A bright new future for Aster

Aster Group Limited Financial Statements
for the year ended 31 March 2014

aster

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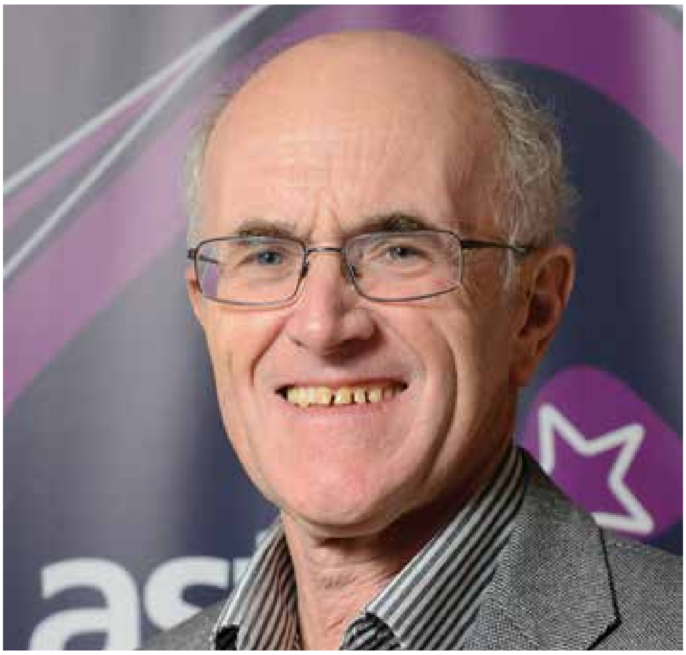
Foreword



Mel Cook
Chairman

This has been another year of strong performance.

It was our first full financial year since the November 2012 merger of Synergy Housing and Aster Group. We said at the time of the merger that it would drive considerable savings. It has. We are already delivering savings of more than £2.5 million a year and are confident that we will exceed our target of £4 million a year by 2017.

One of the many great aspects of our business model is that our profits allow us to invest in the communities in which we work via the development of much-needed new homes, reinvestment in our housing stock and the service offer we make to our customers. Demand for our housing remains very high across our entire operating area and, while we are proud of our significant development programme, we are told that the nation needs 200,000 new homes a year just to stand still. We are determined to play our part to the full.

No year is without challenge and 2013/14 was no different. Welfare Reform continues to have implications for our customers and our business but our response was well planned and executed. We take an approach that supports our customers and protects our business. We are delighted that all that effort from our wonderful staff team has meant that there have been no adverse effects on our arrears or rates of income collection. In fact, we have a slight overall improvement in our arrears position, which at the year-end was 1.9% (2013: 2.0%) and that is testimony to a lot of hard work.

We continue to focus on the quality and value we offer our many thousands of customers. Real value-for-money requires us to be innovative, pragmatic and, where necessary, to live up to our ambition to be 'brave and bold.' This year, we have included an extensive report on the many ways in which we deliver value-for-money. This is just one further step on a never-ending journey and our attention is already focused on our next round of value-for-money objectives.

It is true that the more efficient we become, the greater social impact we can have. In that context, we invested £77 million (2013: £58 million) in growing our housing stock. We built 479 new homes in the year catering for people who want to buy as well as those who rent.

Another notable achievement was the early completion of the construction of 242 homes under the Wiltshire PFI, which was three months ahead of schedule. We are now moving into the 20-year management phase of the contract, while the accounting treatment for the PFI added a one-off £35 million to our turnover and costs on completion of the building phase.

Bjorn Howard
Group CEO

While investing in new homes for people in housing need is an important part of our mission, we are proud of the on-going investment we make in our existing stock. This year, we spent another £29 million replacing building components while the day-to-day repairs and maintenance of our customers' homes was valued at more than £50 million. As a very long-term ethical business, that investment helps us to 'future-proof' our housing stock.

Our homes now have an existing use value of £1,174 million (2013: £1,043 million) and, with long-term loans of around £690 million, we have a very healthy balance sheet to support our ambitions for the future.

In December 2013, we were very pleased to secure £200 million of long-term finance at under 4.6%. We were told that it was the lowest spread for a debut bond outside London and it certainly leaves us in a strong position to complete our projected development programme. The confidence our investors have shown in us is well-founded as we maintain our focus on our financial strength.

Our turnover in the year was up by 46% to £195 million (2013: £133 million), although £35m was a one-off due to the PFI. More importantly, operating profit improved by 54% as we delivered £46 million in the year (2013: £30 million), helped by last year's figures including only five months of Synergy's profits following the merger. Of course, this strong financial performance will enable us to build even more homes in the coming years.

That is another great aspect of our business model. Our business-like approach has generated a significant profit but our social purpose has allowed us to invest a combined total of £106 million in new and existing homes in just this one year.

We are delighted to be able to report such a strong year for the group. As custodians of such an important social business, we are acutely aware of the long-term. Our primary asset is the thousands of properties that we own but these are people's homes in which they are likely to live for many years.

They trust us to deliver and we have.

Mel Cook
Chairman

Bjorn Howard
Group Chief Executive

Legal and Administrative Details

Registered Office:	Sarsen Court, Horton Avenue, Cannings Hill, Devizes, Wiltshire, SN10 2AZ
Legal Status:	Incorporated under the Co-operative and Community Benefit Societies Act 2014, number 29573R Registered with the Homes and Communities Agency (HCA), formerly the Tenant Services Authority (TSA)

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 are set out below. The biographies of the current directors are set out on page 8.

Non-executive directors

Mel Cook	Chairman
Phillip Owens	Vice Chairman (from 13 August 2013)
Rob Yates	Vice Chairman (until 30 June 2013)
Sally Higham	
Peter Kingsbury	
John McGibbon	
Arthur Merchant	(co-opted 5 November 2012, full member from 13 August 2013)
Mary Watkins	
Robert Cowan	(co-opted until 31 December 2013)
Graeme Stanley	(until 1 April 2013)

Executive directors

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

Group Leadership Team:

Bjorn Howard	Group Chief Executive
John Brace	Group Resources Director and Deputy Group Chief Executive
Rachel Credidio	Group Strategic Change Director
Susan Holmes	Group Care and Support Director
Michael Reece	Group Asset Director
Joanne Savage	Group Services Director
Graeme Stanley	Group Strategy and Implementation Director
Amanda Williams	Group Development Director
Brian Whittaker	Group Human Resources Director
Dawn Fowler-Stevens	Strategic Services Director (covering Group Strategic Change Director's maternity leave until 31 May 2013)

Company Secretary:	Carolyn Filmore
Independent Auditors:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 31 Great George Street Bristol BS1 5QD

Principal Bankers:	Barclays Bank Plc Business Banking 3rd Floor Windsor Court 3 Windsor Place Cardiff CF10 3ZL	
Principal Solicitors:	Trowers and Hamlins Sceptre Court 40 Tower Hill London EC3N 4DX	
Funders:	The Royal Bank of Scotland, facility agent 1st Floor, 280 Bishopsgate London EC2M 3RB	Abbey National Treasury Services Plc 2 Triton Square Regents Place London NW1 3AN
	Halifax Bank of Scotland Corporate Banking Level 7 Bishopsgate Exchange 155 Bishopsgate London EC2M 3YB	Dexia (Public Finance Bank) Shackleton House 4 Battle Bridge Road London SE1 2RB
	Barclays Bank Plc Business Banking 3rd Floor Windsor Court 3 Windsor Place Cardiff CF10 3ZL	
Security Trustees:	Prudential Trustee Company Limited Laurence Pountney Hill London EC4R 0HH	
Valuers:	Mazars Property Consultancy Limited 45 Church Street Birmingham B3 2RT	Savills (L&P) Limited 37-39 Perrymount Road Haywards Heath West Sussex RH16 3BN
Financial Advisers:	TradeRisks Limited 3 Devonshire Square London EC2M 4YA	

Directors' biographies

Mel Cook - Chairman
Aster Group,
Group Governance Committee,
Group Treasury Committee

Mel retired from banking in 1996 after 32 years' experience with Barclays Bank in the UK and South Africa, 25 at managerial level. The latter part of his career focused on corporate banking culminating in Head of Corporate Business in Southampton. Since then he has been self-employed with a wide number of interests including business consultancy and property.
Now on the supplemental list, as a Justice of the Peace he served 15 years on the bench in Southampton as a magistrate, chairing in both the adult and youth courts and was a non-executive director with the Eastleigh and Test Valley South Primary Care Trust, until the NHS reorganisation in Hampshire.

He has been involved as a non-executive board member in the housing sector since 1998, first as a shadow and founding member of Testway Housing, becoming Chairman upon stock transfer; Group Vice Chairman of Aster following Testway's merger with Sarsen Housing and Flourish Homes; and Aster Group Chairman for four years until 2010. After two years as Chairman of Synergy Housing, he returned to the enlarged Aster Group as Chairman following the merger.

Sally Higham
Aster Group,
Group Governance Committee

Sally is Chief Executive of the social purpose organisation, RunAClub.com and also has considerable consultancy experience forging strong strategic advisory relationships across multiple public and private sector organisations. Sally's key consultancy skills are in researching and evaluating policies, functions and services and advising on new methods and practices in young people's services and education along with instigating strategic fundraising/sponsorship negotiations. She has demonstrated success in supporting new ventures to evolve and works in partnership to help companies, schools, local authorities, charities and social enterprises grow and develop new products, methods and services.

Sally is an active voluntary contributor to community life.

Peter Kingsbury
Aster Group, Synergy Housing,
Group Governance Committee

Peter is a retired university lecturer and management consultant. He spent much of his working life in commerce, operating at all levels both in IT and HR. He joined the Synergy board in October 2008 and the Aster Group Board in November 2012 and brings a common sense tenant perspective to the board decisions. He is a Chartered Fellow of the Institute of Personnel and Development and has a degree in psychology and a masters' degree in software engineering. His considerable skills enable him to play an active part in board level HR and IT activity.

Peter was appointed Vice-Chairman of the Synergy Housing Board on 18 September 2013.

John McGibbon
Aster Communities,
Aster Group

John retired in 2006 from Grant Thornton, a leading financial and business adviser to mid-corporate business and their owners. He qualified as a chartered accountant in 1972 and became a partner with Grant Thornton in 1977, providing audit services, tax, corporate finance and business advice to private and public companies, not-for-profit organisations, charities and professional practices. He has held a number of senior management appointments within the organisation, including regional managing partner and member of the National Management Board with responsibility for client service and information systems.

John is Chairman of the Aster Communities Board.

Arthur Merchant
Aster Group,
Aster Living, Synergy Housing,
Group Treasury Committee

Arthur Merchant is a qualified public finance accountant and has specialised in the provision of external and internal audit services, as well as advisory services, to the education, local government and health services and not-for-profit sectors. His specialist advisory skills include value for money, business planning, governance and risk management. He retired from Grant Thornton LLP in June 2013 as a Senior Housing Advisor having previously been head of their housing team for over 20 years. He has worked with a large number and variety of housing associations during that time.

He is a regular speaker at housing conferences and is a member of the CIPFA Housing Association Panel. He is also a board member of the Hertfordshire Chamber of Commerce.

Phillip Owens -
Vice Chairman
Aster Property, Aster Group

Phillip's most recent employment experience before retirement was as Director and Company Secretary of Cascade Consulting. Before that he was Senior Managing Consultant for (Enterprise) BWNL. Both companies offered an extensive range of services to housing and the public sector. A major part of Phillip's career has been in local government, latterly as Chief Executive of Kennet District Council, where he established and maintained the council as the top performer in England. He has previously had departmental responsibilities for legal, HR, corporate governance and direct services. In the business world, Phillip has also taken a lead consultant role in the establishment and development of over 20 new housing companies and ALMOs (arm's length management organisations).

Phillip first qualified as a solicitor (with honours) in 1973. He was formerly the Chair of the Audit and Risk Committee of the NHS Trust Wiltshire and Swindon. Phillip is Vice-Chairman of the Aster Group and Chairman of Aster Property.

Mary Watkins
Aster Living, Aster Group

Mary was Deputy Vice-Chancellor of the University of Plymouth until 2012 and is now Emeritus Professor of Healthcare Leadership. She is a non-executive director of South West Ambulance Service NHS Foundation Trust and chairs its Quality and Governance Committee and is a member of the BUPA Medical Advisory Committee.

Mary is a nurse and has sat on a number of panels and committees, at both a local and national level, being a former Chairman of HERDA South West Health Advisory Group, the Paramedic Education Sub Committee of Council for Professionals and UKCC Education Commission Chair. She contributes to key university committees and participates in a wide external network in the south west region and nationally in health and social care.

Mary is regularly asked to contribute to the development of healthcare practices in England, the UK and internationally. She is regularly published in health related journals, is the author of two books relating to health care and presented at over 50 conferences covering a range of health care subjects including user/carer involvement in care, competency in practice and advocacy.

Mary was appointed Chairman of the Aster Living Board with effect from 1st October 2013.

Bjorn Howard -
Group Chief Executive
Aster Group

Group Chief Executive

Bjorn has worked in housing, care and support for 25 years, having started his career at a Borough Council in Essex. The majority of his working life has been spent in the not-for-dividend sector. Bjorn's first senior role was with East Hampshire Housing Association in the mid-1990s. He was then appointed Director of Housing & Care and promoted to Director of Operations at Drum Housing Group.

Bjorn has extensive board-level experience as both an executive and non-executive. His first CEO role was at Coastline Housing in 2003, where he led the transformation of a failing housing association into one with excellent prospects for the future. Since then Bjorn has served as a Non-Executive Director of an NHS Trust, educational organisations and as a Government-appointee on a housing association board. Bjorn became Group CEO of Aster in May 2009 and led its successful merger with Synergy Housing in 2012 to grow its housing business to more than 27,000 homes.

In addition to holding an MA in Management, Bjorn is a Fellow of both the Chartered Institute of Housing and Chartered Management Institute and is a Member of the Institute of Directors.

John Brace -
Group Resources Director/
Deputy Chief Executive
Aster Group, Aster Homes,
Group Treasury Committee

Group Resources Director/Deputy Chief Executive

John has been with Aster Group companies since 2000, when he joined as Sarsen's Finance Director. Having first qualified as a chartered accountant with a national firm, he then spent several years dealing with insolvent companies before moving to the commercial sector as Group Financial Controller for an insurance broking and financial services group.

John brought his commercial skills to the social housing sector in 1993 when he was appointed as Finance Director and company secretary to Brunelcare, a charitable housing association for older people. There he was instrumental in establishing a new domiciliary care service, as well as raising private finance to fund new nursing homes and housing schemes.

After joining Sarsen, John was heavily involved in the creation of Silbury Group and Aster Group, as well as the mergers that followed. John is Chairman of the National Housing Federation's Regional Committee in the South West.

Customers at Ludgershall Community Fun day, Wiltshire

Report of the Board

The board presents its report and the audited consolidated financial statements for the year ended 31 March 2014.

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.

The Board >>

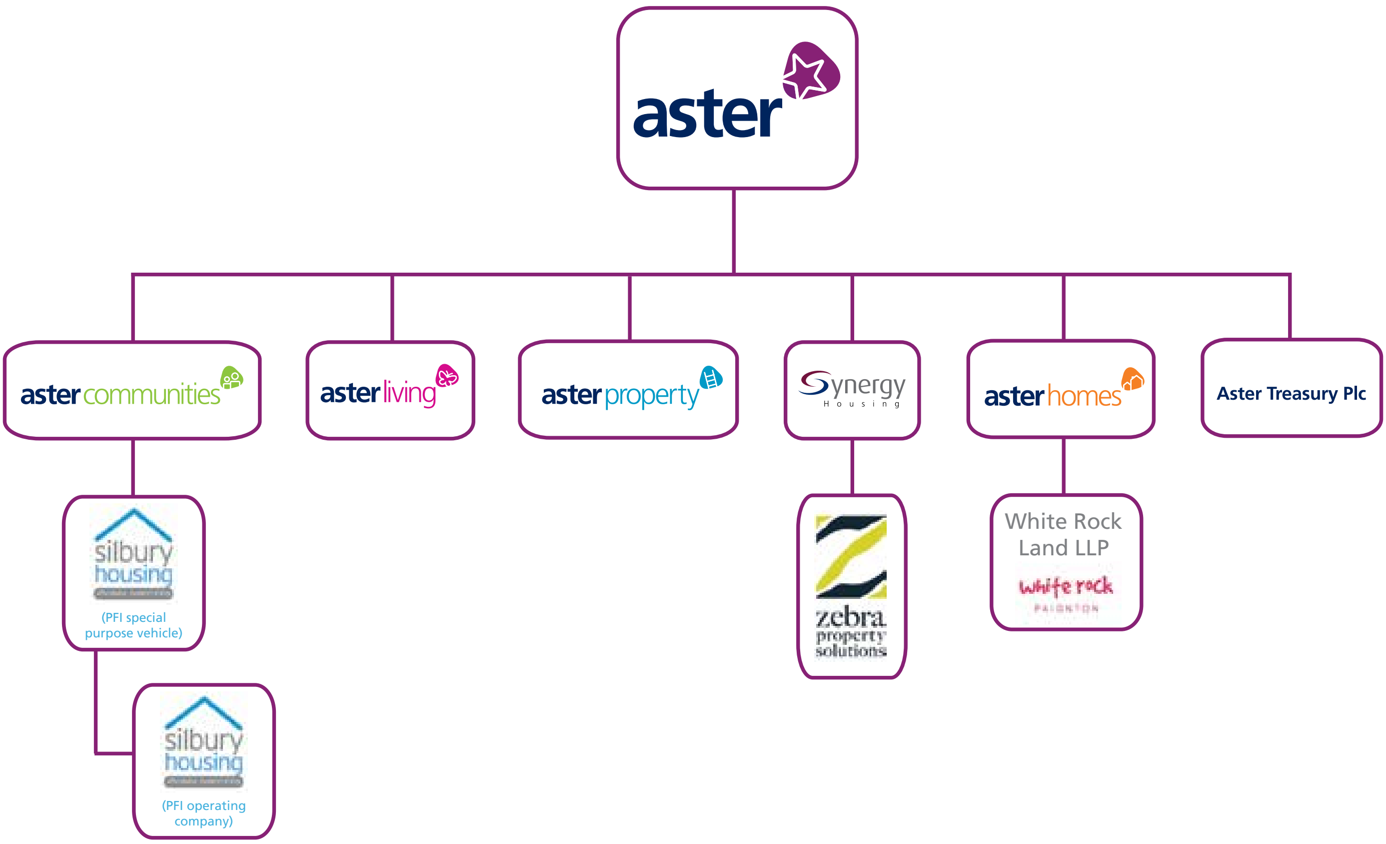
The members of the board are listed in the legal and administrative details at the beginning of this report.

Share Capital >>

During the year, 1 share was issued and 1 was cancelled leaving a balance in the share capital of the company of £7 (2013: £7).

Group Structure >>

The current structure of the group is:



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

Aster Group Limited	Acts as holding company for the group, and provides support services for each of the subsidiaries.
Aster Communities	Registered Provider, with properties primarily in Hampshire, Wiltshire, Somerset and Devon and Cornwall.
Synergy Housing Limited	Registered Provider, with properties primarily in Dorset, Hampshire and Wiltshire.
Aster Living	Provision of care and support services to vulnerable people in specialist housing or their own homes.
Aster Homes Limited	Development of homes for affordable and market sale and rent.
Aster Property Limited	Management and maintenance of housing stock and related areas.
Silbury Housing Holdings Limited and Silbury Housing Limited	Special vehicles for the delivery of homes in Wiltshire as part of a Private Finance Initiative.
Zebra Property Solutions Limited	The development of properties for resale and rental on the open market.
Aster Treasury Plc	Special vehicle for raising bond finance on behalf of other group entities.
White Rock Land LLP	A Limited Liability Partnership jointly owned by Aster Homes Limited and Galliford Try Homes Limited to develop properties on three sites in Devon.

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.
Group Governance Committee	Considers matters relating to the governance of the group, in particular recruitment and development of board members and the approval of policies and standing orders and regulations.
Group Audit and Risk 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 risk management and internal control arrangements.
Group Treasury Committee	Oversees all of the group's treasury management activities, and makes recommendations to the board on those activities.
Group Leadership Team	Responsible for implementing the group's strategy and for the ongoing management and viability of the group.
Subsidiary senior management teams	Responsible for implementing the subsidiary strategies, and have delegated authority for day-to-day management of the subsidiaries.

A governance review is currently taking place with the view to streamline the number of committees and boards operated across the group.

Attendance at board and committee meetings >>

Set out on the following pages are tables of attendance at board and committee meetings:

Group and subsidiary boards		Aster Group Limited	Aster Communities	Aster Homes Limited	Aster Living	Aster Property Limited	Synergy Housing Limited	Silbury Housing Limited	Silbury Housing Holdings Limited	Aster Treasury Plc
No of Meetings:		4	6	6	4	4	6	4	4	1
Christopher	Bain *				1					
Martyn	Blackman			6						
John	Brace	4		4				4	4	1
Anthony	Brooks		3							
Debbie	Cattell		5							
Alan	Clevett *					3	2			
Mel	Cook	4								
Sue	Coulson *			3						
Robert	Cowan *	3					2			
Clare	Crawford							4	4	
Malcolm	Curtis			6			6			
Jean	Dalziel					4				
Susan	Dear		6					4	4	
Peter	Denning				4					
Mary	Douglas		4							
Warren	Finney						5			
Spencer	Flower						3			
Vera	French				2					
Anne	Goymer *				2					
Sally	Higham	4								
Susan	Holmes				4					
Bjorn	Howard	4								1
Andrew	Jackson					3				
Brian	Jamieson		5					4	4	
Ken	Johnson		6							
Mark	Jones			6						
David	Kemp					4				
Peter	Kingsbury	4					6			
Joe	Logan						5			
Erfana	Mahmood		4							

Group and subsidiary boards		Aster Group Limited	Aster Communities	Aster Homes Limited	Aster Living	Aster Property Limited	Synergy Housing Limited	Silbury Housing Limited	Silbury Housing Holdings Limited	Aster Treasury Plc
John	McGibbon	4	6							
Chris	McGowan *				4					
Arthur	Merchant	4			4		5			
Paul	Morgan									1
Susan	Noone *				1		5			
Graham	Oliver *				4					
Phillip	Owens *	4				4				
Geoff	Petherick						6			
Michael	Reece					4				
Rita	Sammons		4							
Jo	Savage		6				6			1
Sandy	Scott *						6			
Mark	Skellon *						3			
Stephanie	Taylor *						2			
Steve	Trusler			6						
Tony	Ward		3							
Mary	Watkins	3			4					
Amanda	Williams			6						
Nigel	Woollcombe-Adams		5							
Rob	Yates *	1								

* Attendance is lower than the total number of meetings held due to the director only holding office for part of the year.

