Annual Report & Financial Statements

For the year ended **31 March 2020**

ASTER GROUP

Our visions is that

Everyone has a home

It's a **bold** statement but one everyone across our business is passionate about

Contents

ASTER GROUP

Proud of the way we operate with a

commercial

mind-set and a strong sense of

social purpose

Chairman's Statement

In my first year as group chairman I have seen first-hand the positive impact we make as a business on the lives of our customers.

Chairman's Statement

I am proud of the way we continue to operate with a commercial mind-set and a strong sense of social purpose – one where customers are at the heart of all our decisions.

As the financial year drew to a close, the Covid-19 pandemic was just starting to unfold. As I reflect on the way the business has responded to the situation, it is clear that the transformational work undertaken over recent years had put us in a strong position to adapt to the many challenges of recent months. The teamwork, dedication and professionalism shown by colleagues has been unwavering and I have never been prouder to lead Aster.

Despite the challenges at the end of the financial year, we finished the year in a good position with a turnover of £214.6 million, operating profit of £71.9 million and a profit before tax of £59.8 million. Underlining our ambitions to help unlock the potential of smaller housing associations where it supports our growth objectives, we also formally admitted East Boro Housing Trust to the group on 31 March 2020 and, in consequence, welcomed 150 new colleagues. The group now has over 1,400 employees and we own and manage over 32,000 homes.

We invested £197 million in building 955 new affordable homes this year; 524 for social and affordable rent and 431 for affordable homeownership options including shared ownership. We remain a leader in this product and this year we further strengthened our position by continuing to inform and influence policy decisions through our on-going conversations with the Ministry of Housing, Communities and Local Government, along with our other key stakeholder groups.

During the year we expanded our joint venture (JV) partnership with Vistry Homes announcing that we will deliver 1,442 new homes together, by 2025. The partnership which consists of three joint venture sites across the south of England represents a £336 million investment across both businesses. More than a quarter of the homes will be for affordable tenures, with the rest for private sale. To date, through these JV partnerships, we have delivered more than 600 homes, with 96 private sale and 44 affordable units completed during the financial year.

As we continued to expand our footprint in regions such as Oxfordshire, Gloucestershire and Surrey, we also obtained full planning consent for our mixed-use regeneration scheme in Christchurch town centre in Dorset. Our biggest land-led development project to date, the scheme will see much needed homes for Christchurch, including 77 private sale units, 38 affordable units, retirement housing and flexible community space.

We also continued our track record of leading the way in the sector in the provision of Community Land Trust (CLT) partnerships, having delivered ten CLT schemes to date, most of which have been built in more rural communities.

For the second year we have been ranked as one of the top 15 housebuilders in the sector and this year we are also pleased to be placed as one of the top 10 housing associations building the most low-cost homeownership homes - testament to our commitment to helping to solve the housing crisis by providing more affordable homes.

The group's funding position remains strong. We made two issues of our bonds of £20 million each, which were issued at a premium, resulting in the group receiving £54.3 million, bringing the total bonds in issue to £360 million, and leaving £90 million of retained bonds deferred for future issue. We also negotiated an unsecured £50 million revolving credit facility with the First Abu Dhabi Bank, and a new £20 million facility with Barclays Bank. Furthermore, there are sufficient undrawn committed and secured facilities and cash available to fund our activities including our ambitious development programme, to build 10,400 homes over the next seven years, until November 2022.

Last year we recognised that to continue our success and deliver on key business priorities we needed to invest in our business and go above and beyond compliance. Investment in maintaining and improving our homes, our workforce and customer experience is equally as important as playing our part in delivering the variety and volume of homes the UK needs.

Delivering on and exceeding our 2018/19 commitment to invest £55 million in our homes and frontline services, we spent £62.8 million maintaining and improving our existing properties and £9.2 million on a range of health and fire safety measures.

This year also saw us continue to work towards every one of our homes receiving an Energy Performance Certificate (EPC) rating of 'C' or above by 2025 and, through the Warm Homes Fund, reduced the impact of fuel poverty for 81% of customers involved in the scheme.

Despite the challenges of a post pandemic economic climate and ongoing uncertainty around Brexit we remain a financially strong organisation in a good position to weather the challenges and maximise the opportunities of the next 12 months and beyond. Our ratings upgrade to A+ (stable) from Standard and Poor's recognised our strong fundamentals and experienced management team and our robust governance framework as evidenced in the maintenance of our G1 governance and V1 viability ratings by the Regulator of Social Housing.

In addition to my own appointment as group chairman in October 2019, the group also made a series of appointments over the year, notably the appointment of a new senior independent director and the appointment of two new independent members. We also said farewell to Michael Reece, group operations director in January 2020 following 12 years with the business.

Chairman's Statement

Our people, customers and the environment

Transforming our business so we are fit for the future continues at pace. Our Programme Experience initiative aims to create an exemplary customer and colleague experience. It is the biggest and most exciting transformation we have ever embarked on and is the culmination of the work we have been doing to lay the foundations for change over the last six years.

Specifically, it brings together five key workstreams:

- The Aster Offer which focuses on transforming our colleague offer and experience;
- Project Dynamics, the technology enabler for business transformation;
- A new Customer Experience strategy designed to create effortless, end-to-end customer journeys;
- Our sustainability focus to maximise working in different ways to ensure true sustainability going forward; and
- The Aster Foundation which focusses on innovative investments in our customers and communities.

These workstreams will operate collaboratively to ensure we can respond to rapidly changing customer and colleague expectations and can continue to succeed long into the future.

For our customers, we continue to ensure their voices, ideas and interests are reflected in everything we do. We are committed to ensuring wider diversity in our involved customer groups to build broader, more representative views of our customer base and we will make it even easier for our customers to share their opinions and shape the services we deliver.

We continue to evolve our digital offer to make it as easy as possible for customers to access the information they need at a time that is convenient to them. We currently have almost 9,000 customers registered for MyAster which provides instant access to account information, updated in real time, as well as the ability to book repairs.

April 2020 marked the end of the final year of the four-year one per cent annual rent reduction. Increasing rents is always a difficult decision, however, there is a need to balance a small rise in rents against the need to deliver on our vision and purpose – to provide safe and secure homes to thousands of families.

We are a business with a strong social purpose, and we are not only committed to giving everyone a home but, through the work of The Aster Foundation, also help remove the barriers which can exist which prevent our customers from having a good quality of life. We are committed to evolving our work and to give our enterprising communities a platform to enhance their own lives and to deliver social good. With social innovation, enterprise and collaboration at the heart of the Aster Foundation we are looking at how we can drive change and create a legacy across our communities.

Key to our cultural development is providing colleagues with the opportunity to shape the direction of the business and this year, in addition to our 190 strong cohort of Transformation Network colleagues and our Employee Consultative Forums, we formally introduced the Colleague Council, a representative group of colleagues from across the business. All of these groups are vital to ensuring colleague voice is heard throughout all levels of the business.

While we have made positive steps forward ensuring fairness in the way we support our customers and understand our colleagues, we recognise that there is even more we must do collectively if change is to happen. We fully support the need for a fairer, more inclusive world that recognises and values people regardless of ethnicity, background, gender, disability, age or sexuality.

With the help of our Diversity and Inclusivity Transformation Networkers, we are pleased to have achieved the next level on the Disability Confident scheme this year. We are committed to ensuring fair pay for everyone, and we will be launching our first LGBTQ+ network later in 2020. We continue to strive to make a difference and will work harder to promote diversity and inclusivity amongst colleagues, our customers and communities.

And finally, with the environment and climate change rightly at the top of the Government's agenda, we are committed to playing our role in minimising the impact our activities have on the environment. Over the past 12 months we have taken steps to secure renewable electricity supplies for sites under our corporate contract, which accounts for over 99% of consumption. We also replaced 82 older fleet vehicles with new, more efficient models and disposed of an over-sized office building in Wells replacing it with smaller, more efficient spaces in the area.

During the coming year we will look to define our medium and long-term carbon emissions reduction targets and continue at pace with our energy strategy. We recognise that we, along with all organisations, have a huge responsibility to ensure we create a sustainable legacy for generations to come.

On a personal note, it is with sadness that I write of the passing of Andrew Jackson, chairman of the Aster Group from 2015 – 2019. I worked with Andrew for many years and his counsel and friendship will be greatly missed. His role in shaping the success of Aster cannot be overstated.

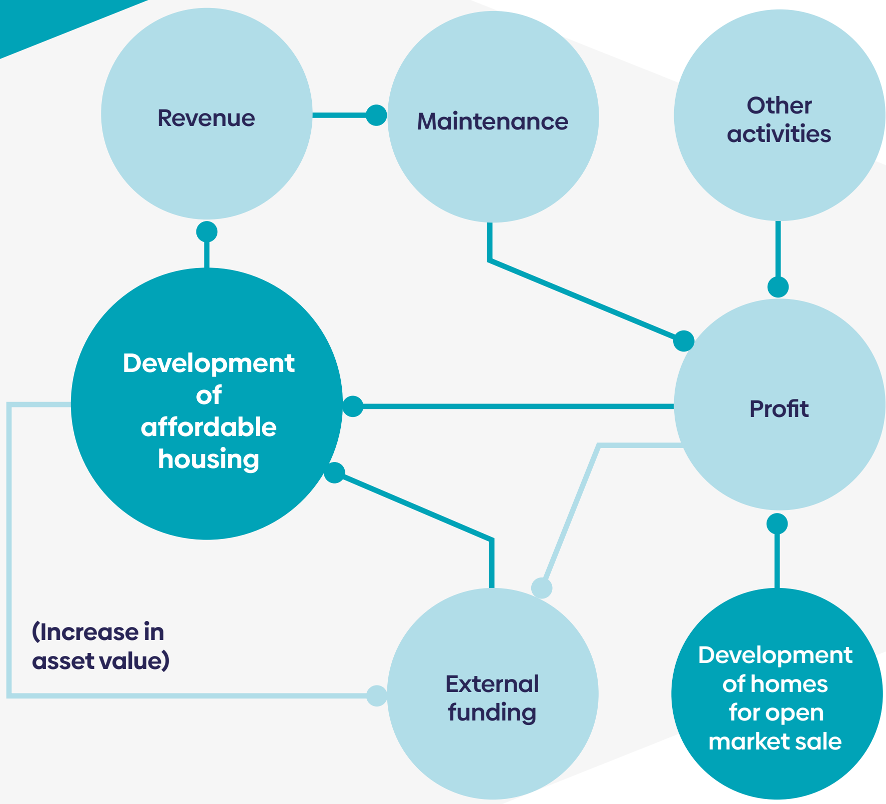
There is no doubt that this country faces a period of great uncertainty and many challenges lie ahead both professionally for our business and personally for the customers we serve. Despite these challenges, I am confident that, by continuing to work together, we will embrace all of the different ways of working that are available to us in order to harness the positives and learn and apply vital lessons for the future, so we emerge stronger than ever.

Dr. Mike Biles
Group chairman

18 August **2020**

Our
Business Model

Everyone
has a home



Everyone
has a home

The group's activities are categorised into four areas:

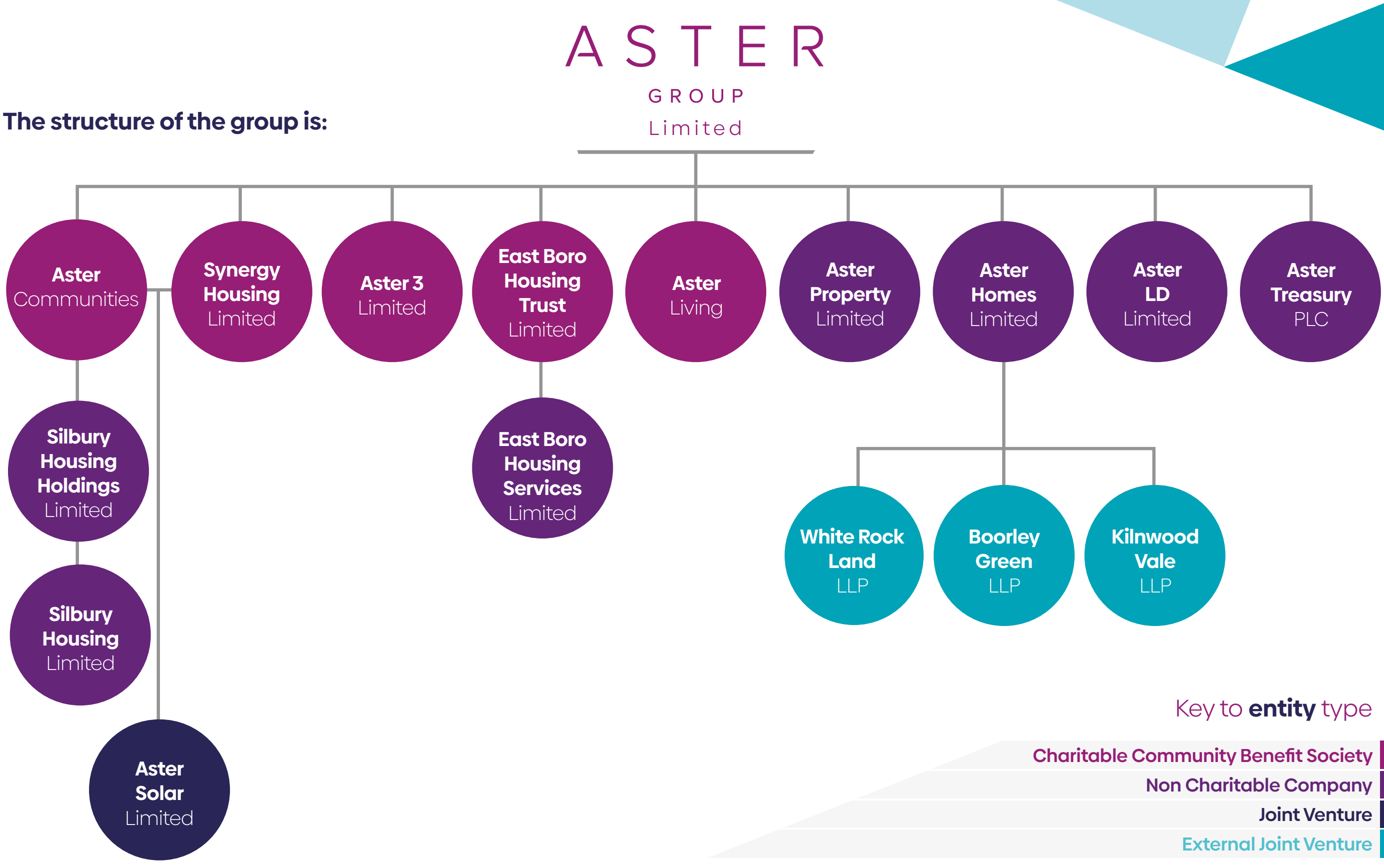
1. **Provision of housing** through its Registered Providers - Aster Communities, Synergy Housing Limited, Aster 3 Limited and East Boro Housing Trust Limited;
2. **Connected living and support services** through Aster Living;
3. **Property management and maintenance** through Aster Property Limited;
4. **Development of housing for rent and sale** through Aster Homes Limited, Aster LD Limited and joint ventures with Vistry Homes Limited (formerly Galliford Try Homes Limited) (White Rock Land LLP, Boorley Green LLP and Kilnwood Vale LLP).

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

The group finances additional development through traditional bank funding, capital markets (bonds), the European Investment Bank (EIB), Affordable Housing Finance (AHF) bond, part of the Affordable Homes Guarantee Programme, and more recently the sector borrowing vehicle MORhomes of which the group is also a member.

Group
Structure

The structure of the group is:



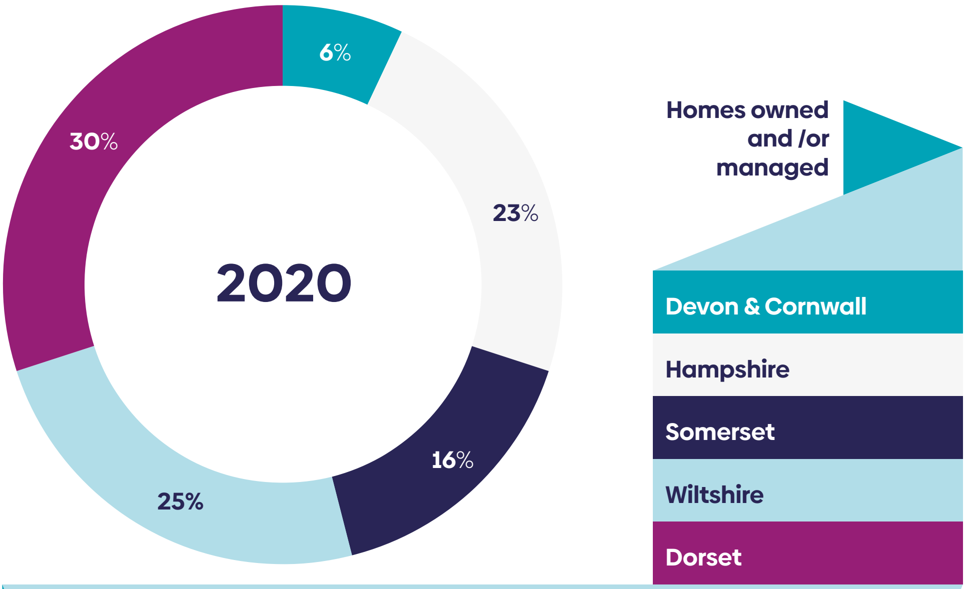
Not shown: Eight dormant companies - information is available on request.

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

Aster Group Limited	Acts as holding company for the group and provides support services for each of the subsidiaries.
Aster Communities	Registered Provider, with properties primarily in Hampshire, Wiltshire, Somerset and Devon and Cornwall.
Synergy Housing Limited	Registered Provider, with properties primarily in Dorset, Hampshire and Wiltshire.
Aster 3 Limited	Registered Provider, to provide additional development capacity to the group.
East Boro Housing Trust Limited	Registered Provider with properties primarily in Dorset, providing some additional support services.
Aster Living	Provision of connected living 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 LD Limited	Development of land led focussed, mixed tenure schemes.
Aster Property Limited	Management and maintenance of housing stock and related areas.
Silbury Housing Holdings Limited and Silbury Housing Limited	Special purpose vehicles for the delivery of homes in Wiltshire as part of a service concession arrangement.
East Boro Housing Services Limited	Development of homes for affordable sale and the provision of social housing lettings arrangement services.
Aster Treasury Plc	Special purpose vehicle for raising bond finance on behalf of other group entities.
Aster Solar Limited	Special purpose vehicle for investment in photovoltaic panels on behalf of other group entities.
White Rock Land LLP, Boorley Green LLP and Kilnwood Vale LLP	Limited Liability Partnerships jointly owned by Aster Homes Limited and Vistry Homes Limited to develop properties.

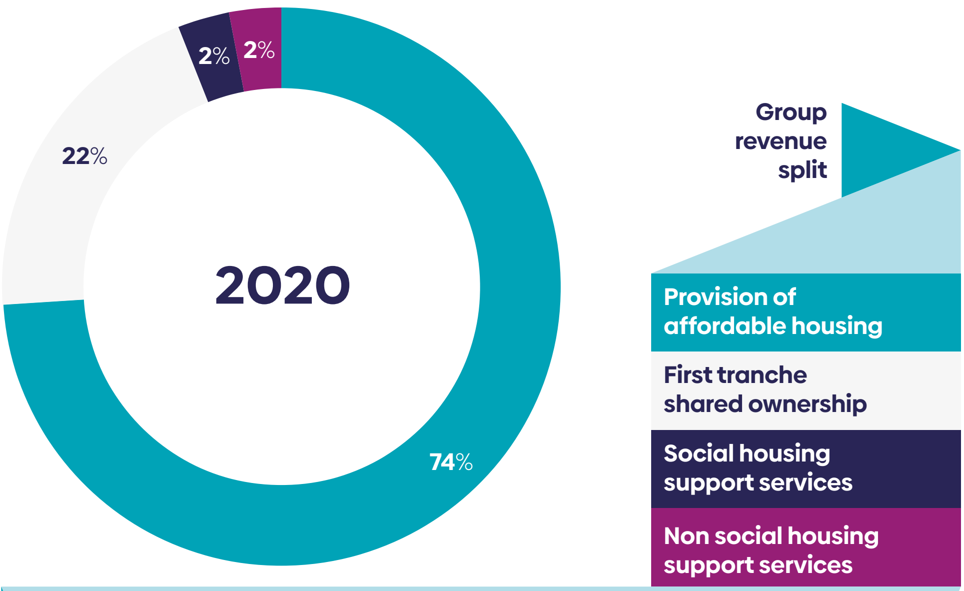
Our
Market

Aster Group owns and manages over 32,000 properties and provides services to more than 70,000 customers across central, southern and south west England, with the largest number of homes in Dorset and Wiltshire.



Total homes owned and managed **32,039**

The group was formed by six large scale voluntary transfers (LSVTs). The main source of revenue for the group is through the provision of affordable housing services. Shared ownership sales also play an important part in generating revenue for the business, further supported by both social and non-social housing support services. The revenue generated by the group is used to provide a good, reliable landlord service for the group's customers and to invest into the provision of more homes.



Total revenue £**214.6** million

Following the Chancellor's 2015 Autumn Statement, 2019/20 marked the final year of the four year 1% annual rent reduction that ended in April 2020.

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

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

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

This year the group continued into the third year of its void disposals programme ('VDP'), a programme designed to sell under-performing void properties on the open market that no longer meet the standard the group requires. Properties identified for sale are assessed against a number of criteria and where the relevant thresholds are not met are approved by an independent panel for sale. This year the group sold 91 VDP properties (2019: 89 properties). Capital generated from these sales funds the group's ambitious development pipeline to spend £2 billion building 10,400 new homes over seven years. On average for every property sold under the VDP programme the business builds two or more homes, often within five miles from where the property was sold.

The group continues to benefit from its development of homes for open market sale with profits generated used to enable the delivery of more affordable homes. The group's open market sale programme is primarily delivered with its joint venture partners allowing the group to take advantage of the expertise that the partners bring as well as sharing the risk and investment.

Chief Executive's
Statement

Our **vision** is that everybody has a home. It's a bold statement but one everybody across our business is passionate about.

Our purpose is to improve people's lives by providing safety and security through our reliable landlord services and supplying a range of housing options in response to the housing crisis.

Helping guide what we do are our five business priorities, which turn our vision into the delivery of good quality services and more homes. Whether it's through building more new homes, maintaining and investing in the thousands of homes we own, providing good services, or creating a lasting legacy in the communities we work in, we aim to carefully balance a commercial approach with our social heart.

Our **priorities**

1 Providing customer-focused, easily accessible, good and safe services.

We will achieve this through:

- Improving customer satisfaction
- Managing our homes proactively
- Using modern digital solutions
- Maximising our income and managing the impact of Welfare Reform.

2 Being an agent for change through the activities we choose to do through the Aster Foundation.

We will achieve this through:

- Working across the priorities of digital and financial inclusion, health and wellbeing, and independent living
- Acting as a catalyst to change communities for the better through social innovation.

3 Building as many homes as we can offering a range of housing options.

We will achieve this through:

- Maintaining a strong programme of affordable rented homes
- Supporting housing development in rural communities
- Promoting shared ownership as a mainstream tenure
- Building more new homes through our land-led schemes.

4 Delivering our Corporate Strategy quicker and better through growth.

We will achieve this through:

- Increasing our financial capacity
- Ensuring growing the business never compromises our existing services
- Enhancing our social impact
- Supporting the delivery of new homes by working with partners and through mergers and acquisitions.

5 Ensuring we are ready for the future.

We will achieve this through:

- Being known and trusted
- Being prepared
- Being connected
- Being digital
- Being the best we can be.

6 Making best use of our assets whilst meeting the needs of our customers.

We will achieve this through:

- Ensuring that all our homes meet an agreed standard
- Meeting our legal and regulatory obligations and safety won't be compromised
- Investing in the estates in which they live and help create communities that people are proud of
- Dynamic asset management including the acquisition and disposal of assets that secure strategic, social or economic value.

Chief Executive's

Statement

Financial year 2019/20 was another successful year for the Aster Group with a turnover of £214.6 million (2019: £211.9 million) and a profit before tax of £59.8 million (2019: £55.0 million). We delivered on our plan to invest in the business, spending £62.8 million maintaining and improving our existing properties and investing £219.3 million developing new homes for affordable rent, shared ownership and, through our joint venture operations, open market sale. Health and fire safety were key priorities in the year with additional spend incurred to take the group's health and safety beyond compliance. All homes within the group were compliant with the government's Decent Homes standard at 31 March 2020. Investment in and spend on health and fire safety measures spanning a range of programmes to ensure that our homes remain safe places to live reached £9.2 million.

Our financing strategy continues to bring new investment into the group, giving access to multiple sources of funding at excellent rates, enabling us to enhance the scale and quality of our business. In December 2019 the group's credit rating issued by Standard and Poor's was upgraded from A+ (negative outlook) to A+ (stable outlook) reflecting the financial strength of the group. During the year the group made two issues of its bonds of £20 million each bringing the total of Aster's bonds in issue to £360 million. This leaves £90 million of retained bonds deferred for future issue.

Our development plans are ambitious, investing £2 billion in building and developing new homes over the next seven years to deliver 10,400 homes. A key driver of the group is to increase the number of homes delivered on land we own or acquire which gives us greater control over the quality and timing of delivery. This year we acquired land that is expected to deliver circa 150 homes over the next few years. In addition, projects delivered in partnership with private developers via Section 106 of the Town and Country Planning Act, which is designed to make development possible where it otherwise would not be, remain a crucial part of our future development programme. This year 894 homes were delivered through the Section 106 route. The business will also continue to work strategically with developer partners where we can balance return on investment and deliver good quality homes.

In terms of delivery we had another great year spending £197.3 million on development of new homes and delivering 955 homes for affordable rent and shared ownership. We continue to collaborate with our joint venture partners Vistry Homes Limited. This allows the group to access the supply chain and expertise of a developer partner and ensures that the business can maximise profit. White Rock Land LLP saw 68 private sale completions and five affordable homes. Boorley Green LLP saw 44 private sale completions and 29 affordable homes. Kilnwood Vale LLP, which was established in 2018/19, delivered its first seven affordable homes. Our share of spend across the joint venture programme totalled a further £22.0 million.

A key part of our growth strategy is to work with smaller housing associations to unlock capacity across the sector. Looking for opportunities to explore growth where we can guarantee a strong offer for colleagues and customers and collaborate on a range of services that help us achieve our vision, is a vital part of our wider corporate strategy. On 31 March 2020 we completed the merger with East Boro Housing Trust (East Boro) and I would like to take this opportunity to welcome them to the Group. East Boro was established in 1960 and specialises in housing and support services for the elderly, adults with learning disabilities and other vulnerable client groups in social housing need. East Boro took advantage of our unique merger offering, with the organisation post-merger able to operate with its existing board and continuing to make autonomous operational decisions while having the benefit of Aster's financial, operational and group service support.

The group's void disposal programme is in its third year and the group is committed to selling assets which meets its disposal criteria. The proceeds from the void disposal programme, combined with the group's stock option appraisal programme, totalled £21.5 million this year, with all proceeds to be reinvested into future developments.

Throughout 2019/20, £29.9 million was spent on making improvements to tenants' homes. More than 850 residents received new kitchens, 560 had new bathrooms fitted and more than 1,200 heating systems were replaced.

In October 2019 we launched the new customer portal MyAster. This enabled our customer to more independently access their account information in real time, log repairs, make payments, access benefits advice and more. Over 9,000 customers are now using MyAster.

In December 2019 the group was subject to an in-depth assessment by the Regulator for Social Housing and maintained its G1/V1 rating, emphasising the robust nature of the group's governance and its long-term financial stability.

After 12 years with the company Michael Reece, group operations director, left the business in January. We are extremely grateful for his contributions over the years. We took this opportunity to review our structure creating a new Customer Services Directorate and are delighted to welcome Emma O'Shea as group customer services director starting April 2020. The creation of the Customer Services Directorate will further strengthen our strategic customer focus, aligning Housing, Customer Services, Estate Management and Repairs and Maintenance to create a long-term sustainable infrastructure, with customers at the heart.

As we journey into the future our strategy will be guided by our five key priorities in everything we do. Despite the global pandemic that has hit people and businesses worldwide, our priorities have not changed. In fact, our priorities have ensured we are in a strong position to continue to fulfil our purpose and deliver our vision with minimal disruption. Aster has been a driving force for changing the ways people work. Flexible working is the norm, allowing the majority of our colleagues to continue working almost uninterrupted. Investment the group has made in digital services and connectivity ensures that wherever our customers are they can connect with us and that our colleagues can continue to provide an excellent service to our customers and stay connected to each other.

All our colleagues understand our vision, and despite the pandemic, our vision remains the same. The Aster Way is a shared understanding of our vision and the way we work, a set of principles that underpin everything we do, every day. Together, despite whatever challenges we might face, we will deliver on our vision that everybody has a home.

Bjorn Howard
Group chief executive

18 August **2020**

Social housing

The group manages more than 32,000 homes for more than 70,000 customers across five counties in the South West of England. Services are provided through the Registered Providers Aster Communities, Synergy Housing Limited and Aster 3 Limited, and since 31 March 2020, East Boro Housing Trust Limited.

The group is committed to improving the customer experience by delivering efficient and value for money services across its range of services, never compromising on health and safety.

Lettings

Social housing letting activities form the core of the group's business contributing £43.3 million (2019: £50.9 million) to the operating surplus with a margin of 27% (2019: 33%). The decline in margin reflects the group's decision at the start of the year to invest heavily in its existing properties and to take the group's health and safety and fire safety beyond compliance.

The following table sets out the group's key performance indicators (KPIs) in relation to the lettings side of its business:

KPIs:	2019/20 Target	**2019/20 Actual**	2018/19 Actual
% rent loss through vacant properties	0.76%	**0.68%**	0.80%
Average number of days to re-let (days)	14.0	**11.6**	16.3
% arrears	3.00%	**2.20%**	2.14%
Overall customer net promoter score	+10	**+21**	+15
Overall satisfaction %	80%	**82%**	80%

Social housing lettings performed strongly in the year when compared to both targets and the prior year. Rent losses through vacant properties in the group's general needs and supported housing properties were less than 0.68% (2019: 0.80%) against a target of 0.76%. The group's average re-let time of 11.6 days (2019: 16.3 days) also outperformed the target of 14 days. The group's arrears percentage increased slightly to 2.20% (2019: 2.14%) but still performed better than the target of 3%, which given the increased rollout of universal credit, along with the performance of the other lettings measures, is a significant achievement.

A key priority of the group is a customer focus, and the overall customer net promoter score of +21 (2019: +15) has exceeded the target of 10, reflecting the improvements the group has made to deliver better customer service. Overall customer satisfaction has also improved on last year and achieved better than the target with an 82% satisfaction rate (2019: 80%). The group's customers are at the heart of the business and providing a safe and reliable service is a key priority for the group, one which the new customer services directorate is charged with continuously improving.

The group has continued to embrace modern digital solutions with the launch of the customer portal MyAster in October 2019. This has enabled customers to more independently access account information in real time, log repairs, make payments, access benefit advice and more. Over 9,000 customers are now using MyAster. Towards the end of the year, as the Covid-19 pandemic was recognised, the group also saw a significant uplift in the number of customers registering for the service. The introduction of MyAster is giving Customer Accounts more time to focus on more complex customer queries, at the same time as giving customers the information they need at the touch of a button and at a time that suits them.

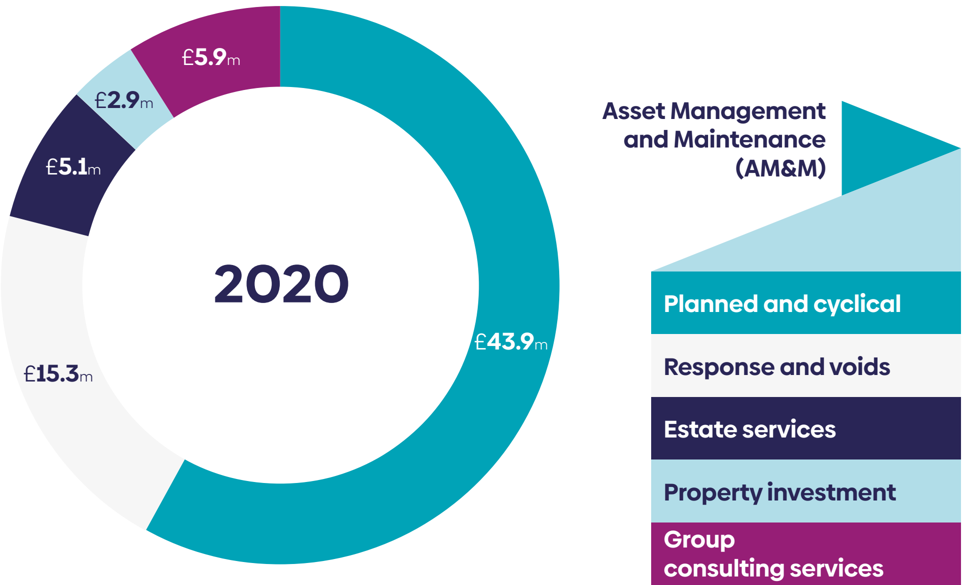
Customer involvement has remained an important part of the group strategy in order to ensure that customer voices, ideas and interests are being reflected and that the group acts upon the feedback it is given. The group has used a variety of methods, digital consultations, face to face groups, door knocks, telephone and printed surveys to undertake customer engagement surveys so that it has reached and heard from as many customers as possible. The group also has a Customer Scrutiny Panel and Customer Overview Group comprised of customers from across the operating regions who provide an independent and objective assessment of the services and business processes.

