other comprehensive income			
Actuarial gains in respect of pension schemes	21	468	314
Other comprehensive income for the year		468	314
Total comprehensive income for the year		10,807	11,047

Association's Statement of Changes in Reserves

for the year ended **31 MARCH 2018**

Statement of Changes in Reserves	2018 £000	2017 £000
Retained earnings as at 1 April	16,405	5,358
Profit for the financial year	10,339	10,733
Other comprehensive income for the year	468	314
Retained earnings as at 31 March	27,212	16,405

Association's Statement of Financial Position

as at **31 MARCH 2018**

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	13	738	798
Property, plant and equipment (other assets)	14	937	1,187
Investments in subsidiaries	15	8,050	8,050
Other investments	16	20	-
		9,745	10,035
Current assets			
Debtors: amounts falling due within one year	17	15,976	8,165
Cash and cash equivalents	18	5,527	6,573
		21,503	14,738
Creditors: amounts falling due within one year	19	(2,509)	(5,456)
Net current assets		18,994	9,282
Total assets less current liabilities		28,739	19,317
Non current liabilities			
Creditors: amounts falling due after more than one year	20	(1,427)	(1,759)
Pension liability	21	(69)	(1,122)
Other provisions	22	(31)	(31)
Net assets		27,212	16,405
Capital and Reserves			
Called up shared capital	23	-	-
Retained earnings		27,212	16,405
Total reserves		27,212	16,405

The financial statements on pages 164 to 180 were approved and authorised for issue by the board on 7 August 2018 and were signed on its behalf by:

Andrew Jackson
Chairman

Bjorn Howard
Group chief executive

David Betteridge
Company secretary

Company number 29573R

Notes to the Association's Financial Statements

1 Legal status

Aster Group Limited is registered under the Cooperative and Community Benefit Society Act 2014, and is registered with the Regulator for Social Housing (RSH) as a Registered Provider as defined by the Housing Act 2004.

2 Basis of preparation

The financial statements of the association have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS102), the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. The association is classified as a Public Benefit Entity under FRS102.

The financial statements are presented in Sterling (£).

Going concern

The board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future given its net asset position. For this reason, 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.

Presentation

The association has elected not to produce a statement of cash flows, detailed disclosures of financial instruments and disclosure relating to key management compensation within the individual subsidiary financial statements in line with exemptions available within FRS 102 and the Housing SORP 2014.

These disclosures are included in the group's consolidated financial statements.

3 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:

Turnover

Turnover represents:
Inter group service income - management and other services provided to other group entities recognised over the period the services are delivered.

Third party service income - administration fees charged on re-sale or staircasing transactions for shared ownership properties.

Gift aid

Commercial companies 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 shareholders' resolutions have been made or where cash has been paid.

Taxation

The company is liable to taxation on its profit. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Investments

Aster Group Limited holds investments in other group companies. These are recognised at cost less impairment.

4 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.

Those applied by the Aster Group can be found in the 'Critical accounting judgements and estimation uncertainty' note in the consolidated financial statements. The association has no additional critical accounting judgements and estimation uncertainties.

5 Turnover and operating expenditure

	2018			2017		
	Turnover £000	Operating expenditure £000	Operating profit £000	Turnover £000	Operating expenditure £000	Operating profit £000
Services provided to subsidiaries - registered providers	**13,787**	**(14,367)**	**(580)**	12,877	(12,242)	635
Services provided to subsidiaries - other	**5,606**	**(5,841)**	**(235)**	5,523	(5,250)	273
Services provided to third party organisations	**100**	**(104)**	**(4)**	125	(119)	6
	19,493	**(20,312)**	**(819)**	18,525	(17,611)	914

During the year the Executive Board was restructured. The associated costs were not recharged to the other members of the group resulting in an operating loss.

6 Operating (loss) / profit

	2018 £000	2017 £000
Operating (loss) / profit is stated after charging / (crediting) Auditors' remuneration (including irrecoverable VAT):		
In their capacity as auditors:	**14**	40
Depreciation - Property, plant and equipment (other assets)	**662**	606
Amortisation of intangible assets	**596**	510
Loss on disposal of property, plant and equipment (other assets)	**-**	(1)

7 Directors' emoluments

See Directors' remuneration report on page 62.