Attendance at board and committee meetings *(continued)* >>

Group Leadership Team	Total	Possible	%
Bjorn Howard	11	12	92%
John Brace	11	12	92%
Rachel Credidio	9	10	90%
Susan Holmes	11	12	92%
Michael Reece	12	12	100%
Jo Savage	11	12	92%
Graeme Stanley	10	12	83%
Amanda Williams	10	12	83%
Brian Whittaker	12	12	100%
Dawn Fowler-Stevens (until 31 May 2013)	1	2	50%

Group Governance Committee	Total	Possible	%
Peter Denning	3	3	100%
Mel Cook	3	3	100%
Sally Higham	3	3	100%
Peter Kingsbury	3	3	100%
Peter Cruttenden	1	1	100%
Rob Yates	1	1	100%
Dawn Fowler-Stevens	1	1	100%
Rachel Credidio	2	2	100%

Group Audit & Risk Committee	Total	Possible	%
Chris McGowan	4	4	100%
Robert Cowan	3	3	100%
Sue Dear	4	4	100%
David Kemp	4	4	100%

Group Treasury Committee	Total	Possible	%
Peter Cruttenden	4	4	100%
Arthur Merchant	4	4	100%
Mel Cook	4	4	100%
John Brace	4	4	100%

Disabled employees >>

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

Employee involvement >>

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

Employees are encouraged to present their work-specific suggestions through a forum called 'Advise Aster', and are consulted regularly about strategies and policies. There are regular company briefings and team meetings held between local management and employees to allow a free flow of information and ideas. The group also has various notice boards and an online HR system which keeps employees informed of job opportunities and secondments. Group companies take part in the annual 'Best Companies to Work For' survey. This allows employees to comment, anonymously, on their experience as an Aster employee. The results are benchmarked against similar-sized organisations, to provide a guide about how the group may improve as an employer.

Equality and diversity >>

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

Environmental impacts and mitigation >>

During the year the group was pleased to be successful achieving the re-certification of the environmental management system to the externally certified ISO 14001 standard. The group is also pleased to report that Synergy Housing now also meets the ISO 14001 standard.

As part of the environmental management system the group has a range of procedures for managing, measuring and reporting significant environmental aspects. The group measures carbon, waste, water, paper and atmospheric pollutants, as presented in its annual sustainability review.

The group has calculated its theoretical 1990 baseline for carbon emissions. This enables the group to align itself with the government targets of an 80% reduction by 2050, and a 34% reduction by 2020 based on 1990 levels. The group has also set itself interim targets to help achieve these reductions. The group has accurately measured its footprints for the last five years and is processing the 2013/14 data. The group is currently on target with the reduction pathway.

During the year the first Aster Group sustainability conference was attended by over 60 customers, colleagues and external stakeholders. The outcomes of the event are helping to re-design the strategic approach to sustainability which will launch later in 2014.

Wider support for tenants has also continued and over the course of the year will have trained 100 frontline staff and will have run outreach sessions to over 100 vulnerable consumers as part of the Government's Big Energy Saving Network. The group is also working with the Cabinet Office behavioural insights team on a pilot study to understand how behaviour change can save customers money on their energy bills.

Operating and Financial Review >>

Business
Description >>

Aster is a group of like-minded businesses, focused on different functions, but all aiming to make a difference in the communities in which it operates.

Aster Group Limited is the parent company of Aster Communities, Synergy Housing Limited, Aster Homes Limited, Zebra Property Solutions Limited, Aster Living, Aster Property Limited and Aster Treasury Plc. Subsidiary companies include Silbury Housing Holdings Limited, Silbury Housing Limited and Zebra Property Solutions Limited. Aster Homes has a 50% share in a joint venture company called White Rock Land LLP. The group employs 1,500 (2013: 1,600) people, has total fixed assets of £1,197 million (2013: £1,066 million) and turnover of over £195 million (2013: £133 million).

Aster Communities and Synergy Housing Limited provide over 27,000 homes. The group provides services to more than 75,000 customers across central and south west England.

Aster Homes Limited is a commercial development company which aims to create excellent new homes for sale, and develop affordable homes for Aster Group companies and other housing associations. It plans to develop around 800 (2013: 485) new affordable homes per year.

Aster Living helps people to live independent lives through a variety of services, including care and support, home improvement and telecare. It has around 20,000 (2013: 20,000) customers in west Berkshire, Hampshire, Wiltshire, Somerset, Dorset, Devon and Cornwall.

Aster Property Limited maintains and repairs the homes owned by Aster Group companies, and also provides property maintenance services to other organisations. It offers a broad range of maintenance services including reactive, planned and estate maintenance. The company also carries out specialist maintenance activities like gas servicing, electrical inspections, mobile caretaking, arboriculture, and work on our sewers. Its annual budget for repair and maintenance activities is over £56 million (2013: £49 million).

Aster Treasury Plc is a special purpose vehicle set up for Capital Market Bond issues to finance Aster Communities and Synergy Housing Limited.

Silbury Housing Limited was set up in order to deliver the 22 year contract with Wiltshire Council to develop, fund, manage and maintain 242 homes. The project brings together Wiltshire Council and Aster Communities with Persimmon Homes and its sister company Westbury Partnerships to deliver a mixture of one, two, three and four-bedroom houses, flats and bungalows. Land has been provided by the Council and Persimmon Homes.

White Rock Land LLP is a joint venture limited liability partnership which has been set up and jointly owned between Aster Homes Limited and Galliford Try Homes Limited to develop properties on three sites in Devon. The group also runs an investment and development partnership called New Futures. Aster is one of the HCA's Investment Partners and has built relationships with other progressive developers. Aster bids for grant funding on behalf of other group companies and its New Futures partners. The partners are Severn Vale Housing Society, Elim Housing, Tamar Housing Society, Teign Housing, Wiltshire Rural Housing Association, Wyedean Housing Association, United Housing Association, and Cirencester Housing Society.

Mission and ambitions >>

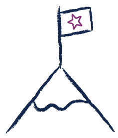
Aster Group is a collection of social businesses dedicated to improving local communities. We provide high quality affordable homes to rent or buy, together with care, health and education services, and we reinvest in our communities to help our customers.

We have four ambitions to help us meet our mission:

We will grow our business

- We're committed to building more affordable homes in the communities we work with; and
- we're committed to providing care, support and other services for local people.

Growing our business will help us deliver these commitments.



We will be brave and bold where we can make a positive difference

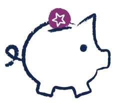
- We're committed to investing in local communities; and
- we're committed to offering new services in areas such as education and health.

By being brave and bold we know we can make a positive difference to people's lives.

We will deliver value and offer choice

- We're committed to improving our range of services; and
- we're committed to spending money wisely, cutting out waste wherever we can.

Through this focus we will deliver value and choice.



We will be financially strong

- We're committed to managing our money well; and
- we're committed to using our financial strength to raise funds.

By being financially strong we can continue to invest in the communities we work with.

We have three values that support our mission and ambitions:

- We care about our customers and communities;
- We support each other to do great work;
- We believe in openness, listening and learning.

These values guide our approach to everything we do.

Operating review >>

The key factors affecting the performance of the group during the course of this year are:

- The continuing realisation of savings arising from the merger of Aster Group and Synergy Housing in 2012. The group is now seeing the benefit of greater procurement strength, especially in repairs and maintenance activities;
- The termination of the contract with Wiltshire Council for "Help to Live at Home" services, which has seen turnover in Aster Living fall, but an even more significant reduction in costs;
- The issue of a £200 million bond, described in more detail on page 23, which, whilst providing capital for future development, has increased interest costs; offset by
- The continued low level of interest rates on the group's existing funding arrangements.

Performance in year >>

The group has had a very successful financial year. Headline revenue increased £61.3 million to £195.1 million, but has been artificially swollen by £36.1 million of notional sales revenue from the group's Silbury Housing PFI contract which successfully completed construction, ahead of schedule, this year. This is matched by £35.8 million of PFI operating costs. Both of these will return to levels appropriate to the continuing activities next year. Last year also included only 5 months of results from Synergy Housing following the merger in November 2012. Adjusting for these, underlying revenue increased £33.0 million. The group's operating surplus was £46.0 million (2013: £29.8 million), an increase of £16.2 million and up £8.3 million adjusting for the timing benefit of Synergy. The group's operating margin, after adjusting for Silbury Housing, increased by 4% to 28.8% reflecting the benefit and cost reductions following the merger with Synergy. Cumulative merger savings at March 2014 totalled £3.4 million. The potential impact of welfare reform was not as severe as expected and both Aster Communities and Synergy revenues held up well.

Despite the adverse weather in quarter 4, Aster Property, responsible for the group's property and maintenance activities, delivered all programmed work and catch-up work and all homes were Decent Homes Standard compliant at 31 March 2014. Aster Living had a challenging year following the planned hand back of the biggest single contract in its portfolio – profit levels were not sufficient - resulting in the loss of 500 customers. Despite this, Aster Living profits increased to £0.2 million.

In December 2013 the group successfully completed the issue of £200 million of fixed rate bonds, with a further £50 million retained for future issuance, through its subsidiary, Aster Treasury. This should provide the group with sufficient cash resources to support its development plan until 2017.

This year the group spent £79.6 million on the acquisition and construction of housing properties and built 479 new homes. At the end of the year, the value of the group's housing properties was £1,174 million (2013: £1,043 million).

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

Aster Communities >>

Income increased £6.2 million to £95.4 million and was also well ahead of budget. Rental income net of voids increased 6.5% to £81.1 million with void losses (the amount of income lost through vacant properties) at £0.8 million compared with £0.9 million last year despite the increase in rents and properties. Particularly pleasing was the success of the team's efforts to limit the anticipated impact from welfare reform – bad debts were only £0.8 million, slightly higher than last year but 37% better than budget.

The operating margin on letting activities was 30.5% against 32.4% last year, the reduction due mainly to the impact of £3.3 million of additional depreciation from component accounting. Spending on major works and cyclical spend was £13.9 million, better than budget, the savings due to efficiency - all planned program work was completed. Routine maintenance spend was also under budget, particularly impressive given the adverse weather in quarter 4. Property sales added £3.9 million to profit with 81 first tranche shared ownership sales, 25 staircasing sales and 59 right to buy/acquire sales.

Interest costs increased just £0.7 million to £9.4 million despite the increase in debt, the company's weighted average cost of funds lower than budget helped by lower LIBOR, the successful bond issue and timing of spend.

Profit before tax increased £1.4 million to £20.6 million.

Aster Communities KPIs	2013/14 Target	2013/14 Actual	2012/13 Actual
% rent lost through vacant properties	1.20%	0.60%	0.89%
Average number of days to re let - General Needs	14.0	15.9	25.1
Average number of days to re let - Housing for Older People (HOPS)	24.0	32.1	27.6
% arrears (General needs and HOPS)	3.5%	1.7%	2.0%
% repairs completed on time	97.5%	98.9%	98.1%
% of tenants satisfied with repair work	95.0%	95.3%	95.0%
% of all appointments kept	90.0%	95.2%	88.2%
New homes completed for Aster Communities	349	310	280

Highlights:

- Improved performance in rent lost through vacant properties;
- Improved performance in arrears management;
- The management of voids through the speed of re-lets has improved considerably compared against prior year on General Needs properties. Concerted efforts continue to be made to bring this figure within target. Re-lets on Housing for Older People continue to be challenging due to the specialist nature of this area.

Synergy Housing Limited >>

Synergy Housing Limited had a similarly good year. Revenue was up £2.9 million to £48.0 million and ahead of budget. Rental income net of voids increased 7.4% to £42.2 million with void losses at £0.4 million, lower than last year. Service charge income increased 13% as a result of improvements in billing and collecting these charges. As for Aster Communities, management actions limited the anticipated impact from welfare reform – bad debts were only £0.4 million.

The operating margin on letting activities was 30.5% against 24.1% last year, Synergy's cost base benefitting from the efficiencies arising from the merger with the group. Spending on major works and cyclical spend was £7.1 million, lower than in the previous year and within this all planned program work was completed. Routine maintenance spend was also lower than last year, again particularly pleasing given the adverse weather in quarter 4.

Interest costs fell £0.1 million to £6.9 million, the company benefitting from the borrowing capacity of the group at lower interest rates.

Profit before tax increased £3.4 million to £6.4 million.

Synergy Housing Limited KPIs	2013/14 Target	2013/14 Actual	2012/13 Actual
% rent lost through vacant properties	1.2%	0.75%	1.14%
Average number of days to re-let – General Needs	14.0	19.0	15.2
Average number of days to re-let – Housing for Older People (HOPS)	24.0	35.4	31.7
% arrears (General needs & HOPS)	3.5%	2.2%	2.0%
% repairs completed on time	97.5%	99.5%	99.5%
% of tenants satisfied with repair work	95.0%	95.4%	92.1%
% of all appointments kept	90.0%	91.9%	-
Customer satisfaction – Grounds maintenance	95.0%	80.0%	90.0%
New homes completed	196	169	92

Highlights:

- Average number of days to re-let, for general needs, has gone down due to late nominations from local councils and refusals by some individuals; for HOPS, there has been a lack of demand for this type of accommodation, i.e., Bedsits.
- The grounds maintenance target has not been met due to poor contractor performance with the work subsequently being moved in-house.
- Despite delays in welfare reform, the association has continued to prepare for these changes, in particular helping customers to manage their money more effectively, which has seen a reduction in arrears.

Aster Property Limited >>

Aster Property, responsible for the group's property and maintenance activities, increased revenues by £19.9 million to £54.9 million and generated an operating profit of £1.2 million. The increase in turnover was primarily due to the services now provided for Synergy Housing Limited which joined the Aster Group in November 2012. Planned and cyclical maintenance performance remained strong throughout the year, with maintenance savings of £1.2 million delivered. All programmed work was delivered for the year along with an element of additional and catch-up works and all homes were Decent Homes Standard compliant by 31 March 2014.

Tenants' satisfaction is a key measure used to monitor the company's performance and in the area of planned and cyclical maintenance this stood at 97.9%. This in itself reflects the strong performance of the planned maintenance team throughout the year.

Aster Property Limited KPIs	2013/14 Target	2013/14 Actual	2012/13 Actual
% of repairs completed on time	97.5%	98.9%	98.1%
% tenants satisfied with their completed repair in terms of customer service and quality of work	95.0%	95.3%	94.7%
% of appointments kept	90.0%	95.2%	88.2%
Productivity (Average completions per day per operative)	5.0	4.9	4.6

Aster Homes Limited

Aster Homes develops new homes for sale and affordable homes for the group and other housing associations. Revenue for the year was £37.5 million, £20.8 million ahead of last year with 479 affordable homes completed compared to 372 last year. No commercial sales were completed, completion of properties were delayed due to the poor weather conditions at the start of 2014 which had the knock on effect of properties not being available for sale during the year as originally planned.

Aster Homes Limited KPIs	2013/14 Target	2013/14 Actual	2012/13 Actual
Affordable homes completed	545	479	372
Commercial homes sales completed	10	-	9

Aster Living >>

Aster Living had a challenging year, following the handing back of the Wiltshire help to live at home contract to Wiltshire Council (the company's biggest single contract in its portfolio) in September 2013 where over 500 customers were transferred, extremely successfully, to an alternative provider. The contract also generated approximately 10 new referrals per week, but revenues generated were not sufficient to cover associated costs. Revenue for Aster Living was £13.5 million compared to £14.0 million last year although operating profits increased from a loss of £0.7 million to a profit of £0.2 million, much of the restructuring cost from the hand back of the Wiltshire contract being recognised in 2012/13. Within the Extra Care sector, the company gained additional care hours as a result of the Synergy merger and also won a contract to deliver Extra Care at Newton Abbot, all of which has resulted in a large out performance of the targeted growth in care hours.

Within Telecare, the company transferred 2,005 customers with the cessation of the Hampshire Telecare contract; but despite this the total number of customers grew by 81 i.e. 2,086 new customers were attracted despite losing 2,005.

Aster Living KPIs	2013/14 Target	2013/14 Actual	2012/13 Actual
Net Growth in Customer Base	978	213	n/a
Net Growth in Care, Extra Care, Learning Difficulties and Support Hours	2,985	5,549	n/a
Net Growth in Telecare Customer Base	877	81	n/a
Number of Handihelp Jobs carried out	4,550	5,224	n/a

Silbury Housing Limited >>

Silbury Housing was set up to deliver the 22 year contract with Wiltshire Council to develop, fund, manage and maintain 242 homes. The construction phase was completed this year, three months early, with the final properties made available and let during February 2014, ahead of the contracted schedule in May 2014. Silbury's revenue this year was £36.2 million with related costs of £35.8 million reflecting the one-time notional sale of the properties under the PFI contract.

During the development phase of the project (approximately 2.5 years) the company predominately managed the construction of the units through its subcontractor, Persimmon Homes Limited and managed the funding required for this period. Once completed housing units are made available for occupation, the company receives two income streams which it uses to pay sub-contractors and to repay debt drawn down during the development phase. The two income streams are the contractual unitary charge received from Wiltshire Council, and the contractual construction services agreement payment received from the group. Persimmon Homes, working with Aster Communities and other Aster Group Companies, commenced construction in January 2012.

Silbury Housing Limited	2013/14 Target	2013/14 Actual	2012/13 Actual
Dwellings completed and in management	200	242	89

Aster Treasury Plc >>

Aster Treasury was incorporated during the year to enable the group to raise external debt to finance the growth and development activities of the group. On 18 December 2013, the company successfully issued £200 million guaranteed fixed rate secured bonds. The bonds are denominated in Sterling and mature on 18 December 2043 at a fixed coupon rate at 4.5% payable half-yearly in arrears. The bonds are listed on the London Stock Exchange. The proceeds have been loaned to Aster Communities and Synergy Housing Limited, subsidiaries of the Aster Group. Aster Group guarantees the timely payment of principal and the interest by the company. Also on 18 December 2013, the company deferred the issue of a further £50 million 4.5% guaranteed fixed rate secure bonds until a future date.

Future performance and principal risks >>

The main factors affecting the future operation of the group relate to the external environment, and involve pushing for more efficiency and value for money. The key risks include:

- Continuing uncertainty over the future state of the economy, with most commentators welcoming greater confidence but warning of the fragile nature of the recovery;
  - » The group will continue to monitor changes in the UK economy which may impact on key areas of the business (eg: Income (including collections), Development, Response & Major Repairs)

- The impact of welfare reform and other government cuts on income streams, both in terms of the level of income and the cost of collection;
  - » The group has taken the approach of identifying and contacting customers that would be affected by under occupancy early on in the process of rolling out welfare reforms
  - » The group has a robust approach to monitoring arrears including KPI reporting to the board on a regular basis
  - » The impact on the group of the end of "rent convergence" is known and has been factored into the group's financial plan

- The availability and cost of funds for development, allied to inflationary pressures on construction costs;
  - » The governance structure includes the group treasury committee which oversees all of the group's treasury management activities making recommendations to the board
  - » The group has become less reliant on bank financing as its primary source of funding following the issue of a £200 million bond in 2013.

- Risk of regulatory actions from the government and / or HCA for failure to meet the economic and consumer standards as set out the Regulatory Framework
  - » The group will remain vigilant over adherence to the Regulatory Framework including an annual review and regular reporting to boards
  - » The Group Chief Executive and senior management team maintain regular contact with the HCA

The work the board has undertaken in recent years to restructure the group has been designed to put the group in the best position to meet these challenges and still achieve its objectives.

The future will raise many challenges for the sector, but will also open many opportunities for progressive organisations to make a real difference in the local communities.

Risk management

The group maintains a risk register which is reviewed quarterly by the Group Leadership Team and twice yearly by the boards. For each risk, mitigating controls are also maintained, which are regularly reviewed both by management and internal audit. Each risk is impact and probability scored. The major risks the group faces are closely aligned to the factors affecting the future performance outlined above.

Financial Review >>

Financial performance and position >>

A detailed review of the group's performance is set out in the Operating review on pages 18 to 24. The group has had a very successful financial year, mainly due to efficiency savings arising from the merger, and from continuing low interest rates. Revenue increased £61.3 million to £195.1 million, but has been inflated by the recognition of the one-time £36.1 million notional sales revenue from the group's Silbury Housing PFI contract which successfully completed this year. This is matched by £35.8 million of PFI operating costs. Both of these will return to historic levels next year. Last year also included only five months of results from Synergy Housing following the merger in November 2012. Adjusting for these, underlying revenue increased £33.0 million.
The group's operating surplus was £46.0 million (2013: £29.8 million), an increase of £16.2 million and up £8.3 million adjusting for the timing benefit of Synergy. The surplus for the year was £29.2 million compared to £196.6 million last year, last year including a one-off exceptional gain of £178.9 million resulting from the Synergy merger. At the end of the year, the value of the group's housing properties was £1,174.3 million (2013: £1,043.4 million) the increase a result of an £84.7 million revaluation gain, £67.9 million spend on development of new homes offset by depreciation. The group's long term funding amounted to £690 million (2013: £601 million), and total reserves were £611 million (2013: £497 million).