The service charge team have continued to work hard to not only make charges for our customers so that their service charges are more accurate and easier to understand, but also increase the recovery rate of the service charges. At the end of 2019/20 there was a reduction in the number of changes which had to be made following the service charge notifications being issued to customers, which is a reflection of the tighter controls and more efficient systems that are constantly under review.

Asset Management and Maintenance (AM&M)

Aster Property Limited is responsible for the group's property maintenance activities including facilities, contract and asset management. AM&M's mission is to support the group corporate strategy by providing a customer focussed, easily accessible, good and safe landlord service. This is achieved by:

- Protecting the health and safety of customers and colleagues;
- Endeavouring to carry out repairs in the time agreed, to the required standard of workmanship, using good quality materials and in a safe manner;
- Improving the energy efficiency of the group's homes and limiting the impact on the environment;
- Maximising the use of the group's land to deliver more homes and community facilities through development and a land enhancement programme; and
- Identifying poorly performing homes for disposal to contribute to the funding of new developments and reinvesting in existing homes and neighbourhoods.

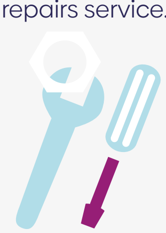


Total spend of **£73.1** million

£9.2 million invested in Health and Safety related work. This work includes a range of programmes aimed at ensuring that homes remain safe places to live, in line with all relevant legislation and standards.

99.7% of homes with a valid gas safety compliance record.

91% of customers satisfied with the repairs service.



Asset Management and Maintenance (AM&M) (continued)

Set out below are AM&M's key performance indicators:

KPIs:

	2019/20 Target	**2019/20 Actual**	2018/19 Actual
% repairs completed on time	90.0%	**86.1%**	94.0%
% repairs completed first visit	85.0%	**79.9%**	83.0%
% response repairs customer effort score	85%	**92%**	88%
Average void turnaround time (days)	10	**8**	11
Response repairs average price per property (£)	£325.95	**£354.22**	£333.33
Average cost per void repair (£)	£2,244	**£2,532**	£2,294
Property cost per home (£)	£1,995	**£2,030**	£1,716

Health and safety, including fire safety, is a priority for the group and is at the forefront of every business decision. £9.2 million has been invested in health and fire safety related work ensuring the group's homes remain safe places to live and are in line with all relevant legislation and standards.

During the year the group has spent £73.1 million (2019: £64.7 million) on maintaining and improving its properties through responsive repairs, planned maintenance and major improvement works.

There have been over 59,000 response repair completions in the year with an average job cost of £159. A total of 1,658 void properties were re-let at an average cost of £2,532 and with an average turnaround time of eight days.

Spend on improvements such as kitchens, bathrooms, heating and roof replacements was £29.9 million. This included £15.7 million of capital investment meaning more than 850 customers received new kitchens, 560 customers new bathrooms and 1,200 customers new heating systems. Cyclical maintenance spend was £11.6 million, ensuring compliance with, and where possible exceeding, legislative and regulatory obligations and health and safety legislation and guidance.

The group's void disposal programme is in its third year and the group is committed to selling assets which meet its disposal criteria. The group identified and disposed of 91 properties during the year as part of the void disposal programme, generating proceeds of £16.0 million. The group also operates a stock option appraisal and land enhancement programme which generated proceeds of £5.5 million in the year, primarily through the auctioning off of old garage stock. All disposals through these programmes are reviewed by the Group Investment and Assets Panel and only approved when they meet the group's strict criteria for disposal. The proceeds from the void disposal, stock option appraisal and land enhancement programmes will all be reinvested into future developments.

Independent and Connected Living

The Independent and Connected Living services are provided through Aster Living to help vulnerable people maintain independence in their homes and improve their wellbeing.

There are approximately 3,500 customers supported by Aster's Independent Living team which includes providing low level support as required to providing 24 hour onsite support in the group's own schemes.

The service made a loss of £7,000 in the year (2019: profit £14,000) however the Independent Living Services provided are key to Aster's purpose of improving people's lives and supplying a range of housing options. The key focus is to ensure that the independent service remains viable and sustainable by continuing to expand the connected living service.

There are approximately 5,300 customers taking advantage of the connected living service. Services offered range from providing key safes, to GPS tracking and alarm packages paid on a monthly basis. This service contributed £324,000 (2019: £208,000) to the operating surplus in the year. Aster has plans to provide the service to a further 2,000 customers by 2024. The implementation of the new e-commerce site will seek to expand the customer base to new, private customers.

Silbury Housing Limited

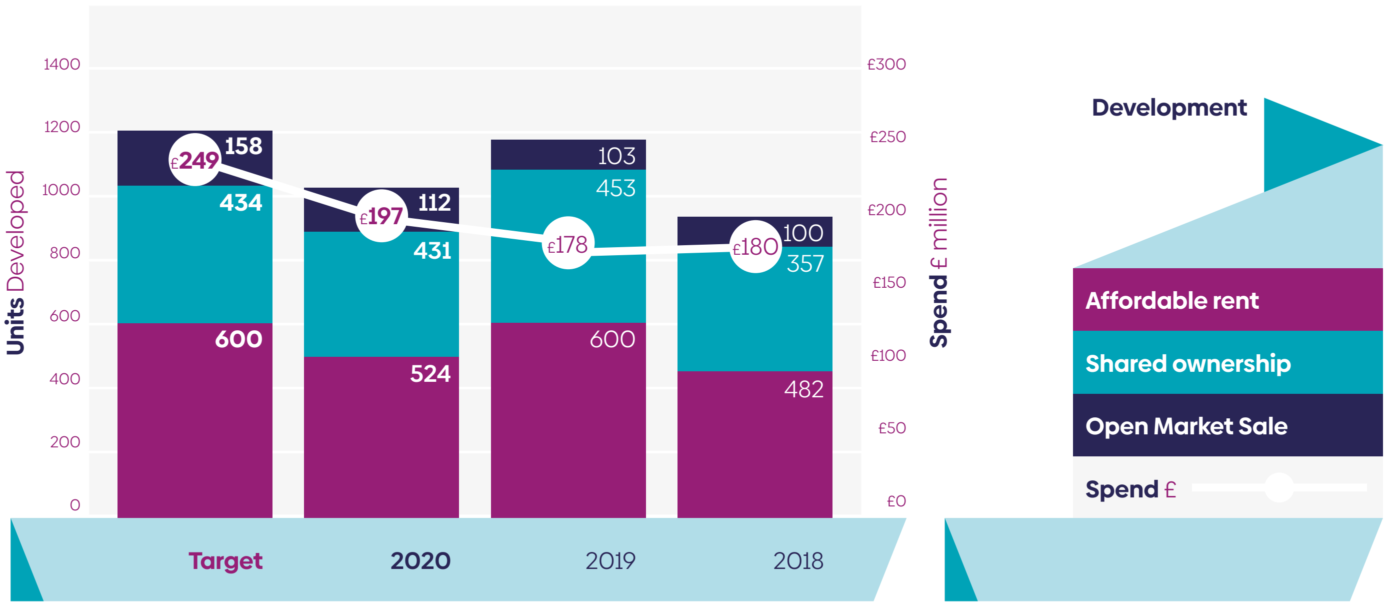
Through Silbury Housing Limited, and its parent Silbury Housing Holdings Limited, the group delivers a 22 year service concession arrangement with Wiltshire Council to develop, manage and maintain 242 affordable homes. Profit before tax for this PFI funded arrangement was £281,000 (2019: £269,000).

Development and sales

Aster Homes Limited provides design and build services for developing affordable homes for the group. Private sale development projects are delivered through joint venture arrangements with Vistry Homes Limited.

A key priority of the group is to build as many homes as possible and offering a range of housing options. This is achieved through developing affordable homes for both general needs rent and shared ownership as well as developing homes for sale on the open market. The group supports housing development in rural communities and is an avid promoter of shared ownership as a mainstream tenure.

Development



During the year the group developed 955 (2019: 1,053) new affordable homes, and a further 112 (2019: 96) homes were delivered for open market sale through the group's joint ventures (68 through White Rock Land LLP and 44 through Boorley Green LLP), and in 2019 seven open market homes were developed by the group. The group spent £197.3 million on development of affordable homes in 2019/20 (2019: £178.0 million, and a further £22.0 million on developing homes for sale on the open market through the group's joint ventures.

The group's affordable homes programme aims to deliver 10,400 units over the next seven years, spending £2.0 billion to achieve this aim.

The scheme at Bargates Christchurch will be delivered by Aster LD Limited, a newly incorporated company which undertakes complex land-led mixed tenure schemes. The scheme is anticipated to be in contract by December 2020 and on site by June 2021 with delivery of 77 private sale units, 38 affordable units, retirement housing and flexible community space.

There are three joint venture arrangements with Vistry Homes Limited which between them were set up to deliver 1,442 new homes of which 235 affordable homes and 606 private homes remain to be delivered over the next four years.

Aster Solar Limited

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

The alleviation of fuel poverty amongst the group's tenants is a key objective for Aster Solar Limited, together with the ability to generate profits that can be reinvested into charitable activities.

Aster Treasury Plc

Aster Treasury Plc's principal activity is to raise external debt to finance the growth and development activities of the group and its subsidiaries. For the year ended 31 March 2020 £40 million of retained bonds were issued. The company also paid interest on its current bond debt and received interest on its on-lending to group companies.

Financial
Review

Financial review

The group had a strong year achieving turnover of £215 million and a profit before tax of £60 million (2019: £55 million). The main movements are set out below:

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Turnover					
Social housing	**163**	162	162	161	155
First tranche shared ownership	**47**	42	36	21	16
Non-social housing	**5**	8	7	9	8
	215	212	205	191	179
Operating costs					
Social housing	**(122)**	(115)	(115)	(102)	(104)
First tranche shared ownership	**(39)**	(35)	(31)	(19)	(15)
Non-social housing	**(2)**	(2)	(2)	(6)	(4)
	(163)	(152)	(148)	(127)	(123)
Profit on asset sales	**20**	18	15	4	2
Operating profit	**72**	78	72	68	58
Other profit, including joint ventures	**15**	1	2	1	1
Profit on ordinary activities before interest	**87**	79	74	69	59
Interest and similar income and charges	**(27)**	(24)	(24)	(25)	(25)
Profit on ordinary activities before taxation	**60**	55	50	44	34

Despite the 1% rent reduction and the group's exit from some of its care and support services, social housing income remained stable due to an increase in properties available for affordable and shared ownership rent as a result of the addition of new homes from the group's development programme.

The markets and areas that the group operates in remained buoyant in terms of both sales values and the percentage of first tranche sales achieved and as a result the group achieved impressive first tranche shared ownership sales with 429 units sold this year building further on the 409 units sold in 2019.

Social housing costs have increased by £12.5 million related to lettings, offset by savings of £5.0 million from other social housing costs. Social housing lettings costs include additional spend of £8.0 million in planned maintenance and major works reflecting the group's commitment to investing in its existing housing stock, increased investment in health and safety and increased investment in fire safety. Further management costs of £2.7 million have been incurred as the group has invested internally to deliver a better service to its customers. Other social housing costs savings are primarily driven by £3.7 million related to the group's decision to exit some of its care and support services which were no longer economically viable given the risk profile and management time involved.

First tranche sale costs increased by £4.5 million reflecting the increased sales level. The margin on first tranche sales reduced to 16.0% compared to 17.4% last year, reflecting increased build costs incurred through the year offset in part by a £10,000 increase in the average sales price for a 40% first tranche share – a result of more of the group's shared ownership sales from properties in higher value areas.

The overall profit on asset sales increased by £2 million. The group has had success with all its streams of asset sales in the year increasing profits through its void disposal programme by £0.8 million with 91 units sold (2019: 89 units), through its stock options appraisal and land enhancement programmes by £0.8 million and through staircasing of shared ownership properties by £0.8 million. During the year the group also disposed of one of its freehold offices for £2.6 million of proceeds, making a profit on sale of £0.3 million.

Other profit, including joint ventures, has increased in the year due to the gain on acquisition of East Boro Housing Trust Limited to the group which has recognised a gain on acquisition of £14.0 million. Profit from joint ventures contributed a further £0.4 million of profit.

Operating profit was £72 million and the group achieved an operating margin of 33.5% compared to 36.8% last year with the decline in margin attributed to the increased investment into the group's properties as well as an increased portion of the group's revenue being driven by the increase in first tranche shared ownership sales (which achieve a lower margin).

Cash inflows and outflows

The detailed cash flow for the group is set out on page **89** In summary the main cash flows for the group were:

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Net cash generated from operating activities	**130**	152	152	125	114
Less net interest paid	**(34)**	(34)	(28)	(30)	(26)
	96	118	124	95	88
Investment in new properties	**(197)**	(177)	(180)	(120)	(108)
Social housing grant received	**13**	3	3	5	6
Purchase of other fixed assets	**(4)**	(3)	(2)	(2)	(6)
	(92)	(59)	(55)	(22)	(20)
Drawdown of loans	**153**	125	50	100	22
Loans to joint ventures	**(2)**	(5)	(2)	(11)	(3)
Repayment of borrowings	**(43)**	(30)	(1)	(40)	-
Increase / (decrease) in cash holdings	**16**	31	(8)	27	(1)

The group held £148 million (2019: £132 million) of cash and cash equivalents at year end and had £1,068 million (2019: £960 million) of bank loans and bond debt.

Net cash flows from operating activities remained strong despite a reduction of £22 million driven by the reduction in profit before tax, before the gain on acquisition of EBHT, of £9 million combined with a reduction in the group's trade and other creditors. The group's operating cash flow ratio is 163% down from 205% in the previous year. Despite the reduction the ratio still shows the group generates more than enough operating cash flows to cover its current liabilities, and is driven by an increase in the current element of long term loans and grants.

Cash invested in new properties was £20 million more than 2019 at £197 million, with the group developing 1,067 homes in the year, 89 less than in 2019 due to the timing of handovers and completions by developers.

There were four main sources of finance for the group in the year:

- Issuance of £40m nominal value of bonds following the issue of some of the group's retained bonds in May 2019 and January 2020 which were issued at a premium resulting in the group receiving £54.3 million;
- Drawdowns of £78.7 million by Aster Communities and £20 million by Synergy Housing Limited from their revolving credit facilities;
- The arrangement of a £20m bilateral loan with Barclays Bank plc (which is undrawn at the year end); and
- The arrangement of a £50 million unsecured facility in Aster Group Limited with the First Abu Dhabi Bank (which is undrawn at 31 March 2020).

The repayments of borrowings include £30 million payment of excess cash into the group's revolving credit facilities, which can be drawn down again at a later date, and scheduled capital repayments in Aster Communities and Synergy Housing Limited as some of the group's facilities mature. There were also scheduled capital repayments made by Silbury Housing Holdings Limited.

Statement of Financial Position

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Fixed assets					
Property, plant and equipment	**1,757**	1,610	1,498	1,395	1,328
Investment properties	**17**	17	16	15	16
	1,774	1,627	1,514	1,410	1,344
Current assets					
Inventory	**3**	2	2	1	-
Debtors	**116**	112	100	94	83
Shared ownership properties held for resale	**37**	30	23	18	11
Properties held for open market sale	**-**	-	2	-	-
Cash and cash equivalents	**148**	132	101	109	82
	304	276	228	222	176
Creditors: amounts falling due within one year	**(81)**	(74)	(63)	(38)	(36)
Net current assets	**223**	202	165	184	140
Creditors: amounts falling due after more than one year	**(1,114)**	(995)	(903)	(875)	(808)
Pension liability	**(32)**	(45)	(33)	(38)	(34)
Other provisions	**(1)**	(1)	(2)	-	-
Net assets	**850**	788	741	681	642

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

- **Property, plant and equipment -** This mainly includes the group's social and affordable rented housing properties and components. The increase is driven by the properties developed in the year and component replacements offset by depreciation.
- **Debtors -** This primarily includes the group's debtors falling due after one year as well as trade debtors and rent arrears. Debtors have increased due to increases in the loans to joint ventures of £4.6 million, reflecting the investment in the new Kilnwood Vale joint venture as well as further investment in Boorley Green in line with its expected spend profile offset by a reduction in the service charge under-recovery receivable of £1.2 million. Rent arrears have remained consistent at £11.1 million (2019: £11.1 million) and this is reflected by the group's rent receivable days remaining at 27.1 days.
- **Shared ownership properties held for resale -** This includes the first tranche element of the group's shared ownership properties completed or under construction, but not yet sold. The increase relates to a greater number of shared ownership units under construction compared to last year (£5.2 million) coupled with more unsold completed units than last year due to the volume of build increasing (£1.5 million).
- **Cash -** Increased by £16.0 million due to net new borrowings (see cash flow above) offset by development spend.
- **Creditors: amounts falling due within one year -** This primarily includes accruals and deferred income, trade creditors, rent paid in advance, service charge over-recovery and the element of loans repayable within one year. The increase is due to an increase of £9.7 million in social housing grant payable and an increase of £5.2 million of loans repayable within one year as some of the group's facilities reach the end of their borrowing periods. These increases are offset by reductions of £6.8 million in accruals and deferred income primarily driven by reductions in retention accruals, development accruals, and service charge over-recovery.

- **Net current assets -** the group has positive net current assets with a ratio of current assets to current liabilities of 374% (2019: 373%).
- **Creditors: amounts falling due after more than one year -** This includes the group's long-term debt. The net increase of £113.0 million is primarily due to additional borrowing and draw-downs from the group's facilities of £153.0 million offset by repayments of £43.0 million (see cash flow above), as well as £13.0 million of additional social housing grant.
- **Pension liability -** This includes the pension deficits from the group's membership in the four local government pension schemes and the Social Housing Pension Scheme (SHPS). The reduction reflects the group's actuarial gains as well as £2.7 million of additional contributions the group has made to consciously actively manage and reduce the liability.

Value for
Money

Value for Money (VFM) has always formed a central part of our business and organisational culture. This is encapsulated in our strategy, delivered through our corporate objectives and scrutinised through our performance assurance framework. VFM is about being effective in how we plan, manage and operate our business. It means making the best use of resources to provide quality homes backed by quality services.

We take a holistic approach to VFM that supports our social purpose and our strategic direction. We recognise the importance of both social and financial value and our approach balances the needs of our customers with our social value and meeting future housing need with the quality of our homes.

Our robust approach to procurement is integral to achieving VFM across all our business areas, ensuring we get the best value without compromising quality. We work with our supply chain across our whole range of services and throughout the lifetime of our contracts, monitoring delivery against our performance standards and ensuring we maximise value for our customers. We monitor the effectiveness of our procurement through our Corporate Performance and People Panel (formerly the Business Strategy and Performance Panel), and regularly monitor the effectiveness of our contract standing orders policy.

Through our treasury and business planning processes we understand our future funding requirements, so funding can be effectively put in place in a timely manner allowing us to deliver our corporate strategy. The group looks to maximise capacity - whilst analysing risks through scenario testing - by maximising borrowing and effectively utilising security whilst also maintaining credit strength. VFM is achieved by utilising an optimum capital and treasury structure, in conjunction with appropriate funding structures, such as the group's bond, to achieve interest cost savings which are re-invested in new developments.

Our G1 rating indicates that our governance processes are sound and we are getting value for money from the investment we make in our governance, risk and assurance frameworks. Our internal governance framework measures and monitors VFM through a number of different mechanisms:

- Our Corporate Performance and People Panel (CPPP) monitors and tracks projects and initiatives which deliver savings, efficiency improvements and additional benefits;
- Our VFM measures and targets are monitored and scrutinised by the CPPP, and are also presented quarterly to the group board;
- Our Group Investment and Assets Panel (formerly the Group Investment Panel) considers value for money in all of the decisions relating to our strategic asset and development programmes; and
- We track our social value through the work of the Aster Foundation, and through our newly formed Customer Experience Panel.

We monitor VFM against key financial metrics and through the measures identified as being critical to the business. In addition, being successful in delivering our strategic and operational objectives and achieving our performance targets is inherent to providing value for money for our customers and communities. We believe that if our customers and colleagues are satisfied and our business is financially stable then that is an indication that we are successfully embedding value for money into everything we do.

Embedding

Value for Money

in our strategies

Customer services strategy

Our vision - Providing customer-focused, easily accessible, good and safe customer services.

Our approach to VFM - As is evidenced by our social housing cost per unit as a business we look to strike the right balance between investment and value for money for our customers. Health and safety of our customers is our top priority and we won't compromise on this. We will invest in our stock and services, enabling customers to sustain their tenancies and to live independently for longer - providing security for our customers and our business. We will continue to strive to maximise our income and will generate efficiencies through our digital evolution programme and through better understanding of the customer need - ensuring services are tailored and cost effective.

Our customer services strategy - top line VFM measures and targets at 31 March 2020:

- Overall Customer satisfaction for General Needs & Housing for Older People with services provided by Aster – 82%;
- Rent arrears – 2.20%; and
- All voids turnaround times – 11.6 days.

Aster Foundation strategy

Our vision - Investing in communities and in their future through the Aster Foundation.

Our approach to VFM - Value for Money is not just about pounds and pence, and through the work of the Aster Foundation we will look to continue to drive social value across our landlord services. The main aim of our foundation strategy is to maximise tenancy sustainment, this is good value for us as a business, but also good for our customers who get to stay in their homes for as long as possible. Targeting our investment at the places we can make the most impact will deliver social value to our customers and will ensure we can invest more into the future.

Our Aster Foundation strategy - top line VFM measures and targets at 31 March 2020:

- Number of customers helped into work, and percentage of those sustaining work - 47 customers, 98% sustaining work; and
- Amount of social value brought in - £90,000.

Embedding
Value for Money
in our strategies (continued)

Development strategy

Our vision - Building as many homes as we can, offering a range of housing options.

Our approach to VFM - Our development programme is targeted at making the biggest difference to the housing shortage, by building as many homes as we can. This doesn't mean sacrificing on quality or investment into our new homes. Our strategy is focussed on delivering our own programme of land led sites through partnership; control and quality remaining our overall focus. This programme is managed through dedicated technical teams who are involved in every step of the process; a home that balances value and quality from inception to handover.

All development contracts are required to meet a number of criteria and are subject to a rigorous approval process - ensuring the balance between investment, meeting our strategic objectives and generating income is also providing value for money for our customers, communities and the business.

Our partnerships with community land trusts (CLTs) require higher investment but one that we have consciously support recognising that this is part of our corporate social responsibility - providing social value by helping to build sustainable communities through creating a supply of affordable homes to meet local need.

Our Development strategy - top line VFM measures and targets at 31 March 2020:

- Number of affordable homes built - 955 homes; and
- Number of these that were delivered through CLTs – 25 homes.

Growth strategy

Our vision - Delivering our corporate strategy quicker and better through growth.

Our approach to VFM - We will never pursue growth that has a detrimental impact on the offer to our colleagues and customers. All of our growth options are assessed thoroughly in relation to additional opportunities resulting from growth or from efficiencies that can be generated. We are not looking to become bigger for the sake of it, any growth must benefit our colleagues and customers and add to our vision and purpose.

Our growth strategy – top line VFM measures and targets at 31 March 2020:

- Overall customer satisfaction for General Needs and Housing for Older Peoples with services provided by Aster – 82%;
- Number of affordable homes built - 955 homes; and
- Internal sentiment analysis (eNPS - Quarterly Pulse and Annual Colleague Survey) - +36.

Transformation strategy

Our vision - Ensuring we are ready for the future.

Our approach to VFM - Our digital transformation journey will allow our customers to access our services in more ways than ever before, we are investing in our colleagues to ensure that we create a culture that ensures we can maximise outcomes for our customers. We believe that value for money is not always about cutting costs, it's about return on investment and evolving to ensure we can continue to achieve maximum value from our business going forward. We also believe that engaged colleagues result in an improved service offering for our customers.

Our transformation strategy – top line VFM measures and targets at 31 March 2020:

- Internal sentiment analysis (eNPS - quarterly Pulse and Annual colleague survey) - +36.

Asset management strategy

Our vision - Providing safe, well maintained homes supported by long term investment, serving communities where people choose to live.

Our approach to VFM - To support the delivery of our corporate strategy through dynamic asset management that maximises returns and makes best use of our assets - including the acquisition and disposal of assets that secure strategic, social or economic value. Through our robust voids disposal, land enhancement and options appraisal programmes we will ensure local needs are always considered and balanced with the opportunities for reinvestment in existing homes and neighbourhoods.

Our asset management strategy – top line VFM measures and targets at 31 March 2020:

- Decent homes compliance – 100%;
- Income generated through stock rationalisation (VDP, SOAP, LEP);
- VDP - £16.0 million net sales receipts and £11.6 million profit; and
- SOAP and LEP - £5.5 million in net sales receipts and £4.9 million profit.

Value for
Money Metrics

2019 / 20 Performance

The group's performance in 2019/20 provides strong evidence of the commitments set out in the approach to VFM.

Performance against the VFM key metrics

Set out below is the group's sector scorecard comparison showing the median (average) and quartile 3 (top 25%) positions and the target for 2021:

Aster's Performance

Reinvestment			Scorecard 2019		Target 2021
2020	2019	2018	Median	Quartile 3	
12.1%	11.8%	12.2%	5.4%	9.1%	Upper Quartile

Reflects the investment in social housing properties (existing stock and new supply) as a percentage of the total value of social housing properties held (Aster measure the total value of social housing properties at deemed cost [1]).

Aster's Performance

New supply delivered - social housing			Scorecard 2019		Target 2021
2020	2019	2018	Median	Quartile 3	
3.0%	3.5%	2.8%	1.0%	2.4%	Upper Quartile

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

Aster's Performance

New supply delivered - non social housing			Scorecard 2019		Target 2021
2020	2019	2018	Median	Quartile 3	
94.9%	81.4%	84.0%	-	-	Upper Quartile

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

Aster's Performance

New supply delivered - combined

2020	2019	2018	Scorecard 2019 Median	Scorecard 2019 Quartile 3	Target 2021
3.4%	3.7%	3.0%	-	-	Upper Quartile

Sets out the total number of new housing units, including those homes delivered through the group's joint ventures, that have been acquired or developed as a proportion of total housing units owned at the period end.

Aster's Performance

Gearing

2020	2019	2018	Scorecard 2019 Median	Scorecard 2019 Quartile 3	Target 2021
53.5%	52.2%	52.0%	33.8%	47.8%	Upper Quartile

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

Aster's Performance

EBITDA MRI [2] interest cover

2020	2019	2018	Scorecard 2019 Median	Scorecard 2019 Quartile 3	Target 2021
191.8%	222.8%	223.2%	197.9%	282.6%	Median Quartile

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

Aster's Performance

Headline social housing cost per unit (CPU)

2020	2019	2018	Scorecard 2019 Median	Scorecard 2019 Quartile 3	Target 2021
£3,468	£3,391	£3,455	£3,725	£3,170	Median Quartile

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

Value for

Money Metrics

2019 / 20 Performance (continued)

Aster's Performance

Operating margin - overall

2020	2019	2018	Scorecard 2019 Median	Scorecard 2019 Quartile 3	Target 2021
24.2%	28.0%	28.0%	25.5%	31.7%	Median Quartile

Demonstrates the profitability of operating assets before exceptional expenses. Defined as operating profit, excluding surplus on sale of property, plant and equipment, as a percentage of total turnover.

Aster's Performance

Operating margin - social housing only

2020	2019	2018	Scorecard 2019 Median	Scorecard 2019 Quartile 3	Target 2021
27.2%	33.0%	35.2%	27.2%	34.0%	Median Quartile

Demonstrates the profitability of social housing operating assets before exceptional expenses. Defined as operating profit derived from social housing activities, excluding surplus on sale of property, plant and equipment, as a percentage of total turnover.

Aster's Performance

Return on capital employed (ROCE)

2020	2019	2018	Scorecard 2019 Median	Scorecard 2019 Quartile 3	Target 2021
3.6%	4.3%	4.4%	3.2%	4.5%	Median Quartile

Compares the operating profit [3] to total assets less current liabilities.

[1] Reinvestment has been restated for 2019 and 2018 following further guidance from the regulator in the June 2020 technical update. Deemed cost assets consist of social housing assets held at an EUV-SH valuation up to 31 March 2014 and subsequent additions at cost.

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

[3] Operating profit as stated in the Statement in Comprehensive Income includes the group's operating profit inclusive of profit from disposal of property, plant and equipment, and the share of profit in joint ventures.


ASTER
GROUP

Value for

Money Metrics

2019 / 20 Performance

The group is one of the sector leaders in both reinvestment and new supply delivered. This is a priority of the group as it looks to achieve its vision that everybody has a home. The group's business model is worked hard to develop as many new homes as possible within the group's financial capacity and in 2020 Aster built 1,067 total homes (of which 955 were affordable), closing the year with 31,754 homes owned 31,636 of which were affordable).

The reinvestment spend metric is measured as a proportion of the value of the group's properties. Although the group has delivered fewer completed homes when compared to the prior year, it has spent an additional £22.4 million on developing new homes and increasing its pipeline for delivery. The group has also acquired £19.6 million of housing properties through its merger with East Boro Housing Trust.

Aster recognises that the greatest role to play in tackling the housing crisis is "building as many new homes as we can", which is a key priority of the corporate strategy, and Aster's performance in the upper quartile of both the reinvestment and new supply delivered metrics against the sector overall highlights this.

The group's ambition is also highlighted by the level of gearing which pushes the business hard and is viewed as a positive, remaining in the upper quartile. The increase in the group's gearing ratio reflects the increase in net debt of £98.9 million to £927.3 million offset by the growth in the group's housing properties deemed cost of £147.1 million.

EBITDA MRI interest cover has reduced since 2019 but remains close to the sector median. The percentage reduction is primarily driven by the increased interest costs (including capitalised interest) of £2.5 million which leads to a reduction in the ratio of approximately 17%, and the reduction in EBITDA of £5.7 million which reduces it a further 16%.

The increased interest costs are due to the increase in debt and gearing, as well as the timing of when finance for the group's ambitious development program is put in place, being at least 12 months before it is required and hence resultant returns from this future development falling into future financial years. The fall in EBITDA reflects the group's reduced margins from social housing lettings where an additional £8.0 million has been spent on planned maintenance and major works.

Aster has performed close to the median for the sector against both the gearing and EBITDA MRI interest cover metrics, highlighting the group's ambition of "delivering our corporate strategy quicker and better through growth" but not at the cost of increasing the group's risk and exposure.

The social housing cost per unit has increased by £77 since the prior year. Additional costs of £220 per unit have been incurred related to planned maintenance and major works emphasising the group's commitment to invest in its homes, ensuring they are safe and secure places to live. This increase has been offset by savings of £155 per unit due to the reduction in the group's provision of extra care services such as supporting people contracts and domiciliary care. The group's cost per unit is also inflated by £76 per unit because of the level of non-capitalised development activity conducted by the group, which, as can be seen by the reinvestment and new supply delivered metrics, Aster is doing comparatively more than most in the sector.

The rise in social housing cost per unit is not unexpected and is in line with the group's plans and targets set in the previous year. In fact, it is expected to increase further in 2021 as the group continues to aim beyond compliance. Aster's approach to VFM is not to necessarily be the cheapest, but to still offer excellent value, and to provide customers with good, safe homes and with good, reliable services and the group's investment plans in future years reflect this.

Operating margins, although a good measure of overall profitability, should be viewed in the context of the diversity of activities in the sector. Aster's overall margin has reduced since the prior year and is slightly below the sector median. This is driven by a reduced margin on social housing only combined with proportionally more of the group's revenue being made up of first tranche sales which has a lower margin than traditional lettings.

The social housing operating margin has reduced resulting from additional maintenance and improvements costs of £9.6 million emphasising the group's commitment to providing customers with good, safe homes and with good, reliable services. Despite this, the social housing margin is ahead of the sector median.

Whilst overall return on capital employed (ROCE) gives an indication of how well the group makes a financial return on the assets it owns, Aster's asset management plans focus on improving how the asset base can perform better as well as improving the group's homes. ROCE has fallen slightly on the prior year figure. A reduction in operating surplus is compounded by the increase in the group's asset base reflecting not just the reinvestment and new supply delivered but the group's commitment to "ensuring Aster is ready for the future" through investment in digital and colleague transformation.

Risk
Management

Risk management is about managing the group successfully in all situations, achieving goals and overcoming threats to success by implementing a way of working that can recognise and navigate obstacles as they arise and explore potential opportunities arising from changes in the operational environment.

Our approach

Risk management is integrated into the culture from the board down to our customer facing teams, strategic and service planning processes and performance management.

Risk oversight is the responsibility of the board, with the Group Risk & Compliance Committee undertaking a more detailed review of risks that may positively or negatively impact on the group's strategy, operations or legislative compliance. The Group Treasury Committee ensures that risks to financial viability are managed through the groups' treasury management and investment policies.

The group has undertaken multi-variate scenario testing to analyse the effects of realistic economic and risk scenarios. It has modelled those identified scenarios and assessed the impact on its financial covenants and viability. To ensure the group can recover from the impact of the scenarios, mitigation strategies have been developed for each one.

The group recognises that known and understood risk can and should be taken to achieve its objectives, if it is within its risk appetite, actively managed and balances risk for reward. While the board accepts operational risk is inevitable and that perfect risk avoidance is neither possible nor necessarily desirable, risks related to health and safety, financial viability and reputation must be actively managed and mitigated.

Risk framework and risk appetite

The group's risk management framework sets out the approach to risk management, including the risk appetite set by the board, a matrix for assessing risk and the specific roles and responsibilities that together contribute to the group's ability to manage through uncertainty.