8 Employee information

	2018 No.	2017 No.
The average number of persons employed during the year (full time equivalents 'FTE') based on 37 hours per week	**193**	177

8 Employee information (continued)

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

FTE by salary bands:	2018 No.	2017 No.
£59,999 and less	149	147
£60,000 to £69,999	16	12
£70,000 to £79,999	7	6
£80,000 to £89,999	8	3
£90,000 to £99,999	2	2
£100,000 to £109,999	4	2
£110,000 to £119,999	1	1
£120,000 to £129,999	1	2
£130,000 to £139,999	2	-
£160,000 to £169,999	1	-
£170,000 to £179,999	-	1
£180,000 to £189,999	1	-
£220,000 to £229,999	-	1
£230,000 to £239,999	1	-
	193	177

None of the above employees received any enhanced pension payments during the year (2017: nil)

Staff costs:	2018 £000	2017 £000
Wages and salaries	8,783	7,372
Social security costs	954	806
Other pension costs	435	417
	10,172	8,595

9 Charitable donations received

	2018 £000	2017 £000
Aster Communities	10,000	5,500

Aster Communities made a charitable donation to Aster Group Limited during the year to further the group's principle activities.

10 Gift aid

Gift aid receivable from subsidiaries:	2018 £000	2017 £000
Aster Homes Limited	-	2,766
Aster Property Limited	1,182	1,645
Aster Options Plus Limited	1	-
	1,183	4,411

11 Finance income and other expense

	2018 £000	2017 £000
Interest receivable and similar income		
Interest on short term deposits	27	3
Interest payable and similar charges		
Movement in SHPS recovery plan liability discounting	(25)	(44)
Interest on net pension liability		
Local government pension schemes	(27)	(50)
Total finance income and expense	(25)	(91)

12 Tax on profit on ordinary activities

	2018 £000	2017 £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	-	-

	2018 £000	2017 £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.

	2018 £000	2017 £000
(c) Factors affecting tax charge for the year		
Profit on ordinary activities before taxation	10,339	10,733
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 19% (2017: 20%)	1,759	2,147
Effects of:		
Surplus from charitable activities	-	-
Expenses not deductible	-	-
Utilisation of losses	-	-
Tax at marginal rates	-	-
Items not allowable for tax purposes	(1,759)	(2,147)
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% (2017: 17% or 19%) depending on the date they are expected to fully unwind.

13 Intangible assets

	2018		
	Assets under construction £000	Computer software £000	Total £000
Cost			
At 1 April 2017	-	2,405	2,405
Additions	22	408	430
Transfer from other group companies	-	785	785
Disposals	-	(6)	(6)
At 31 March 2018	22	3,592	3,614
Accumulated amortisation			
At 1 April 2017	-	1,607	1,607
Charge for year	-	596	596
Transfer from other group companies	-	673	673
At 31 March 2018	-	2,876	2,876
Net book value	22	716	738

	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

14 Property, plant and equipment (other assets)

	2018			
	Assets under construction £000	Furniture and equipment £000	Computer equipment £000	Total £000
Cost				
At 1 April 2017	8	321	3,460	3,789
Additions	385	-	8	393
Completions	(369)	-	369	-
Transfer from other group companies	-	-	236	236
At 31 March 2018	24	321	4,073	4,418
Accumulated depreciation				
At 1 April 2017	-	290	2,312	2,602
Charge for year	-	14	648	662
Transfer from other group companies	-	-	217	217
At 31 March 2018	-	304	3,177	3,481
Net book value	24	17	896	937

	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

15 Investments in subsidiaries

	2018 £000	2017 £000
Aster Treasury Plc - 50,000 £1 shares	50	50
Aster Communities - 1 £1 share	-	-
Synergy Housing Limited - 1 £1 share	-	-
Aster Living - 1 £1 share	-	-
Aster Property Limited - 1 £1 share and 1 £1 with a £3 million premium	3,000	3,000
Aster Homes limited - 96 £1 shares and 1 £1 share with a £5 million premium	5,000	5,000
Aster Options plus - 94 £1 shares	-	-
	8,050	8,050

16 Other investments

	2018 £000	2017 £000
MORhomes Limited shares - 20,000 £1 shares	20	-

During the year Aster Group Limited purchased 20,000 fully paid £1 ordinary shares in MORhomes Limited, which is a social housing funding vehicle.