Cash inflows and outflows >>

The detailed cash flow for the group is set out on page 55. In summary the main cash flows for the group were:

	2014	2013
	£m	£m
Net cash inflows from operating activities	**56**	25
less net interest paid	**(15)**	(12)
	41	13
Investment in new properties	**(81)**	(58)
Replacement of major components	**(15)**	(10)
Social Housing Grant received	**10**	10
Proceeds from sale of housing properties	**20**	10
Purchase of other fixed assets	**(3)**	(3)
	(28)	(38)
Drawdown of loans	**88**	44
Cash balances on acquisition of Synergy	**-**	1
Increase in cash holdings	**60**	7

Capital Structure >>

The group contains entities in different forms (Charitable Community Benefit Societies with charitable rules and companies limited by shares). None of these is able to raise equity funding. The group therefore finances its operations by a combination of government grants, loans from commercial banks, publicly listed bond finance and retained surpluses. During the year, Aster Homes entered into a joint venture arrangement by way of a Limited Liability Partnership with Galliford Try Plc to develop new properties for open market sale.
Only Aster Property Limited, Aster Homes Limited and Aster Treasury Plc could pay a dividend up to Aster Group Limited if profits are available. No dividend payments can be made outside the group.

Treasury policy >>

The group operates a centralised Treasury Management function whose primary purpose 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 approves the Group Treasury Policy before recommending it to the Group Board.

The group's exposure to interest rate fluctuations on its borrowings is managed by using fixed rate loans and interest rate swaps. It was the group's policy at the year end to manage interest rate risk by having at least 50% of debt subject to fixed rates for the medium to long term. As at 31 March 2014, 88% of debt was fixed (2013: 80%) for a weighted average maturity of 17.0 years (2013: 13.7 years). The increase follows the £200 million fixed rate bond issue in December 2013.

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 three months of committed spend from a combination of cash and loan facilities capable of immediate drawdown. In addition, loan facilities are required to be in place to finance all committed expenditure of the group. The group completed a £200 million Bond issue on 18 December 2013 and while some of these funds have been used to repay revolving loan facilities, the group is currently holding considerably more cash than three months committed capital expenditure. At 31 March 2014, undrawn loan and overdraft facilities amounted to £270 million (2013: £138 million), all of which (2013: £124 million) 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 scale of facilities available.

In order to maintain flexibility in the management of liquidity, the group's policy is to ensure that no more than 10% of debt matures in any 12 month period over the next five years where no replacement finance has been arranged. Of the group debt, £22.5 million (3%) is repayable within five years.

As a result of the Bond issue, cash held at 31 March 2014 is £82.7 million (2013: £22.5 million). These funds will be used to fund the development programme over the next two to three 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 board approved list with a maximum investment of £20 million per counterparty.

Going concern >>

The directors consider that the company has adequate resources and financial support to continue in operational existence for the foreseeable future, which is defined as at least 12 months from the date of signing the financial statement.

Value for Money (VFM) >>

Value for money is very important to the Aster Group and a comprehensive extract from the group's Value for Money statement covering its value for money activities and achievements is included on pages 31 to 46 in this report and financial statements. The full version of this statement is available on the company's website at www.aster.co.uk/value-for-money.

Responsibilities of the Board >>

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

- Select suitable accounting policies and then apply them consistently;
- Make reasonable and prudent judgements and estimates;
- State if applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it's inappropriate to presume that the Association will continue in business.

The board is responsible for keeping proper accounting records. This must disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, Schedule 1 to the Housing Act 2004 and the Accounting Requirements for Registered Social Landlords Determination 2006. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The board is also responsible for establishing and maintaining a satisfactory system of control of its books of account, its cash holdings and all its receipts and remittances and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The board is committed to the highest standards of governance and probity and has adopted the National Housing Federation's Codes, Excellence in Governance: a Code for Members 2010, and Excellence in Standards of Conduct: Code for Members 2010.

Disclosure of information to auditors >>

So far as the board is aware, there is no relevant information of which the group's auditors are unaware. The board has taken all reasonable steps that ought to have been taken to make itself aware of any relevant audit information, and to establish the group's auditors are aware of that information.

The board's report on internal controls assurance >>

The board is responsible for the group's systems of internal control and for reviewing their effectiveness. The group's systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. A robust process for managing, evaluating, mapping and monitoring the significant risks faced by the group is in place and is regularly reviewed by the board.

The board has a current strategy and policy on fraud covering prevention, detection and reporting and the recovery of assets. This is also supported by an established whistle blowing policy.

The board exercises internal control through a framework, which comprises:

- Board overview of plans, finances and key policies;
- Operational reports on key business drivers;
- Performance information;
- Risk management strategy;

- Compliance with quality management systems;
- Group Chief Executive's management assurance and Members' review;
- Internal audit;
- External audit;
- Reports to regulators and funders.

The Group Audit and Risk Committee reviews reports from management and from internal and external auditors and makes regular reports to the board on the extent to which internal controls continue to take account of the major risks facing the group. A formal process exists for the reporting and correction of significant control weaknesses.

The board has received the Group Chief Executive's annual report and has conducted its annual review of the effectiveness of the system of internal control, including the sources of assurance agreed by the board as being appropriate for that purpose. This included examination of the Fraud Register. The board is satisfied there is sufficient evidence to confirm adequate systems of internal control existed and operated throughout the year and those systems were aligned to an ongoing process for the management of the significant risks. There were no significant weaknesses in internal controls sufficient to cause material misstatements or loss and the system of internal control operated effectively throughout the year.

Board and Committee Effectiveness >>

Every year, the board reviews it effectiveness and this year, following consideration of the outcomes of the Board Effectiveness Survey, it concluded that whilst there were areas for improvement, it was effective.

The group has also undertaken a major Governance Review carried out by independent consultants, Altair Ltd. The findings of this review of the current governance arrangements were that:

- the current corporate governance arrangements were strong, boards were properly constituted, the governance documentation was generally clear (although there was some lack of clarity on terms of reference for some committees and subsidiaries), board meetings were structured and, for those meetings observed, issues were thoroughly discussed (although with a patchy approach to linking with risk factors), and risk and performance management were generally undertaken in line with the governance framework albeit with, in practice, considerable duplication;
- the proliferation of boards, committees and steering groups, most with non-executive director representation, meant governance was significantly "over-engineered" and not necessarily as effective / efficient as it could be with duplication and repetition, ineffective and long decision-making processes, and frustration with the system.

Board recruitment process >>

The group has approved policies for the recruitment of Board Directors which support the organisation's desire to recruit those with the skills and experience to carry out the role and demonstrate the group's commitment to its equality and diversity policy.

Compliance with the Code of Governance >>

There are a number of alternative governance codes the group could adopt and the directors have chosen to adopt the National Housing Federation's (NHF) Code of Governance (the Code). The board considers that this Code is wholly appropriate for the registered provider businesses given it has been developed by Aster's trade body and is one with which the HCA as regulator is most familiar and comfortable with. It is also suitable for the commercial subsidiary businesses as the principles contained within it reflect the governance requirements of the UK Corporate Governance Code.

Aster Group Limited, Aster Communities, Aster Living, Aster Property Limited and Synergy Housing Limited are fully compliant with the Code. However, two companies within the group, Aster Homes Limited and Aster Treasury Plc, have not achieved full compliance with the Code. The Code states that "non-executive board members must be in the majority at board meetings" and that "…board members who are executive staff must normally be in a clear minority". During the year, the Aster Homes Board, which is a commercial company not regulated by the HCA, had six board directors and an equal number of non-executive and executive board directors. This followed the resignation of two non-executives and the board agreed to postpone recruitment of replacements pending the outcome of the Governance Review. It is anticipated that this non-compliance issue will be resolved with effect from 1 September 2014 when the new board is appointed and the membership of Aster Homes Board will change to become fully compliant with non-executive directors in the majority.

The Aster Treasury Plc Board is composed of executives only and so it too, as a business owned by the group parent, is not fully compliant.

By order of the board

Carolyn Filmore

Company Secretary

12 August 2014


THE
WAY WE
WORK

Value for Money Report

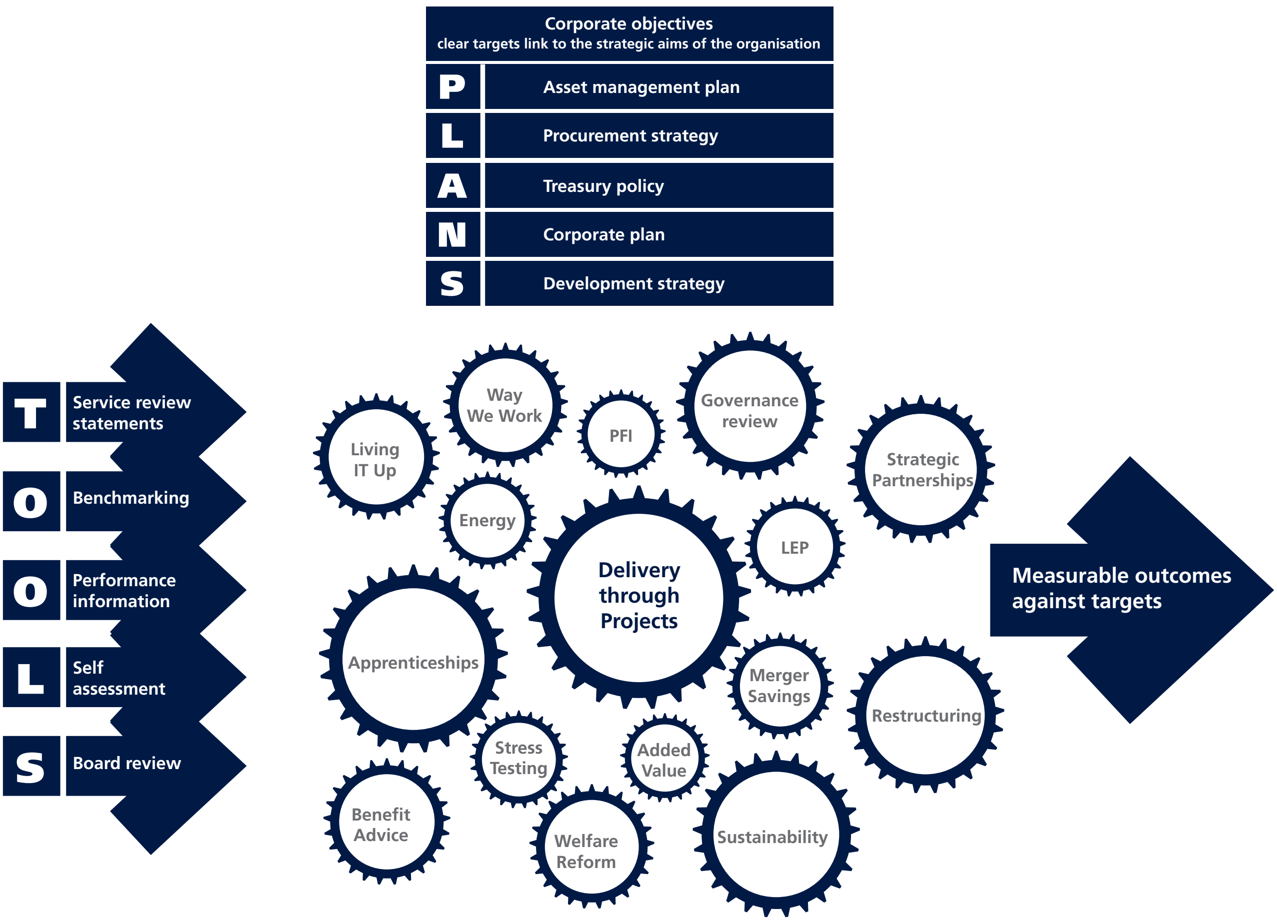
The Aster Group is a collection of social businesses with the primary purpose of providing homes for those in housing need. One of its corporate ambitions is to ‘deliver value and offer choice’, and another is to ‘be financially strong’.

The group is committed to improving its business efficiency so it can more effectively deliver its core purposes. The group will work with stakeholders to ensure it manages resources economically and efficiently and delivers year-on-year improvements in value-for-money (VFM).

In February 2013, the board approved the group’s Value for Money Strategy (2013 – 15). This strategy set out three strategic objectives:

- To commit to meeting the savings identified as a result of the merger between Aster and Synergy;
- To develop an understanding of the cost base and the value (including social value) of the services provided and to use this information effectively in business and financial planning;
- To develop an understanding of the asset base and the opportunities and challenges this brings to the group.

This strategy is due for review in March 2015 but rather than reinforce a message that VFM sits outside day to day activities, the directors have looked at how they can ensure the whole business understands the role it plays in delivering efficiencies. The group is consciously moving away from the term ‘VFM’ and adopting Business Efficiency and the board approved the Business Efficiency Framework in May 2014. This framework will be embedded into the group website, linking together the work it does to drive efficiencies and meet its corporate ambitions and social purpose.



A Business Efficiency Steering Group (BESG) has been set up to co-ordinate and monitor all the work streams and projects which feed into the Framework.

A website will present key information including any targets or planned outcomes on long-term plans, review and performance tools and projects. This will go live in September 2014. The group has learned that it needs to be clearer about longer-term plans to achieve business efficiency and monitor how it is performing, so this information will be updated with actual outcomes as and when they are achieved. The choice to use the website rather than a printed document is aligned to the 'digital by design' work stream under the Way We Work project.

Set out below is an extract from the group's full Value for Money (VFM) statement which summarises the way the group delivers value for money. The full version of which is available on the company's website at www.aster.co.uk/value-for-money.

Extract from the group's Value for Money Statement:

Delivering against our VFM Strategy – 2013/14 >>

Merger Savings >> Actions already completed as a result of the merger between Aster Group and Synergy, which took place in November 2012, have generated net savings of £3.4 million to date and at the end of the first four years these will amount to £3.4 million per annum, just short of the annual target of just over £4 million. Further actions will be taken to generate the remaining savings required and these have been identified and will take the overall savings to around £4.4 million per annum which was above the original projection.

The key savings in 2013/14 were from efficiencies in property repairs and maintenance, including:

- Reduction in material costs by bringing Synergy in line with existing Aster prices;
- Procurement savings through the use of Valueworks;
- VAT savings from the use of internal labour on both planned and response works; and
- Continued rationalisation of teams to reflect work levels.

Since the merger our HR team has been supporting a number of internal restructures to ensure that teams and functions can be aligned to the changing needs of the business and our customers. An overview of completed and planned restructures is below:

- Aster Living – to transfer leadership of the component parts of the subsidiary company to Aster Property and Aster Communities, and ensure that each area is managing its costs in line with budgets and forecast sales;
- Aster Communities – continue to combine departments with similar business models where appropriate to drive efficiencies;
- Aster Property – continue to rationalise management structures, strengthening or merging management teams as appropriate to improve effectiveness and commercial acumen;
- Aster Group (Strategic Change) - full review and restructure of all parts of the central services team, including governance, communications and performance. Consolidation of project management and customer insight teams within one area to enable delivery of services across the group;
- Aster Group (Finance) – new Finance structure following full review, including appointment of a Finance Director and new senior team.

In December 2013, we successfully issued £200 million of secured bonds, and deferred the issue of a further £50 million until a future date. The 30-year deal attracted the lowest investor margin of any housing association debut bond outside London and has an overall yield of just 4.596 per cent. The bond issue follows the Aster Group being given a stable AA- credit rating, after an evaluation by specialist credit rating agency Standard & Poor's.

Around half of the funds will be used to help us deliver more than 2,000 homes in the next few years. The remaining funds will refinance a proportion of existing loan facilities. In summary, the merger generated efficiencies and enabled us to reduce our costs and use savings to support the development of more housing.

Understanding our cost base >> In 2013/14, 36 **Service Review Statements** (SRS) were completed with 18 customer facing statements scrutinised by the Customer Scrutiny Panel (CSP). The process was effective and well received, and gave the CSP confidence that Aster Group is striving to provide services which customers value, at a reasonable cost. The process has also allowed the CSP to make evidenced based decisions on areas for further scrutiny. In 2013/14 they identified two areas to look at in more detail:

- Mutual Exchange and;
- Aster Group Call Centres (Aster Communities, Aster Property and Aster Living).

The Response Repairs service also benefited from a service review and a number of efficiency recommendations have been taken forward this year and worked into local plans.

The **Added Value Project** (referenced in last year's assessment as the Cost and Value Review) is driven by strategic objectives in the VFM Strategy and was a key Corporate Objective for all Aster businesses in the 2013/14 Corporate Plan. It is also linked to the Service Review Statement work. Understanding the cost of delivering basic services (the base line) was the first stage of the project and the Group Leadership Team (GLT) reviewed the first base line reports from each Aster Group company in October 2013.

The second stage was to assess the impact of services above the base line measuring the financial, social and operational impacts. The impact assessments were scrutinised by the GLT in February 2014 and this has informed the following decision-making:

1. Savings already made within the 2014/15 budgets (Operating costs budget reduced by £346,000 in Aster Communities and Synergy Housing for 2014/15)

2. On-going projects to improve efficiency, some within current staffing structures, which will influence budget setting for 2015/16 (Finance and Strategic Change restructures)

3. The identification of services which could be swiftly withdrawn linking to the project on 'Stress Testing' the business

4. Projects which will be started 2015/16 to influence 2016/17 budget setting round

The Added Value approach is about ensuring resources are allocated to maximise delivery of our Corporate Ambitions. The new Group Board will be debating the priorities for spend in the autumn of 2014, to inform which savings should be released, and how they should be reinvested.

Understanding our asset base >> We are developing an increasingly sophisticated approach to dynamic asset management with a clear focus on identifying both the financial and social returns from our assets.

Stock overview >> The Asset Management Strategy, and subsequent peer reviews, confirmed that our stock is located in desirable areas with strong demand and benefits from relatively low void levels. Benefiting from a robust stock condition and investment management system, the stock has been well maintained with an average life of 45 years.

We know that:

- 75% of the stock is less than 60 years old with 30% less than 30 years old.
- 1.5% of the housing stock pre-dates 1900 and may be considered as "outliers". Stock of this age is often expensive to maintain, is difficult to improve to ever more exacting modern building standard and may not meet customer expectation or need in the future.
- Over 60% of our housing stock is made up of houses or bungalows and a third of the stock categorised as flats.
- 3% of the housing stock is made up of bedsit, studio flats or hostel accommodation and may be more susceptible to changing customer expectation, higher refusal rates and suffer from the effects of design obsolescence.

Despite some of these challenges, our stock is fully compliant with the Decent Homes Standard, has achieved a best in sector energy efficiency rating and good customer satisfaction with the quality of our repairs and maintenance service. The table below shows our performance on repairs, and the progress made from the previous year:

	2013/14 Number of jobs	2013/14 Number completed on time	2013/14 %	2012/13 %
Emergency	9,202	9,188	99.85%	99.22%
Urgent	13,997	13,928	99.51%	97.49%
Routine	46,705	46,103	98.71%	96.32%
% repairs completed on first visit			94.77%	82.46%
% customers satisfied with completed repairs			95.33%	82.30%

We are working with our stakeholders through our **Stock Rationalisation Strategy and action plan** to systematically appraise our stock over the next three years. We plan to undertake strategic reviews on a number of asset types in 2014, including stock density analysis, sheltered housing, garages and the Land Enhancement Project.

We have already completed a review of our current stock distribution by local authority and now know that of the 30 local authority areas in which we operate, ten are classified as strategic or key partners, nine are considered opportunity areas and eleven have potential for further development and/or business growth. We do not consider any of our local authority partners as exit areas at this time.

We have made a significant contribution to increasing the choice of tenure to our customers through the provision of market rented properties. We increased the portfolio through the acquisition of 82 properties from the First Wessex Group, which accounting standards prevent the group from recognising until 2015. The portfolio was secured through a competitive bidding process and purchased for £9.4 million. We expect to achieve yields of between 6.5% – 7.25% gross from this portfolio.

Stock Appraisal >> Since 2011, we have undertaken a consistent approach to appraising the housing stock through the use of our Stock Options Appraisal Model (SOAM) supplied by Ridge Partnership. The model utilises both Net Present Value (NPV) calculations and social value indicators, known as demand scores, held at individual property level. Our current model has identified that the housing stock generates an average positive NPV of £44,500 per unit taken over a 30-year period. We also know that 98.3% of the stock scores well or very well in terms of our demand score criteria.

In 2012, we developed our approach further and introduced a more detailed Stock Options Appraisal Programme (SOAP). The programme is managed by a specialist Property Investment Team, which regularly reports progress to a multi-disciplinary Asset Management Strategy Group (AMSG) and the Group Investment Panel.

As a result of the SOAP, in 2013 the team sold 13 properties generating a capital receipt of £1.13 million. In each case, the income was used to support our development programme and the provision of new affordable housing. In addition, 22 other schemes were appraised of which:

- 11 have been returned into management;
- 5 are planned for conversion; and
- 6 are in the process of being evaluated.

Looking ahead, the 2014/15 SOAP has identified a further 18 schemes that will have a full option appraisal undertaken during the course of the year.

We have developed a set of Asset Grading Tests (AGT) that are based on 16 commercial and 8 customer perspective tests, and are applied at individual property level. The system has been developed with dynamic reporting capabilities and will allow us to report key outcomes at any level within our organisation. Promaster 4 system will replace our Stock Options Appraisal Model and provide a fully integrated asset management solution operating in real-time across the business. It incorporates an NPV viability modelling capability.

Following a successful roll out of the system, we plan to integrate the findings with our Neighbourhood Toolkit. Our longer-term plans will mean we continue to develop and refine our understanding of our asset base, in particular the inherent value of both land and property assets, in order to unlock their full potential and maximise future returns.

We recognise this is becoming increasingly important across the sector and have embarked upon some important initiatives. For example:

- In addition to calculating the value of each property on Existing Use Value – Social Housing (EUV-SH) we have also identified indicative Market Values (MV) at a granular level.
- We have calculated indicative MVs for both property and bedroom archetypes at parish council and post code level across all of our six operating regions and mapped the outcomes using our Geographic Information System (GIS) system.