Risk appetite represents the amount and type of risk that the group is willing to take in pursuit of its strategic objectives. The risk appetite also sets out the risks that should not be taken in any circumstance.

Measures of performance against both strategic objectives and of operational delivery are reported against a set of risk tolerance thresholds, with the tolerance for underperformance set by the board's risk appetite, driven by the potential consequences of not achieving the targets set.

The risk appetite for any risk that could have a severe impact on customers, employees or the financial plan is always "averse", translating to a limited tolerance for any deviation from target performance.

In August 2019, the Board reconsidered and approved the group's updated appetite for risk.

Preparing for Brexit

In 2019/20 Brexit continued to provide uncertainty in the market place in which the group operates, in particular, pressures on house selling prices and the performance of the housing market, available labour supply in relation to building, as well as inflationary and interest rate pressures in the economy, although none of these had a significant impact on Aster's trading performance in 2019/20. Towards the end of the financial year a Brexit deal was finalised and there was an increase in activity in the sales market and an upturn in overall market confidence. However, significant uncertainty remains around the impact of Brexit once the transition period ends on 31 December 2020.

The group has taken a proactive approach to evaluating this impact and has focused its approach on those areas deemed the highest risk as a result of Brexit. In summary:

Changes to the housing market - The sector as whole is more exposed to market fluctuations, and with this in mind, the group has conducted rigorous stress testing for a variety of market scenarios. Included within this were scenarios that forecast a steeper and more severe market downturn. This planning applies, not just to a Brexit scenario, but to any cause that may have this kind of impact.

Building the workforce of the future - One of the few tangible outcomes from Brexit so far has been the drop in availability of labour across the construction sector. Whilst this has been more acute in London, the group is not immune to the impact. Financial year 2019/20 was another record year for the group's apprenticeship programme, and there is a clear commitment to be the master of its own destiny with a local workforce primed for the future.

The group's board regularly discusses and debates Brexit, as well as a range of other market related issues, through regular business intelligence briefings and are well informed on the issues and kept up to date on the implications for the group. In October 2019, the Group Risk and Compliance Committee considered and discussed the preparations made in the areas of financial and treasury management, supply chain, maintenance and IT hosting.

The group financial plan for 2020/21 has assumed a neutral impact from Brexit with no impact on the business from these risks although the group's stress testing scenarios very much cover the group's ability to weather the associated financial impact from these risks should they occur.

Covid-19

The outbreak of Covid-19 and the subsequent restrictions that have been implemented by the government and Public Health England have resulted in challenges for everybody but ensuring customer and colleague safety is paramount for the group. This has required changes to the way the group operates, demonstrating the adaptability of colleagues, who themselves have seen changes both personally and professionally.

The group created a CV Response Group, with the responsibility for tactical and operational decision making and accountable for reviewing and maintaining the Covid-19 risk register, introducing measures and controls to mitigate these risks where possible, as well as ensuring business continuity plans are enacted. The CV Response Group also controls the flow of information from the group to press and political stakeholders, as well as communications with the boards, colleagues, customers and shareholders, issuing regular briefing updates and formulation of the message that will be passed on to colleagues and customers.

The lockdown has meant a different way of doing business, with offices being closed and colleagues working from home, and repairs services initially being essential only, with the aim of removing all but essential contact. Development on most sites also came to a halt at the end of March, with labour restrictions and lack of availability of materials.

Despite the lockdown being in place from 23 March 2020, the impact on the current years financial statements has been minimal, however, the consequences are expected to be seen in the coming year, and could be significant.

Reduced service delivery and the effects on colleague and customer wellbeing, could impact the group's ability to meet strategic objectives and financial plans as follows:

- Lockdowns, possibly regionally, and social distancing could mean:
  - Reduction in labour resource due to teams self-isolating;
  - Inability to complete core repairs, planned maintenance, and timely servicing of equipment; and
  - Fall in rental income with increased voids from reduced ability to let vacant and newly handed over property.
- Increased risk of the group's customers losing employment once furlough ends, resulting in a decrease in cash receipts and increased rent arrears, with potentially a higher level of bad debts;
- Increased costs around health and safety, including personal protective equipment and buying in of temporary resources to help with service recovery and reduce backlog of works and repairs;
- Increase in unproductive time relating to maintenance operatives and under recovery of staff costs, over and above furlough recovery;
- Reduced development output due to closure of sites and supply chain effect, increasing time to completion and thus realisation of profits and the ability to repay debts, resulting in increased financing costs;
- Reduction in sales receipts from first tranche sales due to delayed delivery of new homes under development;
- Increased interest costs due to inability to capitalise interest while development sites are closed;
- Fall in sales prices for first tranche sales, joint venture properties, void disposal property sales and other asset unit sales; and
- An increase in the expected time to complete the various phases of the group's joint venture builds, delivering the expected profits over a longer period.

The impact the pandemic may have on the group is continually monitored with an updated financial plan being produced subsequent to the year end, as well as the usual quarterly forecasts, all of which provide an update on future financial results, as circumstances change.

The group will continue to follow government guidance issued and do all that it can to support colleagues and customers, continuing to introduce wellbeing activities to help all keep well and feel connected.

These are unprecedented times and while there has been uncertainty regarding how long the restrictions will be in place, the group has shown great resilience. The transformation over the last few years regarding IT systems and infrastructure, plus flexible working, has put the group in a good position to adapt to current and future challenges, and enables Aster to continue to adopt a business as usual approach.

Principal risks

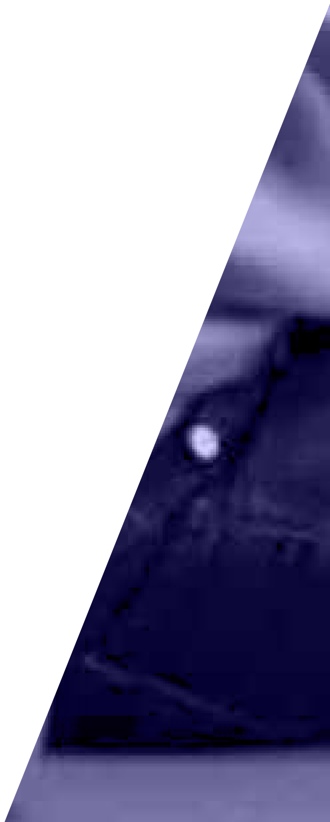
During 2019/20, the board regularly reviewed the threats which it believes could adversely impact the achievement of objectives or impact on the effectiveness and efficiency of core services. The board also focused on the uncertainties which could present opportunity such as increased confidence in the ability to deliver the strategy. The following list provides an overview of the principal risks to the group at the end March 2020 and includes the recently emerged challenges triggered by a changing operating environment as a consequence of Covid-19. The list is not exhaustive nor set out in order of priority and is continually subject to change.

Risk	External factors	
	Potential impact	**Aster's response**
Sustained impact from Covid-19 A sustained period of operating under national or local government directed control measures could impact on the group's operating environment.	A sustained period of control measures is likely to impact on Aster's ability to maintain service delivery, progress strategic objectives and financial targets and on colleague and customer wellbeing.	The group's initial response is driven by a pandemic response plan and operational service delivery plan to maintain critical operations. Recovery is managed through a coordinated process of a Strategic Recovery Plan and Operational Recovery Plan to support delivery of key priorities and to reconstruct key services and infrastructure, progressing to effective efficient and safe working conditions. A review and update, where necessary, of the group's budget and financial plan is completed, including appropriate stress testing to ensure the group remains financially sound.
Global and economic operating environment (inc. Brexit) Any changes which may affect the operating environment in the UK, could negatively impact profitability.	The impact would depend on the event. However, a key consideration following any significant world event, for instance, is the impact it might have on the group's funders and key stakeholders directly, the labour market available to the group or the view of the sector by investors, stakeholders, employees and customers.	A living business plan is produced on a quarterly basis that uses prudent assumptions in the long-term, with stress testing, scenario analysis and contingency planning. Horizon scanning is undertaken, with emerging concerns or case studies reported to relevant governing bodies. A treasury management plan, including detailed financial risk appetite and acceptable tolerances, is reported quarterly to the Executive board.
Sales risk The property market experiences a slowdown in sales and a reduction in property prices, impacting on the ability to sustain a viable development programme across all tenures.	A delay (e.g. sales taking longer than planned) or reduction (e.g. a fall in sales price) to the projected cash flow may result in additional costs to fund the liquidity shortfall, may result in covenant breach due to on-lending and could impact on the development capacity of the group. A fall in sales price would result in a reduced income and therefore profit, impacting on the funding of further development.	Transactional sales data is monitored weekly at operational level and reported monthly to leadership meetings. Performance and expected performance are reported against the development strategy quarterly with a suite of KPIs with agreed tolerances and escalation trigger points. Sales pipeline, risk monitoring and regional housing market intelligence reports are reviewed regularly. Construction pace is monitored to consider speeding up or slowing down development and build rate.

Risk	Technical and operational issues	
	Potential impact	**Aster's response**
Health and safety Non-compliance with health and safety regulation leads to serious injury or death.	Any impact would be dependent on the severity of the non-compliance. However, in addition to the impact on the individuals concerned, it could ultimately result in a negative financial impact and be detrimental to the relationship with key stakeholders, e.g. regulators, customers and funders.	Operational management scrutinise live performance data with dedicated roles ensuring cyclical maintenance, inspections and servicing of components within homes and communal areas. A suite of performance measures is reported monthly relating to gas, electrical, fire risk assessments and actions, lifts and water hygiene. The measures have a defined tolerance reflective of the critical nature and potential consequences. The group applies the three lines of defence assurance model in all areas of safety monitoring. The group has a comprehensive set of policies and operational procedures to ensure safety of homes and communities, including estate inspections, and of employees.
Liquidity and security An inability to access financing options and maintain sufficient loan security would have an adverse effect on the funding of future development programmes and therefore the future growth of the group.	Liquidity problems would cause the group to slow down or stop its development programme. The group's inability to charge housing assets as security for current and future funding requirements restricts the level of future borrowing and could result in an increased cost of borrowing and hence could restrict the level of housing development. In the case of existing borrowing, a delay in security charging could result in a loan covenant breach.	Key financial metrics are monitored monthly, including cash flow. A security utilisation model is embedded into the business plan. Property charging and utilisation is monitored by the Group Investment and Asset Panel and Group Treasury Committee. The group has specific resources dedicated to ensuring a 'charging pack ready' approach is followed. A performance metric reports on the security available to be charged.
Reputational risk Reputational damage due to significant or sustained high-level crisis events.	The group relies on its reputation to help secure new development opportunities, attract new customers, employees and partner organisations, trade with funders and suppliers and support its position with regulators. Damage to the group's reputation could have a detrimental impact on any or all of the above, resulting in a negative impact on profits and the future provision of homes.	The group's 'beyond compliance' approach and cultural 'safety first, always' ethos is applied fully and consistently supported by a comprehensive compliance framework that encompasses not just safety, but all legal and regulatory responsibilities, greatly reducing the potential for an incident that could negatively impact on reputation. The group is proactive in communicating regional and national positive news stories, celebrating the difference safe and secure homes make to our communities. The group has robust and tested incident management plans to support effective response to incidents.

Principal risks (continued)

Risk	External factors	
	Potential impact	**Aster's response**
Cyber security An IT security breach causing data loss and/or system compromise or failure.	Interruption to normal business operations could result in (the short-term) key frontline services not being delivered to customers, and in (the long-term) regulatory intervention. Cyber-attacks can result in financial loss, disruption of service or damage to reputation, and also cause distress to customers and employees.	The group has in place network security, malware protection, email scanning, web filtering, wireless access control and phishing protection which is monitored and updated as required. The group has in place user education and awareness training alongside policy and procedure and a tested cyber incident response plan. The group undertakes disaster recovery planning and testing with external specialist penetration testing.
Welfare reform The impact of Welfare Reform (including Universal Credit) could be significantly different to that envisaged and prepared for, resulting in increased rent arrears and decreased income.	Government policy, particularly around benefits paid to the group's customers such as Housing Benefit or the housing element of Universal Credit, can have a negative impact on the income streams of the group. Customers moving to Universal Credit, when previously Housing Benefit was paid directly to the group, can take time to adjust to the new arrangements.	The group has a Welfare Reform Strategy Group in place to monitor strategic change and operational impact. The group is also a member of the Department for Work & Pensions National Strategic Landlord Group with Trusted Partner status. The group has strong referral and triage processes in place to work with customers at risk of Universal Credit arrears. The group is also engaged in strategic peer discussions to ensure understanding of best practice.



Corporate and
Social Responsibility

Environmental management

In order to provide a framework for Aster to manage its environmental risks and maximise its opportunities, the group operates an environmental management system, which is externally certified to the ISO 14001 standard. As part of this, the group is continually seeking ways to reduce energy consumption and minimise the associated greenhouse gas emissions.

During 2019/20 the group has:

- Secured renewable electricity supplies for all sites covered by the current main corporate three-year contract, accounting for over 99% of consumption;
- Replaced 82 older fleet vehicles with new, more efficient models;
- Introduced an additional mileage rate (five pence per passenger per mile) across the group, claimable by staff carrying colleagues on business journeys. Due to this and other measures, including further improvements in technology to encourage more home working and online meetings, grey fleet mileage per employee has decreased by 11% since 2013/14;
- Disposed of an oversized office building (Flourish House in Wells) and replaced it with smaller, more efficient spaces in Wells and Frome; and
- Challenged regional facilities teams to reduce energy consumption over a three-month period in the corporate buildings they oversee, by adopting measures such as upgrading lighting to LED, optimising heating and cooling controls, and encouraging colleagues to turn off appliances & equipment when not in use. This contributed towards a reduction in energy consumption of almost 55MWh compared to the same period in the previous year.

During the coming year the group is looking to define medium and long-term carbon emissions reduction targets. Also, although not within the scope of SECR reporting, the organisation continues to develop its energy strategy, which aims to ensure that all of its housing stock achieves a minimum energy performance certificate (EPC) rating of C by 2025. Currently just under 84% of properties meet this requirement.

Streamlined Energy and Carbon Reporting (SECR) for period 1 April 2019 to 31 March 2020

Energy consumption	
Mains gas (MWh)	**14,896**
Transport fuel – company fleet (MWh)	**7,327**
Transport fuel – business travel in employee-owned vehicles (MWh)	**2,859**
Fuel used in plant and equipment) (MWh)	**927**
Mains electricity (MWh)	**7,648**
Total energy consumption (items 1-6) (MWh)	**33,658**
Emissions - mandatory SECR reporting	
Combustion of gas (Scope 1) (tCO2e)	**2,739**
Combustion of fuel for transport (Scope 1 – company fleet) (tCO2e)	**1,793**
Combustion of fuel for transport (Scope 3 – business travel in employee-owned vehicles) (tCO2e)	**686**
Purchased electricity (Scope 2, location-based) (tCO2e)	**1,955**
Total gross emissions for which SECR reporting required (items 7-10) (tCO2e)	**7,172**
Intensity ratio – mandatory emissions reporting	
Total gross emissions (item 11) per property managed (tCO2e/property)	**0.265**
Methodology	
Greenhouse Gas Reporting Protocol – Corporate Standard	**-**
Other emissions - non-mandatory reporting	
Emissions from fuel used in plant & equipment (Scope 1) (tCO2e)	**159**
Emissions from purchased electricity (Scope 2, market-based) (tCO2e)	**25**
Emissions from electricity consumed in transmission & distribution (Scope 3) (tCO2e)	**166**
Total gross emissions - mandatory plus non-mandatory reporting	
Total of scopes 1, 2 and 3 emissions (location-based electricity)	**7,498**
Total of scopes 1, 2 and 3 emissions (market-based electricity)	**5,568**
Intensity ratios – total gross emissions	
Total gross emissions (item 17) per property owned & managed (location-based electricity) (tCO2e/property)	**0.277**
Total gross emissions (item 18) per property owned & managed (market-based electricity) (tCO2e/property)	**0.206**

Explanatory notes on the data

1. Mains electricity and gas consumption data is derived from invoices and has been provided by the group's energy broker, who purchase energy on its behalf.
2. Fleet fuel consumption has been derived from fuel card data, which covers all purchased fuel.
3. The energy consumption associated with business travel in employee-owned vehicles is not directly measured and has therefore been estimated from the mileage driven, which is captured by the group's expense handling software.
4. The consumption of fuel used in plant and equipment has been obtained from a combination of fuel card data (for petrol and diesel purchased from garage forecourts) and purchase invoices (other fuels).
5. Emissions have been calculated using the 2019 UK Government Greenhouse Gas Conversion Factors for Company Reporting. The exception to this is the market-based emissions factor for the main corporate (renewable) electricity supply contract, which was provided by the supplier.

Corporate and
Social Responsibility

The Aster Offer

The group want colleagues to feel proud of working at Aster; to feel valued, empowered and to enjoy their time at work. The group is investing in and reviewing the colleague offer. The Aster Offer includes everything from pay and reward, to learning and development, employee voice, benefits and recognition.

Restorative Practice

Working with the Restorative Engagement Forum (REF), the group has adopted a restorative practice methodology which aims to enable personal accountability and responsibility in relationships at work. By the end of 2019/20, the majority of leaders completed a three-day programme and working with the REF the group has also developed a one-day programme for all colleagues which will be rolled out in 2020/21 to fully embed restorative practice at work.

Wellbeing

The group has continued to embed wellbeing at work and was proud to win the Test Valley Employer of the Year award for the work around mental health first aid. The group has built on this during 2019/20, culminating in the launch of a wellbeing plan which focuses on mental, physical and financial wellbeing. A series of roadshows were delivered across all locations with over 400 colleagues attending. In recognition of this work, the group were delighted to be awarded the Best Mental Health Wellbeing Strategy in the Reward & Employee Benefits Association (REBA) Employee Wellbeing Awards 2020.

Colleague Council

The group is committed to listening to its colleagues to help shape and develop its employee offer. This year the group has successfully elected its first colleague council. Representatives from across the group will play a critical role in ensuring that consultation is meaningful and fair as the group develops the employment offer.

Diversity and Inclusion

The group continues its commitment to creating a fair and inclusive culture and has embedded this aim throughout The Aster Way – the group's cultural principles. The transformation of the business achieved so far has enabled a culture which can adapt to change effectively and at speed.

From 20.27% in 2016/17, to 8.96% in 2018/19, the gender pay gap now stands at 10%. The Gender Pay Gap figures are taken at a point in time, 5th April each year. On this occasion, due to the impact of a specific recruitment campaign which saw more men than women join Aster, there has been a notable impact on one of the reported quartiles, resulting in a small upward shift in the overall pay gap for the business. This is indicative of the sensitivities of the Gender Pay Gap methodology to fluctuations in organisational demographics.

As part of the work to deliver a fairer and more consistent pay arrangement for colleagues, the group has begun work on a comprehensive review of roles and will refresh job evaluations and undertake external benchmarking. This evidence will enable the group to develop a fit for the future pay framework, which takes positive evidence-based steps to address the equality challenge. This work is gender blind ensuring focus on the skills required for the job.

We are at the beginning of our diversity and inclusion journey in terms of exploring employee experience across the whole range of protected characteristics, however we have made positive steps in joining and progressing through the disability confident scheme and our work to build an organisational narrative about Diversity and Inclusion continues - encouraging colleagues to share their data and tell us their stories will feature prominently in our work next year.

Giving back

Through the Aster Foundation in 2019/20 the group invested 336 days of volunteering into community organisations and causes. This was underpinned by providing colleague volunteering days and a programme of opportunities available to customers. The group has invested time to help develop its communities' infrastructure, creating community wellness allotments, beach clean ups, skill sharing and business mentoring. The group's efforts are supported by its contractors and suppliers.

In the four years since the group introduced match funding to the business colleagues have raised over £130,000 for charities with the group contributing over £70,000. In 2019/20 the group match funded £10,500 contributing to a total amount of £22,000 raised for the group's chosen charity of the year 'Cancer Research UK'.

During 2019/20 the group has enabled 98% of customers supported into work to remain employed for a minimum of 13 weeks and trained over 300 people on mental wellness and resilience. The group has also helped 3,201 customers with their financial wellbeing and supported 187 customers to learn through our Digital College. The group has reduced the impact of fuel poverty for 81% of customers and are working towards 100% of homes being C energy certificate rated by 2025. The group has also enabled 82% of people going through the Housing First pilot to have successful tenancies. The future for the Aster Foundation is evolving and the group are exploring the approach to innovation which will be the focus in 2020/21.

Our companies **fulfil their duties** to act in the **best interest** of the individual entities

Corporate Governance

Introduction

This section of the annual report describes the group's corporate governance structures and processes and how they have been applied throughout the year.

Introduction

The board of Aster Group Limited (group board) is responsible for ensuring the sound running of the group.

This can only be achieved if supported by appropriate and well managed governance processes. The key elements which are believed to be essential for this are described below and discussed in more detail throughout this section of the report.

Throughout the year the group has complied with the RSH's Governance and Financial Viability Standard in full and has maintained its G1/V1 rating following an in-depth assessment during the year.

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

Report

The UK Corporate Governance Code

The group has adopted the UK Corporate Governance Code (the Code), the latest iteration of which was updated in July 2018 and adopted by the group from 1 April 2019. This is the group's first annual report against the 2018 Code. This Corporate Governance Report reports against each of the key areas of the Code. Together with the Group Remunerations and Nomination Committee Report and the Group Audit Committee Report, it describes how the group has complied with the provisions of the Code and applied its main principles during the year.

Governance arrangements

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

Report

Compliance with the Code of Governance

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

The Code states that at least half the board should be independent non-executive directors. Aster Group Limited and all subsidiaries covered by the group's "Overlap Boards" structure comply fully with this area of the code, however, the group operates a business model that seeks to maximise value whilst adhering to the spirit of the Code and as such some specialist subsidiaries do not achieve this specific principle. The reasons for this in each of the specific subsidiaries are explained as follows:

- The board of Aster Treasury Plc is composed of three executives only and reflects the specialist nature of this vehicle. The group board is confident that the operation of Aster Treasury is under the close scrutiny of the group treasury committee that consists of non-executive and independent members only;
- Silbury Housing Limited and Silbury Housing Holdings Limited delivered and now monitor the PFI contract for 242 properties in Wiltshire. The group board feels that the mainly executive directors have the appropriate skills and experience to manage this complex project and close scrutiny is provided by the group's operational panels, executive board and the group's committees. The boards have one non-executive director;
- Aster Solar Limited is a joint venture between Aster Communities and Synergy Housing Limited to deliver solar panels to the group's properties. The four executive board members of Aster Solar Limited give this operationally focused company the scrutiny required by the group board. The board has no non-executive directors;
- The board of Aster LD Limited is composed of four executives only and reflects the specialist nature of this vehicle to deliver significant land-led developments. The group board is confident that the executives have the appropriate balance of skills and experience; and
- White Rock Land LLP, Kilnwood Vale LLP and Boorley Green LLP are joint ventures between Aster Homes Limited and Vistry Homes Limited to deliver properties for sale on the open market to help the group deliver more affordable housing. There are six partner representatives consisting of executives from the partner organisations. The Aster Homes Limited board, with the support of the executive board, closely monitors the projects and is confident that the joint ventures are prudently managed.

The group board is confident that the evaluation of the individual directors sitting on these specialist boards through day to day monitoring of performance by the Overlap Boards, executive board and the group's operational panels ensures they are fit for purpose and an evaluation of these boards was included in the board evaluation which concluded with a report to the group board in September 2017 and will be undertaken again in 2020.

The Code requires all directors to be elected annually. The group has in place for its non-executive directors service contracts that cover a three year period, that are then renewable for up to a further two three year periods. As such, the board directors are not subject to annual re-election.

The Code requires annual appraisals for the board and directors. The board is committed to annual board appraisals and last carried out a full external evaluation in 2018 which was reported to the board in May 2019. An evaluation is planned for 2020.

Key activities

During the year the Group Remuneration and Nominations Committee (GRNC) supported the group board to appoint a new group chair due to the existing chairman reaching the end of his maximum term. First Flight were appointed to support the process and the recruitment process focused on the group's culture and values.

The committee continuously monitors its succession plan and during the year supported the board with a number of appointments and changes to committee membership.

The appointment of the group chairman necessitated a change of senior independent director and following expressions of interest from existing non-executive directors, an appointment was made. The change of chairman required a review of committee membership. In addition to these changes, one independent member left due to reaching the end of their term of office and one other independent committee member resigned. Two new independent members were appointed during the year.

In addition, one non-executive director resigned due to work-commitments and their potential successor was appointed as co-optee to the Overlap Boards but they too had to resign due to a change in their employment which meant a direct conflict of interest with the business of Aster.

The resignation of a member of the Executive Board who was also a board director, enabled the Board to appoint the group finance director as a member of the Overlap Boards.

Leadership

The role of the board

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

Operation of the board

In order to carry out its work, the board has a planned programme of agendas to ensure all necessary matters are covered and to allow sufficient time for debate and challenge, particularly on areas such as strategy and risk, including risk appetite. The board also takes time to review past decisions where necessary. At board meetings the board receives and considers papers and presentations from management on relevant topics and all reports to the Board consider the strategic, customer and community impact as relevant and the risks introduced and managed by the topics.

Effective scrutiny and decision making are supported by providing the board with high quality, accurate, clear and timely information including input from experts and independent advisers where necessary. The board seeks to work in the best interests of Aster Group and its stakeholders.

Workforce engagement

The board champions the "Aster Way", a set of cultural principles that is a shared understanding of the way we work – creating a fair and inclusive culture. It's a set of straightforward principles that underpin everything we do, every day. From how we lead and learn, to how we collaborate, communicate and innovate, this is how we'll reach our vision - that everyone has a home.

The Aster Way ensures a continuous dialogue with the workforce through its transformation network and formal workforce consultative panel, the Colleague Council, the membership of which is chosen by the workforce. The Group Audit Committee supervises the group "Speak Up" procedure and receives updates on the outcome of any investigations prompted by the use of the procedure. Investigations are independently supervised by the company secretary or the Director of Audit as appropriate.

The division of responsibilities between the chairman and the chief executive

There is a clear division of responsibilities between the running of the board and the executive responsibility for the running of the business and no single individual has unfettered powers of decision. The chairman's and chief executive's roles are separate and the division of responsibilities between these roles is clearly established in the standing orders. A periodic review of standing orders and financial regulations during the year confirmed the division of responsibilities as fit for purpose.

Leadership (continued)

The role of the chairman

Mike Biles, the group chairman since 1 October 2019, leads the board and is independent. He is responsible for ensuring an effective board and effective contributions from individual directors, particularly non-executive directors, based on a culture of mutual respect, openness, debate and constructive challenge. To achieve this, he seeks to facilitate and encourage open communication and constructive working relations between the executive and non-executive directors. He also seeks to ensure that the executive directors are responsive to constructive challenge on their proposals by the non-executive directors.

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

The role of the chief executive

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

The role of the executive directors

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

The role of the non-executive directors

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

As members of the board, the non-executive directors have a key role in constructively challenging in all areas. This is vital to the independence and objectivity of the board's deliberations and decision making and is particularly important in helping develop proposals on strategy. The non-executive directors met at least once during the year without executives present.

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

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

The role of the independent committee members

Independent committee members are members of the committees and customer and community network but are not full non-executive directors of the boards within the group. The role of the independent committee members is also to scrutinise managements' performance in meeting agreed goals and objectives and to monitor how that performance is reported.

As committee members, they have an independent role which is used to constructively challenge in all areas. This is vital to the independence and objectivity of each committee in decision making and is particularly important in providing independent assurance to the entity boards on the activities of the group.

The role of the senior independent director

Tracey Peters was appointed as senior independent director on 1 October 2019 following the appointment of Mike Biles (senior independent director since September 2018) as group chairman.

As senior independent director, Tracey's role is to provide a sounding board for Mike Biles, to act, when necessary, as a focal point and intermediary for the concerns of the other non-executive directors and to ensure that any key issues that are not being addressed by the chairman or the executive management are taken up. Tracey has a regular dialogue with Mike regarding current issues. While no such issues have arisen in the year, should any significant issues arise which threaten the stability of the group or its board, it is recognised that the senior independent director may be required to work with the chairman or others or to intervene to resolve them. Tracey ensures a strong independent link between the board and Aster's customers and chairs the Customer and Community Network.

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

The role of the company secretary

David Betteridge has been the group's company secretary since February 2018 and is secretary to the board and its committees. David reports to the group chairman on board governance matters and, together with him, he keeps the efficacy of the company's and the board's governance processes under review and considers improvements. He is also responsible to the board for compliance with board procedures.

He is responsible, through the group chairman, for advising and keeping the board up to date on all legislative, regulatory and governance matters and developments. David's responsibilities include ensuring good information flows within the board and its committees and between senior management and non-executive directors. He also facilitates inductions and assists with professional development as required. The company secretary's advice, services and support are available to each director, independent member and co-optee.

Board meetings

The board meets regularly throughout the year in order to effectively discharge its duties. During the year it has met eight times and there is frequent contact between meetings. The board has urgency procedures to ensure that it can respond to unforeseen circumstances although forward planning ensures these arrangements are rarely used.

Board committees

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

Group Treasury Committee

The Committee provides strong technical and strategic scrutiny of the group's treasury functions. The committee is chaired by Andrew Kluth (non-executive director) and consists of two other members, Clive Barnett (non-executive) and Caroline Wehrle (non-executive). The committee ensures affordable capital is available to support the ambitious development programme while ensuring the group operates within the financial covenants agreed with lenders.

The committee regularly reviews the treasury risks included on the group's strategic risk map. During the year David Bridges (independent member) was appointed to the committee but subsequently agreed to resign from the Committee as a result of a conflict of interests due to a change of employment. Andrew Jackson (non-executive) left the committee on 30 September 2019 at the end of his term of office as group chairman. The committee has appointed Chatham Financial as its advisors.

The Group Treasury Committee met four times during the year. As well as receiving regular and comprehensive key performance reports and scrutinising risks associated with treasury management during the year the Group Treasury Committee:

- Continuously monitored the availability of future funds to maintain the development programme in an economic and timely manner;
- Approved the annual treasury plan;
- Regularly reviewed the availability of security to support financing;
- Scrutinised internal on-lending arrangements;
- Approved the securities dealing policy;
- Considered the re-financing of Aster's PFI funding;
- Approved the Group Investment Policy;
- Recommended lending facilities to the boards for approval; and
- Considered the implications of moving to SONIA from LIBOR.

Group Remuneration and Nominations Committee

The Group Remuneration and Nominations Committee is chaired by Mike McCullen since 5 November 2019 following the resignation of Stephen Trusler (non-executive) on 31 October 2019 due to work commitments. Mike has the skills and experience to chair GRNC and meets the corporate code requirements.

The Committee consists of three other members, Mike Biles (non-executive) since 1 October 2019, Tracey Peters (non-executive), and since 6 November 2019 Richard Teather (independent member). During the year Julie Kortens (independent member) resigned from the Committee and Andrew Jackson (non-executive) left the Committee at the end of his term of office as group chairman. The committee met six times during the year.

The committee's role and work on remuneration is set out in the Remuneration Report and details of their work in relation to appointments is set out above within the review of compliance with the UK Code.

Group Audit Committee

The Group Audit Committee oversees the group's financial reporting, audit, control processes and recommends the annual accounts to entity boards. The Group Audit Committee is chaired by Clive Barnett (non-executive) and consists of three other members, David Finch (independent member), Claire Whitaker (independent member) since 1 October 2019 and Richard Teather (independent member) since 23 July 2019. During the year David Bridges (independent member) resigned from the Committee.

The committee met five times during the year including one joint meeting with the Group Risk and Compliance Committee and, in addition to recommending the approval of the statutory accounts and reports thereon, considered the following matters:

- Approved and monitored the internal and external audit plan;
- Monitored the completion of management actions from internal audits;
- Monitored the effectiveness of the Assets & Liabilities Framework;
- Reviewed the group's standing orders and financial regulations;
- Received regular updates on the Speak Up and Fraud registers;
- Agreed the non-audit fee policy;
- Noted changes to the Institute of Internal Audit's Code of Practice; and
- Received internal audit reports on a range of areas.

The committee met with external auditors without executives present on at least one occasion.

Group Risk and Compliance Committee

The Group Risk and Compliance Committee helps to ensure that Aster has an effective framework and process to identify, assess and manage risk and compliance across its business. The Group Risk and Compliance Committee is chaired by Caroline Wehrle (non-executive) and consists of three other members, Mike Biles (non-executive), Mike McCullen (non-executive) and David Finch (independent member) since 1 October 2019. Julie Kortens (independent member) resigned from the Committee during the year.

The committee met four times during the year including one joint meeting with the Group Audit Committee. As well as receiving regular reports to assist its supervision of risk and compliance across Aster, the committee also:

- Carried out a "deep-dive" into areas of interest including:
  - Fire risk management; and
  - Brexit preparedness.
- Received responses to the Sector Risk Profile;
- Supervised an external review of Aster's risk management framework and subsequently endorsed a revised risk management framework;
- Received assurance on environmental management;
- Monitored the group's insurance arrangements;
- Considered the formation of a new group member to carry out land-lend development activities;
- Recommended and monitored the group's risk appetite;
- Re-endorsed the compliance framework; and
- Received updates on the regulatory standard.

Customer and Community Network

The Customer and Community Network oversees service delivery to all of Aster's customers and the work it does for its communities. The Customer and Community Network is chaired by Tracey Peters (non-executive) and consists of nine other members, Tracy Aarons (independent member), Debbie Cattell (independent member), Mark Skellon (independent member), Chris Bain (independent member), Claire Whitaker (independent member since 1 October 2019), Stephanie Taylor (co-optee until 31 August 2019 and then independent member), Bjorn Howard (executive), Rachel Credidio (executive), and Jean Dalziel (executive). Tony Brooks (independent member) retired during the year at the expiry of his term of office and Mike Biles (non-executive) left the network on becoming group chairman.