17 Debtors: amounts falling due within one year

	2018 £000	2017 £000
Trade debtors	183	245
Amounts owed by group undertakings	14,726	6,936
Other debtors	21	16
Prepayments and accrued income	1,046	968
	15,976	8,165

18 Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	5,527	6,573

19 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	345	208
Taxation and social security	260	224
Pension contributions	128	107
VAT	61	259
Amounts owed to group undertakings	405	3,604
Accrued holiday pay	11	47
Other creditors	29	44
Accruals and deferred income	935	642
Social Housing Pension Scheme recovery plan liability	335	321
	2,509	5,456

20 Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Social Housing Pension Scheme recovery plan	1,427	1,759

21 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

	2018			
	Total cost by scheme £000	Total interest on net pension liability by scheme £000	Actuarial gain in pension scheme £000	Pension deficit £000
Wiltshire Pension Scheme	60	(27)	419	(69)
Wiltshire Pension Scheme - actuarial asset adjustment	-	-	49	-
SHPS	375	-	-	-
	435	(27)	468	(69)

During the year Aster Living closed its Wiltshire County Council Pension Scheme. The net assets were transferred to Aster Group Limited. The obligation transfer was adjusted by £49,000 relating to additional changes in financial assumptions.

	2017			
	Total cost by scheme £000	Total interest on net pension liability by scheme £000	Actuarial gain in pension scheme £000	Pension deficit £000
Wiltshire Pension Scheme	71	(50)	314	(1,122)
SHPS	346	-	-	-
	417	(50)	314	(1,122)

The pension cost to the association for the year ended 31 March 2018 was £435,000 (2017: £417,000) in respect of 186 (2017: 185) employees.

21 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 3 (2017: 6) active members of the Scheme employed by Aster Group Limited. The annual pensionable payroll in respect of these members was £140,000 (2017: £247,000).

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 2018. 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 2018.

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	2018 %p.a.	2017 %p.a.
Price increases	2.4	2.4
Pension increases	2.4	2.4
Salary increases	2.7	2.7
Expected return on assets	2.7	2.6
Discount rate	2.7	2.6

Mortality	2018 years	2017 years
Current pensioners		
Females	24.9	24.9
Males	22.5	22.5
Future pensioners		
Females	26.7	26.7
Males	24.1	24.1

Fair value of employer assets	2018 £000	2017 £000
Equities	5,876	3,304
Bonds	1,259	651
Property	1,091	605
Cash	168	93
	8,394	4,653

Total cost recognised as expense	2018 £000	2017 £000
Current service cost	60	71
Interest costs	149	188
Expected return on assets employed	(122)	(138)
Total	87	121
Return on plan assets	393	704

21 Pension obligations (continued)

Wiltshire Pension Scheme (continued)

Reconciliation of defined benefit obligation	2018 £000	2017 £000
Opening defined benefit obligation	5,775	5,425
Current service cost	60	71
Interest cost	149	188
Contributions by members	11	18
Actuarial losses/(gains)	(148)	252
Estimated benefits paid	(163)	(179)
Transferred from Aster Living	2,828	-
Actuarial asset adjustment	(49)	-
Closing defined benefit obligation	8,463	5,775

Reconciliation of fair value of employer assets	2018 £000	2017 £000
Opening fair value of employer assets	4,653	3,942
Expected return on assets	122	138
Contributions by members	11	18
Contributions by employers	240	168
Actuarial gains/(losses)	271	566
Benefits paid	(163)	(179)
Transferred from Aster Living	3,260	-
Closing fair value of employer assets	8,394	4,653

During the year Aster Living, a subsidiary company, closed its Wiltshire County Council pension scheme. The resulting obligation and assets were transferred to Aster Group Limited.

Projected pension expense for the year to **31 MARCH 2019**	2019 £000
Projected current service cost	59
Interest on obligation	156
Expected return on plan assets	(142)
Total	73

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 33 of the Consolidated Financial Statements.