We now know that in addition to the average EUV-SH value ranging from £36,421 through to £56,962 we have also calculated the average MV for properties similar to our own ranging from £154,000 in Devon through to £285,000 in Hampshire.

In developing the AGT, we have incorporated the rate of return as a key indicator and calculated indicative average yields for both forms of valuation in order to inform and support our stock rationalisation objectives. Early indications suggest yield returns of around 4.5% based on an indicative market value through to 11% on a EUV-SH basis.

Land Management & Estates Enhancement >> In support of our wider Asset Management Strategy objectives, we have continued to develop and strengthen our approach to managing land assets across the whole of the business. With over 3,000 registered titles owned by the group, we recognise that effective land and estates management is central to both our strategic and service delivery objectives.

In 2012, we identified that a more robust approach to managing land assets would generate a number of new business streams for the group and deliver more VFM outcomes. We established a dedicated Land & Property (L&P) team responsible for managing a wide range of estate management functions including title registration, land disposal, conveyancing services, landlord's consents, tenant permissions and enforcement action.

In 2013, we expanded this increasingly important service area and established a specialist Estates Regeneration team responsible for a number of VFM related projects such as a small scale, self-funding development business model, a number of estate regeneration projects and progressing a range of community led initiatives funded from group efficiency savings.

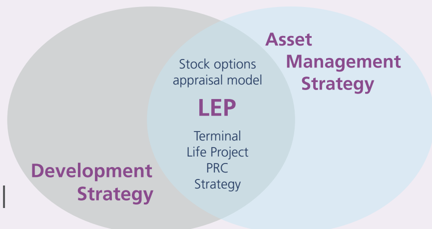
During 2013, we completed a review of our land assets, including a full reconciliation of management information with Land Registry. A new land management system was introduced and the land reconciliation project has delivered measurable outcomes in terms of:

- additional income for the group;
- contributing to Aster Property's operating surplus and the group's efficiency savings;
- £115,000 of income secured from external third party organisations seeking landlord's consent;
- £37,000 of fee income secured as a result of providing professional legal advice and support services.

Consequently, we have exceeded our notional VFM target savings of £100,000 for the year in this area.
We have identified more revenue streams likely to deliver additional financial returns from our existing asset base. For example, we are now exploring easement claims in relation to the Electricity Act 1989 affecting over 690 properties. This initiative has the potential to generate around £1.5 million in the coming years. In the first few months, the team has successfully negotiated claims to the value of £16,750 and expects to receive around £25,000 during 2014.

Land Enhancement Project (LEP) >> Our Asset Management Strategy is closely aligned to the group's wider development activities and a number of initiatives have been designed to complement our new build, regeneration and business growth ambitions.

Aster Homes plans to develop over 1,850 properties over the next 5 years through a variety of delivery vehicles including Homes and Communities Agency (HCA) grant funding, Section 106, joint ventures and market sale.



In support of our Stock Rationalisation Strategy, the L&P team has designed a GIS modelling tool that analyses housing stock density. The model identifies estates where stock density may be considered low or land may be under-utilised. So far, we have identified 13 sites in Wiltshire with low stock density that could have re-development potential. These sites are now being appraised by our development colleagues to see which ones can be progressed.

To complement a sizeable development programme, the Estates Regeneration team has also identified a considerable number of small scale development opportunities as part of the LEP which has been set up to maximise the return from our assets and calculated it could deliver redevelopment opportunities worth £10.85 million in the next few years.

Starting in Wiltshire, the LEP has already identified 96 sites with the potential to yield 217 plots for redevelopment. The first phase also identified three land parcels with no strategic or long-term economic benefit to our business. We are now seeking approval to dispose of these assets and use the capital receipt to fund our LEP development aspirations. We have also identified 71 plots worth approximately £3.5 million that we will seek to secure outline planning permission for redevelopment and support our self-funding development model. Another 20 unit site has been identified and passed to Aster Homes to appraise. Finally, 126 plots have the potential to be redeveloped for the provision of affordable housing and we will be seeking to secure full planning permission for these sites during 2014.

Estates Regeneration – We have also progressed a number of projects funded from group efficiency savings. For example we have:

- completed £157,000 worth of external wall insulation on 27 hard-to-treat properties in Somerset;
- worked closely with our Customer Involvement Team and Customer Boards and have approved plans to deliver over £655,000 of estate improvement work.

Efficiency savings generated in 2013 form the basis of the budgets given to each Customer Board and has been allocated on the following basis:

Wiltshire (£207,000)

Hampshire (£160,000)

Dorset (£130,000)

Somerset (£158,000)

Devon and Cornwall (£20,000)

The projects range from the provision of bin stores and additional drying facilities through to larger estate regeneration projects approved by the Customer Boards. The larger projects include redesigning open spaces, provision of off-street parking, external fabric improvements, estate access improvements and other community based initiatives.

Absolute and comparative costs >>

Operating margin 2013*: 24.8% and 2014: 28.8%

Growth in turnover^*: 32.9%

Debt per unit: 2013: £23,277 and 2014: £24,307

Return on Assets$: 9%

* Data is adjusted for the impact of one-off Silbury Housing PFI revenue and costs.

^ The increase in turnover is primarily due to last year's data including only 5 months of Synergy revenue following the merger in November 2012.

$ The Return on Assets ratio represents how efficient Aster has been at using its assets in generating earnings. It is calculated as follows: Group operating surplus plus rent discount (i.e. excess of market rent over rent charged by the group) divided by the value of the group's housing assets on an EUV-SH basis.

The table below shows our performance on arrears, voids and re-lets. We have made improvements year-on-year in arrears, voids and re-let times for general needs. However, our re-let times for housing for older people has deteriorated, and therefore this will be a priority going forward.

	2013/14	2012/13
% Current tenant rent arrears	1.9%	2.0%
% rent loss through voids	0.65%	0.89%
Re-let times (general needs)	16.62 days	22 days
Re-let times (housing for older people)	41.03 days	28 days

The performance and benchmarking data included below is the latest available at date of signing of this report. The 2013/14 data will not be available before the end of September 2014 and will be available on our website at that time.

		Cost KPIs				Quality KPIs				
Business activity	Cost KPI result	Aster Communities 2012/13	Aster Group 2011/12	Synergy Housing 2012/13	Synergy Housing 2011/12	Quality KPI result	Aster Communities 2012/13	Aster Group 2011/12	Synergy Housing 2012/13	Synergy Housing 2011/12
Overheads	Overhead costs as % adjusted turnover	8.30% UQ	9.95% MU	14.24% LQ	13.82% LQ	Overhead costs as % direct revenue costs	16.80% UQ	22.32% MU	31.31% LQ	32.94% LQ
Major works & cyclical maintenance	Total CPP of major works & cyclical maintenance	1,905 ML	1,223 UQ	1,338 MU	1,803 MU	Percentage of tenants satisfied with the overall quality of their home (GN &HfOP)	82.30% LQ	87.00% MU	81.70% LQ	No data
						Percentage of dwellings that are non-decent	0% UQ	0% UQ	0% UQ	0% UQ
Responsive repairs & void works	Total CPP of responsive repairs & void works	508 UQ	638 UQ	770 MU	638 UQ	Percentage of tenants satisfied with repairs and maintenance	77.00% LQ	84.20% MU	77.70% LQ	No data
						Average number of calendar days taken to complete repairs	10.02 ML	8.92 ML	No data	10.00 ML
						Average relet time in days (standard relets)	25.41 MU	22.43 MU	21.91 MU	18.49 UQ
Housing management	Total CPP of housing management	580 LQ	605 LQ	481 LQ	554 LQ	Percentage of tenants satisfied with the service provided (GN &HfOP)	87.70% ML	87.30% ML	84.50% ML	No data
						Percentage of antisocial behaviour cases resolved successfully	No data	No data	91.92 MU	87.21 ML
						Current tenant rent arrears as % of rent due	3.36% MU	3.33% MU	1.74% UQ	1.97% UQ
Estate services	Total CPP of estate services	136 MU	176 ML	245 LQ	205 LQ	Percentage of tenants satisfied with their neighbourhood as a place to live (GN & HfOP)	85.60% MU	89.80% UQ	87.30% MU	No data

Housemark benchmarking quartile key:
UQ - Upper quartile
MU - Middle upper
ML - Middle lower
LQ - Lower quartile
Housemark benchmarking peer group = Large Scale Voluntary Transfer (LSVT) national >7,500 properties
(CPP) - Cost per Property
(GN) - General Needs
(HfOP) - Housing for Older People

Driving efficiency in THE WAY WE WORK >>

THE WAY WE WORK >> We are a sizeable organisation with over 27,000 homes and 75,000 customers in six counties across the southwest region. We work in a fairly traditional manner and over 50% of our 1,400 employees travel to main offices in Devizes, Andover, Wells, Poole, Wareham and Plymouth every day. We need to be fit for the future and flexible enough to meet the fast-paced changes in technology and customer/employee needs so we have been reviewing the '**WAY WE WORK**'.

This major project has four key themes and outcomes:

PLANET - to leave a positive impact on the environment;

PEOPLE - to improve the Aster working experience;

PLACES - to have the right working spaces in the right places; and

PERFORMANCE - to improve our efficiency.

2013/14 saw the start of phase one where a group-wide project team spent six months researching how we work now. The results of this research phase were presented to the Group Board in May 2014, together with a high level action plan for systematic change over the next five years. We are now at the start of phase two and our progress can be tracked through our dedicated website **www.waywework.co.uk**.

Governance & Risk Reviews >> Whilst our current governance structure and risk management framework has served Aster well to date, we need to ensure they are the best they could be for our future strategy and the changing operating environment.

In recognition of this, the 2013/14 Aster Corporate Plan contained a key target to review the Governance structure to ensure the group remains fit for purpose.

The new Governance framework and structure will go live in September 2014 and, with a new digital governance solution, is set make financial savings of £100,000. It will also:

- ensure that the group has a strong governance capability that supports the business for the future;
- make sure that all Board Directors are high impact and add value;
- support streamlined decision-making processes and efficiency;
- make a clear distinction between various executive and non-executive roles;
- encourage all executives to be active participants in board discussions and decisions; and
- establish clear accountabilities for the board, subsidiary boards and committees, and do regular evaluations to assess performance.

Risk Management >> is even more important to us as we grow and diversify. We reviewed our approach to risk, and will be delivering training to managers to embed a culture of ownership of risk management. We also purchased a web-based risk management system called ARM Solutions. This system is flexible, intuitive and user-friendly and will be a useful tool to support a move towards risk being managed at manager level. Managers will be able to access the system via their mobiles, have access to a suite of reports and the ability to link KPIs to risks.

Potential for £900k of savings

Aster Communities recently completed a procurement exercise for the provision of customer survey activities by an external organisation. The procurement exercise allowed for the service to be provided for all group companies. With an external company managing the majority of the administration work associated with collating satisfaction information, we will be able to focus on using the results from the surveys to improve services, ensuring our survey service is providing the best possible VFM. Based upon the estimated costs of the service, the savings generated could be substantial, up to £900,000 over the next 5 years.

Valuing the Environment >> one of our '**WAY WE WORK**' pledges is to 'leave a positive impact on the environment'. We have tapped into external funding opportunities to drive additional business efficiency relating to sustainability and energy.

Sustainability and Energy >> projects help to improve our business efficiency through the identification and reduction of environmental impacts such as resource use, energy and water consumption, waste disposal and business travel.

The direct financial cost of these impacts is around £2.5 million per year and the associated carbon emissions are just under 8,000 tonnes. Through new ways of working and by adopting a robust sustainability plan and environmental management system, these impacts can be reduced or prevented through effective target setting, measurement, monitoring and intervention which can result in financial and efficiency savings for the business, whilst at the same time reducing environmental impact and delivering social value within our communities and beyond.

In the financial year 2013/14, we installed 90 solar photovoltaic (PV) units. The Solar PV units will generate a feed in tariff **income of approximately £1 million over 20 years** and could potentially save each household £200 - £300 per annum, dependent upon the size of the system installed and household behaviour post installation. This could represent a combined saving of at least £18,000 per year for the life of the panels for those 90 customers.

The group recently accessed Renewable Heat Premium Payment (RHPP) **funding of £175,000** to install 100 Air Source Heat Pumps. There are currently 140 air source heat pumps installed that are eligible to claim renewable heat incentive (RHI) payments which are conservatively estimated to generate a further **income of at least £500,000 over the seven year period** for which the payment can be claimed.

Funding opportunities also exist to run lighter touch behaviour change projects, for example in 2013/14 we were awarded **funding of £12,500** from the Department of Energy and Climate Change and Cabinet Office to run projects aimed to change energy use behaviour of customers and increase the knowledge of our staff. Throughout the year we used this funding to run training sessions for over 100 colleagues and 50 customers. Our future sustainability and energy targets are:

- **10% reduction** in Corporate energy bill (corporate estate and communal premises) over the next two years subject to individual business cases;
- **5% reduction** in business mileage and staff commute through the introduction of a group wide travel plan as part of the Way We Work project;
- deliver business efficiency savings through effective waste management (target to be set following waste minimisation audit);
- launch Group Sustainability Plan and make links to forthcoming Corporate Strategy;
- understand social value of every £ spent on sustainability projects; and
- improve energy efficiency of customers' homes through a retrofit strategy.

The Wiltshire Housing Private Finance Initiative (PFI) scheme has delivered 242 new homes – a mixture of one, two, three and four-bedroom houses, flats and bungalows – in west Wiltshire. The homes have been built to meet Level Three of the Code for Sustainable Homes, the system for measuring the environmental performance of new housing, and incorporate a number of sustainable features including low-energy light fittings and water consumption reduction technology.

The homes also achieve Lifetime Homes standard and can be adapted to meet the needs of whoever is living there. Each property contains extra space to make them suitable for wheelchair users. They have also been fitted with wider than normal doors, removable walls, and reinforced joists to accommodate customers with the most complex needs.

Working with others >>

Amanda Williams, Rachel Credidio, Dawn Fowler-Stevens, Sharon Webster from Trowers Hamlin solicitors and Adrian Maunders from English Rural

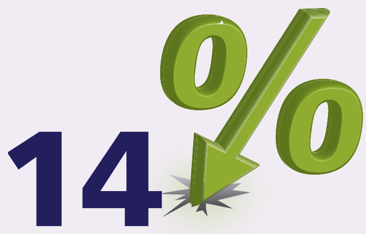
We have set up a VAT exempt **Cost Sharing Vehicle (CSV)** called Aster Options Plus. This is of value to us as we are unable to recover the majority of VAT charged by suppliers. Apart from saving VAT, the CSV will deliver more VFM through:

- working collaboratively;
- delivering an improved range of services;
- sharing costs;
- creating efficiencies and maximising resources;
- reducing procurement law compliance burden; and
- sharing knowledge and access to skills.

The Group Board approved plans to establish a Cost Sharing Vehicle (CSV) in August 2013, and in April 2014, Aster and founder partner English Rural Housing Association (ERHA) formed the CSV.

Providing services to smaller housing associations saves the smaller associations the VAT on the fees, giving them greater capacity. The CSV also enables us to work on other initiatives with organisations which will lead to further efficiencies. In addition, through maximising resources, it enables us to spread our cost base.

Our first strategic partnership went live in October 2013. The Tamar Aster Partnership has combined our resources in Devon and Cornwall with Tamar Housing Society to reduce the cost per unit of managing our homes and increase the collective strength of the partners. The most recent analysis has identified a saving of £33,000 over the period of the partnership. The housing management staff cost per property has reduced from £331 in October 2013 to £284 in April 2014 which is a 14% reduction in cost per unit. The Partnership has made savings and reduced duplication. However, the real savings are non-monetary and will continue to be so until our offices in Russell Court are sold or relinquished when the additional cost saving from April 2015 will be £48,000 per annum.



The Partnership supply chain is approximately 80% locally sourced investing in the regional economy that supports the people we house. Procuring services within the Partnership has resulted in VFM with, among others, Tamar purchasing publishing and printing services from Aster Group and Aster Communities contributing to Tamar's IT system, office costs and overheads.

Devon and Cornwall >>

Compared to other regions within Aster Communities and Synergy Housing our 'general needs' and 'housing for older people' customers in Devon and Cornwall have higher satisfaction with

- Their rent providing value for money (94%)
- Their services charges providing value for money (78%)

We didn't have many responses from our Devon and Cornwall customers so we'll be looking at ways to increase that in the future.

Social value with a business mind >>

Part of our commitment to being an ethical business is to help improve the life chances of the people that live in our communities.

Delivering a mixed portfolio of homes for affordable housing, market rent and open market sale enables us to provide new homes for a wider section of the community and not just those in the greatest need. In 2013/14 we completed 488 new affordable homes and 105 for shared ownership.

We formed a joint venture company with Galliford Try to generate profits through the delivery of homes for open market sale and we entered into contracts for over 770 homes. These homes will generate a profit of £10 million for the group.

Delivering homes for market rent and market sale has enabled us to diversify into different markets as well as considering opportunities for the benefit of the wider community i.e. opportunities in education.

We ensure our new homes are well designed and in communities where people want to live. Redeveloping existing stock improves the quality of the housing we can offer to both our existing and new customers.

Customer satisfaction levels (% very satisfied/fairly satisfied) >>

How satisfied are you with the overall quality of your home?	**82%**
How satisfied are you with your neighbourhood as a place to live?	**85%**

Our future development strategy targets are:

- to deliver 850 new affordable homes in 2014/15;
- Aster Homes is targeted to make a net profit of £658,000 in 2014/15 which will be gift aided back to the group;
- achieve £14 million of sales income from shared ownership sales in 2014/15;
- to deliver open market sales of £6 million in 2014/15;
- to deliver the 2011/15 HCA programme achieving grant income of £5 million for the year;
- to develop a suite of standard house type templates which will deliver savings in design fees in future years;
- to rebalance the development programme in response to market conditions to deliver 80% section 106 schemes, which will generate cost savings of 11% in the programme thereby creating capacity for an additional 300 homes;
- providing development agency services to smaller Registered Providers enabling them to unlock capacity to develop new homes; and
- to identify two large scale redevelopment opportunities within the stock by end of March 2015.

Another way we are adding value is through the Aster **Apprenticeship** Scheme. We have a target to create, support and manage twelve new apprentice roles each year and to try wherever viable to retain those apprentices in full-time roles. In 2013/14, we exceeded that target by allocating 13 apprentice roles across the business. Twelve apprentices have been retained by the business. In 2013/14 our first Aster Scholar started University and will spend the summer of 2014 on work placement with us.

Aster Communities and Synergy Housing have worked very hard this year to mitigate the effects of **Welfare Reform** for our customers and the business. Work has included visits to affected customers, leaflets, articles on the website, a customer hotline and training and information sessions for colleagues. The main changes which came in on April 1 2013 were the Under Occupation Penalty and the Benefit Cap. However, there were also continuing changes to Disability Assessments and Benefits and changes to council tax support. Despite these changes and the continuing challenging economic climate, arrears were held steady. In March 2014, they were 1.90%. Aster also offers a debt and benefit welfare advice service. During 2013/14, we assisted customers to obtain benefits and grants of over £1.5 million, some of which will have come back to us as rent payments. During 2013/14 we worked hard to deliver value added outcomes against our mission to 'improve local communities'. We did this through:

Our approach to Anti-Social Behaviour (ASB):

- our ASB team dealt with 814 high level cases of ASB, including the use and threats of violence, drugs, verbal abuse, harassment, domestic abuse and hate related crime;
- our Neighbourhood teams dealt with a further 650 cases of environmental ASB, from untidy gardens and misuse of communal areas, to fly tipping and abandoned vehicles; and
- we supported over 1,200 victims and witnesses of ASB, and provided opportunities for behaviour change for over 900 alleged perpetrators. We responded to 99% of those cases which were classified as high risk within 24 hours.

Our approach to care and support:

- we provided over 160,000 hours of care and support;
- our Somerset Learning Disability service supported 45 people;
- our Kennet Safe House supported 25 families;
- 15 people with mental health problems have been accommodated in our specialist flats in Swindon; and
- we completed almost 19,000 handyperson and minor adaptation jobs, installed over 2,000 telecare units, and completed over 580 major home adaptations, helping people maintain independence in their own home.

We also:

- housed 137 homeless families within our temporary accommodation and 91% moved on positively;
- held a welfare to work conference and 191 customers attended; and
- provided over £350,000 in grants to 185 organisations and projects in our communities.

Customer satisfaction levels (% very satisfied/fairly satisfied) >>

How satisfied are you with the landlord service we provide?	**85%**
How satisfied are you with the advice and support you receive from us re. claiming housing benefit and other welfare benefits?	**75%**
How satisfied are you with the advice and support you receive from us re. managing your finances and paying rent and service charges?	**69%**
How satisfied are you with the way we support the community in which you live?	**68%**

Plans for next year >>

Amber

To improve the way we make decisions on how we use our resources to deliver value, and understand the trade-offs and opportunity cost of our decisions

The work on the 'Added Value' project has shown the level of resource given to different services, and has identified the level of money that is 'discretionary' spend. Work has begun on assessing the level of impact these services has in delivering our Corporate Ambitions.

However, to improve our decision making the new Group Board will be clarifying the value we want to achieve. This debate will include the way in which we apportion resources across delivery of homes, services, and investment in stock. Clarity around the social value we want to achieve will also ensure that our resources are targeted in the right areas.

Green

We understand our asset base and have a strategy for optimising the future returns and appraising potential options for improving value for money in line with our purpose and objectives

Our approach to asset management means that we understand our assets and have a strategy for ensuring we maximise our return on investment in line with our core purpose.

Amber

We can improve our performance management and scrutiny functions to ensure that they are effective at driving and delivering improved value for money

We are introducing a new performance management system, which will give us real time data to proactively manage performance. We will also make better use of benchmarking, and are progressing the use of out-of-sector benchmarking.