The network met four times during the year and as well as receiving regular customer related performance, compliance and risk management reports also:

- Received updates on progress against landlord and Aster Foundation strategies;
- Input into reviews of customer service, Aster Foundation and asset management strategies;
- Received regular updates from and fed back to the Overlap Boards and the Executive Board;
- Supervised a review into customer engagement;
- Approved the group's customer experience statement;
- Received updates on customer complaints and compliments;
- Monitored customer service programmes;
- Approved several customer related policies; and
- Received regular reports from the Customer Overview Group and the Customer Scrutiny Panel.

Board Committee Membership

Each independent non-executive director is a member of at least one board committee. When deciding the chairmanship and membership of board committees, the board takes into account the value of ensuring that the right skills and experience are available in each committee, whilst seeking to regularly refresh committee membership to ensure that undue reliance is not placed on particular individuals.

Attendance at board and committee meetings

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

Group board and committees	Aster Group Limited	Group Executive Board	Customer and Community Network	Group Audit Committee	Group Remuneration and Nominations Committee	Group Risk and Compliance Committee	Group Treasury Committee
Number of meetings	**8**	**12**	**4**	**5**	**6**	**4**	**4**
Clive Barnett [1]	8 (100%)			5 (100%)			4 (100%)
Chris Benn [2]	3 (100%)	12 (100%)					
Mike Biles [3]	8 (100%)		2 (100%)	2 (100%)	3 (100%)	4 (100%)	
David Bridges [4]	2 (100%)			3 (100%)			2 (100%)
Bjorn Howard	8 (100%)	11 (92%)	3 (75%)				
Andrew Jackson [5]	4 (100%)				2 (67%)		
Andrew Kluth	6 (75%)						4 (100%)
Mike McCullen [6]	8 (100%)				5 (83%)	4 (100%)	
Tracey Peters [7]	8 (100%)		4 (100%)		5 (83%)		
Michael Reece [8]	4 (80%)	6 (67%)					
Stephen Trusler [9]	4 (100%)				4 (100%)		
Caroline Wehrle [10]	4 (100%)					3 (100%)	3 (75%)
Amanda Williams	7 (88%)	11 (92%)					
Rachel Credidio		11 (92%)	3 (75%)				
Dawn Fowler-Stevens		11 (92%)					
Tracy Aarons			4 (100%)				
Chris Bain			3 (75%)				
Tony Brooks [11]			1 (100%)				
Debbie Cattell			2 (50%)				
Jean Dalziel			3 (75%)				
Mark Skellon			4 (100%)				
Stephanie Taylor [12]			4 (100%)				
Claire Whitaker [13]			2 (100%)	3 (100%)			
David Finch [14]				5 (100%)		3 (100%)	
Julie Kortens [15]					2 (67%)	1 (100%)	
Richard Teather [16]				4 (100%)	2 (100%)		

[1] **Clive Barnett** was appointed as a non-executive director on 1 October 2019 for three years and continues to be the Chair of the Group Audit Committee and a member of the Group Treasury Committee.

[2] **Chris Benn**, executive director, was appointed as board director to the Overlap Boards on 6 November 2019.

[3] **Mike Biles** was appointed as group chair on 1 October 2019 for one year. Mike simultaneously stepped down as senior independent director and from the Customer and Community Network and Group Audit Committee and was appointed as a member of the Group Remuneration and Nominations Committee.

[4] **David Bridges** was appointed as an independent member of the Group Audit Committee and Group Treasury Committee on 1 October 2019 for three years. David was subsequently appointed a co-optee to the overlap boards on 6 November 2019 to 30 September 2020 but resigned on 6 March 2020.

[5] **Andrew Jackson**, group chair and member of the Group Treasury Committee and Group Remuneration and Nominations Committee retired on the 30 September 2019 after being involved with Aster Group and its predecessor organisations since 2011 and reaching the end of his term of office.

[6] **Mike McCullen** was appointed as chair of the Group Remuneration and Nominations Committee from 6 November 2019 and continues to be a member of the Group Risk and Compliance Committee.

[7] **Tracey Peters** was appointed as senior independent director on 1 October 2019 for three years and continues to be the Chair of the Customer and Community Network and a member of the Group Remuneration and Nominations Committee.

[8] **Michael Reece**, executive director resigned on 5 November 2019.

[9] **Steve Trusler**, non-executive director and chair of the Group Remuneration and Nominations Committee resigned on 31 October 2019.

[10] **Caroline Wehrle** was on maternity leave / sabbatical from August 2019 to January 2020.

[11] **Tony Brooks**, independent member of the Customer and Community Network, retired on 31 August 2019 at the expiry of his term of office, having been involved with Aster Group and its predecessor organisations since 2009.

[12] **Stephanie Taylor** was a co-optee on the Customer and Community Network until 31 August 2019 and was then appointed as an independent member for three years.

[13] **Claire Whitaker** was appointed as an independent member of the Customer and Community Network and the Group Audit Committee on 1 October 2019.

[14] **David Finch** was appointed as an independent member of the Group Risk and Compliance Committee on 1 October 2019 and continues to be an independent member of the Group Audit Committee.

[15] **Julie Kortens**, independent member of the Group Risk and Compliance Committee and Group Remuneration and Nominations Committee resigned on 30 September 2019.

[16] **Richard Teather** was appointed as an independent member of the Group Audit Committee on 23 July 2019. Richard was subsequently appointed as an independent member of the Group Remuneration and Nominations Committee on 6 November 2019.

The board committees' terms of reference

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

Effectiveness

The composition of the board

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

The board recognises the value of independence and during 2019 the board, supported by the Group Remuneration and Nominations Committee reviewed its board membership, recruitment and succession policy to reflect the UK Code and confirmed a maximum tenure on the Board of nine years, which includes any tenure as an independent member of a committee.

Appointment to the board and its committees

The board, through the Group Remuneration and Nominations Committee, follows a formal, rigorous and transparent procedure to select and appoint new board directors. The processes are similar for the appointment of executive and non-executive directors. The committee leads the process and makes recommendations to the board. In considering board composition, the committee assesses the range and balance of skills, experience, knowledge and independence on the board, identifies any gaps or issues and considers any need to refresh the board. If, after this evaluation, the committee feels that it is necessary to appoint a new director, it then prepares a description of the role and of the capabilities required for the appointment and sets objective selection criteria accordingly. The benefits of diversity on the board, including gender diversity, are carefully considered.

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

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

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

Directors' conflicts of interest

The Companies Act 2006 provides that directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The board has established procedures for the disclosure by directors of any such conflicts and for the consideration and authorisation of these conflicts by the board. In accordance with the Act, the board considered and authorised each director's reported potential conflicts of interest during the year.

Whenever a director takes on additional external responsibilities, the board considers any potential conflicts that may arise and whether the director continues to have enough time to fulfil his or her role as a director. The board continues to monitor and review potential conflicts of interest on a regular basis and during the year confirmed its code of conduct policy as fit for purpose. During the year David Bridges (independent member) was appointed as a co-optee to the board but subsequently agreed to resign as a result of a conflict of interests due to a change of employment.

Board evaluation

During 2018/19 the Group Remuneration and Nominations Committee appointed Altair Limited, a specialist housing consultancy, as its independent advisor to undertake an external evaluation of the effectiveness of the boards and committees. During 2018/19 Altair interviewed all non-executive directors and independent committee members including new and retiring members and attended a meeting of the overlap boards and each committee.

In May 2019, following initial feedback from Altair to the Group Remuneration and Nominations Committee (GRNC), the committee made its recommendations to the Overlap Boards as an action plan.

During 2019/20 the GRNC also monitored an action plan to implement the findings of a review into Aster's approach to reflecting the principles outlined in the 2018 UK Code.

The board believes that the approach taken to evaluation is consistent with the relevant main principle of the Code (L) which requires the board to undertake a formal and rigorous annual evaluation. The board's intention remains to undertake an externally facilitated evaluation process at least every three years and that in the intervening years the review will be led by the chairman, senior independent director and the company secretary. Plans for a 2020 evaluation of the board and its operational subsidiaries will be considered by the GRNC at its July 2020 meeting.

Board induction and training

An induction programme tailored to meet the needs of individual directors is provided for each new director. Overall, the aim of the induction programme is to introduce new directors to the group's business, its operations and its governance arrangements. Individual induction requirements are monitored by the chairman, with the support of the company secretary, to ensure that new and recently appointed directors gain sufficient knowledge about the group to enable them to contribute to the board's deliberations as swiftly as possible.

During the year the Group Remuneration and Nominations Committee approved an improved development plan to support directors and independent members, including executive directors, and their respective governing bodies from appointment through to their cessation as a member.

The board receives ongoing training through sessions before board meetings (based on strategic requirements and issues identified during evaluation processes), attendance at conferences, ad-hoc courses and opportunities to work with managers. In addition, the board and its committees undertake deep-dive reviews of specific areas of business activity throughout the year to enhance knowledge of a broad range of operational areas.

Report

Information and support

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

Diversity

The board considers that it is the background and experience brought to the board by each individual that best secures and demonstrates its diversity.

No fixed quota is applied to decisions regarding recruitment, rather the Group Remuneration and Nominations Committee considers capability and capacity to commit the necessary time to the role in its recommendations to the board. The intention is the appointment of the most suitably qualified candidate to complement and balance the skills, knowledge and experience of the board, seeking to appoint those who will be best able to help lead the group in its long-term strategy. Every effort is made to ensure recruitment methods attract applications from all members of the community. During the year, Aster committed at the start of the recruitment process for the new group chair to conduct a positive and inclusive search and campaign. The list of applicants contained candidates from a diverse range of backgrounds with a range of experiences. The short list contained a near split of 50% male and 50% female candidates, and the interviewed candidates were also a 50/50 split along gender lines. Over 10% of the overall list of candidates were black, Asian, and minority ethnic (BAME).

The board is well-placed by the mixture of skills, experience and knowledge of its directors to act in the best interests of the group. The Group Remuneration and Nominations Committee is supporting the group to ensure compliance with The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

Succession planning

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

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

Time commitment of the chairman and the non-executive directors

The board recognises that it is vital that all directors should be able to dedicate enough time to Aster Group to effectively discharge their responsibilities. The time commitment required by Aster is considered by the board and by individual directors on appointment.

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

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

Dialogue with shareholders

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

Aster Communities and Synergy Housing Limited continued their ongoing engagement with shareholders during the year including regular briefing notes and informal shareholder gatherings attended by board directors and senior employees. This year the annual general meetings were developed into a successful stakeholder event, laying the foundation for continued improvement for the 2020 annual general meeting of these entities.

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

Annual statement on internal control

Introduction

The Aster Group Limited board has overall responsibility for establishing and maintaining a system for internal control appropriate to the various business environments in which it operates and for reviewing the effectiveness of these arrangements. This system of internal control is in accordance with the UK Corporate Governance Code and is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group Audit Committee provides oversight on behalf of the board regarding the system of internal control and regularly reviews its effectiveness.

Operational management

During 2019/20, the executive board was supported by the five operational governance panels, providing detailed scrutiny on behalf of, and providing assurance to, the executive board.

Executive Board

Responsible for the successful execution of the corporate strategy

Group Health and Safety Panel

Role:
Oversees Group's management of employee and landlord health and safety along with associated policies and procedures.

Responsibilities:
Health & Safety risk map.

H&S related policies.

Group Investment Panel

Role:
Has delegated authority to make decisions on development and asset investment activity within an agreed risk threshold. Recommends decisions for approval above the threshold.

Responsibilities:
As per current delegation matrix thresholds.

Resources and Projects Panel

Role:
Ensures the Group has the resources and capabilities to deliver key strategic projects.

Responsibilities:
Monitors delivery of outcomes of key projects and allocates resources to ensure effective delivery supporting the strategy.

Business Performance and Strategy Panel

Role:
Regular health checks on business performance and monitors progress against strategy.

Responsibilities:
Review of management accounts, budgets and key financial information.

Monitoring of business critical and corporate KPIs., along with key customer and colleague engagement measures.

Aster Foundation Panel

Role:
Operational delivery of the Aster Foundation strategy.

Responsibilities:
Management of measures and targets in relation to specific priorities within the strategy.

Suggest and agree priority projects to deliver the strategy.

Annual statement on internal control (continued)

Internal Audit

The group's internal audit function is led by the Director of Audit. There is also an outsource arrangement with internal audit providers to provide internal audit support where there is an identified resource need or specialist input.

The internal audit plan for 2019/20 was risk-based and informed by the strategic plan, risk register, compliance framework and management requests.

Regulator of Social Housing - Regulatory Standards

As a Registered Provider, the group's primary regulatory framework is the Regulator of Social Housing's (RSH) Regulatory Framework for Social Housing in England.

Each regulatory standard is held centrally in the group's compliance obligations register, detailing both the required outcomes and specific expectations of each standard and also how the group achieves these expectations through its processes, arrangements and controls. The records detail evidenced assurance that these arrangements are effective in achieving compliance with the standards and delivering the right outcomes for customers. Annually, a detailed self-assessment is undertaken facilitated by a second line of defence function to provide additional assurance to the Group Risk and Compliance Committee.

Based on these assessments and mapped assurances, the board is assured that Aster is compliant with the Regulatory Framework including the Governance and Financial Viability Standard and its supporting Code of Practice.

Legal and Regulatory Compliance

The group recognises that its commitment to complying with legal and regulatory obligations placed upon it and taking an ethical approach to business management is critical to ensuring the continued trust of stakeholders. An example is the group's commitment to ensuring modern slavery does not exist within its supply chain.

The group's approach to regulatory and legislative compliance assurance, through its compliance framework, includes the maintenance of a compliance requirements register. This register identifies all relevant areas of regulation, legislation and industry standards and ensures that accountability for compliance is clearly identified.

The primary items of legislation and regulation are analysed in detailed assessments within the compliance obligations register which:

- includes how a law or regulation affects the group, the controls in place to ensure compliance or prevent non-compliance and the assurance available that these remain effective;
- directs focus on the highest compliance risks and critical processes;
- provides exception reporting to the Group Risk and Compliance Committee; and
- provide a continuous process of compliance assurance to the entity boards, Group Risk and Compliance, Group Audit Committee and Executive Board.

Assurance

The group utilises the 'three lines of defence' approach to assurance: day-to-day, assurance is gained at the operational and management level; routinely, through overview by specialist functions and the governing bodies; and, on occasion, independent assurance is gained through internal or external audits or accreditation. Independent assurance is also the group's fourth cornerstone in its approach to strong governance and assurance.

Assurance across these three lines is regularly evidenced in relation to all identified risks and primary compliance obligations.

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

In addition to controls detailed elsewhere in this statement, the directors derived assurance from the following internal and external controls during 2019/20:

- internal business and financial monitoring reports and performance indicators;
- business critical 'protection' measures reported monthly against risk-based tolerances;
- regular reporting to the appropriate panel on key business objectives, including issues, targets and outcomes;

- implementation of policies and procedures for key business activities, approved by the appropriate panel, committee or board;
- delegations of authority for all financial transactions and segregation of duties where appropriate and cost-effective;
- established authorisation and appraisal procedures for significant new initiatives and commitments;
- operational management team scrutiny and challenge;
- independent third-party reviews; and
- the skills and experience of all employees.

Fraud and dishonest behaviours

The group values its reputation and is committed to maintaining the highest possible ethical standards in all its business activities, including a commitment to reducing the risk of dishonest behaviour within the business to an absolute minimum and keeping it at that level, to ensure that its resources are used to deliver its vital services to its tenants and other customers.

The group has an honesty policy, which covers fraud, theft and bribery and also provides a framework for responding to suspicions of dishonest behaviour, which includes tenancy fraud. The group's probity guidance and board code of conduct make it clear that it has zero tolerance of any form of bribery.

In addition, the group has a speak up policy that encourages employees and others to express any serious concerns regarding suspected misconduct or malpractice within the business or by third parties with which it works. The group also has a designated money laundering reporting officer and has, over 2019/20, continued to review the robustness of its arrangements to identify situations with the potential to be suspicious activity and to respond to the amendment to the regulation made in 2019.

The Group Audit Committee receives regular updates in relation to fraud or attempted fraud and any speak up reports received.

Conclusion

I, Bjorn Howard, CEO of the Aster Group, am satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year 2019/20, and that those systems were aligned to an ongoing process for management of the significant risks facing the group.

Report

Group Audit Committee

Committee members

The committee comprises:

- Clive Barnett (board member, chair)
- David Finch (independent member)
- Richard Teather (independent member from 23 July 2019)
- David Bridges (independent member and board co-optee from 1 October 2019 to 6 March 2020)
- Claire Whitaker (independent member from 1 October 2019)

All members of the committee have a high level of financial literacy and have extensive committee and board experience.

Purpose

The committee meets at least four times each year. Its terms of reference set out that its purpose is to ensure that the group has an effective system of internal controls, appropriate internal and external audit management, and to provide assurance to the group board.

Main responsibilities

The committee has delegated authority to exercise the powers of the group board and subsidiary boards in relation to the following matters:

- External audit:
  - Recommend the financial statements to the boards;
  - Recommend to the group board the appointment (or removal) of the external auditors and to agree their terms of engagement, agree the external audit programme, consider all external audit reports including management letters, letters of representation and auditors' independence; and
  - Oversee policies on the engagement of the external auditors to supply non-audit services, taking account of relevant ethical guidance.
- Internal controls:
  - Review the group's internal financial controls and risk management system; and
  - Receive reports of fraud and whistleblowing, reviewing the control framework to ensure controls are appropriate.
- Internal audit:
  - Monitor and review the effectiveness of the group's internal audit function and structure, including utilisation and cost of external resourcing;
  - Approve the internal audit programme and scope of activities; and
  - Consider and make recommendations to the appropriate boards and committees from internal audit findings.
- Other
  - Gain assurance on the robustness and accuracy of the assets and liabilities register; and
  - Review and approve internal policies and registers as set out in the committee's terms of reference.

Activity during the year

The Director of Audit is satisfied that the group complies with the audit provisions of the UK Corporate Governance Code. A number of activities were undertaken during the year which support the ongoing work of the committee over and above its core responsibilities outlined above. Those activities include:

- A private meeting held by the members of the committee and the external auditors at the July 2019 meeting of the committee; and
- A joint meeting between members of the Group Audit Committee and the Group Risk and Compliance Committee held in the year which resulted in an action plan to further strengthen and align the workings of both committees.

Viability Statement

In accordance with principle C and provision one of the 2018 Corporate Governance Code, the directors have assessed the viability of the group and have selected a period of seven years for the assessment. The group has a property development programme that runs for a rolling seven-year period. This programme forms the basis of the group's financial plan that covers the seven-year period and is then extrapolated over a further 23 years, resulting in a 30-year plan. For these reasons the group uses a seven-year strategic planning cycle and the directors have determined that seven years is also an appropriate period over which to provide its viability statement.

The financial plan considers the group's future financial stability, property development strategy and the viability of future expense reduction programmes by measuring the operating margin, exposure to the property market, asset cover, interest cover and net worth ratios over the seven-year period.

The interest cover and net worth ratios are the prominent covenants the group has in its bank loan agreements. These ratios are used as the basis for a full suite of multi-variate stress testing over the life of the plan on a number of realistic, market relevant scenarios.

The stress testing considers the principal risks assessed to have the greatest impact. The group's focus for stress testing in the 2020 financial plan is on the continued risks and disruption caused by Covid-19, monitored in parallel with risks associated with exposure to the property market, the impact of further changes to the rent regime and Brexit.

These scenarios are designed to stress and, in some cases, breach the group's covenants. The group applies mitigating items from its established mitigations toolbox to recover these scenarios back to a compliant level. These mitigations include reducing investment in the development programme, issuing emergency liquidity and a number of expenditure freezes.

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

Board of

Directors

Members of the board:	The directors of the company who were in office during the year and up to the date of signing the financial statements, unless otherwise indicated, are set out below.	
Non-executive directors:	**Andrew Jackson**	Chairman - retired 30 September 2019
	Mike Biles	Chairman - appointed 1 October 2019
	Clive Barnett	Appointed 1 October 2019
	Andrew Kluth	
	Mike McCullen	
	Tracey Peters	Senior independent director - appointed 1 October 2019
	Stephen Trusler	Resigned 31 October 2019
	Caroline Wehrle	
Executive directors:	**Bjorn Howard**	Group chief executive
	Chris Benn	Group finance director - appointed 6 November 2019
	Michael Reece	Group operations director - resigned 5 November 2019
	Amanda Williams	Group development director
Co-optee:	**David Bridges**	Appointed 6 November 2019 - resigned 6 March 2020
Executive Board:	**Bjorn Howard**	Group chief executive
	Chris Benn	Group finance director
	Rachel Credidio	Group people and transformation director
	Dawn Fowler-Stevens	Group growth and assurance director
	Michael Reece	Group operations director - resigned 5 November 2019
	Graeme Stanley	Group strategy and implementation director
	Amanda Williams	Group development director
	Emma O'Shea	Group customer service director - appointed 6 April 2020
Company Secretary:	**David Betteridge**	

Mike Biles
Group chairman

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

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

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

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

Committee membership:

- Group Risk and Compliance Committee
- Group Remuneration and Nominations Committee

Tracey Peters
Non-executive director,
Senior independent director

Tracey is an accomplished Human Resources professional. She has worked as an Executive Board HR Professional in many industry sectors including Retail, Manufacturing and Electronic Banking and has fifteen years of Non-Executive Director experience with organisations such as Spectrum Housing Association, Dorset County Hospital Foundation Trust and Lighthouse Poole.

Tracey runs a Consulting Business specialising in Organisational and Personal Development which offers Executive Coaching and Counselling.

She is also a non-executive director and Trustee of Active Dorset, which engages with many stakeholders in the South West encouraging people to include physical activity in their everyday lives.

Tracey also works as a volunteer with Relate working in schools with children who are suffering emotional difficulties.

Committee membership:

- Chair of the Customer and Community Network
- Group Remuneration and Nominations Committee

Board of
Directors

Clive Barnett
Non-executive director

Clive recently retired from RBS/NatWest having been head of the bank's housing finance team for many years. He worked within the social housing finance market for over 20 years and was recognised as a leading figure in that sector.

Clive represented RBS within Government circles, including the Homes and Communities Agency, Department for Communities and Local Government and the Council of Mortgage Lenders Housing Committee.

In addition to his role with Aster, Clive also holds other non-executive positions and was also a consultant director with one of the sector's leading treasury advisers for a short while.

Committee membership:

- Chair Group Audit Committee
- Group Treasury Committee

Mike McCullen
Non-executive director

Mike is an accomplished CEO, chairman and technology entrepreneur with over 30-years' leadership experience in private, public and venture backed businesses specialising in technology for the built environment.

Mike was a co-founder and managing director of Asta Development plc, the UK's most successful project management software business for the construction industry, which he grew and led to exit in 2006. He is a former group board director of an AIM listed technology business and was CEO of its international construction software and services business for over eight years.

He has extensive overseas experience having led construction technology businesses in Sweden and Germany and established international distribution in Australia, Europe and the USA. He has completed a number of international acquisitions.

Mike started his own consultancy practice in 2015 working as an independent director and consultant advising private equity firms on technology investments and VC-backed technology start-ups. He is a director of Pre-contract Solutions at Causeway Technologies.

He holds a Computer Science degree (Manchester) and an MBA (Warwick).

Committee membership:

- Group Risk and Compliance Committee
- Group Remuneration and Nominations Committee

Andrew Kluth
Non-executive director

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

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

Committee membership:

- Chair Group Treasury Committee

Caroline Wehrle
Non-executive director

Caroline has spent more than 20 years working in the fields of risk management, internal controls and, more recently, compliance and ethics.

The first eight years of Caroline's career were spent working in the engineering sector for WS Atkins, providing technical and quantitative risk management services to public and private sector clients, largely in the rail industry. This included four years spent working in Hong Kong, China and Singapore.

Caroline joined Diageo's internal audit function in 2003 and over the past 16 years has undertaken a number of senior finance positions with Diageo, culminating in her final role as global risk and compliance director leading an integrated global risk, control, compliance and ethics function. Caroline is passionate about doing business the right way.

Caroline has a BA Hons degree in Risk Management from Glasgow Caledonian University, an MBA from Cass University, and is a member of the Institute of Risk Management.

Committee membership:

- Chair Group Risk and Compliance Committee
- Group Treasury Committee

Board of
Directors

Bjorn Howard
Group CEO,
Executive director

Bjorn became Aster Group's CEO in 2009 and has been instrumental in driving growth, including leading Aster's successful merger with Synergy Housing in 2012. Since then, the group's housing business has grown to more than 30,000 homes.

Bjorn has worked in the housing, care and support industry for 30 years and has extensive board-level experience in both executive and non-executive roles. He has served as a non-executive director for an NHS Trust, educational organisations, regeneration boards and as a government appointee to a housing association.

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

Committee membership:

- Customer and Community Network

Chris Benn
Group finance director,
Executive director

Chris joined Aster in 2014, bringing with him extensive experience from the commercial sector.

Before Aster, Chris held senior finance positions at Euromoney Institutional Investor PLC and Regus PLC. At Euromoney he ensured the finance team were able to support the five-fold profit increase of the Group from both organic growth, and through acquisitions, including the acquisition of a fellow FTSE-250 listed Group.

At Regus Chris was involved in the IPO and floatation of Regus' shares on both the FTSE and NASDAQ indices.

Chris qualified as a chartered accountant at Coopers and Lybrand (now PwC) in 1994.

Amanda Williams
Group development director, Executive director

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

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

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

Amanda is a Board Director of Silva Homes.

Report

Group Remuneration and Nominations Committee

The Group Remuneration and Nominations Committee is chaired by Mike McCullen (non-executive) since 5 November 2019, following the resignation of Stephen Trusler (non-executive) on 31 October 2019. Mike has the skills and experience to chair GRNC and meets the corporate code requirements.

The Committee consists of three other members, Mike Biles, (non-executive and group chairman) since 1 October 2019, Tracey Peters (non-executive and senior independent director) since 14 March 2017 and Richard Teather (independent member) since 6 November 2019. The committee met six times during the year.

Committee's role and responsibilities

The committee's responsibilities include:

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

Key activities - Appointments

During the year the Group Remuneration and Nominations Committee (GRNC) supported the group board to appoint a new group chairman due to the existing chairman reaching the end of their maximum term. First Flight were appointed to support the process and the recruitment process focused on the Aster culture and values.

The committee continuously monitors its succession plan and during the year supported the board with a number of appointments and changes to committee membership.

The appointment of the group chairman necessitated a change of senior independent director and following expressions of interest from existing non-executive directors, an appointment was made. The change of group chairman required a review of committee membership. In addition to these changes, one independent member left due to reaching the end of their term of office and one other independent committee member resigned. Two new independent members were appointed during the year.

One non-executive director resigned due to work commitments and their potential successor was appointed as co-optee to the Overlap Boards but they too had to resign later in the year, due a change in their employment which meant a direct conflict of interest with the business of Aster.

The resignation of a member of the executive board who was also an executive director, enabled the skills composition of the board to be reviewed. The outcome of this review led the board to appoint the group finance director as a member of the Overlap Boards, strengthening the finance skills and experience of the overall boards following the retirement of the previous group chairman.

During the year the committee also considered the following matters:

- Monitored the 2018 UK Corporate Code adoption, compliance and action plan;
- Reviewed its terms of reference to ensure it remained fit for purpose;
- Reviewed the board succession policy and skills matrix;
- Commissioned and had oversight of the board and committee external evaluation and action plan;
- Completed a review of executive remuneration, bonus and terms and conditions;
- Review of colleague pension arrangements and offer; and
- The Aster Offer to colleagues.

Advisors to the committee

Altair acted as independent advisors to the committee throughout the year. The committee is satisfied that the advice it receives on executive directors' remuneration is independent and objective.

Directors' emoluments - Group

Directors (key management personnel) are defined as the members of the board, the group chief executive and other executive directors.

The highest paid director was Bjorn Howard, group chief executive.

Emoluments (excluding pension contributions) payable to the highest paid director.

Emoluments (excluding pension contributions) payable to the highest paid director	**2020 £000**	2019 £000
Bjorn Howard	**266**	249

The total emoluments of the directors of Aster Group comprise:	**2020**			
	Salaries £000	**Bonus £000**	**Pension £000**	**Total £000**
Bjorn Howard, group chief executive	**255**	**11**	**25**	**291**
Other executive directors	**916**	**73**	**71**	**1,060**
Non-executive board directors and committee members	**199**	**-**	**-**	**199**
Total executive, non-executive directors and committee members	**1,370**	**84**	**96**	**1,550**

	2019			
	Salaries £000	Bonus £000	Pension £000	Total £000
Bjorn Howard, group chief executive	228	21	22	271
Other executive directors	840	70	59	969
Non-executive board directors and committee members	199	-	-	199
Total executive, non-executive directors and committee members	1,267	91	81	1,439

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

Mike McCullen
Chair of the Remuneration Committee

18 August **2020**

Report of the
Board

The board presents its report and the audited consolidated financial statements for the year ended 31 March 2020.

The board's report comprises page **74**. Some of the matters required by legislation have been included in the Strategic Report (pages **5** to **45**) as the board considers them to be of strategic importance. In particular these are:

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

Principal activities

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

Group results for the year

The group's consolidated profit for the year was £60.0 million (2019: £55.4 million). Profit before tax was £59.8 million (2019: £55.0 million)

The Board

The members of the board are listed in the Board of Directors details on page **66** of this report.

Capital structure

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

Directors' indemnities

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

Going concern

The group's business activities, together with factors likely to affect its future development and position, are set out in the Strategic Report of the Board on pages **5** to **45**. A member of the group is party to deeds of contribution with its partner company in joint ventures. These deeds cover the jointly controlled entities' obligations in connection with their development sites.

The group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes and generate operational cash flows sufficient to finance the group's day-to-day operations. The group also has a long-term business plan which shows that it is able to service its debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the board have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future as outlined in the viability statement on page **65**. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Disclosure of information to auditors

So far as the board is aware, there is no relevant information of which the group's auditor 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 that the association's auditors are aware of that information.

By order of the board

David Betteridge
Company secretary

18 August **2020**

Statement of
Directors' Responsibilities

Statement of Board's responsibilities in respect of the Annual Report and the financial statements

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

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

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association for that period.

In preparing these financial statements, the board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations or has no realistic alternative but to do so.

The board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

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

We confirm that to the best of our knowledge:

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

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

By order of the board

Bjorn Howard
Group chief executive

18 August **2020**

We have fulfilled our ethical responsibilities

Introduction to

Financial Statements

This section of the annual report provides the Independent auditor's full report to the members of Aster Group Limited, for and on behalf of KPMG LLP, Statutory Auditor.

Following is a full and detailed annual account of the financial statements for the year ended **31 MARCH 2020.**

Independent auditor's report

to the members of Aster Group Limited

1. Our opinion is unmodified

We have audited the financial statements of Aster Group Limited ("the Association") for the year ended 31st March 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, Consolidated Statement of Changes in Reserves, Consolidated Statement of Cash Flows and the related notes to the Consolidated Financial Statements and the Association's Statement of Comprehensive Income, Association's Statement of Changes in Reserves, Association's Statement of Financial Position and the related notes to the Association's Financial Statements, including the accounting policies in note 4 to the Consolidated Statements and note 3 to the Association's Financial Statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Association's affairs as at 31 March 2020 and their income and expenditure for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- the parent association financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland
- the financial statements have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Registered Providers of Social Housing 2019; and
- The financial statements comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

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

Overview		
Materiality: group financial statements as a whole	£4.2m (2019: £4m) 2% (2019: 1.9%) of total revenue	
Coverage	97.6% (2019: 99.6%) of revenue	
Key audit matters		**vs 2019**
Recurring risks	**New:** Recoverability of stock and work in progress	▲
	Valuation of post retirement benefit obligations	◀▶
	Aster Group Limited - Completeness and Accuracy of Expenses Incurred	◀▶

Key:

▲ Increased/ new

▼ Decreased

◀▶ Recurring

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

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

	The risk	Our response
Stock and work in progress (£36.93 million; 2019: £29.61m) *Refer to page 31 (Group Audit Committee Report), page 93 (accounting policy) and page 126 (financial disclosures).*	Property held in stock and work in progress comprises properties which are speculatively developed for shared ownership or outright sale. FRS102 requires these properties to be recognised at the lower of cost or net realisable value. In order to assess the net realisable value of property held in stock and work in progress, site appraisals are prepared which include forecast revenue and costs and provide an indication of the recoverability of property held in stock and work in progress. Site appraisals include a number of judgements that could have a significant effect on the net realisable value of the property.	Our procedures included: — **Review of controls:** Understand the processes the Group has in place to assess recoverability of stock and work in progress. We will review this process and identify and test the design and implementation of controls in place for assessing recoverability of stock and work in progress; — **Post year end sales:** Verify if completed stock has been sold following the year end date; — **Review stock reservations**: Verify if reservations have been made for the stock during or after the financial year; — **Review forecasts:** Obtain management's forecast revenue and costs and challenge the judgements made as part of the forecasts. This will include the rationale for forecasted sales prices, comparison to equivalent unit sales and consideration of sales conditions within the geographical area. — **Sensitivity analysis:** Performed sensitivity analysis over the forecasts sales and the impact on the recoverability of the development expenditure.
Valuation of post retirement benefit obligation **LGPS Pension Liability:** (£25.7 million; 2019: £30.3m) **SHPS Pension Liability:** (£6.7 million; 2019: £14.8m) *Refer to page 31 (Group Audit Committee Report), page 98 (accounting policy) and page 137 (financial disclosures).*	The Group participates in seven defined benefit pension schemes. There are four Local Government Pension Schemes (LGPS) and three Social Housing Pension Schemes (SHPS). The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and the estimates used to value the Group's pension liability could have a significant effect on the financial position of the Group. The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 34) disclose the range estimated by the Group.	Our procedures included: — **Use of Pension specialists:** We have engaged KPMG actuarial specialists to challenge that the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data; — **Review of accounting treatment:** We have reviewed the accounting treatment and entries applied by the Group are in line with FRS102 and the SORP; — **Review of disclosures**: We reviewed the adequacy of the Group's disclosures in respect of the sensitivity of the deficit to the key assumptions.