Reconciliation of opening and closing social housing pension scheme recovery plan liability	2018 £000	2017 £000
At 1 April	2,080	2,291
Unwinding of the discount factor	25	44
Deficit contribution paid	(321)	(308)
Remeasurements - changes in assumptions	(22)	53
Remeasurements - contribution schedule	-	-
At 31 March	1,762	2,080
Recognised in:		
Creditors: amounts falling due within one year	335	321
Creditors: amounts falling due after one year	1,427	1,759
	1,762	2,080

Social housing pension scheme recovery plan liability profit and loss impact	2018 £000	2017 £000
Recognised in operating profit		
Remeasurements - changes in assumptions	(22)	53
Remeasurements - contribution schedule	-	-
	(22)	53
Recognised in total finance income and expense		
Interest expense	25	44

The Social Housing Pension Scheme Defined Contribution Scheme

The scheme is administered by the Pensions Trust. It is open to all members of staff and is the pension scheme for auto-enrolment. The company paid contributions between 2% and 10% (2017: 2% and 10%) and employees paid contributions from 2% to 7% (2017: from 2% to 7%). On retirement, funds or units earned can be converted into a pension with the Trust, or used to secure a pension with another provider. At 31 March 2018 there were 143 (2017: 120) active members of the scheme.

22 Provisions

	2018 Redundancy £000	2017 Redundancy £000
At 1 April	**31**	31
Amounts utilised during the year	-	-
At 31 March	**31**	31

23 Called up share capital

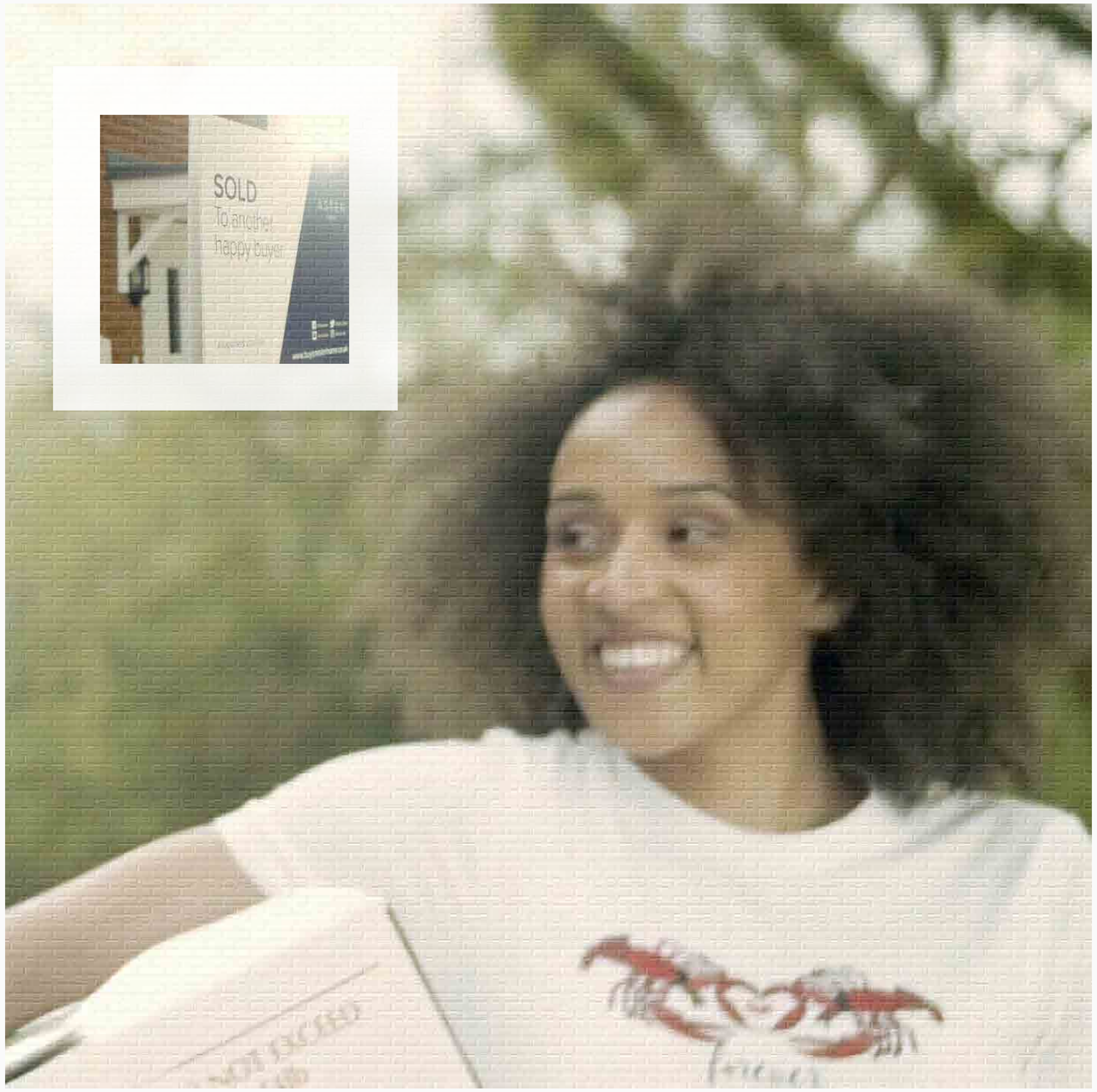
	2018 £	2017 £
Ordinary shares allotted, issued and fully paid		
At 1 April	**7**	7
Issued during the year	-	1
Cancelled during the year	-	(1)
At 31 March	**7**	7