Amber

We have an understanding of the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so

Our service review statements, and the 'Added Value' project have ensured that we have a good understanding of the costs of providing services. We will be carrying out further work to understand the outcomes of providing services, and whether they are delivering our Corporate Ambitions and providing services our customers value.

Bush skills at Pilgrims Way customer consultation, Andover

Report on the financial statements >>

Our opinion >>

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's and of the registered provider's affairs as at 31 March 2014 and of the group's and the registered provider's surplus and cash flows for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited >>

The group financial statements and registered provider financial statements (the "financial statements"), which are prepared by Aster Group Limited comprise:

- the group and registered provider Balance Sheets as at 31 March 2014;
- the group and registered provider Income and Expenditure Accounts and Statements of Total Recognised Surpluses and Deficits for the year then ended;
- the group and registered provider Statements of Historical Cost Surpluses and Deficits for the year then ended;
- the group and registered provider Cash Flow Statements for the year then ended; and
- the accounting policies; and
- the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the board has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves >>

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

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

Other matters on which we are required to report by exception >>

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

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

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

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit >>

Our responsibilities and those of the board >>

As explained more fully in the Statement of Board's Responsibilities set out on page 27 the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the registered provider's members as a body in accordance with Section 87 (2) and Section 98 (7) of the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

8 September 2014

Income and Expenditure Account >>

For the year ended 31 March 2014:

		Group		Association	
		2014	2013	**2014**	2013
	Note	**£'000**	£'000	**£'000**	£'000
Turnover	2a	**195,130**	133,880	**17,336**	10,394
Operating costs	2a	**(148,859)**	(103,948)	**(16,789)**	(10,583)
Total operating costs	2a	**(148,859)**	(103,948)	**(16,789)**	(10,583)
Administrative expenses	2a	**(243)**	(124)	**-**	-
Operating surplus/(deficit)	3	**46,028**	29,808	**547**	(189)
Exceptional item: result/gain on non-exchange transaction	6	**-**	178,924	**-**	-
Surplus on sale of properties not developed for outright sale	7	**1,009**	493	**-**	-
(Loss)/profit on sale of fixed assets		**(241)**	6	**-**	-
Interest receivable and other income	8	**2,437**	510	**-**	-
Interest payable and similar charges	9	**(18,927)**	(12,561)	**-**	-
Other finance cost		**(841)**	(593)	**(37)**	(22)
Share of joint venture's interest expense		**(219)**	-	**-**	-
Surplus on ordinary activities before taxation		**29,246**	196,587	**510**	(211)
Gift aid receivable		**-**	-	**1,384**	235
Tax on surplus on ordinary activities	10	**(78)**	(114)	**-**	-
Surplus for the year	28	**29,168**	196,473	**1,894**	24

All amounts relate to continuing activities.

The notes on pages 56 to 114 form an integral part of these financial statements.

Company number: 29573R

The opening of John Martin Mews, Southampton

Statement of Total Recognised Surpluses and Deficits >>

For the year ended 31 March 2014:

		Group		Association	
		2014	2013	**2014**	2013
	Note	**£'000**	£'000	**£'000**	£'000
Surplus on ordinary activities for the year before taxation		**29,246**	196,587	**1,894**	24
Actuarial loss on pension schemes	28	**(333)**	(2,229)	**(251)**	(349)
Movement in FRS 17 deferred tax provision	28	**(69)**	57	**-**	-
Tax on surplus on ordinary activities	10	**(78)**	(114)	**-**	-
Unrealised surplus on revaluation of properties	28	**84,694**	43,173	**-**	-
Total surpluses/(deficits) recognised since the last annual report		**113,460**	237,474	**1,643**	(325)

Statement of Historical Cost Surpluses and Deficits >>

For the year ended 31 March 2014:

		Group		Association	
		2014	2013	**2014**	2013
	Note	**£'000**	£'000	**£'000**	£'000
Surplus on ordinary activities before taxation		**29,246**	196,587	**1,894**	24
Realisation of property revaluations on disposal	28	**1,262**	368	**-**	-
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	28	**4,425**	1,564	**-**	-
Historical cost surplus for the year		**34,933**	198,519	**1,894**	24

The notes on pages 56 to 114 form an integral part of these financial statements.

Opening of new play area, Dorset Close, Frome

Balance Sheets as at 31 March 2014 >>

		Group		Association	
		2014	Restated 2013	**2014**	2013
	Note	**£'000**	£'000	**£'000**	£'000
Fixed assets					
Housing properties at valuation/cost	11	**1,178,572**	1,047,646	**-**	-
Less: Social housing grant	11	**(4,322)**	(4,228)	**-**	-
Net book value of housing properties	11	**1,174,250**	1,043,418	**-**	-
HomeBuy loan	12	**6,156**	6,156	**-**	-
HomeBuy grant	12	**(6,067)**	(6,067)	**-**	-
Other fixed assets	14	**22,826**	22,871	**1,035**	1,077
Investment in subsidiary		**-**	-	**50**	-
Investment in joint venture					
Share of gross assets		**19,728**	-	**-**	-
Share of gross liabilities		**(19,947)**	-	**-**	-
Total fixed assets		**1,196,946**	1,066,378	**1,085**	1,077
Current assets					
Stock	15	**1,591**	24,095	**-**	-
Debtors: amounts falling due after one year	16	**53,172**	11,844	**-**	-
Debtors: amounts falling due within one year	16	**18,390**	19,753	**5,243**	3,138
Properties held for resale	17	**1,554**	2,325	**-**	-
Shared ownership properties developed for sale	18	**5,801**	4,239	**-**	-
Cash at bank and in hand	19	**82,740**	22,531	**1,457**	494
		163,248	84,787	**6,700**	3,632
Creditors: amounts falling due within one year	20	**(28,566)**	(23,065)	**(3,603)**	(2,950)
Provisions for liabilities and charges	21	**(510)**	(735)	**(510)**	-
Net current assets		**134,172**	60,987	**2,587**	682
Total assets less current liabilities		**1,331,118**	1,127,365	**3,672**	1,759
Creditors: amounts falling due after more than one year	22	**690,159**	600,913	**-**	-
Pension liability	26	**30,272**	29,225	**1,492**	1,222
Capital and reserves					
Called up share capital	27	**-**	-	**-**	-
Revaluation reserves	28	**552,146**	473,139	**-**	-
Designated reserves	28	**664**	398	**-**	-
Restricted reserves	28	**208**	208	**-**	-
Revenue reserve	28	**85,187**	50,598	**3,637**	1,743
Pension reserve	28	**(27,518)**	(27,116)	**(1,457)**	(1,206)
		1,331,118	1,127,365	**3,672**	1,759

The notes on pages 56 to 114 form an integral part of these financial statements.

The financial statements on pages 50 to 114 were approved by the board on the 12 August 2014 and were signed on its behalf by:

Mel Cook

Mel Cook - Vice Chairman

John Brace

John Brace - Group Resources Director

Company number: 29573R

Group Cash Flow Statement >>

For the year ended 31 March 2014:

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Net cash inflow from operating activities	29		**55,919**		25,477
Returns on investments and servicing of finance					
Interest received		**514**		510	
Interest paid		**(15,542)**		(12,555)	
Net cash outflow from returns on investment and servicing of finance			**(15,028)**		(12,045)
			40,891		13,432
Taxation			**(25)**		-
Capital expenditure and financial investment					
Acquisition and construction of housing properties		**(77,181)**		(57,841)	
Replacement of major components		**(15,485)**		(10,001)	
Social Housing Grant received		**9,754**		9,622	
Proceeds from sale of housing properties		**19,647**		9,918	
Cost of sale of housing properties		**(928)**		225	
Purchase of other fixed assets		**(3,341)**		(3,192)	
Proceeds from sale of other fixed assets		**37**		74	
Loan arrangement fee		**(1,781)**			
Net cash outflow from capital expenditure and financial investment			**(69,278)**		(51,195)
Net cash outflow before management of liquid resources and financing			**(28,412)**		(37,763)
Acquisitions and disposals					
Cash balance on acquisition of Synergy			**-**		1,069
Financing					
Bond drawdown			**196,892**		-
Loan repayments			**(108,271)**		44,048
Increase in net cash			**60,209**		7,354

The notes on pages 56 to 114 form an integral part of these financial statements.

1. Principal Accounting Policies >>

1.1. Basis of Accounting >>
The Association is a Charitable Community Benefit Society and is registered with the Homes and Communities Agency (HCA) as a Registered Provider as defined by the Housing Act 2004. The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The financial statements comply with Schedule 1 of the Housing Act 2004, the Accounting Direction for Social Housing in England from April 2012 and the Statement of Recommended Practice ('SORP 2010') published by the National Housing Federation ('NHF') in 2010. The financial statements are prepared on the going concern basis, under the historical cost convention, except as modified by the revaluation of housing properties. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

1.2. Group Consolidation >>
The group's financial statements incorporate the financial statements of the holding company, Aster Group Limited, and its subsidiaries.

Intra-group transactions have been eliminated on consolidation.

1.3. Joint Ventures >>
Joint ventures are contractual arrangements where two or more parties enter into an economic activity that they jointly control. The group has two types of joint venture.

- Jointly controlled entities – these are separate organisations in which each venturer has an interest. They are accounted for using the equity method;
- Jointly controlled operations – venturers use their own resources rather than establishing a separate organisation. How revenues from the activity are apportioned is laid out in the joint venture agreement. For these operations Aster recognises:

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

1.4 Turnover >>
Turnover represents rental and service charge income receivable, fees and revenue grants from local authorities and the Homes and Communities Agency ('HCA'), first tranche sales of shared ownership housing properties developed for sale and other income. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of properties built for sale is recognised at the legal completion of sale. Properties not let from the point of completion are subject to the calculation of void costs, which reduces the value of income. Other income is recognised when, as a result of performing a service or otherwise meeting the requirements of any arrangement with a third party, the income falls due.

1.5. Fixed Assets and Depreciation >>

Tangible fixed assets, except completed housing properties, are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs incurred in bringing the asset into use. Subsequent expenditure is capitalised where it increases the value of the asset or extends its life. Completed housing properties are stated at valuation. Depreciation is charged on a straight line basis over the expected remaining economic useful lives of the assets as follows:

Freehold offices	50 years
Motor vehicles	4 – 5 years
Office, estate equipment and furniture	3 – 15 years
Computer equipment and software	3 years

Freehold premises (non-housing properties) depreciation is provided to write off the cost less estimated residual value over the useful economic life of the property and any additions and improvements are depreciated over the remaining life of the premises. A full year's charge is made in the year the asset is brought into use.

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 tangible fixed assets are reviewed annually.

1.6. Social Housing Properties and Depreciation >>

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction with cost apportioned by key components.

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

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)	75 - 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

As at the year end the total carrying value of social housing units including components are restated at Existing Use Value – Social Housing (EUV-SH) valuation. Impairment reviews are carried out on an annual basis on assets whose useful economic lives are expected to exceed 50 years, in accordance with Financial Reporting Standard 11 (Impairment of Fixed Assets and Goodwill).

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

1. Principal Accounting Policies *(continued)* >>

Shared ownership properties are split proportionately between fixed 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 a fixed asset. 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. Social Housing Grant receivable for second or subsequent tranches is recorded against the cost of the fixed asset.

Depreciation on freehold properties and long leasehold housing properties is provided to write off the valuation less the estimated residual value of 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. A full year's charge is made in the year the asset is brought into use at the following rates:

Structure	UEL
Pre-fabricated reinforced concrete construction	75 years
Bedsits	100 years
Constructed post 1960	60 to 100 years
Constructed before 1960	75 to 100 years
Major components	15 to 60 years
Freehold land is not depreciated	

Certain pre-fabricated reinforced concrete (PRC) construction properties and bedsits have a reduction in life to 10 years and 30 years respectively, where it is considered that their economic life will be less than this standard policy.

1.7. Works to Existing Housing Properties >>

The group capitalises replacements of major components of the social housing properties and depreciates these additions over their expected useful lives.

1.8. Properties Held for Resale >>

Housing properties, identified as available for disposal, are held on the balance sheet under current assets. 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.

1.9. Donated land >>

Land donated by local authorities or others is added to cost at the market value of the land at the time of the donation.

1.10. Valuation >>

Completed housing properties are valued on the basis of Existing Use Value – Social Housing ('EUV-SH'). Valuations are carried out in accordance with the RICS Appraisal and Valuation Manual effective from 1 January 1996 (as amended). The group has restated the value of its housing properties on the basis of independent professional valuations. Where housing properties are revalued and the valuation exceeds the carrying value (net of capital grants and any depreciation) the difference is transferred to the revaluation reserve and reported in the Statement of Total Recognised Surpluses and Deficits. Transfers from the revaluation reserve to the revenue reserve are made to reflect realised gains on the disposal of properties and the depreciation in excess of the depreciation that would have been provided based upon the historical cost of the properties. Where housing properties are revalued and the valuation is less than the carrying value then the impairment is recognised in the Income and Expenditure Account.

1.11. Social Housing and Other Grants >>

Social housing grant (SHG) is receivable from the Homes and Communities Agency (HCA) and is utilised to reduce the capital cost of housing properties, including land costs. Where developments are financed wholly or partly by social housing or other grants, on completion the cost and related grants are replaced by the relevant valuations. Where grants are paid in advance, they are included in creditors until the related capital expenditure is incurred. Where the net SHG received is in excess of costs incurred it is included in current liabilities, taking into account all properties under construction.

SHG received for items of cost written off in the Income and Expenditure Account is matched against those costs but recognised as part of turnover.

SHG can be recycled by the group under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the HCA. However, SHG may have to be repaid if certain conditions are not met and so is credited to a fund which appears as a creditor until fully utilised.

In certain circumstances, SHG may be repayable and, in that event, is a subordinated unsecured repayable debt disclosed under 'Creditors: amounts falling due within one year'.

1.12. Impairment >>

Housing properties are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down is charged to operating surplus unless it represents a reversal of a past revaluation surplus, in which case it is taken to the Statement of Total Recognised Surpluses and Deficits. Planned subsidies on the development of new homes are not treated as impairments in accordance with the technical guidance that accompanies the Statement of Recommended Practice.

1.13. Capitalisation of Interest Costs >>

Interest costs relating to the construction and acquisition of fixed assets are capitalised to the extent that they are incremental to the process and directly attributable to bringing the assets into their intended use.

1.14. Development and Administration Costs >>

Indirect development administration costs are charged to the income and expenditure account. Direct development administration costs are capitalised to schemes under construction where the outcome of the scheme is certain and in accordance with the SORP. Where the scheme is uncertain or aborted, the direct development administration costs are charged to the income and expenditure account.

1. Principal Accounting Policies *(continued)* >>

1.15. Shared ownership >>

The cost of developing shared ownership 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 fixed assets for the remaining part of the property which is expected to be retained.

First tranche sales on shared ownership properties are taken to turnover, with an appropriate proportion of development build costs (excluding any Social Housing Grant (SHG) funding) being expensed through cost of sales.

Subsequent tranches sold ('staircasing') are reflected in the surplus or deficit on sale of fixed assets. Such staircasing sales may result in SHG being deferred or abated and this is credited in the sales account in arriving at the surplus or deficit. Cost includes the acquisition of land and buildings, the cost of developing properties, plus expenditure incurred in respect of improvements.

1.16. Right to Buy >>

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

1.17. Right to Acquire >>

The surplus or deficit on the disposal of housing properties under the right to acquire arrangement is calculated as being the difference between the proceeds of sale of a property and the carrying value of that property. Any loss on disposal is recognised in the Income and Expenditure Account at the date of transfer, any gain on disposal is credited to the disposals proceeds fund.

1.18. HomeBuy >>

The group operates the HomeBuy Scheme lending a proportion of the cost of a house purchase to tenants who wish to own their own home. This loan is secured on the title and on the sale of the property the same proportion of the sale proceeds will be payable to the group. The loans are financed by Social Housing Grant ('SHG') from the Homes & Communities Agency ('HCA'). On repayment the SHG is recycled and the group keeps any surplus. In the event of a loss, the SHG is written off and expensed through cost of sales. The loan to the purchaser is treated as a fixed asset investment made by the group and the grant from the HCA is recognised separately as a loan to the group. The investment is carried on the balance sheet at historical cost.

1.19. Property Managed by Agents >>

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 Income and Expenditure Account.

Where the agency carries the financial risk, the Income and Expenditure Account includes only that income and expenditure which relates solely to the group.

1.20. Investments in Third Parties >>

Investments in other companies not part of the group are held at cost.

1.21. Leased Assets >>

Where assets are financed by leasing agreements that give rise to rights and obligations approximating to ownership, they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the Income and Expenditure Account using the annuity method.

Rentals paid under operating leases are charged to the Income and Expenditure Account on a straight line basis over the period of the lease.

Assets leased to other organisations in such a way as to transfer substantially all the risks and rewards of ownership of the asset to the lessee are accounted for as finance leases. The amount due from the lessee is recorded in the Balance Sheet as a debtor at the amount of the net investment of the lease, which is calculated as the minimum lease payments plus any unguaranteed residual value, discounted at the interest rate implicit in the lease. Finance lease income, including associated interest, is allocated to accounting periods to give a constant periodic rate of return to the net cash investment in the lease for each period. Unguaranteed residual values are subject to regular review to identify potential impairment.

If there has been a reduction in the estimated unguaranteed residual value, the income allocation is revised and any reduction in respect of amounts accrued is recognised in the Income and Expenditure Account immediately.

1.22. Stocks >>

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Stocks are valued using a first-in-first-out methodology.

1.23. Private Finance Initiative >>

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.

1.24. 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 in trust by the group, and may only be used for the benefit of the relevant schemes. These funds are held in creditors on the Balance Sheet.

1. Principal Accounting Policies *(continued)* >>

1.25. Pension Costs >>

The cost of providing retirement pensions and related benefits is accounted for in accordance with FRS 17 – 'Retirement Benefits' as amended. The group participates in eight pension schemes. There are four Local Government Pension Schemes (LGPS) which are the Dorset County Council Pension Fund, the Hampshire County Council Pension scheme, the Somerset County Council Pension scheme and the Wiltshire Council Pension scheme. There are three separate schemes with the Social Housing Pension Scheme ('SHPS'), and one defined contribution ('stakeholder') scheme with Friends Provident. The accounting treatment for each scheme is described below.

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

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

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

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.

1.26. Designated Reserve >>

All income and expenditure relating to movements in the designated reserves is included in the group's Income and Expenditure Account before identifying the result for the year. Use of the designated reserves is shown by making a transfer from the reserves to the accumulated surplus/(deficit) of the relevant expenditure in the year. The group designates those reserves which have been set aside for future service enhancements and which prevent them, in the judgement of the board, from being regarded as part of the free reserves of the group.

1.27. Restricted Reserve >>

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

1.28. Bad and doubtful debts >>
Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered irrecoverable.

1.29. Provisions >>
Provisions are recognised where the group has an obligation as a result of a past event at the balance sheet date to incur future expenditure. The amount of provision is re-assessed each year in the light of estimated future income and costs as appropriate.

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

1.31. Deferred Income >>
Where money has been received for goods or services not yet delivered, the amount is recorded as a liability on the balance sheet (entitled deferred income) and the revenue is recognised once the delivery has been made.

1.32. Management Expenses >>
Direct employee, administration and operating costs have been apportioned to the relevant section of the income and expenditure account on the basis of the costs of the staff and to the extent that they are engaged in each of the operations dealt with in the financial statements.

1.33. Interest payable >>
Interest on borrowings to finance property developments is charged to the cost of developments, to the extent that it accrues in respect of the period of development if it represents either:

a. interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
b. interest on borrowings of the group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable on loans is expensed to the Income and Expenditure Account in the year unless the loan is measured at amortised cost using the effective interest method. In this case the calculated effective interest for the year is expensed to the income and expenditure account in the year.

1.34. Loan Finance Issue Costs >>
These were written off evenly over the expected minimum life of the related loan. Loans are stated in the balance sheet at the gross amount of the loan, less the un-amortised portion of the related issue costs.

1.35. Derivatives >>
The group may use caps, collars and swaps to vary the risk profile of particular loans. The cost of these derivatives is expensed over the life of the derivative contract or the hedged loan, if shorter. Interest differentials on derivatives are recognised by adjusting net interest payable in the period to which they relate.

1. Principal Accounting Policies *(continued)* >>

1.36. Taxation >>

The Association and some of the subsidiaries have adopted charitable rules and benefit from various exemptions from taxation afforded by the tax legislation and are therefore not liable to corporation tax on income or gains falling within those exemptions. The taxable subsidiaries are able to gift aid some or all of their taxable profits to the parent company.

1.37. Deferred Taxation >>

Deferred taxation is provided using the full provision basis, in accordance with FRS 19 – 'Deferred Tax'. It is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

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 more likely than not 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 balance sheet date.

1.38. 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.

Turf turning at new Aster Homes site at Maiden Newton, Dorset

2. Turnover, operating costs and surplus: Group >>

2a

	Note	2014 Turnover £'000	2014 Operating Costs £'000	2014 Operating Surplus/ (Deficit) £'000
Income and expenditure from lettings				
Housing accommodation	2b	129,636	(88,809)	40,827
Other income and expenditure				
Social Housing				
Housing services provided to third parties		3,115	(1,945)	1,170
Supporting People contract		2,153	(2,060)	93
Properties managed by agents		639	(77)	562
Community involvement and transform		152	(1,860)	(1,708)
Domiciliary care		5,353	(5,600)	(247)
Helpline/Telecare		1,694	(1,539)	155
Home improvements		3,102	(3,225)	(123)
First tranche shared ownership		7,563	(4,873)	2,690
Development costs not capitalised		-	(193)	(193)
Other		910	(772)	138
		24,681	(22,144)	2,537
Non Social Housing				
Finance Debtor		35,422	(35,422)	-
Garage lettings		2,356	(295)	2,061
Sewerage services		302	(356)	(54)
Other		2,733	(1,833)	900
		40,813	(37,906)	2,907
Total		195,130	(148,859)	46,271
Administrative expenses				(243)
Operating surplus				46,028

A detailed analysis of the income and expenditure from lettings is given in note 2b.