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

	The risk	Our response
Aster Group Limited - Completeness and accuracy of expenses incurred (£22.08 million; 2019: £21.9m) *Refer to page 31 (Group Audit Committee Report) and page 156 (financial disclosures).*	**Provision of support services** Aster Group Limited is the holding company for the group and provides central support services to each of its subsidiary entities. As such, the entity will incur external expenditure and will recharge these in as per budgeted to other group companies. This results in the majority of the balance sheet items being driven by amounts owing to/ due from from group companies and the income statement is driven by costs incurred on behalf of the group and related income. Expenditure is seen to be the only external transactions going through the group company and therefore are considered to be the area where we focus our audit testing.	Our procedures included: — **Review of costs incurred:** We have reviewed the nature of expenditure and sample tested to third party evidence to support significant year on year movements; — **Assessment of classification:** We have assessed the classification of expenditure and ensured that the expenses are classified in correct financial statement captions through consideration of consistency between years. — **Review of cut-off:** We have assessed the cut off of expenditure through a search for unrecorded liabilities and testing transactions around the year end.

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

Materiality for the group financial statements as a whole was set at £4.2m, determined with reference to a benchmark of revenue, of which it represents 2.0% (2019: 1.9%).

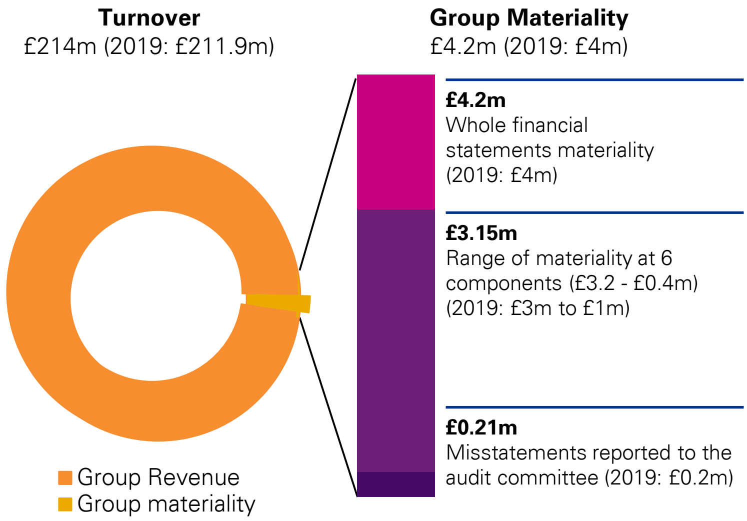
Materiality for the parent company financial statements as a whole was set at £0.7m (2019: £0.43m), determined with reference to a benchmark of expenditure, of which it represents 3.0% (2018: 2.0%).

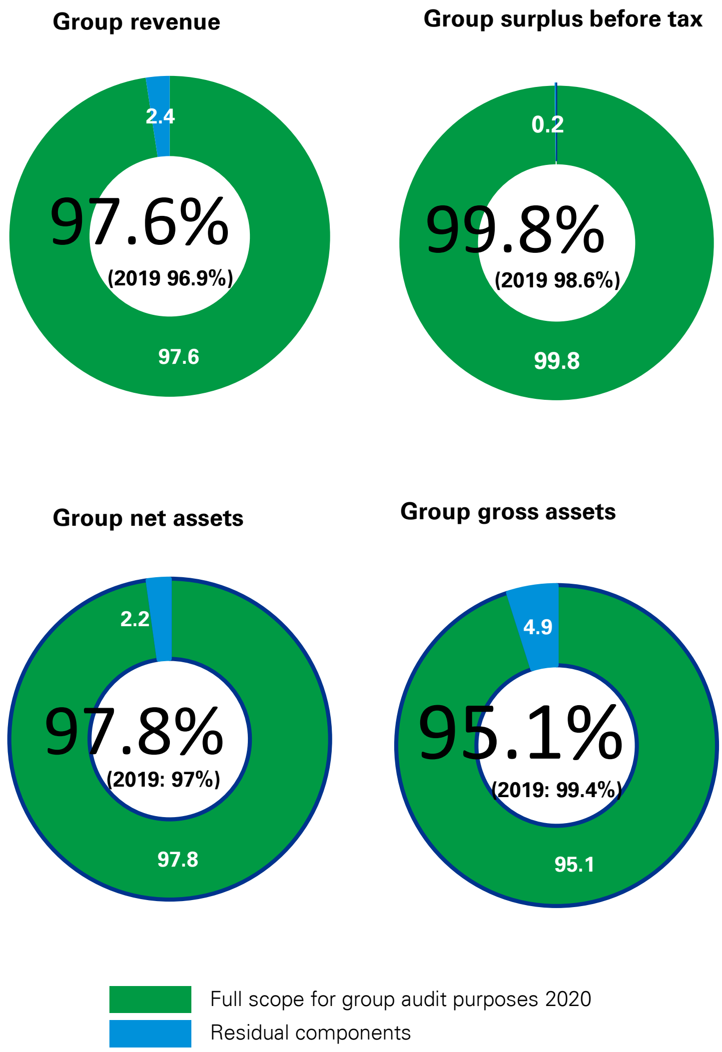
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £210k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 18 (2019:16) reporting components, we subjected 6 (2019: 6) to full scope audits for group purposes and NIL (2019: 2) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes but did present specific individual risks that needed to be addressed. The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 2.4% of total group revenue, 0.2% of group surplus before tax and 4.9% of total group assets is represented by 11 reporting components, none of which individually represented more than 1.3% of total group revenue, group profit before tax or total group assets. For these residual components, we performed an analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £3.2m to £0.4m, having regard to the mix of size and risk profile of the Group across the components. The work on 3 of the in-scope components (2019: 5) was performed by component auditors. The audit of the registered providers and the audit of the parent company, was performed by the Group team.





4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Association or the Group or to cease their operations, and as they have concluded that the Association's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Association will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Association's business model and analysed how those risks might affect the Group's and Association's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were :

- Significant cost increases and delays to major repairs as a result of Covid-19; or
- A significant reduction in the property market and recovery of rental income; or
- Delays to development and joint venture due to Covid-19, leading to delays in capital commitments and impacting funding.

As these were risks that could potentially cast significant doubt on the Group's and the Association's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit on house prices and future funding, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in Note 4 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the requirements of the Housing and Regeneration Act 2008 and the Accounting Direction for Registered Providers of Social Housing 2019.

Disclosures of merging and principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement page 40 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Association's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

— we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or

— the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have nothing to report in these respects.

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

Under the Cooperative and Community Benefit Society Act 2014, we are required to report to you if, in our opinion:

— adequate accounting records have not been kept by the parent Association, or returns adequate for our audit have not been received from branches not visited by us; or

— the parent Association financial statements are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 75, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

KPMG

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

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

Harry Mears

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Gateway House

Tollgate

Eastleigh

SO53 3TG

18 August 2020

Consolidated Statement of

Comprehensive Income

for the year ended **31 MARCH 2020**

	Note	2020 £000	Reclassified Note 6a 2019 £000
Turnover	6a	**214,560**	211,936
Operating expenditure before impairment	6a	**(122,657)**	(115,417)
Cost of sales	6a	**(39,356)**	(36,851)
Administrative expenses	6a	**(846)**	(321)
Profit on disposal of housing property, plant and equipment	7	**20,042**	17,630
Increase in fair value of investment properties	6a	**-**	1,325
Operating profit before impairment		**71,743**	78,302
Reversal of impairment of housing assets	8	**135**	-
Operating profit	8	**71,878**	78,302
Profit on disposal of other property, plant, equipment and intangible assets	10	**214**	8
Share of profit in joint ventures		**374**	1,183
Gain on acquisition	42	**14,013**	-
Profit before interest and taxation		**86,479**	79,493
Interest receivable and similar income	11	**5,445**	5,020
Interest payable and similar charges	11	**(31,112)**	(28,397)
Interest on net pension liability	11	**(1,013)**	(1,139)
Net finance expense		**(26,680)**	(24,516)
Profit before taxation		**59,799**	54,977
Tax on profit	13	**174**	426
Profit for the year		**59,973**	55,403
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme	32	**-**	(6,655)
Actuarial gains in respect of pension schemes	32	**9,317**	347
Movement in pension deferred taxation	13	**(308)**	187
Effective cash flow hedge fair value movements	12	**(7,666)**	(1,494)
Other comprehensive income / (expense) for the year		**1,343**	(7,615)
Total comprehensive income for the year		**61,316**	47,788

Consolidated Statement of
Financial Position

as at **31 MARCH 2020**

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	14	**1,974**	2,214
Property, plant and equipment (social housing)	15	**1,732,808**	1,585,672
Property, plant and equipment (other assets)	16	**15,471**	16,003
Investment properties	17	**17,041**	16,984
HomeBuy loans receivable	18	**3,760**	3,966
Investments in joint ventures	19	**2,734**	2,360
Other investments	20	**230**	230
		1,774,018	1,627,429
Non-current assets			
Debtors: amounts falling due after more than one year	21	**88,810**	82,360
Current assets			
Inventories	22	**2,970**	2,323
Debtors: amounts falling due within one year	23	**26,864**	29,375
Shared ownership properties held for sale	24	**36,932**	29,608
Cash and cash equivalents	25	**148,075**	131,986
		214,841	193,292
Creditors: amounts falling due within one year	26	**(80,703)**	(73,918)
Net current assets		**134,138**	119,374
Total assets less current liabilities		**1,996,966**	1,829,163
Non-current liabilities			
Creditors: amounts falling due after more than one year	27	**(1,114,342)**	(995,193)
Pension liability - Local Government Pension Scheme	32	**(25,692)**	(30,260)
Pension liability - Social Housing Pension Scheme	32	**(6,731)**	(14,755)
Other provisions	33	**(621)**	(691)
Net assets		**849,580**	788,264
Capital and reserves			
Called up share capital	34	**-**	-
Profit and loss reserve		**480,680**	407,899
Revaluation reserve	35	**395,234**	399,582
Restricted reserve	35	**295**	208
Cash flow hedge reserve	35	**(27,091)**	(19,425)
Merger reserve	35	**462**	-
Total capital and reserves		**849,580**	788,264

The financial statements on pages **86** to **155** were approved and authorised for issue by the board on 18 August **2020** and were signed on its behalf by:

Mike Biles
Chairman

Bjorn Howard
Group chief executive

David Betteridge
Company secretary

Consolidated Statement of
Changes in Reserves

for the year ended **31 MARCH 2020**

	2020					
	Profit and loss reserve £000	**Revaluation reserve £000**	**Restricted reserve £000**	**Cash flow hedge reserve £000**	**Merger reserve £000**	**Total reserves £000**
Balance at 1 April 2019	**407,899**	**399,582**	**208**	**(19,425)**	**-**	**788,264**
Profit for the year	**59,973**	**-**	**-**	**-**	**-**	**59,973**
Other comprehensive income for the year	**9,009**	**-**	**-**	**(7,666)**	**-**	**1,343**
Transfer from revaluation reserve to profit and loss reserve	**4,348**	**(4,348)**	**-**	**-**	**-**	**-**
Transfer from profit and loss reserve to restricted and merger reserves	**(549)**	**-**	**87**	**-**	**462**	**-**
Balance at 31 March 2020	**480,680**	**395,234**	**295**	**(27,091)**	**462**	**849,580**

	2019					
	Profit and loss reserve £000	Revaluation reserve £000	Restricted reserve £000	Cash flow hedge reserve £000	Merger reserve £000	Total reserves £000
Balance at 1 April 2018	353,566	404,633	208	(17,931)	-	740,476
Profit for the year	55,403	-	-	-	-	55,403
Other comprehensive expense for the year	(6,121)	-	-	(1,494)	-	(7,615)
Transfer from revaluation reserve to income and expenditure reserve	5,051	(5,051)	-	-	-	-
Balance at 31 March 2019	407,899	399,582	208	(19,425)	-	788,264

Consolidated Statement of
Cash Flows

for the year ended **31 MARCH 2020**

	Note	2020 £000	2019 £000
Net cash generated from operating activities	1	**129,580**	151,831
Taxation received / (paid)		**33**	(75)
Cash flow from investing activities			
Acquisition and construction of social housing properties		**(151,513)**	(136,681)
Acquisition and construction of shared ownership first tranche properties for sale - capital cost		**(45,678)**	(40,878)
Acquisition and construction of properties for open market sale - capital cost		**-**	(414)
Acquisition and construction of investment properties		**(60)**	(49)
Purchase of intangible assets		**(726)**	(510)
Purchase of other assets		**(3,821)**	(1,931)
Acquisition of investments		**-**	(210)
Proceeds from sale of other assets		**2,610**	33
Loans granted to joint ventures		**(2,723)**	(5,046)
Dividend received from joint ventures		**-**	18
Grants received		**12,966**	3,350
Interest received		**813**	491
Cash flow used in investing activities		**(188,132)**	(181,827)
Cash flow from financing activities			
Interest paid		**(35,376)**	(34,045)
New secured loans		**152,926**	124,861
Repayment of borrowings		**(42,942)**	(29,834)
Cash flow generated from financing activities		**74,608**	60,982
Net increase in cash and cash equivalents		**16,089**	30,911
Cash and cash equivalents at beginning of the year		**131,986**	101,075
Cash and cash equivalents at end of the year		**148,075**	131,986

1 **Cash flow from operating activities**

	2020 £000	2019 £000
Profit for the year	**59,973**	55,403
Adjustments for non-cash items		
Amortisation of intangible assets	**966**	911
Depreciation of property, plant and equipment	**27,014**	25,597
Reversal of impairment of property, plant and equipment	**(135)**	-
Investment property fair value adjustments	**-**	(1,325)
Accelerated depreciation of components	**1,259**	813
Increase in inventories	**(643)**	(375)
Gain on acquisition	**(14,013)**	-
Decrease / (increase) in debtors	**3,858**	(3,242)
(Decrease) / increase in creditors	**(21,263)**	3,715
(Decrease) / increase in provisions	**(70)**	(1,837)
Movement in shared ownership properties held for sale less capital cost	**39,004**	34,526
Movement in open market properties held for sale less capital cost	**-**	1,984
Pension cost less contributions payable	**(4,288)**	(1,599)
Carrying amount of housing property	**10,660**	12,275
Carrying amount of property, plant and equipment	**2,396**	25
	44,745	71,468
Adjustments for investing or financing activities		
Cash and cash equivalents on acquisition of EBHT to the group	**725**	-
Proceeds from the sale of property, plant and equipment	**(2,610)**	(33)
Government grants recycled in the year	**67**	477
Interest payable	**32,125**	29,536
Interest receivable	**(5,445)**	(5,020)
	24,862	24,960
Net cash generated from operating activities	**129,580**	151,831

2 Legal status

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

3 Basis of preparation

The financial statements of the group have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102), the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. The association is classified as a Public Benefit Entity under FRS 102.

The financial statements are presented in Sterling (£).

Application of accounting policies

The group's accounting policies have been applied consistently throughout the year with the exception of the accounting for the fair value calculation on financial instrument derivatives and the CPI calculation methodologies on the LGPS defined benefit pension schemes.

In previous years the fair value has included a credit and / or debit valuation (CVA/DVA) adjustment. This has not been included in this year's fair valuation calculations as it is not material in value.

In the year ended 31 March 2019, the accounting policy for the SHPS defined benefit pension scheme was changed.

The proposed changes in the calculation methodology of RPI and of that being aligned with the CPIH calculation has been considered in the assumption of the pension actuaries CPI derivations. The impact of the changes in approach is expected to increase the defined benefit obligation as CPI assumptions are now higher than they would have been under previous methodologies. This change is not considered to be material across the group with the exception of Synergy Housing Limited.

Group consolidation

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

Basis of consolidation

Subsidiaries

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

Joint ventures

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

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

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

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

Acquisitions

East Boro Housing Trust Limited and East Boro Housing Services Limited joined the group on 31 March 2020 and have been recognised as a non-exchange transaction and the fair values of the assets and liabilities have been recognised in the Consolidated Statement of Financial Position. Intra-group transactions have been eliminated on consolidation.

Business combinations that are in substance a gift

East Boro Housing Trust Limited and East Boro Housing Services Limited, a registered provider, joined the group on 31 March 2020. The group concluded that the requirements of FRS 102 Section 34 Public Benefit Entity Combinations were relevant to this judgement and that both the group and East Boro Housing Trust Limited both have a primary objective to provide services to the general public and community for social benefit.

The group considered that the combination was in substance a gift and nil consideration was made or is due as a result of East Boro Housing Trust joining the group. As such the net assets have been recognised at fair value as a gain in the Consolidated Statement of Comprehensive Income. Intra-group transactions have been eliminated on consolidation.

4 Summary of significant accounting policies

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

In addition to the annual 30-year financial business plan, the group produces two further financial plans which contain the most accurate and up to date financial data and assumptions. The group undertakes comprehensive stress testing and regularly includes a full suite of multi-variate stress tests in its financial planning process allowing the board to consistently monitor the business, providing the capability to react to a changing environment and adapt its plan accordingly.

In April 2020, the business reforecast the 2020/21 budget position and produced an additional 30-year financial plan which considered and modelled the impact of the Covid-19 outbreak on the business. In addition to the standard stress testing, further Covid-19 specific stress tests were undertaken which centred around the length of time the group and sector may face significant disruptions and the level of mitigation required to recover and maintain a position within its financial covenant and other plan tolerance thresholds.

The board, after reviewing the group budgets for 2020/21 and the group's medium term financial position as detailed in the 30-year business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the group has adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board have considered:

- Rent and service charge receivable - a 20% reduction in rent over a three to nine month alongside a 25% increase in arrears turning to bad debts and a further -1% rent reduction for an additional two years followed by a rent freeze for a further four years;
- Costs - 10% increase in maintenance costs combined with a 15% increase in other social housing costs and a 50% delay in the major repairs programme over a three to nine-month period and in the longer term increase in maintenance cost of CPI+2% per annum;
- The property market - a reduction in sales prices ranging from 7.5% to 30% with a stepped recovery over three years on all assets; a delay in open market and shared ownership units of three to nine-months and a reduction in first tranche sales percentage from 40% down to 30%;
- Development and joint ventures - sales and spend pushed back between three to six months resulting in an overall six to twelve-month delay on delivery;
- Economic and inflation - 10 year significant inflation with increases in LIBOR to 6%, bank lending increases to 3% and CPI to 6.5% alongside asset deflation of 35%; and
- Liquidity – the group has sufficient and secured funding facilities until April 2022, 24 months from the start of the financial plan. The drawdown of loan facilities is closely linked to investment in new homes and at the end of the year the group held £148.1 million in cash and has £174.5 million of undrawn loan facilities. The group has not committed to any investment that would take it beyond the level of facilities available. The capital commitments of the group are detailed in note 36 of the group's consolidated financial statements.

The board believe the group has sufficient funding in place and expect the group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Turnover

Turnover represents:

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

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

Revenue fees and grants from local authorities and the RSH - recognised over the period the related costs are incurred.

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

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

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

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

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

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

Operating Profit

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

Property managed by agents

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

Value added tax (VAT)

The group is registered for VAT and, while turnover is stated excluding VAT, a large portion of its income, including its rents, is exempt for VAT purposes. The majority of its expenditure is subject to VAT which cannot be reclaimed and therefore expenditure is shown inclusive of irrecoverable VAT. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Right to buy

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

Right to acquire

The gain or loss on the disposal of housing properties under the right to acquire arrangement is calculated as being the difference between the proceeds of sale of a property and the carrying value of that property. Any gain or loss on disposal is recognised in the Consolidated Statement of Comprehensive Income for the year at the date of transfer.

New Build HomeBuy (Shared ownership)

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

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

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

Taxation

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

Investments

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

Intangible assets and amortisation - computer software

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

Asset	UEL (years)
Computer software	3
Main computer systems software	10

Social housing properties and depreciation

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

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

4 **Summary of significant accounting policies** (continued)

Social housing properties and depreciation (continued)

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

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

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

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

New Build HomeBuy properties are split proportionately between property, plant and equipment and current assets based on the proportion of the share of equity sold in the first tranche. The element of a property anticipated to be sold as a first tranche sale is recognised as a current asset, whereas the element relating to second and subsequent tranche sales is treated as property, plant and equipment.

If the profit on sale of the first tranche is expected to exceed the total overall profit on sale of all tranches of that property the proportionate value of the first tranche current asset is increased to limit the profit earned to the overall profit.

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

Structure	UEL (years)
Pre-fabricated reinforced concrete construction (PRC)	30
Bedsits	30
All other	100

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

Donated land and social housing properties

Land donated by local authorities and others is added to the cost of the development scheme at the market value of the land at the time of the donation. If the land is donated by a local authority the market value is recognised as a government grant and accounted for using the accruals method. If the land is donated by a non-government party the market value is recognised as turnover in the Consolidated Statement of Comprehensive Income for the year.

Where social housing properties are donated by one group member to another the transfer is made at the properties net book value with the resulting expense or income being recognised as a donation.

Property, plant and equipment and depreciation, non-social housing

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

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

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

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

Capitalisation of internal staff costs

a) **Housing development schemes**
Internal staff costs that are directly related to the development of housing assets are capitalised to the schemes under construction where the outcome of the scheme is certain. Where the outcome of the scheme is uncertain or aborted, the direct development administration costs are charged to the Consolidated Statement of Comprehensive Income for the year.

b) **Development of internally created assets**
Internal staffing costs relating to internally created other tangible or intangible assets are capitalised to the extent that they are additional costs incurred due to the development of the asset.

An internally generated intangible asset is only recognised if all the following conditions are met:

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

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

Interest receivable and payable

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

Capitalisation of interest costs

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

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

Other interest costs are recognised in the Consolidated Statement of Comprehensive Income for the period to which they relate.

Leased assets

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

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income for the period on a straight line basis over the period of the lease.

Investment properties

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

Investment properties are re-valued each year to their fair or market value. Any changes in value are recognised in the Consolidated Statement of Comprehensive Income for the year when they occur.

HomeBuy scheme

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

The loans are financed by Social Housing Grant (SHG) from the Regulator for Social Housing ('RSH'). On subsequent sale by the purchaser, the SHG is recycled and the group keeps any profit. In the event of a loss, the SHG is written off and expensed through operating expenditure.

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

Inventories

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

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

c) **Work in process**
Speculative housing land, stock plots and work in progress, is recognised at the lower of cost and net realisable value (selling price less cost to sell). Cost comprises materials, direct labour, direct development overheads and attributable interest.

Impairment

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

b) **Other tangible and intangible assets**
Other tangible and intangible assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, the affected assets are written down to the recoverable amount. Any such write down is charged to the Consolidated Statement of Comprehensive Income for the year.

4 **Summary of significant accounting policies** (continued)

Impairment (continued)

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

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

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

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

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

e) **Open market properties held for sale**
Open market properties held for sale are classified as current assets and are reviewed for impairment if there are indications that the market value of the property has dropped below its carrying value. If any current assets are found to be impaired the carrying value is reduced to the selling price less costs to complete and sell.

Accrued income

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

Deferred income

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

Service Concession Arrangements

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

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

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

Service charge sinking funds

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

Financial instruments

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

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

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

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

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

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

d) **Derivatives - Financial liabilities**

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

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

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

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

f) **Trade creditors**
Trade creditors are not interest-bearing and are stated at their transaction value.

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

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

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

i) **Derivative financial instruments**
Various derivative financial instruments are used to manage exposure to interest rate risks, including interest rate swaps and options or a combination of these. All derivative instruments are recorded in the Consolidated Statement of Financial Position at fair value. The recognition of gains or losses on derivative instruments depends on whether or not the instrument is designated as a hedging instrument. Derivatives are designated as either:

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

(II) A cash flow hedging instrument.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the derivative matures in more than twelve months, and as a current asset or liability when the derivative matures in less than twelve months.

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

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

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

k) **Interest rate exposure**
Interest rate swaps are used to manage the group's exposure to fluctuations in interest rates on its floating rate borrowings. The maturity profile of these swaps is matched with the underlying debt. Hedging policy is to fix no more than 90% of term debt but also leave no more than 50% of borrowings on a floating rate. The expected future debt profile is based on estimates of the timings and size of future housing developments funding demands offset by an estimate of cash generated by operating activities.

l) **Convertible financial instruments**
Convertible financial instruments can be converted into third-party equity under certain circumstances. They do not meet the criteria for basic financial instruments under section 11 of FRS 102 and are recognised at their fair value, which is measured at the end of each reporting year with any changes being recognised in profit or loss.

4 **Summary of significant accounting policies** (continued)

Social housing and other grants

Social housing grant (SHG) is receivable from the Regulator for Social Housing (RSH). It is accounted for under section 24 of FRS 102 'Government Grants' using the accrual model. Once properties have been completed the grant is classified as a long-term creditor and amortised to the Consolidated Statement of Comprehensive Income for the year over the life of the properties' structure. Where grants are paid in advance, they are included in creditors until performance is completed.

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

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

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

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

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

Pension costs

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

The group participates in seven 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'). The accounting treatment for each scheme is described below.

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

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

All LGPS schemes are closed to new starters.

The SHPS defined benefit scheme based on final salary and the CARE 1/60th scheme closed on 31 March 2020 and members were automatically transferred to the SHPS defined benefit CARE 120th scheme. Employees could opt to be transferred to the SHPS defined contributions scheme. The SHPS defined benefit CARE 120th scheme was closed to new applicants on 30 June 2019 with the exception of employees transferring from the defined benefit schemes. Employees have a choice of joining the SHPS defined contributions (stakeholder) scheme.

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

Prior to 1 April 2018 SHPS were unable to provide sufficient information for the defined benefits schemes to calculate the group's share of assets and liabilities and the scheme was accounted for as a defined contribution scheme. The SHPS scheme was in deficit and the group had agreed to participate in a deficit funding arrangement which was recognised as a liability. The amount recognised was the present value of the contributions payable under the deficit funding arrangement.

From 1 April 2018 SHPS has been able to provide sufficient information to calculate the group's share of the scheme's assets and liabilities. The scheme is now accounted for as a defined benefit scheme as described for the LGPSs above.

The movements resulting from the transition have been recognised in Other Comprehensive Income, see "Pension Obligations" note for further details.

The SHPS defined benefit final salary scheme and SHPS defined benefit CARE 1/60th scheme was closed on 31 March 2020. Members were automatically transferred to the SHPS defined benefit CARE 120th scheme but could opt to be transferred to the SHPS defined contribution scheme.

The SHPS defined benefit CARE 120th scheme were closed to new starters from June 2019.

Employees joining Flourish Homes (now part of Aster Communities) between September 2003 and September 2010 were only offered entrance to a defined contribution ('stakeholder') scheme with Friends Provident. The Friends Provident scheme closed on 31 March 2020 and members were transferred to the SHPS defined contributions scheme. Between October 2010 and June 2019 new employees were offered entrance to the SHPS defined benefits career average scheme or the SHPS defined contribution scheme. Since July 2019 new employees have been offered entrance to the SHPS defined contribution scheme. Payments for both schemes are charged as an expense as they fall due.

Provisions

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

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

Deferred taxation

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

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

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

Revaluation reserve

Prior to transition to FRS 102, on 1 April 2014, the group's social housing properties were revalued each year. The revaluation reserve represents the increases in value of properties held at this date. On transition to FRS 102 the group moved to recognising its social housing at deemed cost and no longer recorded increases in social housing property valuation.

Restricted reserve

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

The restricted reserve within East Boro Housing Trust Limited represents the cash received as part of transfer of assets and operations from Soroptimist (Poole) Housing Association in 2018 and King Alfred Housing Association Limited in 2019. In accordance with the agreement made, this is restricted to being utilised on, or for the benefit of, the respective properties and their residents.

Merger reserve

On 10 March 2020 the assets and operations of the The Cyril Wood Memorial Trust Limited were transferred to East Boro Housing Trust Limited for proceeds of nil value. The transaction has been treated as a group reconstruction in accordance with FRS 102 and the Housing SORP the assets acquired have been recognised at their net book value.

5 Critical accounting judgements and estimation uncertainty

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

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

Critical judgements in applying the group's accounting policies

Multi-employer defined benefit pension plan

The group participates in two multi-employer defined benefit pension plans. One based on final salary and one based on a career average of earnings, both provided by the Social Housing Pension Scheme.

In the judgement of the directors prior to 1 April 2018 there was not sufficient information available to be able to reliably account for the group's share of the SHPS defined benefit scheme obligation and assets. Therefore, the scheme was accounted for as a defined contribution scheme. From 1 April 2018 there was sufficient information to attribute the scheme's assets and liabilities and the scheme's accounting changed to defined benefit. The movements resulting from the transition have been recognised in Other Comprehensive Income which the directors judge to be appropriate. See the "Pension Obligations" note for further details.

Fair value

The directors have made the following judgements regarding fair value:

- If land is donated at below market cost it is recognised at its fair value. The directors judge this to be its market value at the time of the donation;
- Investment properties are recognised each year at their fair value. The directors judge this to be their market value at the end of the reporting period; and
- Convertible financial instruments are recognised at their fair value. The directors judge this to be the face value of the third-party equity they could be converted into at the end of the reporting period.

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

Cash generating units

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

Impairment triggers for housing properties

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

Useful lives of social housing property assets

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

Critical accounting estimates and assumptions

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

Rebalancing surpluses from HomeBuy first tranche sales

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

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

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

Change in accounting policy for multi-employer defined benefit pension plans

Prior to 1 April 2018 multi-employer defined benefit pension plans were accounted for as defined contribution schemes. Contributions to a plan's deficit recovery plan were recognised at the present value of the contributions discounted at the current rate of return on a high-quality corporate bond of equivalent terms and currency to the liability, provided by the schemes actuaries. Post 1 April 2018 these plans are accounted for as a defined benefit scheme. The cost of these benefits and the present value of the obligation depend on a number of estimates, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. These estimates are provided by the scheme's actuaries. The directors are satisfied these estimates are reasonable. See "Pension Obligations" note for further details.

6 **Turnover, operating expenditure and profit**

6a **Turnover, operating expenditure and profit**

	Note	2020 Turnover £000	2020 Operating expenditure / cost of sales £000	2020 Operating profit / (loss) £000
Income and expenditure from lettings				
Housing accommodation before impairment	6b	159,261	(115,989)	43,272
Other income and expenditure Social Housing				
Housing services provided to third parties		221	(2)	219
Supporting People contract		1,162	(1,169)	(7)
Properties managed by agents		327	(34)	293
Community involvement		28	(846)	(818)
Connected living		1,439	(1,115)	324
Home improvements		-	5	5
Development costs not capitalised		-	(2,432)	(2,432)
Other		227	-	227
		3,404	(5,593)	(2,189)
Non-social housing				
Garage lettings		3,314	(479)	2,835
Sewerage services		246	(133)	113
Market rented property rental		872	(55)	817
Other		632	(408)	224
		5,064	(1,075)	3,989
Total income and expenditure		167,729	(122,657)	45,072
Other income and cost of sales Social Housing				
First tranche shared ownership		46,831	(39,356)	7,475
Total other income and cost of sales		46,831	(39,356)	7,475
Total		214,560	(162,013)	52,547
Administrative expenses				(846)
Surplus on sale of housing property, plant and equipment	7	30,702	(10,660)	20,042
Operating profit before impairment				71,743
Reversal on impairment of housing assets	8			135
Operating profit				71,878

	Note	2019		
		Turnover £000	Operating expenditure / cost of sales £000	Operating profit / (loss) £000
Income and expenditure from lettings				
Housing accommodation before impairment	6b	154,319	(103,467)	50,852
Other income and expenditure Social Housing				
Housing services provided to third parties		704	(790)	(86)
Supporting People contract		2,485	(2,471)	14
Properties managed by agents		319	(71)	248
Community involvement		18	(736)	(718)
Domiciliary care		911	(1,225)	(314)
Helpline / Telecare		1,680	(1,472)	208
Home improvements		975	(939)	36
Development costs not capitalised		-	(2,904)	(2,904)
Other		113	-	113
		7,205	(10,608)	(3,403)
Non Social Housing				
Garage lettings		3,378	(594)	2,784
Sewerage services		133	(328)	(195)
Market rented property rental		843	(239)	604
Other		1,614	(181)	1,433
		5,968	(1,342)	4,626
Total income and expenditure		167,492	(115,417)	52,075
Other income and cost of sales Social Housing				
First tranche shared ownership		42,237	(34,867)	7,370
Non Social Housing				
Open market property sales		2,207	(1,984)	223
Total other income and cost of sales		44,444	(36,851)	7,593
Total		211,936	(152,268)	59,668
Administrative expenses				(321)
Surplus on sale of housing property, plant and equipment	7	29,905	(12,275)	17,630
Increase in fair value of investment properties				1,325
Operating profit				78,302

The movement in fair value of investment properties has been reclassified as part of operating profit because management consider it is part of the group's core business.