24 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 £88,200 (2017: £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 £52,061 (2017: £295,392) from that company at year end, due to expenses paid on Aster Options Plus Limited's behalf not yet reimbursed.



Notes to the Association's Financial Statements

25 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 Regulator for Social Housing;
- 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 Regulator for Social Housing;
- 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;
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Aster Group Limited is party to the below jointly controlled entities:

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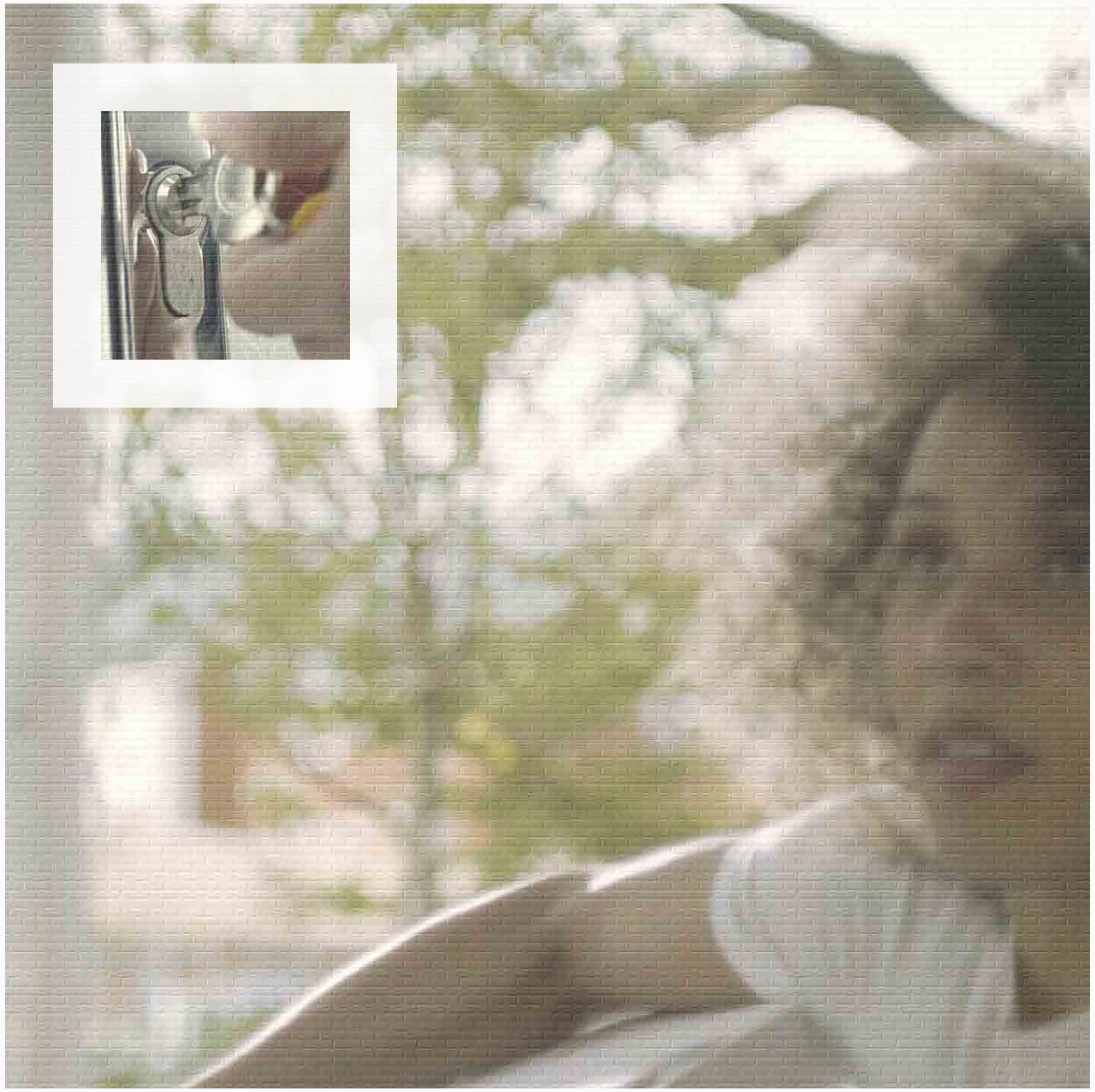
Sarsen Court, Horton Avenue,
Cannings Hill, Devizes,
Wiltshire, SN10 2AZ.