2. Turnover, operating costs and surplus: Group *(continued) >>*

2a	Note	2013 Turnover £'000	Operating Costs £'000	Operating Surplus/ (Deficit) £'000
Income and expenditure from lettings				
Housing accommodation	2b	95,752	(66,130)	29,622
Other income and expenditure				
Social Housing				
Housing services provided to third parties		1,796	(1,351)	445
Supporting People contract		1,645	(1,786)	(141)
Properties managed by agents		332	(94)	238
Community involvement and transform		43	(1,240)	(1,197)
Domiciliary care		5,836	(8,117)	(2,281)
Helpline/Telecare		1,314	(1,246)	68
Home improvements		3,078	(2,779)	299
First tranche shared ownership		6,569	(4,798)	1,771
Development costs not capitalised		-	(132)	(132)
Other		549	(1,018)	(469)
		21,162	(22,561)	(1,399)
Non Social Housing				
Finance Debtor		13,736	(13,610)	126
Garage lettings		2,113	(317)	1,796
Sewerage services		236	(186)	50
Other		881	(1,144)	(263)
		16,966	(15,257)	1,709
Total		133,880	(103,948)	29,932
Administrative expenses				(124)
Operating surplus				29,808

A detailed analysis of the income and expenditure from lettings is given in note 2b.

2. Income and expenditure from lettings: Group >>

2b

	2014				
	General Needs Housing £'000	Supported Housing £'000	Shared Ownership £'000	Other £'000	Total £'000
Income					
Rents	103,086	16,446	2,560	1,264	123,356
Service charges	2,150	3,562	546	5	6,263
Other revenue grants	17	-	-	-	17
Total net rents from lettings	105,253	20,008	3,106	1,269	129,636
Expenditure					
Management	21,325	2,008	292	972	24,597
Services	5,081	2,458	197	76	7,812
Routine maintenance	11,823	1,807	23	84	13,737
Planned maintenance	6,605	1,209	-	-	7,814
Major improvements and repairs	12,458	678	11	6	13,153
Bad debts	1,048	40	2	21	1,111
Property lease charges	-	-	-	110	110
Depreciation of housing properties	18,482	1,426	437	9	20,354
Impairment of housing properties	53	-	-	-	53
Other costs	-	2	-	66	68
Operating costs on housing lettings	76,875	9,628	962	1,344	88,809
Operating surplus/(deficit) on letting activities	28,378	10,380	2,144	(75)	40,827
Rental income is stated net of void losses as set out below:					
Void losses from rents	562	456	19	113	1,150

2. Income and expenditure from lettings: Group *(continued) >>*

2b

Restated 2013

	General Needs Housing £'000	Supported Housing £'000	Shared Ownership £'000	Other £'000	Total £'000
Income					
Rents	76,922	10,659	1,975	1,468	91,024
Service charges	1,536	2,316	533	37	4,422
Other revenue grants	7	285	-	14	306
Total net rents from lettings	78,465	13,260	2,508	1,519	95,752
Expenditure					
Management	15,423	1,698	202	976	18,299
Services	3,525	1,569	110	39	5,243
Routine maintenance	8,586	1,743	43	143	10,515
Planned maintenance	5,889	956	8	14	6,867
Major improvements and repairs	9,549	240	-	8	9,797
Bad debts	537	48	-	3	588
Property lease charges	-	-	-	15	15
Depreciation of housing properties	12,704	1,333	306	7	14,350
Impairment of housing properties	451	-	-	-	451
Other costs	-	-	-	5	5
Operating costs on housing lettings	56,664	7,587	669	1,210	66,130
Operating surplus/(deficit) on letting activities	21,801	5,673	1,839	309	29,622
Rental income is stated net of void losses as set out below:					
Void losses from rents	517	485	5	92	1,099

The allocations of expenditure between types of housing has been restated for 2012/13 to ensure that the allocation is consistent with 2013/14. There are no changes to total expenditure.

3. Operating surplus/(deficit) >>

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Operating surplus/(deficit)				
is stated after charging/(crediting):				
Auditors' remuneration (including irrecoverable VAT):				
In their capacity as auditors:				
Financial statements audit	**68**	68	**7**	4
Non audit services	**2**	2	**-**	-
In respect of other services:				
VAT advice	**-**	7	**-**	7
Preparation of Corporation Tax returns	**5**	6	**-**	-
Other business advice	**8**	8	**-**	-
Depreciation:				
Housing properties	**20,038**	14,350	**-**	-
Other assets	**3,192**	2,080	**549**	314
Profit on disposal of properties	**(1,009)**	(493)	**-**	-
Loss/(profit) on the disposal of other fixed assets	**241**	(6)	**-**	-
Impairment of housing properties	**53**	451	**-**	-
Operating lease payments:				
Land and buildings	**607**	291	**-**	-
Other assets	**141**	62	**-**	-

4. Directors' emoluments >>

Members of the executive board and executive management team – Group and Association

	Group		Association	
	2014	Restated 2013	**2014**	Restated 2013
	£'000	£'000	**£'000**	£'000
The aggregate emoluments paid to or receivable by directors (including employment costs)	**1,058**	919	**460**	445
The emoluments paid to the highest paid director of the group excluding pension contributions	**213**	208	**213**	208

The Group Chief Executive is an ordinary member of the Social Housing Pension Scheme. No enhanced or special terms apply and there are no additional pension arrangements in place. Pension contributions of £18,464 (2013: £14,843) were made by the Association during the year on behalf of the Group Chief Executive. In addition to the Group Chief Executive there are 5 (2013: 5) other directors and members of the group's management team who are accruing benefits under defined benefit schemes.

The prior year figures have been restated to ensure consistency between years.

As at 31 March 2014 the Group Leadership Team's remuneration, comprising base salary, car allowance and any acting up allowance, was as follows:

Name	Position	Remuneration
		£
Bjorn Howard	Group Chief Executive	**213,471**
John Brace	Group Resources Director and Deputy Group Chief Executive	**166,734**
Joanne Savage	Group Services Director	**139,086**
Michael Reece	Group Asset Director	**138,271**
Amanda Williams	Group Development Director	**127,392**
Brian Whittaker	Group Human Resources Director	**117,596**
Susan Holmes	Group Care and Support Director	**104,631**
Rachel Credidio	Group Strategic Change Director	**84,433**
Total		**1,091,614**

Non-executive directors >>

	2014			2013		
	Aster Group Board £	Other Group Boards and Committees £	Total £	Aster Group Board £	Other Group Boards and Committees £	Total £
Christopher Bain	-	2,588	2,588	-	-	-
Anthony Brooks	-	4,080	4,080	-	3,487	3,487
Debbie Cattell	-	4,080	4,080	-	3,487	3,487
Alan Clevett	1,040	4,122	5,162	833	8,844	9,677
Melvyn Cook	20,400	-	20,400	11,371	6,605	17,976
Susan Coulson	-	2,380	2,380	-	3,487	3,487
Robert Cowan	4,542	1,123	5,665	4,091	5,917	10,008
Robert Cribb	4,590	-	4,590	8,702	-	8,702
Peter Cruttenden	9,180	-	9,180	3,544	-	3,544
Malcolm Curtis	-	7,055	7,055	-	7,012	7,012
Susan Dear	3,060	3,060	6,120	1,567	3,741	5,308
Peter Denning	4,590	4,590	9,180	3,304	2,421	5,725
Mary Douglas	-	4,080	4,080	-	3,152	3,152
Warren Finney	-	4,080	4,080	-	2,837	2,837
Douglas Fisher	-	-	-	386	-	386
Spencer Flower	2,495	2,494	4,989	1,875	5,941	7,816
Carey Gage	-	-	-	386	-	386
Anne Goymer	-	4,615	4,615	146	7,757	7,903
John Heffer	-	-	-	2,169	-	2,169
Sally Higham	8,160	-	8,160	5,243	-	5,243
Andrew Jackson	-	4,080	4,080	-	3,487	3,487
Brian Jamieson	-	4,080	4,080	459	2,673	3,132
Ken Johnson	-	4,080	4,080	230	3,486	3,716
Mark Jones	-	4,080	4,080	-	3,487	3,487
David Kemp	2,040	2,040	4,080	923	2,653	3,576
Peter Kingsbury	4,206	4,206	8,412	1,756	5,728	7,484
Joe Logan	-	4,080	4,080	-	4,137	4,137
Erfana Mahmood (Kahn)	-	4,080	4,080	-	3,487	3,487
Colin Martin	2,040	-	2,040	7,339	-	7,339
John McGibbon	5,610	5,610	11,220	3,207	7,268	10,475
Christopher McGowan	2,550	2,550	5,100	1,151	2,653	3,804
Arthur Merchant	3,934	3,934	7,868	1,756	5,728	7,484
Mary Miller	-	-	-	-	2,565	2,565
Wendy Murphy	-	-	-	386	-	386
Susan Noone	-	3,935	3,935	-	4,879	4,879
Phillip Owens	5,934	5,934	11,868	2,980	6,606	9,586
Geoff Petherick	-	4,080	4,080	-	4,137	4,137
Rita Sammons	-	4,080	4,080	-	3,487	3,487
Sandy Scott	-	4,080	4,080	-	4,137	4,137
Roger Shepherd	-	-	-	466	-	466
Mark Skellon	-	2,156	2,156	-	-	-
Stephanie Taylor	-	1,915	1,915	-	5,437	5,437
Steve Trusler	-	9,180	9,180	-	7,757	7,757
Nigel Walker	-	-	-	-	3,487	3,487
Anthony Ward	-	4,080	4,080	-	2,045	2,045
Mary Watkins	5,100	5,100	10,200	2,793	3,881	6,674
Nigel Woollcombe-Adams	-	4,080	4,080	-	3,487	3,487
Rob Yates	3,060	-	3,060	6,739	-	6,739
	92,531	139,787	232,318	73,802	161,380	235,182

Expenses for all boards of £30,865 (2013: £32,376) were reimbursed during the year.

5. Employee Information >>

	Group		Association	
	2014	2013	**2014**	2013
	No.	No.	**No.**	No.
The average number of persons employed during the year (full time equivalents) based on a 37 hours per week was:	**1,319**	1,197	**204**	151
FTE by salary bands:				
£60,000 to £69,999	**10**	11	**3**	6
£70,000 to £79,999	**7**	8	**4**	6
£80,000 to £89,999	**12**	8	**5**	2
£90,000 to £99,999	**-**	2	**-**	-
£100,000 to £109,999	**3**	2	**1**	-
£110,000 to £119,999	**1**	1	**1**	-
£120,000 to £129,999	**1**	3	**1**	1
£130,000 to £139,999	**2**	-	**-**	-
£140,000 to £149,999	**-**	-	**-**	-
£150,000 to £159,000	**-**	-	**-**	-
£160,000 to £169,999	**1**	1	**1**	2
£170,000 to £179,999	**-**	-	**-**	-
£180,000 to £189,999	**-**	-	**-**	-
£190,000 to £199,999	**-**	-	**-**	-
£200,000 to £209,999	**-**	-	**-**	-
£210,000 to £219,999	**1**	-	**1**	-

		Restated		
	2014	2013	**2014**	2013
Staff costs:	**£'000**	£'000	**£'000**	£'000
Wages and salaries	**36,331**	31,720	**7,563**	6,061
Social security costs	**3,280**	2,808	**773**	593
Other pension costs	**2,988**	2,293	**741**	720
	42,599	36,821	**9,077**	7,374

The prior year salary costs have been restated to include the reallocation of payroll costs not previously included.

6. Exceptional item: result/gain on non-exchange transaction >>

On 1 November 2012, Synergy Housing Limited and Zebra Property Solutions Limited joined the Aster Group. This was treated as a non-exchange transaction under the Social Housing SORP, the governance structure dictates that Aster Group Limited retains control of the group as a whole, and, with effect from 1 November 2012, Synergy Housing Limited and Zebra Property Solutions Limited became subsidiaries of Aster Group Limited. The net assets acquired at 1 November 2012 were as follows:

	2013
	£'000
Housing Properties at valuation	362,270
Other fixed assets	3,958
Current assets	4,014
Current liabilities	(5,317)
Long term liabilities	(186,001)
Net Assets	178,924

There was no similar transaction during the year ending March 2014.

7. Surplus on sale of properties not developed for outright sale >>

		2014	
	Proceeds	**Cost of Sales**	**Surplus/ (Deficit)**
	£'000	**£'000**	**£'000**
Right to buy	**4,732**	**(5,006)**	**(274)**
Right to acquire	**808**	**(779)**	**29**
Shared ownership staircasing	**2,202**	**(1,485)**	**717**
Market Renting	**282**	**(250)**	**32**
Sales of void dwellings	**1,274**	**(654)**	**620**
Others	**123**	**(238)**	**(115)**
Total	**9,421**	**(8,412)**	**1,009**

		2013	
	Proceeds	Cost of Sales	Surplus
	£'000	£'000	£'000
Right to acquire	1,816	(1,665)	151
Shared ownership staircasing	187	(154)	33
Others	1,346	(1,037)	309
Total	3,349	(2,856)	493

8. Interest receivable and other income >>

	Group	
	2014	2013
	£'000	£'000
Bank interest receivable	**170**	386
Finance debtor interest receivable	**1,911**	-
Interest receivable on lease contracts	**189**	124
Other interest receivable	**167**	-
	2,437	510

9. Interest payable and similar charges >>

	Group	
	2014	2013
	£'000	£'000
On bank and other loans	**20,352**	12,388
Less: capitalised interest	**(1,492)**	(417)
	18,860	11,971
Other interest payable	**7**	517
Amortisation of arrangement fees	**38**	73
Amortisation of issue costs	**22**	-
	18,927	12,561

The group capitalises interest on its property development costs.

10. Tax on surplus on ordinary activities >>

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
(a) Analysis of the charge in the year				
The tax charge on the surplus on ordinary activities was as follows:				
Current tax				
UK Corporation Tax charge for the year	**26**	109	**-**	-
Under provision in previous years	**-**	-	**-**	-
Total current tax	**26**	109	**-**	-
Deferred tax				
Origination and reversal of timing differences	**16**	(10)	**-**	-
Adjustment for prior year	**36**	15	**-**	-
Changes in tax rates or laws	**-**	-	**-**	-
Total deferred tax	**52**	5	**-**	-
Tax on surplus on ordinary activities	**78**	114	**-**	-

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

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
(b) Factors affecting tax charge for the year				
Surplus on ordinary activities before taxation	**29,246**	196,587	**1,894**	24
Surplus on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 23% (2013: 24%)	**93**	47,180	**436**	6
Effects of:				
Expenses not deductible	**7**	4	**-**	-
Utilisation of losses	**(94)**	9	**-**	-
Tax at marginal rates	**(1)**	(1)	**-**	-
Items not allowable for tax purposes	**-**	(47,093)	**(436)**	(6)
Capital allowances less than depreciation	**(16)**	(10)	**-**	-
Items charged to STRSD	**79**	(57)	**-**	-
Other timing differences	**(42)**	77	**-**	-
	26	109	**-**	-

A number of changes to the UK corporation tax system were announced in the March 2013 UK Budget Statement. These were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These reduce the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. Accordingly, the closing deferred tax asset in these financial statements has been recognised at 20%.

(c) Factors that may affect future tax charges >>

No provision has been made for deferred tax gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. At present, it is not envisaged that any such tax will become payable in the foreseeable future.

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, with regard to timing differences on fixed assets and other short term timing differences, and therefore the asset has been recognised in these financial statements.

11. Housing Properties at valuation/cost – Group >>

	2014						
	Housing Properties Under Construction £'000	Completed Housing Properties at Valuation £'000	Shared Ownership Under Construction £'000	Shared Ownership Completed £'000	Total Social Housing Properties £'000	Market Rented Properties £'000	Total Housing Properties £'000
Cost or Valuation							
At 1 April 2013	25,005	965,380	4,481	50,457	**1,045,323**	2,336	**1,047,659**
Additions	56,515	1	20,603	(7)	**77,112**	(1)	**77,111**
Components	-	15,764	-	-	**15,764**	-	**15,764**
Disposal of Components	-	(3,732)	-	-	**(3,732)**	-	**(3,732)**
Write-off aborted costs	-	(363)	-	-	**(363)**	-	**(363)**
Completions	(45,471)	45,471	(13,821)	13,821	**-**	-	**-**
Transfer to current assets	-	-	(2,616)	(4,423)	**(7,039)**	-	**(7,039)**
Transfer to other fixed assets	(135)	(42)	-	-	**(177)**	-	**(177)**
Disposals	-	(6,057)	-	(4,459)	**(10,516)**	-	**(10,516)**
Revaluation	-	58,702	-	1,184	**59,886**	-	**59,886**
At 31 March 2014	**35,914**	**1,075,124**	**8,647**	**56,573**	**1,176,258**	**2,335**	**1,178,593**
Social Housing Grant							
At 1 April 2013	3,661	-	567		**4,228**	-	**4,228**
Received during year	8,207	-	996	-	**9,203**	-	**9,203**
Completions	(8,226)	8,226	(883)	883	**-**	-	**-**
Disposals	-	(232)	-	(518)	**(750)**	-	**(750)**
Revaluation	-	(7,994)	-	(365)	**(8,359)**	-	**(8,359)**
At 31 March 2014	**3,642**	**-**	**680**	**-**	**4,322**	**-**	**4,322**
Accumulated Depreciation							
At 1 April 2013	-	-	-	-	**-**	13	**13**
Charge for year	-	19,600	-	430	**20,030**	8	**20,038**
Disposal of Components	-	(3,096)	-	-	**(3,096)**	-	**(3,096)**
Disposals	-	(439)	-	(46)	**(485)**	-	**(485)**
Revaluation	-	(16,065)	-	(384)	**(16,449)**	-	**(16,449)**
At 31 March 2014	**-**	**-**	**-**	**-**	**-**	**21**	**21**
Net book value at 31 March 2014	**32,272**	**1,075,124**	**7,967**	**56,573**	**1,171,936**	**2,314**	**1,174,250**
Net book value at 31 March 2013	21,344	965,380	3,914	50,457	**1,041,095**	2,323	**1,043,418**

11. Housing Properties at valuation/cost – Group *(continued) >>*

	2014					
	Housing Properties Under Construction	Completed Housing Properties at Valuation	Shared Ownership Under Construction	Shared Ownership Completed	Total Social Housing Properties	Total Housing Properties
	£'000	£'000	£'000	£'000	£'000	£'000
Comparable Historic Cost						
Historic Cost	34,217	714,138	7,165	34,383	789,903	789,903
Accumulated Depreciation	-	(141,875)	-	(1,460)	(143,335)	(143,335)
Net book value at 31 March 2014	**34,217**	**572,263**	**7,165**	**32,923**	**646,568**	**646,568**

	2014	2013
	£'000	£'000
Net book value of property assets by tenure:		
Long leasehold	**6,943**	6,981
Freehold	**1,167,307**	1,036,437
	1,174,250	1,043,418

Completed housing properties were valued as at 31 March 2014 by Mazars Property Consultancy Limited, Chartered Surveyors (for Aster Communities) and Savills (L&P) Limited (for Synergy Housing Limited), on the basis of Existing Use Value – Social Housing. The valuations were carried out in accordance with the RICS Appraisal and Valuation Manual effective from 1 January 1996 (as amended). The group has revalued its housing properties as at 31 March 2014 on the basis of these independent professional valuations.

12. HomeBuy Loan, HomeBuy Grant >>

	Group	
	2014	2013
	£'000	£'000
HomeBuy loan received from The Homes and Communities Agency	**6,067**	6,067
HomeBuy loan advanced to borrower	**(6,156)**	(6,156)

HomeBuy was a UK government supported scheme designed to help people buy their own home.

Under the terms of the scheme, home buyers were advanced a loan of up to 25% of the purchase price of the property, depending upon the value of the property. The group then received a grant from the Homes and Communities Agency for the same amount.

When the home owner sells their property, the group is entitled to the respective proportion of the sale proceeds of the property and the grant is recycled through the recycled capital grant fund (RCGF).

Any profits or losses upon sale of the property are taken to the Income and Expenditure Account.