6 **Turnover, operating expenditure and profit** (continued)

6b **Income and expenditure from lettings**

	2020				
	General needs housing £000	Supported housing £000	Shared ownership £000	Other £000	Total £000
Income					
Rents	123,158	16,784	8,770	884	149,596
Service charges	3,613	4,227	88	1,198	9,126
Amortisation of government grants	116	64	49	-	229
Other revenue grants	221	56	31	2	310
Total net rents from lettings	127,108	21,131	8,938	2,084	159,261
Expenditure					
Management	(30,689)	(87)	(7)	(41)	(30,824)
Services	(4,012)	(4,021)	(3,347)	(83)	(11,463)
Routine maintenance	(14,911)	-	(31)	-	(14,942)
Planned maintenance	(9,840)	(93)	-	-	(9,933)
Major improvements and repairs	(22,016)	-	-	(197)	(22,213)
Bad debts	(416)	(55)	-	(22)	(493)
Depreciation of housing properties	(20,813)	(2,714)	(1,328)	(10)	(24,865)
Accelerated depreciation on component disposals	(1,135)	(121)	-	-	(1,256)
Operating costs on lettings	(103,832)	(7,091)	(4,713)	(353)	(115,989)
Operating profit on lettings activities before impairment	23,276	14,040	4,225	1,731	43,272
Reversal of impairment of housing assets	135	-	-	-	135
Operating profit on lettings activities	23,411	14,040	4,225	1,731	43,407
Rental income is stated net of void losses as set out below:					
Void losses	772	372	13	46	1,203

	2019				
	General needs housing £000	Supported housing £000	Shared ownership £000	Other £000	Total £000
Income					
Rents	119,200	16,971	6,984	760	143,915
Service charges	3,110	4,620	736	1,224	9,690
Amortisation of government grants	118	64	39	-	221
Other revenue grants	381	84	26	2	493
Total net rents from lettings	122,809	21,739	7,785	1,986	154,319
Expenditure					
Management	(27,867)	(133)	(7)	(46)	(28,053)
Services	(2,424)	(5,087)	(4,842)	(166)	(12,519)
Routine maintenance	(12,576)	(784)	(25)	(2)	(13,387)
Planned maintenance	(8,252)	(39)	-	-	(8,291)
Major improvements and repairs	(15,854)	-	-	-	(15,854)
Bad debts	(789)	(120)	-	(21)	(930)
Depreciation of housing properties	(19,859)	(2,686)	(1,063)	(12)	(23,620)
Accelerated depreciation on component disposals	(765)	(43)	-	(5)	(813)
Operating costs on lettings	(88,386)	(8,892)	(5,937)	(252)	(103,467)
Operating profit on lettings activities	34,423	12,847	1,848	1,734	50,852
Rental income is stated net of void losses as set out below:					
Void losses	926	412	24	27	1,389

6 Turnover, operating expenditure and profit (continued)

6c Segmental analysis

The group has determined the executive board to be the chief operating decision maker. The executive board reports to the group overlap board and has operational responsibility for all aspects of the group's business. It has the power to make operational decisions and allocate resources. The executive board have determined that the group's operating segments are represented by the group's individual subsidiaries. The tables below are a summary of the management information received by the executive board for decision making purposes.

Segments are reported on by expenditure and income. Segmental assets and liabilities have not been disclosed because they are not regularly provided to the executive board for decision making.

Turnover

	2020						
	Net rental income £000	Care and support income £000	Repairs and maintenance income £000	Design and build and management services fees £000	First tranche and open market property sales £000	Other £000	Total £000
Aster Communities	106,133	-	-	768	28,789	244	135,934
Synergy Housing Ltd	56,593	-	-	317	15,634	95	72,639
Aster 3 Ltd	2,041	-	-	-	2,408	-	4,449
Aster Living	-	2,601	-	-	-	-	2,601
Aster Property Ltd	-	-	73,940	-	-	-	73,940
Aster Homes Ltd	-	-	-	93,980	1,051	-	95,031
Aster Group Ltd	-	-	-	24,268	-	-	24,268
Aster Treasury Plc	-	-	-	-	-	-	-
Silbury Housing and Holdings Ltd	-	-	-	-	-	1,642	1,642
Aster Solar Ltd	-	-	-	-	-	304	304
East Boro Housing Trust	-	-	-	-	-	-	-
Eliminations	(1,074)	-	(73,875)	(118,816)	(1,051)	(1,432)	(196,248)
Total turnover	163,693	2,601	65	517	46,831	853	214,560

Profit / (Loss)

	2020						
	Turnover £000	Cost of sales £000	Operating expenditure £000	Disposal of housing properties £000	Depreciation £000	Impairment £000	Operating profit / (loss) £000
Aster Communities	135,934	(25,320)	(65,164)	14,859	(17,515)	135	42,929
Synergy Housing Ltd	72,639	(12,861)	(30,837)	5,061	(9,337)	-	24,665
Aster 3 Ltd	4,449	(2,185)	(1,181)	122	(359)	-	846
Aster Living	2,601	-	(2,180)	-	(99)	-	322
Aster Property Ltd	73,940	-	(72,296)	-	(802)	-	842
Aster Homes Ltd	95,031	(87,586)	(4,697)	15	-	-	2,763
Aster Group Ltd	24,268	-	(21,094)	-	(989)	-	2,185
Aster Treasury Plc	-	-	-	-	-	-	-
Silbury Housing and Holdings Ltd	1,642	-	(953)	-	-	-	689
Aster Solar Ltd	304	-	(59)	-	(135)	-	110
East Boro Housing Trust	-	-	-	-	-	-	-
Eliminations	(196,248)	88,596	104,194	(15)	-	-	(3,473)
	214,560	(39,356)	(94,267)	20,042	(29,236)	135	71,878
Net interest							(26,680)
Surplus on disposal of other property, plant and equipment and intangible assets							214
Share of joint venture profit							374
Gain on acquisition							14,013
Profit before taxation							59,799

6 **Turnover, operating expenditure and profit** (continued)

6c **Segmental analysis** (continued)

Turnover

	2019						
	Net rental income £000	Care and support income £000	Repairs and maintenance income £000	Design and build and management services fees £000	First tranche and open market property sales £000	Other £000	Total £000
Aster Communities	102,345	-	-	2,099	33,598	304	138,346
Synergy Housing Ltd	54,243	-	-	15	10,846	2,036	67,140
Aster 3 Ltd	1,108	-	-	-	-	-	1,108
Aster Living	-	3,686	975	-	-	-	4,661
Aster Property Ltd	-	-	64,728	-	-	-	64,728
Aster Homes Ltd	-	-	-	85,817	976	-	86,793
Zebra Property Solutions Ltd	-	-	-	-	-	-	-
Aster Group Ltd	-	-	-	21,336	-	-	21,336
Aster Treasury Plc	-	-	-	-	-	-	-
Silbury Housing and Holdings Ltd	-	-	-	-	-	1,593	1,593
Aster Solar Ltd	-	-	-	-	-	298	298
Eliminations	-	-	(64,722)	(108,369)	(976)	-	(174,067)
	157,696	3,686	981	898	44,444	4,231	211,936

Profit / (Loss)

	2019						
	Turnover £000	Cost of sales £000	Operating expenditure £000	Fair value adjustments £000	Disposal of housing properties £000	Depreciation £000	Operating profit / (loss) £000
Aster Communities	138,346	(28,969)	(57,687)	1,040	11,918	(16,468)	48,180
Synergy Housing Ltd	67,140	(8,853)	(27,373)	285	5,712	(8,756)	28,155
Aster 3 Ltd	1,108	-	(612)	-	-	(219)	277
Aster Living	4,661	-	(4,602)	-	-	(115)	(56)
Aster Property Ltd	64,728	-	(63,520)	-	-	(621)	587
Aster Homes Ltd	86,793	(79,984)	(4,178)	-	-	-	2,631
Zebra Property Solutions Ltd	-	-	(7)	-	-	-	(7)
Aster Group Ltd	21,336	-	(20,888)	-	-	(1,006)	(558)
Aster Treasury Plc	-	-	-	-	-	-	-
Silbury Housing and Holdings Ltd	1,593	-	(927)	-	-	-	666
Aster Solar Ltd	298	-	(80)	-	-	(136)	82
Eliminations	(174,067)	80,955	91,457	-	-	-	(1,655)
	211,936	(36,851)	(88,417)	1,325	17,630	(27,321)	78,302
Net interest							(24,516)
Surplus on disposal of other property, plant and equipment and intangible assets							8
Share of joint venture profit							1,183
Profit before taxation							54,977

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

	2020			2019		
	Proceeds £000	Cost of sales £000	Profit / (loss) £000	Proceeds £000	Cost of sales £000	Profit / (loss) £000
Right to buy	**1,514**	**(1,799)**	**(285)**	3,433	(3,670)	(237)
Right to acquire	**727**	**(172)**	**555**	802	(233)	569
Shared ownership staircasing	**6,739**	**(3,680)**	**3,059**	5,653	(3,434)	2,219
Void property disposals	**21,478**	**(5,009)**	**16,469**	19,846	(4,938)	14,908
Others	**244**	**-**	**244**	171	-	171
	30,702	**(10,660)**	**20,042**	29,905	(12,275)	17,630

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

8 Operating profit

	2020 £000	2019 £000
Operating profit is stated after charging / (crediting):		
Auditors' remuneration (excluding irrecoverable VAT)		
In their capacity as auditors:		
Financial statements audit	**183**	147
In respect of other services:		
Service charge review	**4**	2
Other non-adult services	**2**	55
Depreciation:		
Property, plant and equipment - (social housing)	**24,864**	23,620
Accelerated depreciation of components	**1,256**	813
Property, plant and equipment - (other assets)	**2,150**	1,977
Amortisation of intangible assets	**966**	911
Impairment:		
Housing asset - (net reversal)	**(135)**	-
Profit on shared ownership properties, first tranche	**7,475**	7,370
Operating lease payments:		
Land and buildings	**59**	59
Office premises	**344**	292
Office equipment	**21**	10

9 Employee information

	2020 No.	2019 No.
The average number of persons employed during the year (full time equivalents 'FTE') based on 37 hours per week	**1,221**	1,144

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

	2020 No.	2019 No.
£59,999 or less	**1,135**	1,061
£60,000 to £69,999	**29**	38
£70,000 to £79,999	**21**	13
£80,000 to £89,999	**9**	5
£90,000 to £99,999	**7**	12
£100,000 to £109,999	**8**	6
£110,000 to £119,999	**3**	2
£120,000 to £129,999	**3**	1
£140,000 to £149,999	**-**	1
£150,000 to £159,999	**-**	1
£160,000 to £169,999	**1**	-
£170,000 to £179,999	**1**	-
£180,000 to £189,999	**-**	1
£190,000 to £199,999	**-**	2
£200,000 to £209,999	**2**	-
£220,000 to £299,999	**1**	-
£270,000 to £279,999	**-**	1
£280,000 to £289,999	**1**	-
	1,221	1,144

None of the above employees received any enhanced pension payments during the year (2019: nil).

Staff costs:

	2020 £000	2019 £000
Wages and salaries	**41,379**	38,357
Social security costs	**4,000**	3,791
Other pension costs	**4,212**	3,090
	49,591	45,238

Details of the highest paid director are included in the Directors Remuneration Report.

10 Profit on disposal of other property, plant and equipment and intangible assets

	2020			2019		
	Proceeds £000	Cost of disposal £000	Profit / (loss) £000	Proceeds £000	Cost of disposal £000	Profit / (loss) £000
Motor vehicles	3	-	3	28	-	28
Computer equipment	2	(70)	(68)	-	(1)	(1)
Computer software	-	-	-	-	(12)	(12)
Solar panels	5	(11)	(6)	5	(12)	(7)
Office premises	2,600	(2,315)	285	-	-	-
Total	2,610	(2,396)	214	33	(25)	8

11 Finance income and expense

	Note	2020 £000	2019 £000
Interest receivable and similar income			
Interest on short term deposits		**813**	491
Finance debtor interest receivable		**2,397**	2,459
Other interest receivable		**1,882**	1,752
Total interest income on financial assets not measured at fair value through profit or loss		**5,092**	4,702
Unwinding of trade debtor discounting		**353**	318
		5,445	5,020
Interest payable and similar charges			
Guaranteed fixed rate secured bond		**(14,767)**	(13,190)
Fixed rated loans		**(13,459)**	(12,939)
Floating rated loans		**(3,970)**	(3,632)
Interest rate swaps		**(2,931)**	(3,071)
Less interest capitalised		**5,174**	5,375
		(29,953)	(27,457)
Disposal proceeds fund interest		**(1)**	(1)
Recycled capital grant fund interest		**(17)**	(16)
Interest charged on amounts due under right to buy sharing agreement		**(1)**	(2)
Amortisation of arrangement fees		**(161)**	(40)
Administration charge		**(402)**	(250)
Amortisation of issue costs		**(282)**	(54)
Total interest income on financial liabilities not measured at fair value through profit or loss		**(30,817)**	(27,820)
Trade debtor discounting		**(295)**	(577)
		(31,112)	(28,397)
Interest on net pension liability			
Local government pension schemes	32	**(673)**	(818)
SHPS pension schemes	32	**(340)**	(321)
		(1,013)	(1,139)
Net finance expense		**(26,680)**	(24,516)

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

	2020			
	Profit and loss		Other comprehensive income	
	Gains £000	Losses £000	Gains £000	Losses £000
Financial liabilities measured at fair value through profit and loss	-	-	64	(7,730)
	-	-	64	(7,730)

	2019			
	Profit and loss		Other comprehensive income	
	Gains £000	Losses £000	Gains £000	Losses £000
Financial liabilities measured at fair value through profit and loss	-	-	35	(1,529)
	-	-	35	(1,529)

13 Tax on profit on ordinary activities

(a) Tax expense included in profit or loss

	2020 £000	2019 £000
The tax (credit) / charge on the profit on ordinary activities was as follows:		
Current tax		
UK corporation tax expense	33	-
Under provision in previous years	-	-
Total current tax	33	-
Deferred tax		
Origination and reversal of timing differences	(103)	(264)
Adjustment for prior year	(2)	(190)
Changes in tax rate or laws	(102)	28
Total deferred tax	(207)	(426)
Tax on profit on ordinary activities	(174)	(426)

(b) Tax credit included in other comprehensive income / (expense)

	2020 £000	2019 £000
Deferred tax		
Origination and reversal of timing differences	308	(187)
Adjustment for prior years	-	-
Impact of change in tax rate	-	-
	308	(187)

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

(c) Factors affecting tax charge / (credit) for the year

	2020 £000	2019 £000
Profit on ordinary activities before taxation	**59,799**	54,977
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 19% (2019: 19%)	**11,362**	10,446
Effects of:		
Profit from charitable activities	**(8,771)**	(10,710)
Expenses not deductible	**1**	-
Effects of tax rate changes	**(102)**	28
Utilisation of losses	**-**	-
Joint venture profit share	**-**	-
Non-taxable income	**(2,662)**	-
Group relief received	**-**	-
Deferred tax asset transferred to another group entity	**-**	-
Items charged to other comprehensive income	**-**	-
Adjustments for prior year	**(2)**	(190)
Other timing differences	**-**	-
	(174)	(426)

(d) Deferred tax

	2020 £000	2019 £000
Asset at start of year	**(1,114)**	(501)
Adjustment for prior year	**3**	-
Deferred tax (credit) to income statement for the year	**(207)**	(426)
Deferred tax charge / credit in other comprehensive income for the year	**308**	(187)
Asset at end of year	**(1,010)**	(1,114)

(e) Tax rate changes

The Finance Act 2015 was substantively enacted on 26 October 2015 and reduced the main rate of corporation tax to 19% with effect from 1 April 2017. The Finance Act 2016 was substantively enacted on 15 September 2016 and reduced the main rate of corporation tax to 17% from 1 April 2020. At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fenced profits) for the years starting 1 April 2020 and 2021 would remain at 19%.

14 Intangible assets

	Assets under construction £000	Computer software £000	Total £000
Cost			
At 1 April 2019	**207**	**10,330**	**10,537**
Additions	**490**	**236**	**726**
Completions	**(551)**	**551**	**-**
Disposals	**-**	**(2,597)**	**(2,597)**
At 31 March 2020	**146**	**8,520**	**8,666**
Accumulated amortisation			
At 1 April 2019	**-**	**8,323**	**8,323**
Charge for year	**-**	**966**	**966**
Disposals	**-**	**(2,597)**	**(2,597)**
At 31 March 2020	**-**	**6,692**	**6,692**
Net book value as at 31 March 2020	**146**	**1,828**	**1,974**
Net book value as at 31 March 2019	207	2,007	2,214

15 Property, plant and equipment (social housing)

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

	Housing properties under construction £000	Completed housing properties £000	Shared ownership under construction £000	Shared ownership completed £000	Total £000
Cost					
At 1 April 2019	**50,348**	**1,424,511**	**27,415**	**175,614**	**1,677,888**
Additions	**81,491**	-	**65,629**	-	**147,120**
Components	-	**15,736**	-	-	**15,736**
Disposal of components	-	**(5,486)**	-	-	**(5,486)**
Completions	**(70,038)**	**70,038**	**(58,333)**	**58,333**	-
Acquisition of EBHT to the group	-	**19,580**	-	-	**19,580**
Disposals	-	**(6,746)**	-	**(3,651)**	**(10,397)**
Reversal of impairment	-	**135**	-	-	**135**
At 31 March 2020	**61,801**	**1,517,768**	**34,711**	**230,296**	**1,844,576**
Accumulated depreciation					
At 1 April 2019	-	**89,017**	-	**3,199**	**92,216**
Charge for year	-	**23,574**	-	**1,290**	**24,864**
Disposal of components	-	**(4,230)**	-	-	**(4,230)**
Disposals	-	**(969)**	-	**(113)**	**(1,082)**
At 31 March 2020	-	**107,392**	-	**4,376**	**111,768**
Net book value at 31 March 2020	**61,801**	**1,410,376**	**34,711**	**225,920**	**1,732,808**
Net book value at 31 March 2019	50,348	1,335,494	27,415	172,415	1,585,672

The cost of completed properties during the year includes £5.2 million (2019: £5.4 million) of capitalised borrowing costs at an average cost of borrowing of 2.4% (2019: 2.6%).

Net book value of property, plant and equipment - social housing by tenure	2020 £000	2019 £000
Freehold	**1,731,315**	1,584,221
Long leasehold	**1,493**	1,451
Net book value	**1,732,808**	1,585,672

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

Current value of completed social housing properties

The below valuation was carried out by Jones Lang LaSalle Limited Chartered Surveyors on 31 March 2020, on the basis of Existing Use Value - Social Housing. The valuations were carried out in accordance with RICS Appraisal and Valuation Manual effective from 1 January 1996 (as amended).

	Housing properties under construction £000	Completed housing properties £000	Shared ownership under construction £000	Shared ownership completed £000	Total £000
Existing Use Valuation - Social Housing					
Valuation at 31 March 2020	**-**	**1,536,458**	**-**	**192,861**	**1,729,319**
Valuation at 31 March 2019	-	1,403,684	-	156,790	1,560,474

16 Property, plant and equipment (other assets)

	Office premises £000	Leasehold office improvements £000	Assets under construction £000	Motor vehicles £000	Office and estate equipment and furniture £000	Computer equipment £000	Total £000
Cost							
At 1 April 2019	15,204	879	16	6,717	10,177	6,089	39,082
Additions	310	-	-	2,141	1,009	361	3,821
Completions	-	-	(15)	-	-	15	-
Acquisition of EBHT to the group	-	62	-	79	960	-	1,101
Disposals	(6,567)	-	-	(39)	(92)	(63)	(6,761)
At 31 March 2020	8,947	941	1	8,898	12,054	6,402	37,243
Accumulated depreciation							
At 1 April 2019	7,022	181	-	5,032	5,611	5,233	23,079
Charge for year	274	19	-	815	512	530	2,150
Acquisition of EBHT to the group	-	26	-	51	831	-	908
Disposals	(4,252)	-	-	(39)	(51)	(23)	(4,365)
At 31 March 2020	3,044	226	-	5,859	6,903	5,740	21,772
Net book value at 31 March 2020	5,903	715	1	3,039	5,151	662	15,471
Net book value at 31 March 2019	8,182	698	16	1,685	4,566	856	16,003

17 Investment properties

	Market rented properties £000	Freehold £000	Total investment properties £000
Fair value			
At 1 April 2019	15,913	1,071	16,984
Additions - Components	60	-	60
Disposals - Components	(3)	-	(3)
At 31 March 2020	15,970	1,071	17,041

The above valuation was carried out by Jones Lang LaSalle Limited Chartered Surveyors on the basis of Market Value using the comparison method at 31 March 2020. The valuation report contains a 'Material Uncertainty Clause' as at 31 March, there was insufficient evidence to justify a blanket reduction in fair value market valuations. Based on the current level of rents received and the lack of significant material change in the rental market subsequent to the year end, the board are satisfied that the recognised fair value of the investment properties is appropriate.

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

18 HomeBuy loans receivable

	2020 £000	2019 £000
At 1 April	**3,966**	4,216
Proceeds received from sales	**(429)**	(363)
Profits on redemption of loan	**223**	113
At 31 March	**3,760**	3,966

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

19 Investments in joint ventures

Aster Homes Limited has set up three limited liability partnership jointly controlled entities, White Rock Land LLP; Boorley Green LLP and from 29 June 2018, Kilnwood Vale LLP, with Vistry Homes Limited to develop and sell properties for social and private housing. For the year to 31 March 2020 White Rock Land LLP made a loss of £0.3 million (2019: profit £1.0 million); Boorley Green LLP made a profit of £1.5 million (2019: £1.9 million) and Kilnwood Vale made a loss of £0.5 million (2019: £0.5 million loss). White Rock Land LLP made a distribution to shareholders of £nil (2019: £36,000). Boorley Green LLP and Kilnwood Vale LLP made no distribution (2019: £nil) to shareholders.

	2020 £000	Group's share (50%) £000	2019 £000	Group's share (50%) £000
Current assets - White Rock Land LLP	**44,524**	**22,262**	47,508	23,754
Current assets - Boorley Green LLP	**47,110**	**23,555**	51,596	25,798
Current assets - Kilnwood Vale LLP	**19,412**	**9,706**	14,874	7,437
Total current assets	**111,046**	**55,523**	113,978	56,989
Current liabilities - White Rock Land LLP	**(41,375)**	**(20,688)**	(44,058)	(22,029)
Current liabilities - Boorley Green LLP	**(43,842)**	**(21,921)**	(49,848)	(24,924)
Current liabilities - Kilnwood Vale LLP	**(20,360)**	**(10,180)**	(15,352)	(7,676)
Total current liabilities	**(105,577)**	**(52,789)**	(109,258)	(54,629)
Net assets	**5,469**	**2,734**	4,720	2,360

20 Other investments

	2020 £000	2019 £000
White Rock Land LLP	-	-
Boorley Green LLP	-	-
Kilnwood Vale LLP	-	-
MORhomes PLC	**230**	230
	230	230

Aster Homes Limited holds one £1 share in White Rock Land LLP; one £1 share in Boorley Green LLP and one £1 share in Kilnwood Vale LLP. These entities are jointly controlled with Vistry Homes Limited, with the group holding 50%. The shares are fully paid.

The group holds 440,000 10 pence shares in MORhomes PLC, which is a social housing funding vehicle.

21 Debtors: amounts falling due after more than one year

	2020 £000	2019 £000
Finance debtor	**37,712**	38,951
Loan to joint ventures	**46,874**	39,888
European Investment Bank liquidity reserve funds	**3,062**	3,061
MORhomes convertible financial instruments	**460**	460
MORhomes facility security	**350**	-
Deferred funding fees	**352**	-
Total	**88,810**	82,360

The European Investment Bank (EIB) loans, require Aster Group to hold an amount of at least twelve months' interest payments in liquidity reserve funds as security against default on interest payments. These funds are controlled by the EIB and the Aster Group can only access the funds when the principal of the loans are repaid.

Under certain circumstances the MORhomes PLC fixed rate unsecured convertible financial instruments ('CoCo Loan Notes') can be converted to equity.

22 Inventories

	2020 £000	2019 £000
Trade consumables	**532**	316
Work in progress	**2,438**	2,007
	2,970	2,323

Trade consumables relate to small items carried on the group's repair vehicles to be used in minor repairs. Work in progress comprises uninvoiced design and build fees and the initial costs of development schemes.

23 Debtors: amounts falling due within one year

	2020 £000	2019 £000
Trade debtors	**2,167**	1,807
Rent arrears	**11,109**	11,124
Service charge under-recovery	**4,414**	5,616
Less discounting of debts payable over more than 12 months	**(1,115)**	(1,173)
Less provision for bad debts - rent arrears and service charges	**(4,451)**	(4,654)
	12,124	12,720
Finance debtor	**3,026**	3,077
Loan to joint ventures	**2,700**	5,082
Other debtors	**3,013**	503
Less provision for bad debts - other debtors	**(43)**	(28)
Deferred tax	**1,010**	1,114
VAT recoverable	**46**	181
Other capital grants receivable	**-**	226
Prepayments and accrued income	**4,988**	6,500
	26,864	29,375

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

24 Shared ownership properties held for sale

	Under construction £000	Completed £000	Total £000
1 April 2019	**19,022**	**10,586**	**29,608**
Additions	**45,678**	**650**	**46,328**
Completions	**(41,360)**	**41,360**	**-**
Disposals	**-**	**(39,004)**	**(39,004)**
31 March 2020	**23,340**	**13,592**	**36,932**

25 Cash and cash equivalents

	2020 £000	Reclassified 2019 £000
Short term deposits	**116,508**	99,403
Cash at bank and in hand	**31,567**	32,583
	148,075	131,986

Several bank accounts were reclassified in the year from cash at bank and in hand to short term deposits.

26 Creditors: amounts falling due within one year

	Note	2020 £000	2019 £000
Trade creditors		**5,816**	4,906
Taxation and social security payable		**1,110**	978
Pension contributions		**598**	509
VAT payable		**369**	321
Rent paid in advance		**4,398**	4,293
Service charge over-recovery		**1,515**	4,484
Amounts due under right to buy sharing agreement		**919**	1,846
Capital grant received in advance		**113**	92
Social housing grant	28	**13,931**	4,263
Recycled capital grant fund	29	**2,200**	1,458
Disposal proceeds fund	30	**470**	469
Accrued holiday pay		**-**	55
Other creditors		**3,216**	2,958
Corporation tax	13	**33**	-
Accruals and deferred income		**27,545**	34,344
Loan interest and charges		**312**	-
Loan repayable (within 1 year)	31e	**18,158**	12,942
		80,703	73,918

27 Creditors: amounts falling due after more than one year

	Note	2020 £000	2019 £000
Loans repayable			
In less than five years	31e	**123,238**	113,627
In five years or more	31e	**906,232**	818,673
Less unamortised issue fees		**(2,653)**	(2,520)
Less unamortised discount issue fees		**(2,760)**	(2,812)
Less deferred arrangement fees		**(1,101)**	(487)
Less effective interest adjustments		**(155)**	-
Plus unamortised premium on issue		**34,453**	21,043
		1,057,254	947,524
Social housing grant	28	**24,905**	22,289
Recycled capital grant fund	29	**1,328**	1,986
Disposal proceeds fund	30	**3**	3
Interest Rate Swap		**27,092**	19,425
HomeBuy Grants		**3,760**	3,966
		1,114,342	995,193

Interest is payable on housing loans at varying commercial rates. Loans are secured by fixed charges on individual properties. Interest rates ranged from 1.5% to 6.3% (2019: 1.5% to 6.3%) for fixed/hedged loans between 0.1% and 0.8% (2019: between 0.7% and 1.3%) for variable loans.

At 31 March 2020, the group had undrawn loan facilities of £174.5 million (2019: £173.2 million) to finance future operating cash flows and investments. The facility has its own designated pool of security held with a security trustee.

28 Social housing grant

	2020 £000	2019 £000
Balance as at 1 April	**26,552**	23,528
Additions	**12,966**	3,350
Disposals	**(30)**	(218)
Amortised within Statement of Comprehensive Income	**(221)**	(108)
Withdrawal	**(431)**	-
Balance as at 31 March	**38,836**	26,552
Recognised in:		
Creditors: amounts falling due within one year	**13,931**	4,263
Creditors: amounts falling due after one year	**24,905**	22,289
	38,836	26,552

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

Cumulative government grants received

	2020 £000	2019 £000
Social housing grant	**278,711**	253,356
HomeBuy grant	**3,760**	3,966
Total government grant received	**282,471**	257,322
Recognised in:		
Profit and loss reserve	**239,875**	226,804
Creditors: amounts falling due within one year	**13,931**	4,263
Creditors: amounts falling due after more than one year	**28,665**	26,255
	282,471	257,322

The total accumulated amount of social housing grant relates to properties owned at the balance sheet date.

29 Recycled capital grant fund

	2020 £000	2019 £000
Balance as at 1 April	**3,444**	3,256
Additions:		
Grants recycled	**437**	748
Interest	**17**	16
Withdrawals:		
New build	**(370)**	(576)
Balance as at 31 March	**3,528**	3,444
Analysis of maturity:		
- in less than one year	**2,200**	1,458
- in one to two years	**848**	1,137
- in more than two years	**480**	849
	3,528	3,444

The recycled capital grant fund relates to social housing or housing association grant previously received on social housing properties that have been disposed off. The RSH permits grants to be reinvested within a three year period and requires funds which have not been reinvested within three years to be repaid. A waiver was granted for elapsed balances which are all committed.

30 Disposal proceeds fund

	2020 £000	2019 £000
Balance as at 1 April	**472**	564
Additions:		
Funds recycled	**-**	1
Interest	**1**	1
Withdrawals:		
New build	**-**	(94)
Balance as at 31 March	**473**	472
Analysis of maturity:		
- in less than one year	**470**	469
- in one to two years	**3**	2
- in more than two years	**-**	1
	473	472

Following the deregulation changes made to the Housing and Planning Act 2016, which came into force on 6 April 2017, the requirement to recycle grant into the disposal proceed fund was removed. The disposal proceeds fund will continue to have interest added and withdrawals made to fund new builds until the fund is exhausted or until the wind down period ends on 6 April 2020. A waiver was granted for elapsed balances which are all committed.

31 Financial instruments

31a Financial instruments' descriptions

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

Interest rate swaps

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

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

At 31 March 2020 the group held £27.1 million (2019: £19.4 million) of interest rate swap financial liabilities.

Guaranteed fixed rate secured bonds

The group has issued £360 million of guaranteed fixed rate secured bonds. They are listed on the London Stock Exchange with a maturity date of 18 December 2043. They are denominated in sterling and the interest or coupon rate is 4.5% payable half-yearly in arrears.

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

Fixed rate loans

The group's fixed rate loans have a base fixed interest rate plus a margin that varies over the life of the borrowing. Due to this variation these loans are recognised using the effective interest method which averages the interest rate over the life of the loan. As with the group's bonds, the interest charged to profit or loss is the effective interest and not the amount actually paid. During the year the effective interest charged to profit and loss was £337,000 (2019: £634,000) higher than the actual interest paid.

At the end of the year the group had drawn £354.8 million (restated 2019: £367.4 million) of fixed rate loans which incurred an effective interest charge during the year of between 1.5% and 6.3% (2019: 1.5% and 6.3%). These loans have a carrying value of £350.4 million (restated 2019: £367.8 million) giving a cumulative effective interest adjustment of £1.7 million (2019: £700,000).

Floating rate loans

The interest on these loans varies or floats as the London Inter-Bank Offered Rate (LIBOR) changes. In addition to LIBOR a margin is also charged which makes up the total interest rate. Within the total amount the group can borrow from its lenders there is a set amount designed as floating loans, once this limit is reached the group cannot draw down any more floating rate loans. At the end of the year the group had drawn £327.0 million (2019: £258.7 million) of floating rate loans and was charged an interest rate of between 0.1% and 0.8% (2019: 0.8% and 1.3%).

Disposal proceeds fund

Following the deregulation changes made to the Housing and Planning Act 2016, which came into force on 6 April 2017, the requirement to recycled grant into the disposal proceed fund was removed.
The disposal proceeds fund will continue to have interest added and withdrawals made to fund new builds until the fund is exhausted or until the wind down period ends on 6 April 2020. The balance on the fund is £473,000 (2019: £472,000). A waiver has been granted for elapsed balances which are all committed.

Convertible financial instruments

Convertible financial instruments can be converted into third-party equity under certain circumstances. These instruments are recognised at the face value of the third-party equity they could be converted into at the end of each reporting year. Any changes in value are taken through profit or loss.

At 31 March 2020 the association held £460,000 (2019: £460,000) of convertible financial instruments with £nil (2109: £nil) fair value movement being recognised in profit or loss.

31 Financial instruments (continued)

31a Financial instruments' descriptions (continued)

Recycled Capital Grant Fund

The group receives social housing grant ('SHG') from the Regulator for Social Housing ('RSH') to build social housing. When the tenant of a New Build HomeBuy property purchases a further tranche of the property, if there are sufficient sales proceeds, the associated grant will be recycled via the recycled capital grant fund. Like the disposal proceeds fund a notional amount of interest is added to the fund each year depending on the value of the fund. The balance in the group's recycled capital grant Fund at the end of the year was £3.5 million (2019: £3.4 million), this includes £17,000 (2019: £16,000) of interest added during the year.

Loan commitments measured at cost less impairment

The group has various borrowing facilities available to it. The undrawn committed facilities are valued at cost less impairment. The amount of undrawn borrowings at 31 March 2020 was £174.5 million (2019: £173.2 million). The cost of the undrawn facility is £375,000 (2019: £227,000).