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.



Legal and Administrative Details

Registered office:

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

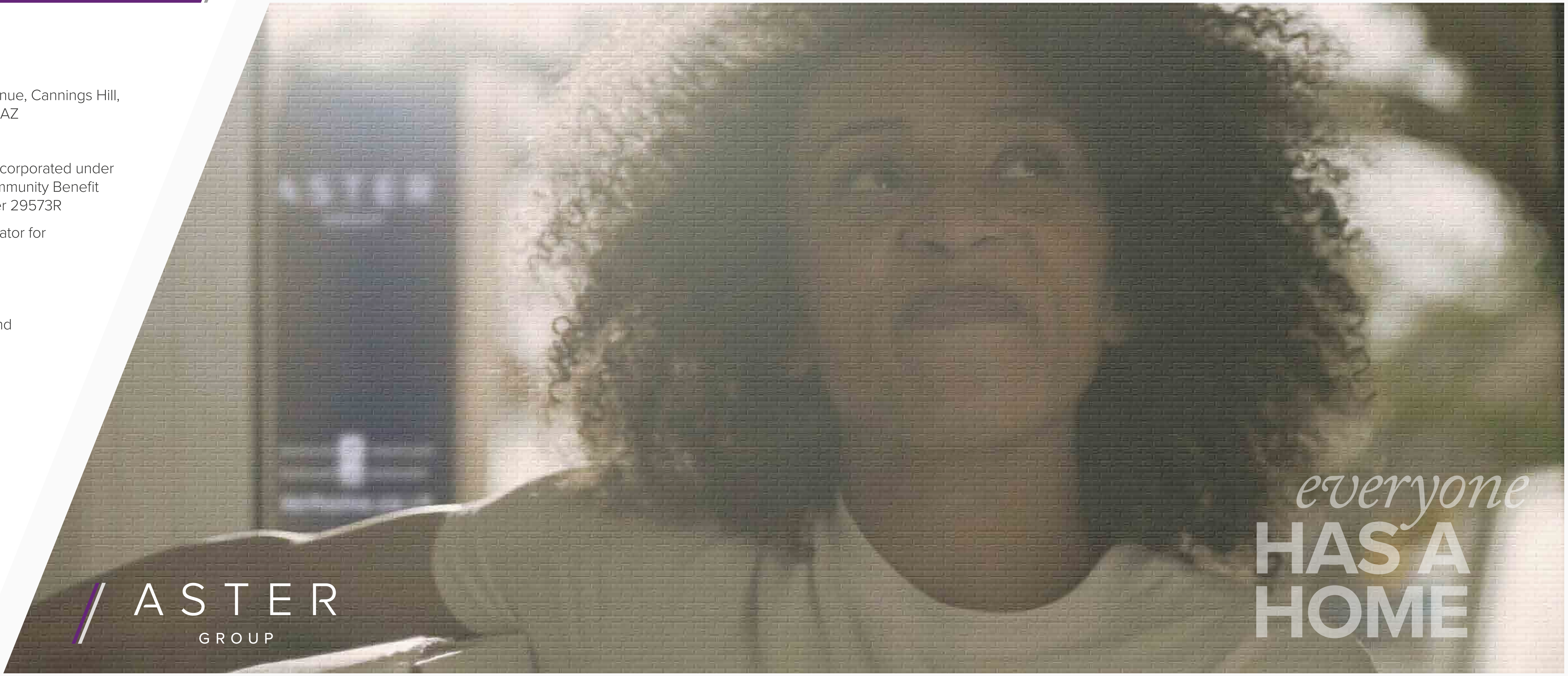
Legal status:

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

Registered with the Regulator for Social Housing (RSH)

Independent Auditor:

KPMG LLP
Chartered Accountants and
Statutory Auditor
Gateway House,
Tollgate,
Chandler's Ford,
Eastleigh,
SO53 3TG



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

Principal Solicitor:
Towers 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

Funders (continued):
Barclays Bank Plc
Business Banking
3rd Floor, Windsor Court, 3 Windsor Place, Cardiff, CF10 3ZL

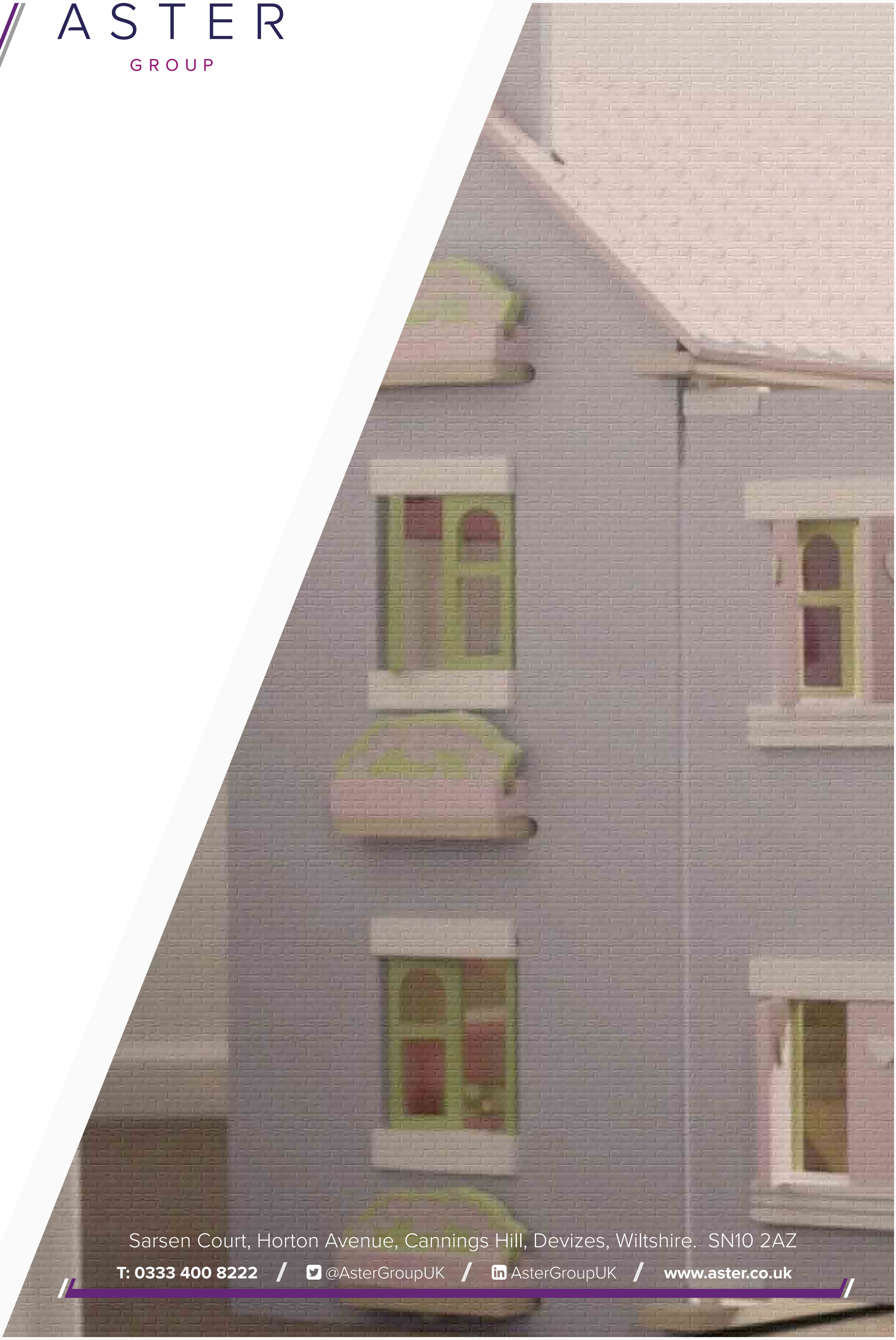
Affordable Housing Finance Plc
4th Floor Cannon Street, London, EC4N 5AF

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

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

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

ASTER
GROUP



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

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