13. Social Housing Grant Received >>

	Group	
	2014	2013
	£'000	£'000
The total accumulated amount of Social Housing Grant:		
Capital	**232,699**	232,380
Revenue	**261**	261
HomeBuy	**10,205**	9,088
	243,165	241,729

14. Other fixed assets: Group >>

	2014						
	Office Premises £'000	Leasehold Office Improvements £'000	Assets under Construction £'000	Motor Vehicles £'000	Office & Estate Equipment & Furniture £'000	Computer Equipment & Software £'000	Total Other Fixed Assets £'000
Cost or Valuation							
At 1 April 2013	15,334	239	519	3,832	5,538	8,225	33,687
Additions	22	52	210	1,213	430	1,190	3,117
Transfer from property assets	-	-	-	-	177	-	177
Reclassification of existing asset	(517)	517	-	-	-	-	-
Disposals	(1,990)	-	-	(124)	(628)	(1,675)	(4,417)
At 31 March 2014	**12,849**	**808**	**729**	**4,921**	**5,517**	**7,740**	**32,564**
Accumulated Depreciation							
At 1 April 2013	1,882	8	-	2,325	2,715	3,886	10,816
Charge for year	305	-	-	680	783	1,424	3,192
Disposals	(1,897)	(2)	-	(120)	(800)	(1,451)	(4,270)
At 31 March 2014	**290**	**6**	**-**	**2,885**	**2,698**	**3,859**	**9,738**
Net book value at 31 March 2014	**12,559**	**802**	**729**	**2,036**	**2,819**	**3,881**	**22,826**
Net book value at 31 March 2013	13,452	231	519	1,507	2,823	4,339	22,871

14. Other fixed assets: Association >>

	Assets Under Construction	Office & Estate Equipment & Furniture	Computer Equipment & Software	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2013	519	339	1,440	2,298
Additions	210	-	1,006	1,216
Transfers (to)/from other group companies	(710)	-	4	(706)
Disposals	-	(86)	-	(86)
At 31 March 2014	**19**	**253**	**2,450**	**2,722**
Accumulated depreciation				
At 1 April 2013	-	328	893	1,221
Charge for year	-	4	545	549
Transfers from other group companies	-	-	3	3
Disposals	-	(86)	-	(86)
At 31 March 2014	**-**	**246**	**1,441**	**1,687**
Net book value				
At 31 March 2014	**19**	**7**	**1,009**	**1,035**
At 31 March 2013	519	11	547	1,077

15. Stock >>

	Group	
	2014	2013
	£'000	£'000
Trade consumables	**309**	373
Work in progress	**916**	-
Completed units for open market sales	**366**	23,722
	1,591	24,095

16. Debtors >>

	Group	
		Restated
	2014	2013
	£'000	£'000
Amounts falling due after more than one year:		
Finance debtor	**42,718**	11,844
Loan to Limited Liability Partnership	**10,454**	-
	53,172	11,844

	Group 2014 £'000	Group Restated 2013 £'000	Association 2014 £'000	Association 2013 £'000
Amounts falling due within one year:				
Trade debtors	**2,957**	2,775	**121**	91
Rent arrears	**5,773**	6,537	**-**	-
Supporting People arrears	**-**	14	**-**	-
Less: provision for bad debts	**(3,650)**	(3,569)	**(11)**	-
Other capital grants receivable	**-**	822	**-**	-
Amounts owed by group undertakings:				
Aster Living	**-**	-	**169**	254
Aster Homes Limited	**-**	-	**165**	61
Aster Property Limited	**-**	-	**3,647**	1,923
Silbury Housing Holdings Limited	**-**	-	**4**	2
Silbury Housing Limited	**-**	-	**-**	2
Synergy Housing Limited	**-**	-	**566**	420
Zebra Property Solutions Limited	**-**	-	**12**	-
Finance debtor	**4,968**	1,909	**-**	-
Other debtors	**1,129**	1,056	**11**	26
Less: provision for bad debts	**(164)**	(117)	**-**	-
Finance lease	**3,025**	3,060	**-**	-
Deferred tax	**239**	360	**-**	-
VAT recoverable	**67**	40	**29**	-
Margin call account	**-**	4,300	**-**	-
Other capital grants receivable	**1,394**	-	**-**	-
Prepayments and accrued income	**2,652**	2,566	**530**	359
	18,390	19,753	**5,243**	3,138

	Group 2014 £'000	Group Restated 2013 £'000	Association 2014 £'000	Association 2013 £'000
Net investment in finance leases comprises:				
Total amounts receivable	**4,684**	5,047	**-**	-
Less: interest allocated to future periods	**(1,659)**	(1,987)	-	**-**
	3,025	3,060	**-**	-

The margin call account represents cash deposited above an agreed unsecured threshold with Credit Suisse International as security to cover the shortfall of the market value of interest rate swaps.

The prior year finance debtor ageing profile has been restated to provide an accurate comparative to this year's debtor.

17. Properties held for resale >>

	Group	
	2014	2013
	£'000	£'000
Properties for sale	**1,505**	1,322
Units under construction	**49**	1,003
Total	**1,554**	2,325

18. Shared ownership properties developed for sale >>

	Group	
	2014	2013
	£'000	£'000
Unsold completed units	**3,237**	1,906
Units under construction	**2,564**	2,333
Total	**5,801**	4,239

19. Cash at bank and in hand >>

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Short term deposits	**65,771**	-	**-**	-
Cash at bank and in hand	**16,969**	22,531	**1,457**	494
Total	**82,740**	22,531	**1,457**	494

20. Creditors: amounts falling due within one year >>

	Note	Group 2014 £'000	Group 2013 £'000	Association 2014 £'000	Association 2013 £'000
Trade creditors		**3,401**	1,897	**198**	144
Taxation and social security payable		**799**	994	**176**	185
Pension contributions		**558**	505	**167**	164
VAT		**36**	90	**-**	39
Rent paid in advance		**2,434**	2,236	**-**	-
Amounts due under right to buy sharing agreement		**1,584**	259	**-**	-
Amounts owed to group undertakings:					
Aster Communities		**-**	-	**2,348**	1,930
Aster Treasury Plc		**-**	-	**38**	-
Corporation Tax		**22**	109	**-**	-
Capital grant received in advance		**-**	1,551	**-**	-
Recycled capital grant	23	**483**	123	**-**	-
Disposal proceeds funds	24	**-**	-	**-**	-
Grants held on behalf of other housing associations		**61**	-	**-**	-
Other creditors		**2,387**	1,630	**29**	28
Accruals and deferred income		**15,956**	13,671	**647**	460
Loan repayable by instalments (within 1 year)		**880**	-	**-**	-
Less deferred arrangement fees		**(35)**	-	**-**	-
		28,566	23,065	**3,603**	2,950

21. Provisions for liabilities and charges >>

	Group 2014 £'000	Group 2013 £'000	Association 2014 £'000	Association 2013 £'000
Provision under onerous contract	**-**	735	**-**	-
Redundancy Provision	**510**	-	**510**	-

The redundancy provision has been made following a decision to restructure certain administrative functions within Aster Group Limited.

The provision from the previous year related to an onerous contract which Aster Living (a subsidiary) continued to fulfil up to 28 September 2013.

22. Creditors: amounts falling due after more than one year >>

	Note	Group 2014 £'000	Group 2013 £'000
Loans not repayable by instalments:			
In less than five years		**23,043**	24,077
In five years or more		**670,306**	575,985
Less unamortised issue fees		**(1,773)**	-
Less unamortised discount issue fees		**(3,094)**	-
Less deferred arrangement fee		**(890)**	(924)
		687,592	599,138
Recycled capital grant fund	23	**1,142**	759
Deferred recycled capital grant fund		**338**	175
Disposal proceeds fund	24	**779**	257
Retentions		**-**	318
Tenants funds for repair and replacement		**308**	266
Designated Reserve		**-**	-
		690,159	600,913

Interest is payable on housing loans at varying commercial rates. Loans are secured by fixed charges on individual properties. Interest rates ranged from 3.96% to 6.18% (2013: 3.96% to 6.18%) for fixed loans, and 0.69% to 0.75% (2013: 0.74% to 0.95%) for variable loans.

At 31 March 2014, the group had undrawn loan facilities of £270 million (2013: 172 million) to finance future operating cash flows and investments.

23. Recycled Capital Grant Fund >>

	Note	Group 2014 £'000	Group 2013 £'000
Balance as at 1 April		**882**	755
Additions		**767**	374
Acquisition of group company		**-**	63
Interest		**3**	2
Withdrawals		**(27)**	(312)
Balance as at 31 March		**1,625**	882
Analysis of Maturity:			
- in less than one year	23	**483**	123
- in one to two years		**523**	386
- in more than two years	24	**619**	373
		1,625	882

24. Disposal Proceeds Fund >>

	Group	
	2014	2013
	£'000	£'000
Balance as at 1 April	**257**	100
Additions	**521**	224
Acquisition of group company	**-**	32
Interest	**1**	1
Withdrawals	**-**	(100)
Balance as at 31 March	**779**	257
Analysis of Maturity:		
- in less than one year	**-**	-
- in one to two years	**257**	32
- in more than two years	**522**	225
	779	257

Section 24 of the Housing Act 2004 requires Registered Social Landlords to credit the net proceeds of Right to Acquire and Voluntary Purchase Grant Sales to a Disposal Proceeds Fund.

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

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

25. Financial Instruments >>

Set out below is a comparison by category of book values and fair values of all the group's financial assets and liabilities. Short term debtors and creditors have been excluded from the analysis in this note.

	Book Value 2014 £'000	Fair Value 2014 £'000	Book Value 2013 £'000	Fair Value 2013 £'000
Financial Assets				
Cash at bank and in hand	**82,740**	**82,740**	22,531	22,531
Financial Liabilities				
Short term loans and current portion of long term borrowings	**(880)**	**(880)**	-	-
Long term borrowings – Bond Issue	**(196,906)**	**(202,216)**	-	-
Long term borrowings – Bank debt	**(493,349)**	**(538,270)**	(600,062)	(663,627)
Other financial liabilities	**(3,050)**	**(3,050)**	(876)	(876)
	(694,185)	**(744,416)**	(600,938)	(664,503)
Derivative financial instruments held to manage interest rates				
Interest rate swaps and similar instruments	**-**	**84**	-	(11,443)

Summary of methods and assumptions used in the assessments 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.

Short term Borrowings >>

The fair value of short term loans approximates to the carrying amount because of the short maturity of these instruments.

Long Term Borrowings - Bond Issue >>

The fair value of the group's bond has been estimated using quoted market prices for the underlying Gilt.

Other Long Term Borrowings >>

In the case of long term floating rate debt the fair value approximates to the carrying value reported in the balance sheet as interest payments are reset to market LIBOR rates at intervals of less than one year. For all fixed borrowings an estimated mark to market valuation calculated has been used.

Derivative Financial Instruments >>

In the case of derivatives market data has been used to calculate 'mark to market' valuations.

Interest Rate Profile of Borrowings >>

	2014	2013
Group borrowings comprise:	**£'000**	£'000
Fixed rate and hedged Borrowings	**612,833**	477,837
Floating rate Borrowings	**81,352**	123,101
	694,185	600,938

The weighted average interest rate for fixed rate borrowings was 4.00% (2013: 3.05%). The weighted average period for which interest rates on fixed rate borrowings were fixed was 17.0 years (2013: 13.7 years). Floating rate borrowings bear interest based on LIBOR.

Maturity of Borrowings >>

The maturity profile of the group's financial liabilities, other than short term creditors such as trade creditors and accruals was as follows:

	2014		
	Repayment		
	By Instalments	**Not by Instalments**	**Total**
	£'000	**£'000**	**£'000**
0-1 years	**880**	**483**	**1,363**
1-2 years	**1,073**	**17,630**	**18,703**
2-5 years	**5,121**	**1,479**	**6,600**
Over 5 years	**433,399**	**237,214**	**670,613**
Bond – unamortised discount on issue	**-**	**(3,094)**	**(3,094)**
	440,473	**253,712**	**694,185**

	2013		
	Repayment		
	By Instalments	Not by Instalments	Total
	£'000	£'000	£'000
0-1 years	-	-	-
1-2 years	835	698	1,533
2-5 years	23,242	178	23,420
Over 5 years	575,985	-	575,985
Bond – unamortised discount on issue	-	-	-
	600,062	876	600,938

Maturity of Undrawn Committed Borrowing >>

The group has various borrowing facilities available to it. The undrawn committed facilities available in respect of which all conditions precedent had been met at that date were as follows:

	2014	2013
	£'000	£'000
Expiring in one year or less	**-**	-
Expiring in more than one year but less than two years	**78,150**	-
Expiring in more than two years	**192,135**	124,313
	270,285	124,313

26. Pension Obligations >>

Obligations >>

The cost of providing retirement pensions and related benefits is accounted for in accordance with FRS 17 – 'Retirement Benefits' as amended. The group participates in eight pension schemes.
There are six defined benefit schemes:

- the Wiltshire Pension Scheme (closed to new members),
- the Hampshire County Council Pension Scheme (closed to new members),
- the Somerset County Council Pension Scheme (closed to new members),
- the Dorset County Council Pension Scheme (closed to new members),
- the Social Housing Pension Scheme ('SHPS') final salary defined benefit scheme (closed to new members),
- the SHPS career average of earnings (CARE),

and two defined contribution ('stakeholder') schemes:

- the SHPS defined contribution scheme,
- the Friends Provident defined contribution scheme (closed to new members).

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

The pension cost to the group for the year ended 31 March 2014 was £2,988,000 (2013: £2,216,000) in respect of 1,280 (2013: 527) employees.

Summary of movement and balances in pension funding	**2014** Total contribution by scheme	Actuarial Losses/(Gains) in Pension Scheme	Pension Liability
Group	**£'000**	**£'000**	**£'000**
County pension schemes			
Wiltshire	**530**	**(73)**	**5,873**
Hampshire	**55**	**(1,640)**	**5,180**
Somerset	**168**	**880**	**8,291**
Dorset	**306**	**1,166**	**10,928**
SHPS	**1,898**	**-**	**-**
Friends Provident	**31**	**-**	**-**
	2,988	**333**	**30,272**

Association Pension Schemes >>

Until 2002, Aster Group Limited participated in one pension scheme only, the Wiltshire Pension Fund. From June 2002, the Association decided not to offer membership of this scheme to new employees, but started to participate in the Social Housing Pension Scheme (SHPS). In October 2010 the Association made available the SHPS defined career average of earnings and the SHPS contribution scheme as an alternative to the closure of the SHPS defined final salary defined benefit scheme for new employees.

The pension cost to the Association for the year ended 31 March 2014 was £741,000 (2013: £720,000) in respect of 210 (2013: 89) employees.

Wiltshire Pension Fund >>

Presented below are two sets of figures from Wiltshire Council, the first set are the consolidated figures in respect of Aster Communities, Aster Living, Aster Property Limited, and direct employees of the Aster Group Limited (the Association).

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

As at the balance sheet date there were 7 (2013: 11) active members of the Scheme employed by Aster Group Limited and 30 (2013: 64) across the whole group. The annual pensionable payroll in respect of these members was £311,389 (2013: £394,000) for Aster Group Limited and £1,005,036 (2013: £1,682,000) 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 2014. 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. 17 – Retirement Benefits (FRS 17) are stated below. The actuary has used the projected unit credit method of valuation.

The next triennial valuation will be carried out on 31 March 2016 and the results for this will be incorporated into the financial statements for 2016/17.

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

Financial Assumptions	**31 March 2014 %p.a.**	31 March 2013 %p.a.
Price increases	**2.8**	2.8
Pension increases	**2.8**	2.8
Salary increases	**4.6**	5.1
Expected return on assets	**6.0**	5.1
Discount rate	**4.3**	4.5

Expected return on assets by category	**31 March 2014 %p.a.**	31 March 2013 %p.a.
Equities	**6.7**	5.7
Bonds	**4.1**	3.7
Property	**4.8**	3.9
Cash	**3.7**	3.0

Mortality	Males	Females
Current pensioners	22.3 years	24.5 years
Future pensioners	24.1 years	26.9 years

Wiltshire Pension Fund – Consolidated >>

Fair value of employer assets

	31 March 2014 £'000	31 March 2013 £'000
Equities	**12,168**	11,651
Bonds	**2,534**	2,426
Property	**1,690**	1,618
Cash	**507**	485
	16,899	16,180

Recognition in the Income and Expenditure Account

	31 March 2014 £'000	31 March 2013 £'000
Current service cost	**413**	388
Interest cost	**968**	904
Expected return on employer assets	**(794)**	(786)
Past service cost	**-**	106
Losses on curtailments and settlements	**8**	-
Total	**595**	612
Actual return on plan assets	**1,666**	1,863

Reconciliation of defined benefit obligation

	31 March 2014 £'000	31 March 2013 £'000
Opening defined benefit obligation	**22,326**	18,796
Current service cost	**413**	388
Interest cost	**968**	904
Contributions by members	**99**	122
Actuarial losses	**1,071**	2,561
Past service cost	**-**	106
Losses on curtailments	**8**	-
Estimated unfunded benefits paid	**-**	(8)
Liabilities Extinguished on Settlements	**(1,506)**	-
Estimated unfunded benefits paid	**(8)**	-
Estimated benefits paid	**(599)**	(543)
Closing defined benefit obligation	**22,772**	22,326

Wiltshire Pension Fund – Consolidated *(continued) >>*

Reconciliation of fair value of employer assets

	31 March 2014 £'000	31 March 2013 £'000
Opening fair value of employer assets	**16,180**	14,202
Expected return on assets	**794**	786
Contributions by members	**99**	122
Contributions by the employer	**607**	610
Contributions in respect of unfunded benefits	**8**	8
Actuarial gains	**1,144**	1,003
Assets distributed on settlements	**(1,326)**	-
Unfunded benefits paid	**(8)**	(8)
Benefits paid	**(599)**	(543)
Closing fair value of employer assets	**16,899**	16,180

Amounts for the current and previous accounting periods	31 March 2014 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Fair value of employer assets	**16,899**	16,180	14,202	11,900	11,339
Present value of defined benefit obligation	**(22,772)**	(22,326)	(18,796)	(15,398)	(20,024)
Deficit	**(5,873)**	(6,146)	(4,594)	(3,498)	(8,685)
Experience (losses)/gains on assets	**1,144**	1,003	(373)	(400)	1,787
Experience (losses)/gains on liabilities	**(55)**	23	(230)	1,605	(5)

Amount recognised in Statement of Total Recognised Surpluses and Deficits (STRSD)	31 March 2014 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Actuarial gains/(losses) recognised in STRSD	**73**	(1,558)	(1,172)	3,403	(5,495)
Cumulative actuarial (losses)/gains	**(3,898)**	(3,971)	(2,413)	(1,241)	(4,644)

Projected pension expense for the year to 31 March 2015

	31 March 2015 £'000
Projected current service cost	404
Interest on obligation	947
Expected return on plan assets	(1,023)
Total	328

Wiltshire Pension Fund – Association >>

Fair value of employer assets	31 March 2014 £'000	31 March 2013 £'000
Equities	2,389	2,107
Bonds	498	439
Property	332	293
Cash	100	88
	3,319	2,927

Recognition in the Income and Expenditure Account	31 March 2014 £'000	31 March 2013 £'000
Current service cost	113	106
Interest cost	188	163
Expected return on employer assets	(151)	(141)
Past service cost	-	106
Total	150	234
Actual return on plan assets	316	335

Reconciliation of defined benefit obligation	31 March 2014 £'000	31 March 2013 £'000
Opening defined benefit obligation	4,149	3,333
Current service cost	113	106
Interest cost	188	163
Contributions by members	27	38
Actuarial losses	403	515
Past service cost	-	106
Estimated benefits paid	(69)	(112)
Closing defined benefit obligation	4,811	4,149

Wiltshire Pension Fund – Association *(continued) >>*

Reconciliation of fair value of employer assets

	31 March 2014 £'000	31 March 2013 £'000
Opening fair value of employer assets	**2,927**	2,518
Expected return on assets	**151**	141
Contributions by members	**27**	38
Contributions by the employer	**131**	176
Actuarial gains	**152**	166
Benefits paid	**(69)**	(112)
Closing fair value of employer assets	**3,319**	2,927

Amounts for the current year and previous accounting periods	31 March 2014 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Fair value of employer assets	**3,319**	2,927	2,518	2,359	1,930
Present value of defined benefit obligation	**(4,811)**	(4,149)	(3,333)	(3,039)	(3,536)
Deficit	**(1,492)**	(1,222)	(815)	(680)	(1,606)
Experience gains/(losses) on assets	**152**	166	(89)	59	340
Experience gains/(losses) on liabilities	**(217)**	2	(14)	(49)	-

Amount recognised in Statement of Total Recognised Surpluses and Deficits (STRSD)	31 March 2014 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Actuarial (losses)/gains recognised in STRSD	**(251)**	(349)	(125)	615	(1,140)
Cumulative actuarial (losses)/gains	**(1,370)**	(1,119)	(770)	(645)	(1,260)

Projected pension expense for the year to 31 March 2015

	31 March 2015 £'000
Projected current service cost	120
Interest on obligation	209
Expected return on plan assets	(204)
Total	**125**

Hampshire County Council Pension Fund >>

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

As at the balance sheet date there were 8 (2013: 11) active members of the Scheme employed by Aster Communities. The annual pensionable payroll in respect of these members was £253,350 (2013: £303,700). 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 2014. 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. 17 'Retirement Benefits' (FRS 17) are stated below. The actuary has used projected unit credit method of valuation.

The next triennial valuation will be carried out on 31 March 2016 and the results for this will be incorporated into the financial statements for 2017.

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.