Hedge accounting

The group has four interest rate swaps that meet the requirements under FRS 102 section 12: Other financial instruments, for hedge accounting. The group uses hedge accounting to manage the volatility of the fair value movements of its interest rate swaps. The hedging relationship is between an interest rate swap, the hedging instrument, and a loan, the hedged item. The relationship allows the fair value movements in the hedging instrument that are equal to the fair value movements in the hedged item, the effective part, to be recognised through Other Comprehensive Income in the cash flow hedge reserve rather than profit or loss. The parts of the movement that do not match, the ineffective part, are recognised in profit or loss.

For the year ended 31 March 2020 the group recognised of £7.7 million (2019: £1.5 million losses) of net effective cash flow hedge losses in Other Comprehensive Income of £nil (2019: £nil) of ineffective cash flow hedge movements in profit or loss.

31b Financial instruments' classifications

Amortised cost

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

Fair value through profit or loss

Complex financial instruments, such as derivatives are recognised at fair value through profit or loss. At the end of each financial year their value is calculated by looking at an active market of similar instruments and establishing what their value would be if they were traded on that market, their fair value. Any changes in the fair value are recognised in the Consolidated Statement of Comprehensive Income.

Equity

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

31 Financial instruments (continued)

31c Financial instrument carrying values

	2020 £000	Reclassified 2019 £000
Financial assets that are debt instruments measured at amortised cost		
Finance debtor	**40,738**	42,028
Loans to limited liability partnership	**49,574**	44,970
Trade and rent debtors	**17,690**	18,547
Liquidity funds	**3,062**	3,061
Other grants receivable	**-**	226
Other debtors	**3,013**	503
	114,077	109,335
Financial assets that are equity instruments measured at cost less impairment		
Investment in joint venture	**2,734**	2,360
	2,734	2,360
Financial liabilities measured at fair value through profit or loss		
Derivative financial instruments held to manage interest rates - Interest rate swaps	**(27,092)**	(19,425)
	(27,092)	(19,425)
Financial liabilities measured at amortised cost		
Guaranteed fixed rate secured bonds	**(390,657)**	(333,543)
Fixed rate loans	**(350,420)**	(367,802)
Hedged floating rated loans classified as fixed rated loans	**(146,848)**	(150,771)
Floating rated loans	**(180,199)**	(107,890)
Convertible financial instruments	**(460)**	(460)
Disposal proceeds fund	**(473)**	(472)
Recycled capital grant fund	**(3,528)**	(3,444)
Trade and rent creditors	**(11,729)**	(13,683)
Accruals	**(27,545)**	(34,344)
Other creditors	**(3,216)**	(2,958)
	(1,115,075)	(1,015,367)
Loan commitments measured at cost less impairment		
Undrawn committed borrowings	**174,500**	173,204
Carrying value of undrawn committed borrowings	**-**	-

The group's borrowing from MORhomes have been reclassified into its constituent parts being made up of a fixed rate loan and a convertible financial instrument.

The above loan commitments are not recognised in the association's financial statements.

Methods and assumptions used in the assessment of fair values

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

31d Interest rate profile of borrowings

	2020 £000	Reclassified 2019 £000
Group's borrowings comprise:		
Guaranteed fixed rate secured bonds	**360,000**	320,000
Convertible financial instruments	**460**	460
MORhomes fixed rate loans	**39,540**	39,540
Affordable housing finance fixed rated loans	**150,000**	150,000
Fixed rate loans	**165,261**	177,886
Hedged floating rated loans classified as fixed rated loans	**146,848**	150,771
Floating rate loans	**180,199**	107,890
Recycled capital grant fund	**3,528**	3,444
Disposal proceeds fund	**473**	472
	1,046,309	950,463

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

	2020		Reclassified 2019	
	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Weighted average period for which rate is fixed Years
At 31 March				
Guaranteed fixed rate secured bonds	**4.50**	**23.70**	4.50	24.70
Convertible financial instruments	**3.70**	**17.90**	3.70	18.90
Fixed rated loans	**3.67**	**14.14**	3.58	14.69

The prior year fixed rate loan weighted average years has been restated to 14.69 years from 14.31 years.

31e Maturity of borrowings

The maturity profile of the principal value of the association's loans, as shown in note 31d, is:

	2020			2019		
	Repayment			Repayment		
	By instalments £000	Not by instalments £000	Total £000	By instalments £000	Not by instalments £000	Total £000
0 - 1 years	**18,158**	-	**18,158**	12,942	1,927	14,869
1 - 2 years	**21,299**	-	**21,299**	16,989	1,139	18,128
2 - 5 years	**101,939**	-	**101,939**	96,638	851	97,489
Over 5 years	**431,951**	**472,962**	**904,913**	387,015	432,962	819,977
	573,347	**472,962**	**1,046,309**	513,584	436,879	950,463

The repayment profile is based on loan documentation and considering the impact of undrawn facilities.

The above borrowings are secured against the association's social housing properties. The value of the secured properties is £1,554.4 million (2019: £1,257.9 million). At 31 March 2020 properties valuing £192.5 million (2019: £281.3 million) were unsecured and available to be secured.

31 **Financial instruments** (continued)

31f Hedge accounting

Hedging instrument	**2020**						
	Principal £000	**Interest rate payable %**	**Maturity**	**Cash flows**	**Fair value £000**	**Charge / (credit) to OCI £000**	**Credit to profit or loss £000**
Barclays swaps	**36,903**	**3.80**	**2034**	**Monthly**	**(8,748)**	**2,387**	**-**
Credit Suisse swap	**32,500**	**2.97**	**2031**	**Monthly**	**(4,543)**	**848**	**-**
Credit Suisse swap	**50,000**	**2.26**	**2022**	**Monthly**	**(2,037)**	**(64)**	**-**
Notting Hill swap	**8,000**	**2.96**	**2038**	**Half yearly**	**(3,208)**	**1,218**	**-**
Notting Hill swap	**22,000**	**2.85**	**2037**	**Quarterly**	**(8,556)**	**3,277**	**-**
	149,403				**(27,092)**	**7,666**	**-**

Hedging instrument	2019						
	Restated Principal £000	Interest rate payable %	Maturity	Cash flows	Fair value £000	Charge / (credit) to OCI £000	Credit to profit or loss £000
Barclays swaps	38,329	3.80	2034	Monthly	(6,361)	586	-
Credit Suisse swap	32,500	2.97	2031	Monthly	(3,695)	75	-
Credit Suisse swap	50,000	2.26	2022	Monthly	(2,101)	(35)	-
Notting Hill swap	8,000	2.96	2038	Half yearly	(1,990)	217	-
Notting Hill swap	22,000	2.85	2037	Quarterly	(5,278)	651	-
	150,829				(19,425)	1,494	-

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

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

The principal on the Barclay swaps relating to Silbury Housing Limited for the prior year have been restated to £38.3 million from £39.7 million but this does not impact the fair value at that date.

32 Pension obligations

Group pension schemes

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

There are six defined benefit schemes:

- Wiltshire Pension Scheme (closed to new members);
- Hampshire County Council Pension Scheme (closed to new members);
- Somerset County Council Pension Scheme (closed to new members);
- Dorset County Council Pension Scheme (closed to new members);
- Social Housing Pension Scheme ('SHPS') final salary defined benefit scheme (closed 31 March 2020); and
- SHPS career average of earnings scheme (CARE);

and two defined contribution ('stakeholder') schemes:

- SHPS defined contribution scheme;
- Friends Provident defined contribution scheme (closed 31 March 2020).

The SHPS defined benefit final salary scheme and SHPS defined benefit CARE 1/60th scheme were closed on 31 March 2020. Members were automatically transferred to the SHPS defined benefit CARE 120th scheme but could opt to be transferred to the SHPS defined contribution scheme.

The Friends Provident scheme closed on 31 March 2020. Members were transferred to the SHPS defined contribution scheme.

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

The pension cost to the group for the year ended 31 March 2020 was £4.2 million (2019: £3.1 million) in respect of 1,276 (2019 restated: 1,134) employees.

The group makes scheduled contribution payments throughout the year to reduce the pension liability deficit.

Summary of movements and balances in funding

	Note	2020 Total cost by scheme £000	Total interest on net pension liability by scheme £000	Actuarial gains / (losses) in pension scheme £000	Pension deficit £000
County pension schemes					
Wiltshire	32a	**223**	**63**	**1,062**	**(1,713)**
Wiltshire asset ceiling	32a	**-**	**-**	**(561)**	**(561)**
Hampshire	32a	**40**	**60**	**(1,090)**	**(2,691)**
Hampshire - unfunded	32a	**-**	**10**	**(10)**	**(430)**
Somerset	32a	**260**	**211**	**1,467**	**(7,158)**
Dorset	32a	**689**	**329**	**900**	**(13,139)**
SHPS					
Defined benefit scheme	32b	**1,612**	**340**	**7,549**	**(6,731)**
Defined contribution scheme	32b	**1,381**	**-**	**-**	**-**
Friends Provident		**7**	**-**	**-**	**-**
		4,212	**1,013**	**9,317**	**(32,423)**

	Note	2019 Total cost by scheme £000	Total interest on net pension liability by scheme £000	Actuarial gains / (losses) in pension scheme £000	Pension deficit £000
County pension schemes					
Wiltshire	32a	217	71	(160)	(3,019)
Wiltshire asset ceiling	32a	-	-	(45)	(45)
Hampshire	32a	40	100	780	(2,890)
Hampshire - unfunded	32a	-	10	-	(430)
Somerset	32a	198	250	588	(9,482)
Dorset	32a	530	387	1,539	(14,394)
SHPS					
Defined benefit scheme	32b	1,153	321	(2,355)	(14,755)
Initial recognition of defined benefit scheme	32b	-	-	(6,655)	-
Defined contribution scheme	32b	938	-	-	-
Friends Provident		14	-	-	-
		3,090	1,139	(6,308)	(45,015)

32 **Pension obligations** (continued)

Local government pension scheme

An allowance has been made for the recent Court of Appeal judgement in relation to the McCloud & Sargeant cases which relate to age discrimination within the Judicial & Fire Pension schemes respectively. On 27 June 2019 the Supreme Court denied the Government's request for an appeal, and on 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service schemes, including the LGPS.

The estimated impact on the total liabilities at 31 March 2020 has been allowed for as a past service cost and has resulted in a slight increase in the defined benefit obligation as at 31 March 2020. The projected service cost has also increased as a result of this additional allowance.

It should be noted that this adjustment is an estimate of the potential impact on the defined benefit obligation based on analysis carried out by the Government Actuary's Department and the liability profile. It is not yet clear how this judgement may affect LGPS members' past or future service benefits.

The directors have considered the potential impact of the McCloud case on the group and associations defined benefit liability as at 31 March 2020. With the exception of the past service cost, no additional liability has been recognised given the profile of the scheme members and assuming a very cautious outcome on the LGPS scheme liability (gross obligation: £102.6 million; 2019: £111.3 million) the directors are satisfied that when fully accounted in the financial statements the impact will not be material to the group or group financial statements as at 31 March 2020.

The Ministry of Housing, Communities and Local Government (MHCLG) has announced a consultation to change the basis of the calculation for the impact of the McCloud judgement on the beneficiaries to LGPS. Following the completion of the consultation there is likely to be a change to the pension liability however due to insufficient information available at the time signing the accounts a reliable estimate cannot be made of the impact. Any changes resulting from the consultation will be reflected in the pension liability at 31 March 2021.

32a Local government pension funds

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

As at the balance sheet date active members of the scheme employed by group and the annual pensionable payroll in respect of these members was:

	2020		2019	
	Active Members No.	Annual pensionable payroll £000	Active Members No.	Annual pensionable payroll £000
Dorset County Council Pension Fund	**35**	**1,229**	41	1,300
Hampshire County Council Pension Fund	**2**	**83**	3	122
Somerset County Council Pension Fund	**14**	**457**	14	436
Wiltshire Pension Fund	**12**	**459**	15	530

The funds are 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.

Each scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 31 March 2020. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard No. 102 section 28 – Employee Benefits are stated below. The actuary has used the projected unit credit method of valuation.

The last triennial valuation was performed on 31 March 2019 and the results have been incorporated into the financial statements for 2020.

The next triennial valuation is due to be carried out on 31 March 2022 and the results for this will be incorporated into the financial statements for 2023.

The information in the financial statements relating to the valuation of the pensions scheme's assets and liabilities has been prepared by the scheme's actuaries:

Pension Fund:	Actuary:
Dorset County Council Pension Fund	Barnett Waddingham
Hampshire County Council Pension Fund	Hewitt Associates Limited
Somerset County Council Pension Fund	Barnett Waddingham
Wiltshire Pension Fund	Hymans Robertson LLP

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

32 **Pension obligations** (continued)

32a **Local government pension funds** (continued)

	Dorset	Hampshire County Council - Funded	Hampshire County Council - Unfunded	Somerset County Council	Wiltshire
Financial assumptions	31 MARCH 2020				
	%p.a.	%p.a.	%p.a.	%p.a.	%p.a.
Price increases - RPI	2.0	2.7	2.7	n/a	1.9
Price increases - CPI	n/a	2.1	2.1	n/a	1.9
Pension increases	2.0	2.1	n/a	1.9	1.9
Salary increases	3.0	3.1	n/a	2.9	2.3
Discount rate	2.4	2.3	2.3	2.4	2.3
Mortality	31 MARCH 2020				
	years	years	years	years	years
Current pensioners					
Females	24.7	25.5	25.5	24.7	24.0
Males	23.3	23.0	23.0	23.3	21.7
Future pensioners					
Females	26.2	27.2	n/a	26.2	25.5
Males	24.7	24.7	n/a	24.7	22.5
Fair value of plan assets	31 MARCH 2020				
	£000	£000	£000	£000	£000
Equities	14,584	6,821	n/a	8,702	13,645
Gilts	3,468	2,750	n/a	765	-
Debt instruments	1,801	-	n/a	-	-
Bonds	2,271	-	n/a	1,270	6,823
Property	3,146	908	n/a	1,102	2,822
Diversified Growth Fund	3,084	-	n/a	-	-
Other	-	2,050	n/a	-	-
Cash	695	1,098	n/a	688	235
	29,049	13,627	n/a	12,527	23,525
Asset ceiling adjustment	-	-	n/a	-	(850)
	29,049	13,627	n/a	12,527	22,675
Cost recognised as an expense	31 MARCH 2020				
	£000	£000	£000	£000	£000
Current service cost	665	40	n/a	252	223
Interest costs	1,069	390	10	500	666
Expected return on assets employed	(740)	(330)	n/a	(289)	(603)
Administration expenses	24	-	n/a	8	-
	1,018	100	10	471	286
Return on plan assets	(1,861)	(730)	n/a	172	(1,346)

	Dorset	Hampshire County Council - Funded	Hampshire County Council - Unfunded	Somerset County Council	Wiltshire
Financial assumptions	31 MARCH 2019				
	%p.a.	%p.a.	%p.a.	%p.a.	%p.a.
Price increases - RPI	2.4	3.3	3.3	n/a	n/a
Price increases - CPI	n/a	2.2	2.2	n/a	n/a
Pension increases	2.4	2.2	n/a	2.5	2.5
Salary increases	3.9	3.7	n/a	4.0	2.8
Discount rate	2.4	2.4	2.4	2.4	2.4

Mortality	31 MARCH 2019				
	years	years	years	years	years
Current pensioners					
Females	24.8	26.1	26.1	24.0	24.9
Males	22.9	23.3	23.3	22.9	22.5
Future pensioners					
Females	26.6	27.8	n/a	25.8	26.7
Males	24.6	24.9	n/a	24.6	24.1

Fair value of plan assets	31 MARCH 2019				
	£000	£000	£000	£000	£000
Equities	15,596	8,422	n/a	8,180	17,970
Gilts	3,988	3,074	n/a	665	-
Debt instruments	1,413	-	n/a	-	-
Bonds	2,179	704	n/a	1,069	3,544
Property	3,355	1,029	n/a	1,019	3,290
Diversified Growth Fund	3,283	-	n/a	-	-
Other	-	-	n/a	-	-
Cash	923	311	n/a	771	506
	30,737	13,540	n/a	11,704	25,310
Asset ceiling adjustment	-	-	n/a	-	(289)
	30,737	13,540	n/a	11,704	25,021

Cost recognised as an expense	31 MARCH 2019				
	£000	£000	£000	£000	£000
Current service cost	506	40	n/a	191	217
Interest costs	1,146	420	10	539	687
Expected return on assets employed	(759)	(320)	n/a	(289)	(616)
Administration expenses	24	-	n/a	7	-
	917	140	10	448	288
Return on plan assets	1,349	1,190	n/a	596	1,962

32 **Pension obligations** (continued)

32a **Local government pension funds** (continued)

Reconciliation of scheme liabilities	Dorset	Hampshire County Council - Funded	Hampshire County Council - Unfunded	Somerset County Council	Wiltshire
	31 MARCH 2020				
	£000	£000	£000	£000	£000
Opening defined benefit obligation	45,131	16,430	430	21,186	28,085
Current service cost	474	30	-	181	205
Past service cost	191	10	-	71	18
Interest cost	1,069	390	10	500	666
Contributions by members	83	10	-	35	34
Actuarial losses / (gains)	(3,501)	30	10	(1,584)	(3,011)
Estimated benefits paid	(1,252)	(582)	(20)	(704)	(1,039)
Estimated unfunded benefits paid	(7)	-	-	-	(9)
Closing defined benefit obligation	42,188	16,318	430	19,685	24,949

Reconciliation of fair value of employer assets	31 MARCH 2020				
	£000	£000	£000	£000	£000
Opening fair value of employer assets	30,737	13,540	-	11,704	25,021
Expected return on assets	740	330	-	289	603
Contributions by members	83	10	-	35	34
Contributions by employers	1,373	1,387	-	1,328	566
Administration expenses	(24)	-	-	(8)	-
Return on assets less interest	(2,513)	-	-	1	-
Unfunded contributions	-	-	-	-	9
Actuarial (losses) / gains	(88)	(1,060)	-	(118)	(1,949)
Benefits paid	(1,259)	(580)	-	(704)	(1,039)
Unfunded benefits paid	-	-	-	-	(9)
Closing fair value of employer assets	29,049	13,627	-	12,527	23,236
Asset ceiling adjustment	-	-	-	-	(561)
Closing fair value of scheme assets recognised in financial statements	29,049	13,627	-	12,527	22,675
Net Pension deficit	(13,139)	(2,691)	(430)	(7,158)	(2,274)

Projected pension expense for the year to **31 MARCH 2021**	31 March 2021				
	£000	£000	£000	£000	£000
Funded benefits					
Projected current service cost	438	30	-	162	175
Interest on obligation	305	70	-	165	565
Expected return on plan assets	-	-	-	-	(536)
Administration expenses	23	-	-	8	-
	766	100	-	335	204
Unfunded benefits	-	-	10	-	-
Interest on obligation	-	-	10	-	-

Reconciliation of scheme liabilities	Dorset	Hampshire County Council - Funded	Hampshire County Council - Unfunded	Somerset County Council	Wiltshire
	31 MARCH 2019				
	£000	£000	£000	£000	£000
Opening defined benefit obligation	45,484	16,360	440	21,484	26,364
Current service cost	506	40	-	172	217
Past service cost	-	-	-	19	-
Interest cost	1,146	420	10	539	687
Contributions by members	85	10	-	29	37
Actuarial losses / (gains)	(949)	90	-	(281)	1,506
Estimated benefits paid	(1,134)	(490)	(20)	(776)	(717)
Estimated unfunded benefits paid	(7)	-	-	-	(9)
Closing defined benefit obligation	45,131	16,430	430	21,186	28,085

Reconciliation of fair value of employer assets	31 MARCH 2019				
	£000	£000	£000	£000	£000
Opening fair value of employer assets	30,089	12,110	-	11,531	23,200
Expected return on assets	759	320	-	289	616
Contributions by members	85	10	-	29	37
Contributions by employers	379	720	-	331	584
Administration expenses	(24)	-	-	(7)	-
Return on assets less interest	590	-	-	307	-
Unfunded contributions	-	-	-	-	9
Actuarial (losses) / gains	-	870	-	-	1,346
Benefits paid	(1,141)	(490)	-	(776)	(717)
Unfunded benefits paid	-	-	-	-	(9)
Closing fair value of employer assets	30,737	13,540	-	11,704	25,066
Asset ceiling adjustment	-	-	-	-	(45)
Closing fair value of scheme assets recognised in financial statements	30,737	13,540	-	11,704	25,021
Net Pension deficit	(14,394)	(2,890)	(430)	(9,482)	(3,064)

32 Pension obligations (continued)

32b The Social Housing Pension Scheme

The group participates in the Social Housing Pension Scheme ("the 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;
- Final salary with a 1/70th accrual rate; and
- Career average revalued earnings (CARE) with a 1/60th accrual rate.

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; and
- 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.

In February 2014, Aster Group introduced a career average revalued earnings (CARE) with a 1/120th accrual rate which closed to new starters in June 2019.

The SHPS defined benefit final salary scheme and SHPS defined benefit CARE 1/60th scheme were closed on 31 March 2020. Members were automatically transferred to the SHPS defined benefit CARE 120th scheme but could opt to be transferred to the SHPS defined contribution scheme.

SHPs defined benefit scheme

Aster Group participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2017. This showed assets of £4,553 million, liabilities of £6,075 million and a deficit of £1,522 million. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme.

Reconciliation of opening and closing Social Housing Pension scheme recovery plan liability

	2019 £000
At 1 April	5,965
Derecognition of Social Housing Pension scheme recovery plan liability	(5,965)
At 31 March	-

SHPS defined benefit pension plan – change of accounting policy

SHPS is a multi-employer scheme which provides benefits to non-associated employers. The scheme is classified as a defined benefit scheme. At 31 March 2018 it was not possible for the group to obtain sufficient information to account for the liability on a full FRS 102 valuation basis so it was accounted for as a defined contribution scheme where the net present value of the deficit contributions were recognised in the accounts as creditors falling within and more than one year.

As a result of additional information, SHPS are now able to split the pension liability by employer which has resulted in the scheme liability being accounted for adopting a full FRS 102 valuation at 31 March 2019. In accordance with FRED 71, no restatement of prior year figures has been made in these accounts. A reconciliation between the closing liability at 31 March 2018 and the opening provision at 1 April 2018 is shown below.

	2019 £000
SHPS recovery plan liability - 31 March	5,965
Derecognition of SHPS recovery plan liability via other comprehensive income	(5,965)
Recognition of SHPS net pension liability via other comprehensive income	12,620
SHPS net pension liability – 1 April	12,620

In October 2018 the High Court published its judgement on the case of Lloyds Banking Group and the equalisation of Guaranteed Minimum Pensions ('GMP'). This has consequently been assessed against the Group's defined benefit schemes. The impact of GMP Equalisation in respect of the SHPs pension scheme have been recognised in the year.

As at the balance sheet date there were 175 (2019: 160) active members of the scheme employed by Aster Communities, Aster Living, Aster Property Limited and Aster Group Limited (the Association). The annual pensionable payroll in respect of these members was £6.6 million (2019: £6.5 million).

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

The scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 31 March 2020. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard No. 102 section 28 – Employee Benefits are stated below. The actuary has used the projected unit credit method of valuation.

The last triennial valuation was performed on 30 September 2017 and the results have been incorporated into the financial statements for 2019.

The next triennial valuation will be carried out on 30 September 2020 and the results for this will be incorporated into the financial statements for 2021.

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

The Social Housing Pension Scheme defined contribution scheme

The scheme is administered by the Pensions Trust. It is open to all members of staff and is the pension scheme for auto-enrolment. The company paid contributions between 4% and 10% (2019: 2.5% and 10%) and employees paid contributions from 3% (2019: from 2.5%). On retirement, funds or units earned can be converted into a pension with the Trust, or used to secure a pension with another provider. At 31 March 2020 there were 1,038 (2019 restated: 901) active members of the scheme.

32 **Pension obligations** (continued)

32b **The Social Housing Pension Scheme** (continued)

The Social Housing Pension Scheme defined benefit scheme

Financial assumptions

	31 MARCH 2020 %p.a.	31 MARCH 2019 %p.a.
Price increases - RPI	**2.5**	3.3
Price increases - CPI	**1.5**	2.3
Salary increases	**2.5**	3.3
Discount rate	**2.3**	2.4

Mortality

	31 MARCH 2020 years	31 MARCH 2019 years
Current pensioners		
Females	**23.3**	23.5
Males	**21.5**	21.8
Future pensioners		
Females	**24.5**	24.7
Males	**22.9**	23.2

Fair value of plan assets

	31 MARCH 2020 £000	31 MARCH 2019 £000
Absolute Returns	**2,297**	3,567
Global Equity	**6,444**	6,937
Liability Driven Investment	**14,622**	15,077
Property and Infrastructure	**5,010**	3,696
Investments	**5,537**	4,582
Sharing and Alterative Premia Risk	**4,569**	3,623
Emerging Market and Private debt	**2,223**	1,975
Other	**3,356**	1,768
	44,058	41,225

Cost recognised as an expense

	31 MARCH 2020 £000	31 MARCH 2019 £000
Current service cost	**1,560**	1,100
Interest costs	**340**	321
Administration expenses	**52**	53
	1,952	1,474
Return on plan assets	**1,008**	2,360

Reconciliation of defined benefit obligation

	2020 £000	2019 £000
Opening defined benefit obligation	**55,980**	50,232
Current service cost	**1,560**	1,100
Contributions by scheme participants	**279**	676
Expenses	**52**	53
Interest expense	**1,340**	1,314
Actuarial (gain) / losses	**(7,541)**	3,722
Benefits paid and expenses	**(881)**	(1,117)
Closing defined benefit obligation	**50,789**	55,980

Reconciliation of fair value of scheme assets

	2020 £000	2019 £000
Opening fair value of scheme assets	**41,225**	37,612
Interest income	**1,000**	993
Actuarial gains	**8**	1,367
Contributions by the employer	**2,427**	1,694
Contributions by scheme participants	**279**	676
Benefits paid and expenses	**(881)**	(1,117)
Closing fair value of scheme assets	**44,058**	41,225
Net pension liability	**6,731**	14,755

33 Other provisions

	2020		
	Redundancy £000	Other £000	Total £000
At 1 April	**37**	**654**	**691**
Utilised during the year	**(37)**	**(33)**	**(70)**
At 31 March	**-**	**621**	**621**

	2019		
	Redundancy £000	Other £000	Total £000
At 1 April	678	1,850	2,528
Additions during the year	6	304	310
Utilised during the year	(647)	(1,500)	(2,147)
At 31 March	37	654	691

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

34 Called up share capital

	2020 £	2019 £
Ordinary shares allotted, issued and fully paid of £1 each		
At 1 April	**7**	7
Issued during the year	**1**	3
Cancelled during the year	**(2)**	(3)
At 31 March	**6**	7

35 Other reserves

	Revaluation reserve £000	Restricted reserve £000	Cash flow hedge reserve £000	Merger reserve £000	Total £000
At 1 April 2019	399,582	208	(19,425)	-	380,365
Revaluation surplus realised on disposals	(4,348)	-	-	-	(4,348)
Effective cash flow hedge fair value movements	-	-	(7,666)	-	(7,666)
Transfer from profit and loss reserve to restricted and merger reserves	-	87	-	462	549
At 31 March 2020	395,234	295	(27,091)	462	368,900

Revaluation reserve
Prior to transition to FRS 102, on 1 April 2014, the group's social housing properties were revalued each year. The revaluation reserve represents the increases in value of properties held at this date. On transition to FRS 102 the group moved to recognising its social housing at deemed cost and no longer recorded increases in social housing property valuation.

Restricted reserve
The restricted reserve consists of the sales proceeds of some properties where the local council required the group to retain a portion of the proceeds. The reserve can only be used to fund investments in properties in the Mendip area, in agreement with Mendip District Council.

The additions to restricted reserve represents the cash received as part of transfer of assets and operations from Soroptimist (Poole) Housing group in 2018 and King Alfred Housing group Limited in 2019. In accordance with the agreement made, this is restricted to being utilised on, or for the benefit of, the respective properties and their residents.

Cash flow hedge reserve
The cash flow hedge reserve is used to record the effective transactions from the group's cash flow hedging arrangements.

Merger reserve
On 10 March 2020 the assets and operations of The Cyril Wood Memorial Trust Limited were transferred to East Boro Housing Trust Limited for proceeds of £Nil. The transaction has been treated as a group reconstruction in accordance with FRS 102 and the Housing SORP the assets acquired have been recognised at their net book value in the merger reserve.

36 Capital commitments

	2020 £000	2019 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**306,449**	243,274
Capital expenditure that has been authorised by the board but has not yet been contracted	**54,381**	167,189
	360,830	410,463

These commitments will be funded through a mixture of cash and committed borrowings. The group's available committed borrowings are set out in note 31c.

37 Joint venture commitments

	2020 £000	2019 £000
Capital expenditure that has been contracted for within the group's joint ventures but has not been provided for in the financial statements	**89,167**	119,640

The capital expenditure represents 100% of the joint venture commitments of which 50% is attributable to the group.

38 Operating leases

	2020 £000	2019 £000
The group has total commitments under non-cancellable operating leases due to expire as follows:		
Land and buildings		
Not later than one year	**109**	59
Later than one but not later than five years	**348**	134
Later than five years	**1,034**	394
Office premises		
Not later than one year	**371**	292
Later than one but not later than five years	**1,050**	1,105
Later than five years	**1,438**	1,599
Office equipment		
Not later than one year	**22**	10
Later than one but not later than five years	**17**	28
Later than five years	**-**	-
	4,389	3,621

39 Homes and bed spaces in management and in development

	2020 No.	2019 No.
Under development at end of year:		
Housing accommodation	**1,292**	1,061
Shared ownership	**909**	739
Open market sale	**-**	25
	2,201	1,825
Under management at end of year:		
Owned and managed by the group:		
Housing accommodation		
Social rent	**19,292**	19,281
Affordable rent	**3,665**	3,250
Supported housing		
Social rent	**4,002**	3,575
Affordable rent	**69**	70
Shared ownership	**2,888**	2,505
Market rented	**95**	95
Leasehold	**1,508**	1,491
Temporary Social Housing	**143**	147
	31,662	30,414
Not owned but managed by the group:		
Housing accommodation		
Social rent	**244**	248
Leasehold	**2**	2
Temporary Social Housing	**39**	33
	285	283
Owned but managed by others at the end of the year:		
Housing accommodation		
Social rent	**69**	69
Care homes	**23**	25
	92	94
	32,039	30,791

The above table consists of:

	2020 No.	2019 No.
Homes	**32,016**	30,768
Bed spaces	**23**	23
	32,039	30,791

40 Contingent liabilities

Aster Group Limited

East Boro Housing Trust Limited and East Boro Housing Services Limited joined the group on 31 March 2020. Net assets with a fair value of £14.0 million were received for nil consideration. This value included original government grant funding of £11.1 million which, through fair-value adjustments, was reduced to zero. However, the group has an obligation to recycle this grant in accordance with the original grant funding terms and conditions in the event of the related housing properties being disposed of. The grant funding is not included as a liability on the group's balance sheet.

Aster Communities

Aster Communities has entered into a service concession arrangement contract (previously known as a private finance initiative contract) with Wiltshire Council. The 242 properties covered by the contract are available for occupation and the costs of construction have been transferred to a finance debtor that is recovered over the contract period on an annuity basis.

Wiltshire Council holds an option to purchase the properties at the end of the contract period in 2034 at price equal to the existing use valuation – social housing (EUV-SH) of the properties less 40% of the 'authority residual value overage share' (ARVOS). ARVOS is the difference between the EUV-SH and the terminal debt of £12.9 million, providing EUV-SH is greater than the terminal debt. If EUV-SH is less than the terminal debt there is no ARVOS. If Wiltshire Council does not take up this option Aster Communities can purchase the properties. If this happens Aster Communities will repay the terminal debt balance of £12.9 million. Aster Communities will then pay Wiltshire Council 40% of ARVOS, providing the properties EUV-SH is greater than the terminal debt. As it is unknown whether or not Wiltshire Council will opt to purchase the properties at the end of the contract the group has not recorded a related liability for this transaction at 31 March 2020 or 31 March 2019.

Synergy Housing Limited

In 2018 Synergy Housing Limited entered into a stock transaction with another social landlord. Housing properties with a fair value of £1.3 million were received in exchange for a cash payment of £1.3 million. This value includes original government grant funding of £431,000 which has an obligation to be recycled in accordance with the original grant funding terms and conditions. The association is responsible for the recycling of the grant in the event of the housing properties being disposed of. The grant funding is not included as a liability on the group's balance sheet.

Aster Homes Limited

At the time of entering into contracts, the vendors of the three large joint venture development sites with deferred payment terms required a parent company guarantee, that would only be applicable in the event of the JV defaulting on payment. Vistry Homes Limited, a joint venture partner of Aster Homes Limited, have provided the guarantee. Aster Homes Limited agreed, through a deed of contribution entered into at site acquisition, to honour their 50% share of this guarantee. At 31 March 2020, this contingent liability was £9,000 (2019: £3.3 million) for Aster Homes Limited relating to Boorley Green LLP.