Financial Assumptions	**31 March 2014 %p.a.**	31 March 2013 %p.a.
Price increases - RPI	**3.3**	3.6
Price increases - CPI	**2.3**	2.7
Pension increases	**2.3**	2.7
Salary increases	**3.8**	4.6
Discount rate	**4.3**	4.3

Expected return on assets by category	**31 March 2014 %p.a.**	31 March 2013 %p.a.
Equities	**7.6**	7.8
Gilts	**3.4**	2.8
Bonds	**4.0**	3.8
Property	**6.9**	7.3
Cash	**0.9**	0.9

Mortality	Males	Females
Current pensioners	24.4 years	26.2 years
Future pensioners	26.5 years	28.5 years

Hampshire County Council Pension Fund *(continued) >>*

Fair value of employer assets	31 March 2014 £'000	31 March 2013 £'000
Equities	**6,508**	5,024
Gilts	**2,419**	2,171
Bonds	**164**	113
Property	**769**	680
Cash	**390**	732
	10,250	8,720

Recognition in the Income and Expenditure Account	31 March 2014 £'000	31 March 2013 £'000
Current service cost	**70**	70
Interest cost	**640**	650
Expected return on employer assets	**(530)**	(530)
Total	**180**	190
Actual return on plan assets	**1,970**	1,240

Reconciliation of defined benefit obligation	31 March 2014 £'000	31 March 2013 £'000
Opening defined benefit obligation	**14,990**	14,470
Current service cost	**70**	70
Interest cost	**640**	650
Contributions by members	**20**	20
Actuarial (gains)/losses	**(190)**	1,380
Estimated benefits paid	**(520)**	(1,600)
Closing defined benefit obligation	**15,010**	14,990

Reconciliation of fair value of employer assets	31 March 2014 £'000	31 March 2013 £'000
Opening fair value of employer assets	**8,720**	9,000
Expected return on assets	**530**	530
Contributions by members	**20**	20
Contributions by the employer	**60**	60
Actuarial gain	**1,440**	710
Unfunded benefits paid	**(520)**	(1,600)
Closing fair value of employer assets	**10,250**	8,720

Hampshire County Council Pension Fund *(continued)* >>

Unfunded Scheme >>

Financial Assumptions	**31 March 2014 %p.a.**	31 March 2013 %p.a.
Price increases – RPI	**3.2**	3.5
Price increases – CPI	**2.2**	2.6
Discount rate	**4.1**	4.1

Mortality	Males	Females
Current pensioners	24.4 years	26.2 years
Future pensioners	26.5 years	28.5 years

Recognition in the Income and Expenditure Account	**31 March 2014 £'000**	31 March 2013 £'000
Interest cost	**20**	20

Reconciliation of unfunded liabilities	**31 March 2014 £'000**	31 March 2013 £'000
Opening defined benefit obligation	**430**	400
Interest cost	**20**	20
Actuarial (gains)/losses recognised in STRSD	**(10)**	30
Estimated benefits paid	**(20)**	(20)
Closing defined benefit obligation	**420**	430

Amounts for the current year and previous accounting periods both schemes	**31 March 2014 £'000**	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Fair value of employer assets	**10,250**	8,720	9,000	9,030	9,750
Present value of defined benefit obligation	**(15,430)**	(15,420)	(14,870)	(13,470)	(15,330)
Deficit	**(5,180)**	(6,700)	(5,870)	(4,440)	(5,580)
Experience gains/(losses) on assets	**1,440**	710	(190)	(1,150)	2,020
Experience gains/(losses) on liabilities	**200**	(1,410)	(1,140)	990	(3,420)

Amount recognised in Statement of Total Recognised Surpluses and Deficits (STRSD)	**31 March 2014 £'000**	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Actuarial losses recognised in STRSD	**1,630**	(700)	(1,330)	(160)	(1,400)
Cumulative actuarial losses in STRSD	**(920)**	(2,550)	(1,850)	(520)	(360)

Hampshire County Council Pension Fund *(continued)* >>

Projected pension expense for the year to 31 March 2015

	31 March 2015 £'000
Funded benefits	
Projected current service cost	**70**
Interest on obligation	**640**
Expected return on plan assets	**(630)**
Total	**80**
Unfunded benefits	
Interest on obligation	**20**
Total	**20**

Somerset County Council Pension Fund >>

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

As at the balance sheet date there were 27 (2013: 64) active members of the Scheme employed by Aster Communities. The annual pensionable payroll in respect of these members was £754,261 (2013: £974,000).

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 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 2014. 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. 17 – Retirement Benefits (FRS 17) are stated below. The actuary has used the projected unit credit method of valuation.

The next triennial valuation will be carried out on 31 March 2016 and the results for this will be incorporated into the financial statements for 2017.

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	31 March 2014 %p.a.	31 March 2013 %p.a.
Price increases	**3.3**	3.5
Pension increases	**2.8**	2.7
CPI increases	**2.8**	2.7
Salary increases	**4.6**	5.0
Discount rate	**4.4**	5.5

Somerset County Council Pension Fund *(continued) >>*

Expected return on assets by category	31 March 2014 %p.a.	31 March 2013 %p.a.
Equities	**6.9**	6.3
Gilts	**3.6**	3.0
Bonds	**4.4**	4.1
Property	**6.0**	5.4
Cash	**0.5**	0.5

Mortality	Males	Females
Current pensioners	23.6 years	26.0 years
Future pensioners	25.8 years	28.3 years

Fair value of employer assets	31 March 2014 £'000	31 March 2013 £'000
Equities	**6,194**	6,183
Gilts	**523**	687
Bonds	**959**	945
Property	**872**	687
Cash	**174**	86
	8,722	8,588

Recognition in the Income and Expenditure Account	31 March 2014 £'000	31 March 2013 £'000
Current service cost	**236**	243
Interest cost	**671**	657
Expected return on employer assets	**(477)**	(453)
Total	**430**	447
Actual return on plan assets	**481**	1,176

Somerset County Council Pension Fund *(continued) >>*

Reconciliation of defined benefit obligation	31 March 2014 £'000	31 March 2013 £'000
Opening defined benefit obligation	**15,748**	14,390
Current service cost	**236**	243
Interest cost	**671**	657
Contributions by members	**56**	64
Actuarial losses	**886**	905
Estimated benefits paid	**(583)**	(511)
Closing defined benefit obligation	**17,014**	15,748

Reconciliation of fair value of employer assets	31 March 2014 £'000	31 March 2013 £'000
Opening fair value of employer assets	**8,588**	7,623
Expected return on assets	**476**	453
Contributions by members	**56**	64
Contributions by the employer	**179**	236
Actuarial gains	**6**	723
Benefits paid	**(583)**	(511)
Closing fair value of employer assets	**8,722**	8,588

Amounts for the current year and previous accounting periods	31 March 2014 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Fair value of employer assets	**8,722**	8,588	7,623	7,767	8,203
Present value of defined benefit obligation	**(17,014)**	(15,748)	(14,390)	(12,347)	(14,308)
Deficit	**(8,292)**	(7,160)	(6,767)	(4,580)	(6,105)
Experience gains/(losses) on assets	**6**	723	(390)	(824)	1,741
Experience adjustments on liabilities	**136**	-	-	388	-

Amount recognised in Statement of Total Recognised Surpluses and Deficits (STRSD)	31 March 2014 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Actuarial (losses)/gains recognised in STRSD	**(880)**	(182)	(2,087)	434	(2,881)
Cumulative actuarial loss	**(5,357)**	(4,477)	(4,295)	(2,208)	(2,642)

Somerset County Council Pension Fund *(continued)* >>

Projected pension expense for the year to 31 March 2015	31 March 2015
	£'000
Projected current service cost	**221**
Interest on obligation	**742**
Expected return on plan assets	**(535)**
Total	**428**

Dorset County Council Pension Fund >>

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

As at the balance sheet date there were 63 (2013: 127) active members of the Scheme employed by Synergy Housing Limited. The annual pensionable payroll in respect of these members was £1,788,561 (2013: £2,093,000).

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 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 2014. 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. 17 – Retirement Benefits (FRS 17) are stated below. The actuary has used the projected unit credit method of valuation.

The next triennial valuation will be carried out on 31 March 2016 and the results for this will be incorporated into the financial statements for 2017.

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	31 March 2014	31 March 2013
	% p.a.	% p.a.
Price increases (CPI)	**2.8**	2.6
Pension increases	**2.8**	2.6
Salary increases	**4.3**	4.6
Expected return on assets	**6.2**	4.8
Discount rate	**4.5**	4.5

Dorset County Council Pension Fund *(continued) >>*

Expected return on assets by category	31 March 2014	31 March 2013
	% p.a.	% p.a.
Equities	**7.2**	6.0
Gilts	**3.6**	3.0
Debt Instruments	**-**	4.5
Other Bonds	**4.2**	-
Alternative Assets	**7.2**	-
Absolute Return Portfolio	**7.2**	-
Property	**5.9**	4.0
Cash	**3.4**	0.5

Mortality	Males	Females
Current pensioners	22.7 years	25.1 years
Future pensioners	24.9 years	27.4 years

Fair value of employer assets	31 March 2014	31 March 2013
	£'000	£'000
Equities	**13,027**	13,655
Bonds	**2,057**	4,779
Debt Instruments	**-**	1,138
Other Bonds	**2,286**	-
Alternative Assets	**914**	-
Absolute Return Portfolio	**914**	-
Property	**2,057**	2,048
Cash	**1,600**	1,138
	22,855	22,758

Recognition in the Income and Expenditure Account	31 March 2014	31 March 2013
	£'000	£'000
Current service cost	**476**	504
Interest cost	**1,425**	1,351
Expected return on employer assets	**(1,081)**	(1,036)
Losses on curtailments and settlements	**117**	28
Total	**937**	847
Actual return on plan assets	**1,151**	2,912

Dorset County Council Pension Fund *(continued)* >>

Reconciliation of defined benefit obligation	**31 March 2014 £'000**	31 March 2013 £'000
Opening defined benefit obligation	**31,977**	29,462
Current service cost	**476**	504
Interest cost	**1,425**	1,351
Contributions by members	**124**	139
Actuarial losses	**1,054**	1,368
Losses on curtailments	**117**	28
Estimated unfunded benefits paid	**(6)**	(6)
Estimated benefits paid	**(1,384)**	(869)
Closing defined benefit obligation	**33,783**	31,977

Reconciliation of fair value of employer assets	**31 March 2014 £'000**	31 March 2013 £'000
Opening fair value of employer assets	**22,758**	20,235
Expected return on assets	**1,081**	1,036
Contributions by members	**124**	139
Contributions by the employer	**393**	347
Actuarial (losses)/gains	**(112)**	1,876
Benefits paid	**(1,389)**	(875)
Closing fair value of employer assets	**22,855**	22,758

The expected return on assets is based on the long term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1st April 2013 for the year to 31st March 2014). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The five year history of experience adjustments is as follows:

Amounts for the current year and previous accounting periods	**31 March 2014 £'000**	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Fair value of employer assets	**22,855**	22,758	20,235	19,335	17,435
Present value of defined benefit obligation	**(33,783)**	(31,977)	(29,462)	(24,640)	(31,956)
Deficit	**(10,928)**	(9,219)	(9,227)	(5,305)	(14,521)
Experience (losses)/gains on assets	**(112)**	1,876	75	790	3,490
Experience gains on liabilities	**509**	-	-	1,774	-

Amount recognised in Statement of Total Recognised Surpluses and Deficits (STRSD)	**31 March 2014 £'000**	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Actuarial (losses)/gains recognised in STRSD	**(1,165)**	508	(3,682)	6,284	(7,551)
Cumulative actuarial losses	**(5,752)**	(4,587)	(5,095)	(1,413)	(7,697)

Dorset County Council Pension Fund *(continued) >>*

Projected pension expense for the year to 31 March 2015	**31 March 2015**
	£'000
Projected current service cost	**480**
Interest on obligation	**1,503**
Expected return on plan assets	**(1,387)**
	596

The Social Housing Pension Scheme >>

The group participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the 'SHPS House Policies and Rules Employer Guide'.

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 three defined benefit structures have been available, namely:
Final salary with a 1/60th accrual rate – now closed to new members.
Final salary with a 1/70th accrual rate – not available to employees of Aster Group.
Career average revalued earnings (CARE) with a 1/60th accrual rate – closed to new members.

From April 2010 a further two defined benefit structures have been available, namely:
Final salary with a 1/80th accrual rate – not available to employees of Aster Group.
Career average revalued earnings (CARE) with a 1/80th accrual rate – not available to employees of Aster Group.

A defined contribution benefit structure was made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open defined benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Aster Group currently operates a final salary with a 1/60th accrual rate (closed to new members), a career average revalued earnings (CARE) with a 1/60th accrual rate (closed to new members) and a defined contribution scheme for active members offering variable levels of contribution.

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

The Trustee commissions 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 determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting year Aster Group paid contributions at the rate of between 2% and 10% (2013: 4% and 12%), member contributions varied between 2% and 7% (2013: 4% and 10%).

The Social Housing Pension Scheme *(continued) >>*

As at the balance sheet date there were 935 (2013: 252) active members of the Scheme employed by Aster Group, of which 119 (2013:64) were employed by Aster Group Limited. The annual pensionable payroll in respect of group members was £23,078,855 (2013: £7,814,100), of which £4,271,215 (2013: £2,868,323) was in respect of Aster Group Limited. Aster Group continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Scheme is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the year under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,718 million (2013: 2,327 million). The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,151 million (2013: 1,241 million), equivalent to a past service funding level of 70% (2013:65%).

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

Valuation Discount Rates:	**% p.a.**
Pre-Retirement	7.0
Non Pensioner Post Retirement	4.2
Pensioner Post Retirement	4.2
Pensionable Earnings Growth	2.5 per annum for 3 years, then 4.4
Price Inflation (RPI)	2.9
Pension Increases:	
Pre 88 GMP	0.0
Post 88 GMP	2.0
Excess Over GMP	2.4

Expenses for death-in-service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

Mortality pre-retirement – 41% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

Mortality post retirement – 97% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

The Social Housing Pension Scheme *(continued) >>*

The long-term joint contribution rates required from April 2013 from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit Structure	Long-term Joint Contribution Rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	19.4
Final salary with a 1/70th accrual rate	16.9
Career average revalued earnings (CARE) with a 1/60th accrual rate	18.1
Final salary with a 1/80th accrual rate	14.8
Career average revalued earnings (CARE) with a 1/80th accrual rate	14.0
Career average revalued earnings (CARE) with a 1/120th accrual rate	9.7

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a Recovery Plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

From 1 April 2013 to 30 September 2020	A cash amount(*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 October 2020 to 30 September 2023	A cash amount(*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each 1 April; first increase on 1 April 2014)

(*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

These deficit contributions are in addition to the long-term joint contribution rates as set out above.

The next formal valuation of the Scheme will begin later this year and will give an update on the financial position as at 30 September 2014. The results of this valuation will be available in Spring 2016.
Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.
A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into SHPS.

The Social Housing Pension Scheme *(continued)* >>

New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the Recovery Plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or Recovery Plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the Recovery Plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan).

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time. Aster Group Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme, based on the financial position of the Scheme as at 30 September 2013. At this date the estimated employer debt for Aster Group was £25,012,479 (2013: £23,533,839), of which £7,222,309 (2013: £6,703,553) was in respect of Aster Group Limited.

27. Called up share capital >>

	Group and Association	
	2014	2013
	£	£
Ordinary shares allotted, issued and fully paid of £1 each		
At 1 April	**7**	8
Issued during the year	**1**	6
Cancelled during the year	**(1)**	(7)
At 31 March	**7**	7

The shares do not carry a right to any dividend or distribution in a winding-up, and are not redeemable.

28. Reserves >>

Group Reserves	Revaluation Reserve	Designated Reserve	Restricted Reserve	Revenue Reserve	Pension Reserve	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2013	473,139	398	208	50,598	(27,116)	497,227
Surplus for the year	-	-	-	29,168	-	29,168
Actuarial loss recognised in STRSD	-	-	-	-	(333)	(333)
Movement in FRS17 deferred tax provision	-	-	-	-	(69)	(69)
Transfers between reserves	-	266	-	(266)	-	-
Revaluation surplus realised on disposals	(1,262)	-	-	1,262	-	-
Depreciation in excess of that required on historical costs	(4,425)	-	-	4,425	-	-
Surplus on revaluation	84,694	-	-	-	-	84,694
At 31 March 2014	**552,146**	**664**	**208**	**85,187**	**(27,518)**	**610,687**

Association Reserves	Revenue Reserve	Pension Reserve	Total Reserves
	£'000	£'000	£'000
At 1 April 2013	1,743	(1,206)	537
Surplus for the year	1,894	-	1,894
Actuarial gain recognised in STRSD	-	(251)	(251)
At 31 March 2014	**3,637**	**(1,457)**	**2,180**

29. Group cash flow >>

Reconciliation of operating surplus to net cash inflow from operating activities

	2014	2013
	£'000	£'000
Operating surplus	**46,028**	29,808
Depreciation charges	**23,230**	16,428
Write-off of assets under component accounting	**636**	107
Gain on sale of first tranche HomeBuy properties	**(2,690)**	(1,806)
Gain on sale of properties	**(477)**	-
Decrease in bad debt provision	**128**	380
Decrease/(Increase) in stock	**12,521**	(3,634)
(Increase) in consumable stock	**-**	(42)
Decrease in housing property current assets	**-**	127
(Increase) in debtors	**(32,639)**	(13,649)
Increase/(Decrease) in creditors	**9,309**	(2,247)
(Decrease)/increase in pensions commitment	**(127)**	5
Net cash inflow from operating activities	**55,919**	25,477

Reconciliation of net cash flow to movement in net debt

	2014	Restated 2013
	£'000	£'000
Increase in cash in the year	**60,209**	7,354
Change in loans	**(88,621)**	(220,553)
Other non-cash changes	**(5,546)**	-
Change in net debt	**(33,958)**	(213,199)
Net debt at 1 April	**(577,531)**	(364,332)
Net debt at 31 March	**(611,489)**	(577,531)

30. Analysis of changes in net debt – Group >>

	Restated At 1 April 2013	Cash Flows	Other Changes	At 31 March 2014
	£'000	£'000	£'000	**£'000**
Cash in hand and at bank	22,531	60,209	-	**82,740**
Debt due within one year	-	(880)	-	**(880)**
Debt due after one year	(600,062)	(87,741)	(5,546)	**(693,349)**
	(577,531)	**(28,412)**	**(5,546)**	**(611,489)**

Other changes represent the non-cash discount offered on the issue of the group's £200 million bond, and accrued interest on the Silbury PFI loan.

The 2013 net debt has been restated in order to provide the true comparative data to this year's net debt and to accurately reflect the movement in net debt between years.

31. Capital commitments >>

	Group	
	2014	2013
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**96,665**	66,356
Capital expenditure that has been authorised by the board but has not yet been contracted	**31,916**	35,705
	128,581	102,061

These commitments will be financed wholly by loan finance.

32. Operating leases >>

	2014	2013
	£'000	£'000
Aster Group has annual commitments under non-cancellable operating leases due to expire as follows:		
Land and buildings:		
Leases expiring within one year	**108**	34
Leases expiring within two to five years	**48**	117
Leases expiring in over five years	**49**	64
Office Premises:		
Leases expiring within one year	**365**	352
Leases expiring within two to five years	**-**	-
Leases expiring in over five years	**45**	45
Motor vehicles:		
Leases expiring within one year	**-**	-
Leases expiring within two to five years	**31**	31
Leases expiring in over five years	**-**	-
Office Equipment:		
Leases expiring within one year	**34**	-
Leases expiring within two to five years	**18**	35
Leases expiring in over five years	**-**	-
	698	678

33. Homes and bed spaces in management and in development >>

	Group	
		Restated
	2014	2013
	No.	No.
Under development at end of year:		
Housing accommodation	**916**	573
Shared ownership	**307**	233
	1,223	806
Under management at end of year:		
Owned and managed by the group:		
Housing accommodation	**20,251**	20,151
Supported housing	**3,697**	3,718
Shared ownership	**1,084**	984
Market rented	**15**	17
Temporary Social Housing	**57**	73
Unavailable for letting	**170**	178
	25,274	25,121
Not owned but managed by the group:		
Housing accommodation	**351**	207
Managed for other bodies	**11**	19
Private sector leasing	**154**	145
Temporary Social Housing	**18**	-
Long leaseholders	**974**	918
Unavailable for letting	**-**	-
	1,508	1,289
Owned but managed by others at the end of year:		
Housing accommodation	**108**	128
Supported housing	**103**	97
Shared ownership	**83**	82
	294	307
	27,076	26,717

The group owns the freehold of all its properties, with the exception of 117 (2013:46) which are leased.

34. Contingent Liabilities >>

Aster Communities >>

Under the terms of the Private Finance Initiative Contract, Wiltshire Council holds an option to purchase 242 properties at the end of the contract period in 2033. If they do not exercise this option Aster Communities has a legal obligation to acquire them. The exact purchase price would be based on a contractual formula within the contract and cannot at this stage be confirmed.

This is currently held on the balance sheet of the group under finance debtors. The debtor will decrease over time as income from the lease falls due.

Aster Homes Limited >>

At the time of entering into contracts, the vendors of the two large sites with deferred payment terms required a parent company guarantee that Galliford Try Homes Limited, a joint venture partner of Aster Homes Limited, provided. 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 2014 this contingent liability was £8.6 million for Aster Homes Limited.

35. Related party transactions >>

Aster Group Limited provides management and other services to all group companies under the terms of documented service level agreements.

Bjorn Howard and John Brace are employees of Aster Group Limited and both have been appointed to the board because of their positions within the company. All other board members are independent and do not receive services as a tenant from the group.

Aster Group Limited has taken advantage of the exemption allowed under FRS 8 'Related Party Disclosures' not to disclose related party transactions within the group. All inter-group transactions are with subsidiaries that are wholly owned. These have been eliminated on consolidation in the group's financial statements.

In September 2013 Aster Homes Limited set up a limited liability partnership, White Rock Land LLP, with Galliford Try Homes Limited to develop and sell properties for social and private housing. For the period to 31 March 2014 White Rock Land LLP made a loss of £438,000 and made no distribution to its shareholders.

During the year, loans were made to the LLP to fund each of the developments it is engaged in. The details of the loans at the year end are as follows:

Scheme	Loan Value	Interest rate	Latest repayment date
	£'000	%	
White Rock	3,241	4.0	31 March 2020
Tithebarn	5,985	4.5	31 December 2021
Okehampton	1,228	4.5	31 December 2021
	10,454		

36. Status >>

Aster Group Limited is the ultimate parent and ultimate controlling party within the Aster Group, which comprises:

- Aster Communities, a wholly owned subsidiary which is a registered provider;
- Aster Living, a wholly owned subsidiary whose activities include providing care and support services;
- Aster Property Limited, a wholly owned subsidiary of Aster Group Limited whose activities include property maintenance services to group members;
- Aster Homes Limited, a subsidiary of Aster Group Limited which provides property based development services to group members;
- Synergy Housing Limited, a wholly owned subsidiary which is a registered provider;
- Zebra Property Solutions Limited, which is a wholly owned subsidiary of Synergy Housing Limited and which provides property based development services to group members;
- Silbury Housing Holdings Limited, which is a wholly owned subsidiary of Aster Communities and has a subsidiary, Silbury Housing Limited, which provides a private finance initiative project for Wiltshire Council;
- Aster Treasury Plc, a wholly owned subsidiary of Aster Group Limited, providing long term finance under a finance bond to group members;
- White Rock Land LLP, a 50% owned Limited Liability Partnership between Aster Homes Limited and Galliford Try Homes Limited to develop three sites in Devon.

A printed copy of the financial statements are available from the following address:

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

Pippa Price-Bramble, Support Worker at Bincombe Court, Weymouth

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