41 Related party transactions

Aster Group Limited provides management and other services to all group companies under the terms of documented service level agreements. The group has taken advantage of the exemption allowed under Section 33 Related Party Disclosures of FRS 102 not to disclose related party transactions with wholly owned subsidiaries within the group. These have been eliminated on consolidation in the group's financial statements. Set out below are other transactions that require disclosure under FRS 102:

a) Bjorn Howard, who is an executive director of Aster Group Limited and member of the Executive Board, has a related party working within the group; the party related to Mr Howard is a member of the Executive Board. This related party operates independently from Mr Howard and does not directly report to him. He has no direct influence over the related party's remuneration package, which is in line with other staff in similar positions within the group. All transactions between the related party and the group are included within these financial statements.

b) Aster Homes Limited is party to limited liability partnerships, White Rock Land LLP; Boorley Green LLP and Kilnwood Vale LLP, with Vistry Homes Limited. These LLPs develop and sell properties for social and private housing. Aster Homes Limited entered into the following transactions during the year with the LLP partnerships:

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

Scheme	**2020**		2019			
	Accrued interest receivable £000	**Loan value £000**	Accrued interest receivable £000	Loan value £000	Interest rate %	Latest repayment date
White Rock	**1,321**	**1,379**	1,211	3,871	3.5 plus base*	31 March 2021
Tithe Barn	**3,348**	**13,225**	2,820	11,636	4.0 plus base*	31 December 2021
Boorley Green	**2,712**	**17,497**	1,828	15,962	4.0 plus base*	1 July 2026
Kilnwood Vale	**596**	**9,496**	237	7,405	3.5 plus base*	1 July 2028
	7,977	**41,597**	6,096	38,874		

* base rate was 0.1 - 0.75% for the year (2019: 0.5 - 0.75%).

The loans made to White Rock Land LLP (White Rock and Tithe Barn schemes); Boorley Green LLP and Kilnwood Vale LLP are secured against the land and properties being developed.

	2020			
	White Rock Land LLP £000	**Boorley Green LLP £000**	**Kilnwood Vale LLP £000**	**Total £000**
Income	**20,895**	**21,773**	**1,405**	**44,073**
Expenditure	**(21,195)**	**(20,253)**	**(1,877)**	**(43,325)**
Profit	**(300)**	**1,520**	**(472)**	**748**
50% share of profit	**(150)**	**760**	**(236)**	**374**
Loan interest	**639**	**902**	**359**	**1,900**
Loan balance	**19,300**	**20,200**	**10,100**	**49,600**
Dividend	**-**	**-**	**-**	**-**

	2019			
	White Rock Land LLP £000	Boorley Green LLP £000	Kilnwood Vale LLP £000	Total £000
Income	15,100	21,600	-	36,700
Expenditure	(14,100)	(19,700)	(500)	(34,300)
Profit	1,000	1,900	(500)	2,400
50% share of profit	500	950	(250)	1,200
Loan interest	718	807	237	1,762
Loan balance	19,500	17,800	7,600	44,900
Dividend	18	-	-	18

White Rock Land LLP's, Boorley Green LLP's and Kilnwood Vale LLP's principal place of business is:
11 Tower View, Kings Hill, West Malling, Kent ME19 4UY

41 Related party transactions (continued)

The group has a number of pension schemes for the benefit of its employees and all these schemes and any transactions and outstanding balances are detailed in note 32. The Aster Group has taken advantage of the exemption allowed under FRS 102 Section 33 'Related Party Disclosures' not to disclose related party transactions with other wholly owned entities within the group that are eliminated on consolidation.

The Accounting Direction for Private Registered Providers of Social Housing requires disclosure of the material recharges for services between non-regulated and regulated entities. These are:

From non-regulated entity	To regulated entity	Nature of supply	Annual recharges 2020 £000	Annual recharges 2019 £000	Balance as at 31 MARCH 2020 £000	Balance as at 31 MARCH 2019 £000
Aster Property Limited	Aster Communities	Property maintenance services	**47,657**	41,832	**4,882**	5,226
Aster Property Limited	Synergy Housing Limited	Property maintenance services	**24,843**	21,350	**2,209**	2,189
Aster Property Limited	Aster 3 Limited	Property maintenance services	**659**	482	**151**	43
Aster Property Limited	Aster Group Limited	Facility management services	**1,125**	1,213	**56**	90
Aster Homes Limited	Aster Communities	Property development services	**59,766**	59,724	**5,380**	5,974
Aster Homes Limited	Synergy Housing Limited	Property development services	**26,983**	28,746	**1,678**	1,780
Aster Homes Limited	Aster 3 Limited	Property development services	**8,638**	135	**54**	105
Aster Living	Aster Communities	Site management services	**742**	593	**(70)**	38
Aster Living	Synergy Housing Limited	Site management services	**763**	705	**51**	215
Silbury Housing Limited	Aster Communities	Site management services	**658**	639	**5**	-
Aster Solar Limited	Aster Communities	Supply of photovoltaic panels	**5**	7	**-**	3

From regulated entity	To non-regulated entity	Nature of supply	Annual recharges 2020 £000	Annual recharges 2019 £000	Balance as at 31 MARCH 2020 £000	Balance as at 31 MARCH 2019 £000
Aster Group Limited	Aster Property Limited	Management and other services	**1,548**	1,318	**(56)**	(90)
Aster Group Limited	Aster Homes Limited	Management and other services	**4,821**	4,540	**3,992**	2,992
Aster Group Limited	Aster Living	Management and other services	**212**	616	**26**	(441)
Aster Group Limited	Silbury Housing Limited	Management and other services	**259**	252	**22**	21
Aster Group Limited	Aster Solar Limited	Management and other services	**7**	25	**1**	1

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

42 Acquisition of East Boro Housing Trust Limited and East Boro Housing Services Limited

East Boro Housing Trust Limited (EBHT) and East Boro Housing Services Limited (EBHS) joined the group on 31 March 2020 and have been recognised as a non-exchange transaction. The fair values of the assets and liabilities have been recognised in the Consolidated Statement of Financial Position and a gain of £14.0 million has been recognised in the Consolidated Statement of Comprehensive Income. Intra-group transactions have been eliminated on consolidation. The addition of East Boro Housing to the group are summarised as follows:

Assets and liabilities acquired in the year:	2020			
	EBHT & EBHS £000	Fair value adjustment £000	Grant liability adjustment £000	Total £000
Fixed assets				
Property, plant and equipment (social housing)	28,745	(9,165)	-	19,580
Other Fixed Assets	193	-	-	193
	28,938	(9,165)	-	19,773
Current assets				
Shared ownership properties held for resale	650	-	-	650
Cash and cash equivalents	725	-	-	725
Other debtors	615	-	-	615
	1,990	-	-	1,990
Creditors: amount failing due within one year	(2,273)	-	124	(2,149)
Net current assets	(283)	-	124	(159)
Loans repayable	(5,601)	-	-	(5,601)
Other Creditors: amounts failing due after more that one year	(11,017)	-	11,017	-
Net assets	12,037	(9,165)	11,141	14,013

Amounts recognised in the Consolidated Statement of Comprehensive Income:	2020
	Total £000
Gain on acquisition	14,013

43 Key management compensation

	2020 £000	2019 £000
Salaries and short-term benefits	1,255	1,159
Non-executive directors' fees	199	199
Post-employment benefits	96	81
	1,550	1,439
Of which:		
Executive directors - Group Overlap Boards	793	665
Non-executive directors - Group Overlap Boards	142	131
Non-executive directors - Subsidiaries, members of committees and the Customer and Community Network	57	68
Executive board members	558	575
	1,550	1,439

The value of the executive directors' and board's benefits in kind have been included in the salaries and short-term benefits figure.

Association's Statement of
Comprehensive Income

for the year ended **31 MARCH 2020**

	Note	2020 £000	2019 £000
Turnover	5	**24,268**	21,336
Operating expenditure	5	**(22,083)**	(21,894)
Operating profit / (loss)	6	**2,185**	(558)
Charitable donations received	9	**10,000**	10,000
Gift aid received	10	**5,152**	4,661
Loss on disposal of other property, plant, equipment and intangible assets	11	**(1)**	(13)
Profit before interest and taxation		**17,336**	14,090
Interest receivable and similar income	12	**2,639**	1,329
Interest payable and similar charges	12	**(1,761)**	(1,022)
Interest on net pension liability	12	**(107)**	(105)
Net finance income		**771**	202
Profit before taxation		**18,107**	14,292
Tax on profit	13	**-**	-
Profit for the year		**18,107**	14,292
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme	23	**-**	(2,358)
Actuarial gains / (losses) in respect of pension schemes	23	**2,138**	(762)
Other comprehensive income / (expense) for the year		**2,138**	(3,120)
Total comprehensive income for the year		**20,245**	11,172

Association's Statement of
Changes in Reserves

	2020 £000	2019 £000
Retained earnings as at 1 April	**38,384**	27,212
Profit for the year	**18,107**	14,292
Other comprehensive income	**2,138**	(3,120)
Retained earnings as at 31 March	**58,629**	38,384

Association's Statement of
Financial Position

as at **31 MARCH 2020**

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	14	**1,068**	827
Property, plant and equipment	15	**1,257**	835
Investments in subsidiaries	16	**11,050**	8,050
Other investments	17	**30**	30
		13,405	9,742
Non-current assets			
Debtors: amounts falling due after more than one year	18	**86,352**	33,000
Current assets			
Debtors: amounts falling due within one year	19	**8,833**	5,804
Cash and cash equivalents	20	**18,032**	22,963
		26,865	28,767
Creditors: amounts falling due within one year	21	**(3,058)**	(5,368)
Net current assets		**23,807**	23,399
Total assets less current liabilities		**123,564**	66,141
Non-current liabilities			
Creditors: amounts falling due after more than one year	22	**(62,656)**	(23,000)
Pension liability - Local Government Pension Scheme	23	**-**	(23)
Pension liability - Social Housing Pension Scheme	23	**(2,279)**	(4,697)
Other provisions	24	**-**	(37)
Net assets		**58,629**	38,384
Capital and reserves			
Called up shared capital	25	**-**	-
Retained earnings		**58,629**	38,384
Total capital and reserves		**58,629**	38,384

The financial statements on pages **156** to **178** were approved and authorised for issue by the board on 18 August **2020** and were signed on its behalf by:

Mike Biles
Chairman

Bjorn Howard
Group chief executive

David Betteridge
Company secretary

Company number 29573R

Association's Financial Statements

1 Legal status

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

2 Basis of preparation

The financial statements of the association have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102), the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. The association is classified as a Public Benefit Entity under FRS 102.

The financial statements are presented in Sterling (£).

Application of accounting policies

The association's accounting policies have been applied consistently throughout the year with the exception of the accounting for the CPI calculation methodologies on the LGPS defined benefit pension schemes.

The pension actuaries have considered the impact of the proposed changes in the calculation methodology of RPI being aligned with the CPIH calculation, has on the CPI derivations. The impact of the changes in approach is expected to increase the defined benefit obligation as CPI assumptions are now higher than they would have been under previous methodologies. This change is not considered to be material.

In the year ended 31 March 2019, the accounting policy for the SHPS defined benefit pension scheme was changed.

Prior to 1 April 2018 the scheme was accounted for under FRS 102 2019 paragraphs 28.11 and 28.11A as a multi-employer pension plan with employer costs being recognised in profit and loss and the present value of the contributions to the scheme's deficit recovery plan recognised as a creditor.

From 1 April 2018 sufficient information has been available to attribute the scheme's assets and liabilities to its member employers. The scheme has subsequently been accounted for as a defined benefit plan as outlined in FRS 102 2019 paragraphs 28.14 to 28.28.

The resulting expense from this transition has been recognised in Other Comprehensive Income as required by FRED 71, the early adoption of FRS 102 2018 paragraphs 28.11B and 28.11C.

Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

In addition to the annual 30-year financial business plan, the group produces two further financial plans which contain the most accurate and up to date financial data and assumptions. The group undertakes comprehensive stress testing and regularly includes a full suite of multi-variate stress tests in its financial planning process allowing the board to consistently monitor the business, providing the capability to react to a changing environment and adapt its plan accordingly.

In April 2020, the business re-forecast the 2020/21 budget position and produced an additional 30-year financial plan which considered and modelled the impact of the Covid-19 outbreak on the business. In addition to the standard stress testing, further Covid-19 specific stress tests were undertaken which centred around the length of time the group and sector may face significant disruptions and the level of mitigation required to recover and maintain a position within its financial covenant and other plan tolerance thresholds.

The board, after reviewing the group and association budgets for 2020/21 and the group's medium term financial position as detailed in the 30-year business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the group and the association have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the board have considered:

- Rent and service charge receivable - a 20% reduction in rent over a three to nine month alongside a 25% increase in arrears turning to bed debts and a further -1% rent reduction for an additional two years followed by a rent freeze for a further four years;
- Costs - 10% increase in maintenance costs combined with a 15% increase in other social housing costs and a 50% delay in the major repairs programme over a three to nine-month period and in the longer term increase in maintenance cost of CPI+2% per annum;

- The property market - a reduction in sales prices ranging from 7.5% to 30% with a stepped recovery over three years on all asset; a delay in open market and shared ownership units of three to nine-months and a reduction in first tranche sales percentage from 40% down to 30%;
- Development and joint ventures - sales and spend pushed back between three to six months resulting in an overall six to twelve-month delay on delivery;
- Economic and inflation - 10 year significant inflation with increases in LIBOR to 6%, bank lending increases to 3% and CPI to 6.5% alongside asset deflation of 35%; and
- Liquidity – the group has sufficient and secured funding facilities until April 2022, 24 months from the start of the financial plan. The drawdown of loan facilities is closely linked to investment in new homes and at the end of the year the group held £148.1 million in cash and has £174.5 million of undrawn loan facilities. The group has not committed to any investment that would take it beyond the level of facilities available. The capital commitments of the group are detailed in note 36 of the group's consolidated financial statements.

The board believe the group has sufficient funding in place and expect the group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the directors are confident that the association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Presentation

The association has elected not to produce a Statement of Cash Flows, detailed disclosures of financial instruments and disclosure relating to key management compensation within the individual subsidiary financial statements in line with exemptions available within FRS 102 and the Housing SORP 2018.

These disclosures are included in the group's Consolidated Financial Statements.

3 Summary of significant accounting policies

The group's accounting policies are detailed in note 4 of the Consolidated Financial Statements. In addition to these policies the association applies the following:

Turnover

Turnover represents:

Intra group service income - management and other services provided to other group entities recognised over the period the services are delivered.

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

Gift aid

Commercial companies can donate any excess profits in the form of gift aid to charitable group members. These donations can only be made if the commercial company has distributable reserves for the financial year in question. Gift aid is recognised where irreversible shareholders' resolutions have been made and where cash has been paid.

Taxation

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

Investments

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

4 Critical accounting judgements and estimation uncertainty

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

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

5 Turnover, operating expenditure and profit

	2020			2019		
	Turnover £000	Operating expenditure £000	Operating profit £000	Turnover £000	Operating expenditure £000	Operating loss £000
Services provided to subsidiaries - registered providers	**18,094**	**(16,465)**	**1,629**	15,313	(15,713)	(400)
Services provided to subsidiaries - other	**5,995**	**(5,455)**	**540**	5,849	(6,002)	(153)
Services provided to third party organisations	**179**	**(163)**	**16**	174	(179)	(5)
	24,268	**(22,083)**	**2,185**	21,336	(21,894)	(558)

6 Operating profit

	2020 £000	2019 £000
Operating profit is stated after charging / (crediting):		
Auditor's remuneration (excluding irrecoverable VAT)		
In their capacity as auditors:		
Financial statements audit	**14**	14
Depreciation:		
Property, plant and equipment	**566**	597
Amortisation of intangible assets	**423**	409
Loss on disposal of property, plant and equipment (other assets)	**(1)**	(13)
Operating lease payments:		
Office equipment	**22**	10

7 Directors' emoluments

See Directors' remuneration report on pages **72** to **73**.

8 Employee information

	2020 No.	2019 No.
The average number of persons employed during the year (full time equivalents 'FTE') based on 37 hours per week	**232**	215

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

	2020 No.	2019 No.
£59,999 or less	**180**	166
£60,000 to £69,999	**14**	19
£70,000 to £79,999	**13**	9
£80,000 to £89,999	**8**	3
£90,000 to £99,999	**4**	7
£100,000 to £109,999	**5**	4
£110,000 to £119,999	**1**	1
£120,000 to £129,999	**2**	1
£140,000 to £149,999	**-**	1
£150,000 to £159,999	**-**	1
£160,000 to £169,999	**1**	-
£170,000 to £179,999	**1**	-
£180,000 to £189,999	**-**	1
£190,000 to £199,999	**-**	1
£200,000 to £209,999	**2**	-
£270,000 to £279,999	**-**	1
£280,000 to £289,999	**1**	-
	232	215

None of the above employees received any enhanced pension payments during the year (2019: nil).

Staff costs:

	2020 £000	2019 £000
Wages and salaries	**10,306**	9,583
Social security costs	**1,082**	1,057
Other pension costs	**1,002**	684
	12,390	11,324

Employee information reflects the cost of staff that hold employment contracts with the association. Some of the above costs are then recharged to other parts of the group.

9 Charitable donations received

	2020 £000	2019 £000
Aster Communities	**10,000**	10,000

10 Gift aid

	2020 £000	2019 £000
Aster Homes Limited	**4,019**	3,427
Aster Property Limited	**616**	1,177
Zebra Property Solutions Limited	**503**	53
Aster Options Plus Limited	**-**	2
Aster Solar Limited	**14**	2
	5,152	4,661

11 Loss on disposal of other property, plant and equipment and intangible assets

	2020			2019		
	Proceeds £000	Cost of disposal £000	Loss £000	Proceeds £000	Cost of disposal £000	Loss £000
Computer software	**-**	**-**	**-**	-	(12)	(12)
Computer and office equipment	**2**	**(3)**	**(1)**	-	(1)	(1)
Total	**2**	**(3)**	**(1)**	-	(13)	(13)

12 Finance income and expense

	Note	2020 £000	2019 £000
Interest receivable and similar income			
Interest on short term deposits		**149**	66
Interest receivable from other group companies		**2,490**	1,263
		2,639	1,329
Interest payable and similar charges			
Loans with other group companies		**(1,742)**	(1,022)
Amortised funding fees		**(10)**	-
Administration charge		**(9)**	-
		(1,761)	(1,022)
Interest on net pension liability			
Local government pension schemes	23	**2**	-
Social housing pension schemes	23	**(109)**	(105)
		(107)	(105)
Net finance income		**771**	202

13 Tax on profit on ordinary activities

(a) Tax expense included in profit or loss

	2020 £000	2019 £000
The tax charge on the profit on ordinary activities was as follows:		
Current tax		
UK corporation tax expense	-	-
Under provision in previous years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Adjustment for prior year	-	-
Changes in tax rate or laws	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-

(b) Tax credit included in other comprehensive income

	2020 £000	2019 £000
Deferred tax		
Origination and reversal of timing differences	-	-
Impact of change in tax rate	-	-
	-	-

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

(c) Factors affecting tax charge/(credit) for the year

	2020 £000	2019 £000
Profit on ordinary activities before taxation	18,107	14,292
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 19% (2019: 17%)	3,440	2,430
Effects of:		
Exempt income	(3,440)	(2,430)
	-	-

(d) Tax rate changes

The Finance Act 2015 was substantively enacted on 26 October 2015 and reduced the main rate of corporation tax to 19% with effect from 1 April 2017. The Finance Act 2016 was substantively enacted on 15 September 2016 and reduced the main rate of corporation tax to 17% from 1 April 2020. At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%.

14 Intangible assets

	Assets under construction £000	Computer software £000	Total £000
Cost			
At 1 April 2019	**207**	**3,904**	**4,111**
Additions	**490**	**174**	**664**
Completions	**(551)**	**551**	**-**
Disposals	**-**	**(1,381)**	**(1,381)**
At 31 March 2020	**146**	**3,248**	**3,394**
Accumulated amortisation			
At 1 April 2019	**-**	**3,284**	**3,284**
Charge for year	**-**	**423**	**423**
Disposals	**-**	**(1,381)**	**(1,381)**
At 31 March 2020	**-**	**2,326**	**2,326**
Net book value as at 31 March 2020	**146**	**922**	**1,068**
Net book value as at 31 March 2019	207	620	827

15 Property, plant and equipment

	Assets under construction £000	Office premises £000	Office and estate equipment and furniture £000	Computer equipment £000	Total £000
Cost					
At 1 April 2019	**16**	**-**	**321**	**4,576**	**4,913**
Additions	**-**	**246**	**384**	**361**	**991**
Completions	**(15)**	**-**	**-**	**15**	**-**
Disposals	**-**	**-**	**(5)**	**-**	**(5)**
At 31 March 2020	**1**	**246**	**700**	**4,952**	**5,899**
Accumulated depreciation					
At 1 April 2019	**-**	**-**	**318**	**3,760**	**4,078**
Charge for year	**-**	**3**	**34**	**529**	**566**
Disposals	**-**	**-**	**(2)**	**-**	**(2)**
At 31 March 2020	**-**	**3**	**350**	**4,289**	**4,642**
Net book value at 31 March 2020	**1**	**243**	**350**	**663**	**1,257**
Net book value at 31 March 2019	16	-	3	816	835

16 Investments in subsidiaries

	2020 £000	2019 £000
Aster Treasury Plc - 50,000 £1 shares	50	50
Aster Communities - 1 £1 share	-	-
Synergy Housing Limited - 1 £1 share	-	-
Aster 3 Limited - 1 £1 share	-	-
Aster Living - 1 £1 share	-	-
Aster Property Limited - 1 £1 share and 1 £1 share with a £3 million premium	3,000	3,000
Aster Homes Limited - 96 £1 shares and 1 £1 share with a £5 million premium	5,000	5,000
Aster Options Plus Limited - 94 £1 shares	-	-
Aster LD Limited - 100 £1 shares with a £3 million premium	3,000	-
East Boro Housing Trust - 1 £1 share	-	-
	11,050	8,050

17 Investments

	2020 £000	2019 £000
MORhomes PLC shares	30	30

Aster Group Limited holds 20,000 fully paid 10 pence shares with a premium of 90 pence and 20,000 10 pence shares with a premium of 40 pence in MORhomes PLC, which is a social housing funding vehicle.

18 Debtors: amounts falling due after more than one year

	2020 £000	2019 £000
Amounts owing by group undertakings	86,000	33,000
Deferred funding fees	352	-
Total	86,352	33,000

19 Debtors: amounts falling due within one year

	2020 £000	2019 £000
Trade debtors	**182**	252
Less provision for bad debts	**-**	(10)
	182	242
Amounts owed by group undertakings	**7,196**	3,953
Other debtors	**24**	12
Prepayments and accrued income	**1,431**	1,597
	8,833	5,804

20 Cash and cash equivalents

	2020 £000	Reclassified 2019 £000
Short term deposits	**15,617**	17,661
Cash at bank and in hand	**2,415**	5,302
	18,032	22,963

Several bank accounts were reclassified in the year from cash at bank and in hand to short term deposits.

21 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	**316**	369
Taxation and social security payable	**312**	286
Pension contributions	**146**	136
VAT payable	**192**	16
Amounts owed to group undertakings	**621**	2,374
Accrued holiday pay	**-**	14
Other creditors	**17**	25
Accruals and deferred income	**1,454**	2,148
	3,058	5,368

22 Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Amounts owed to other group undertakings	**62,656**	23,000

23 Pension obligations

Group pension schemes

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

There are three defined benefit schemes:

- Wiltshire Pension Scheme (closed to new members);
- Social Housing Pension Scheme ('SHPS') final salary defined benefit scheme (closed 31 March 2020); and
- SHPS career average of earnings scheme (CARE) (closed to new members);

and one defined contribution ('stakeholder') scheme:

- SHPS defined contribution scheme.

The company makes scheduled contribution payments throughout the year to reduce the companies pension liability deficit.

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

Summary of movements and balances in funding

	Note	2020 Total cost by scheme £000	2020 Total interest on net pension liability by scheme £000	2020 Actuarial gains / (losses) in pension scheme £000	2020 Pension deficit £000
County pension schemes					
Wiltshire	23a	**41**	**(2)**	**244**	**403**
Wiltshire - asset ceiling	23a	**-**	**-**	**(403)**	**(403)**
SHPS					
Defined benefit schemes	23b	**584**	**109**	**2,297**	**(2,279)**
Defined contribution scheme	23b	**377**	**-**	**-**	**-**
		1,002	**107**	**2,138**	**(2,279)**

	Note	2019 Total cost by scheme £000	2019 Total interest on net pension liability by scheme £000	2019 Actuarial gains / (losses) in pension scheme £000	2019 Pension deficit £000
County pension schemes					
Wiltshire	23a	47	-	(137)	(23)
SHPS					
Defined benefit schemes	23b	375	105	(625)	(4,697)
Initial recognition of defined benefit scheme	23b	-	-	(2,358)	-
Defined contribution scheme	23b	262	-	-	-
		684	105	(3,120)	(4,720)

The pension cost to the association for the year ended 31 March 2020 was £1,002,000 (2019: £684,000) in respect of 287 employees (2019: 247).

23 Pension obligations (continued)

Local government pension scheme

An allowance has been made for the recent Court of Appeal judgement in relation to the McCloud & Sargeant cases which relate to age discrimination within the Judicial & Fire Pension schemes respectively. On 27 June 2019 the Supreme Court denied the Government's request for an appeal, and on 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service schemes, including the LGPS.

The estimated impact on the total liabilities at 31 March 2020 has been allowed for as a past service cost and has resulted in a slight increase in the defined benefit obligation as at 31 March 2020. The projected service cost has also increased as a result of this additional allowance.

It should be noted that this adjustment is an estimate of the potential impact on the defined benefit obligation based on analysis carried out by the Government Actuary's Department and the liability profile. It is not yet clear how this judgement may affect LGPS members' past or future service benefits.

The directors have considered the potential impact of the McCloud case on the group and associations defined benefit liability as at 31 March 2020. With the exception of the past service cost, no additional liability has been recognised given the profile of the scheme members and assuming a very cautious outcome on the LGPS scheme liability (gross obligation: £8.1 million; 2019: £9.2 million) the directors are satisfied that when fully accounted in the financial statements the impact will not be material to the association Financial Statements as at 31 March 2020.

The Ministry of Housing, Communities and Local Government (MHCLG) has announced a consultation to change the basis of the calculation for the impact of the McCloud judgement on the beneficiaries to LGPS. Following the completion of the consultation there is likely to be a change to the pension liability however due to insufficient information available at the time of signing the accounts a reliable estimate cannot be made of the impact. Any changes resulting from the consultation will be reflected in the pension liability at 31 March 2021.

23a Local government pension funds

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

As at the balance sheet date active members of the scheme employed by Aster Group Limited and the annual pensionable payroll in respect of these members was:

	2020		2019	
	Active Members No.	Annual pensionable payroll £000	Active Members No.	Annual pensionable payroll £000
Wiltshire Pension Fund	**2**	**82**	3	116

The funds are 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.

Each scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 31 March 2020. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard No. 102 section 28 – Employee Benefits are stated below. The actuary has used the projected unit credit method of valuation.

The last triennial valuation was performed on 31 March 2019 and the results have been incorporated into the financial statements for 2020.

The next triennial valuation is due to be carried out on 31 March 2022 and the results for this will be incorporated into the financial statements for 2023.

The information in the financial statements relating to the valuation of the pensions scheme's assets and liabilities has been prepared by the scheme's actuaries;

Pension Fund:	Actuary:
Wiltshire Pension Fund	Hymans Robertson LLP

Financial assumptions	**Wiltshire** **31 MARCH 2020** **%p.a.**	Wiltshire 31 MARCH 2019 %p.a.
Price increases	**1.9**	2.5
Pension increases	**1.9**	2.5
Salary increases	**2.3**	2.8
Expected return on assets	**2.3**	2.4
Discount rate	**2.3**	2.4

Mortality	**2020** **years**	2019 years
Current pensioners		
Females	**24.0**	24.9
Males	**21.7**	22.5
Future pensioners		
Females	**25.5**	26.7
Males	**22.5**	24.1

Fair value of plan assets	**31 MARCH 2020** **£000**	31 MARCH 2019 £000
Equities	**4,940**	6,501
Bonds	**2,470**	1,282
Property	**1,022**	1,190
Cash	**85**	183
	8,517	9,156
Less asset ceiling	**(403)**	-
	8,114	9,156

Cost recognised as an expense	**31 MARCH 2020** **£000**	31 MARCH 2019 £000
Current service cost	**41**	47
Interest costs	**218**	227
Expected return on assets employed	**(220)**	(227)
	39	47

Return on plan assets	**(596)**	707

23 Pension obligations (continued)

23a Local government pension funds (continued)

Reconciliation of scheme liabilities	Wiltshire 31 MARCH 2020 £000	Wiltshire 31 MARCH 2019 £000
Opening defined benefit obligation	**9,179**	8,463
Current service cost	**37**	47
Past service cost	**4**	-
Interest cost	**218**	227
Contributions by members	**6**	8
Actuarial (gains) / losses	**(1,060)**	617
Estimated benefits paid	**(270)**	(183)
Closing defined benefit obligation	**8,114**	9,179

Reconciliation of fair value of employer assets	31 MARCH 2020 £000	31 MARCH 2019 £000
Opening fair value of employer assets	**9,156**	8,394
Expected return on assets	**220**	227
Contributions by members	**6**	8
Contributions by employers	**221**	230
Actuarial (losses) / gains	**(816)**	480
Benefits paid	**(270)**	(183)
	8,517	9,156
Less asset ceiling	**(403)**	-
Closing fair value of employer assets	**8,114**	9,156
Net Pension deficit	**-**	(23)

Projected pension expense for the year to **31 MARCH 2021**	31 MARCH 2021 £000
Projected current service cost	30
Interest on obligation	184
Expected return on plan assets	(195)
	19

23b The Social Housing Pension Scheme

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

The scheme is a multi-employer defined benefit scheme. Employer participation in the scheme is subject to adherence with the employer responsibilities and obligations as set out in the 'SHPS House Policies and Rules Employer Guide'. Full details of the scheme and its operation can be found in note 32 of the Consolidated Financial Statements.

Reconciliation of opening and closing Social Housing Pension scheme recovery plan liability

	2019 £000
At 1 April	1,762
Derecognition of Social Housing Pension scheme recovery plan liability	(1,762)
At 31 March	-

SHPs defined benefit pension plan – change of accounting policy

SHPS is a multi-employer scheme which provides benefits to non-associated employers. The scheme is classified as a defined benefit scheme. At 31 March 2018 it was not possible for the group to obtain sufficient information to account for the liability on a full FRS 102 valuation basis so it was accounted for as a defined contribution scheme where the net present value of the deficit contributions were recognised in the accounts as creditors falling within and more than one year.

As a result of additional information, SHPS are now able to split the pension liability by employer which has resulted in the scheme liability being accounted for adopting a full FRS 102 valuation at 31 March 2019. In accordance with FRED 71, no restatement of prior year figures has been made in these accounts. A reconciliation between the closing liability at 31 March 2018 and the opening provision at 1 April 2018 is shown below.

	2019 £000
SHPS recovery plan liability - 31 March	1,762
Derecognition of SHPS recovery plan liability via other comprehensive income	(1,762)
Recognition of SHPS net pension liability via other comprehensive income	4,120
SHPS net pension liability – 1 April	4,120

In October 2018 the High Court published its judgement on the case of Lloyds Banking Group and the equalisation of Guaranteed Minimum Pensions ('GMP'). This has consequently been assessed against the Group's defined benefit schemes. The impact of GMP Equalisation in respect of the SHPs Pension Scheme have been recognised in the year.

As at the balance sheet date there were 48 (2019: 39) active members of the scheme employed by Aster Group Limited. The annual pensionable payroll in respect of these members was £2.5 million (2019: £2.4 million).

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

The scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 31 March 2019. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard No. 102 section 28 – Employee Benefits are stated below. The actuary has used the projected unit credit method of valuation.

The last triennial valuation was performed on 30 September 2017 and the results have been incorporated into the financial statements for 2019.

The next triennial valuation will be carried out on 30 September 2020 and the results for this will be incorporated into the financial statements for 2021.

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

23 **Pension obligations** (continued)

23b **The Social Housing Pension Scheme** (continued)

The Social Housing Pension Scheme defined contribution scheme

The scheme is administered by the Pensions Trust. It is open to all members of staff and is the pension scheme for auto-enrolment. The company paid contributions between 4% and 10% (2019: 2.5% and 10%) and employees paid contributions from 3% to 7% (2019: from 2.5% to 7%). On retirement, funds or units earned can be converted into a pension with the Trust, or used to secure a pension with another provider. At 31 March 2020 there were 209 (2019: 172) active members of the scheme.

The Social Housing Pension Scheme defined benefit scheme

Financial assumptions

	31 MARCH 2020 %p.a.	31 MARCH 2019 %p.a.
Price increases - RPI	**2.5**	3.2
Price increases - CPI	**1.5**	2.2
Salary increases	**2.5**	3.2
Discount rate	**2.3**	2.4

Mortality

	2020 years	2019 years
Current pensioners		
Females	**23.3**	23.5
Males	**21.5**	21.8
Future pensioners		
Females	**24.5**	24.7
Males	**22.9**	23.2

Fair value of plan assets

	31 MARCH 2020 £000	31 MARCH 2019 £000
Absolute Returns	**720**	1,099
Global Equity	**2,020**	2,138
Liability Driven Investment	**4,584**	4,646
Property and Infrastructure	**1,571**	1,139
Investments	**1,735**	1,412
Sharing and Alterative Premia Risk	**1,432**	1,117
Emerging Market and Private debt	**696**	609
Other	**1,052**	545
	13,810	12,705

Cost recognised as an expense

	31 MARCH 2020 £000	31 MARCH 2019 £000
Current service cost	**573**	365
Interest costs	**109**	105
Administration expenses	**11**	10
	693	480
Return on plan assets	**390**	811

Reconciliation of defined benefit obligation

	31 MARCH 2020 £000	31 MARCH 2019 £000
Opening defined benefit obligation	**17,402**	15,603
Current service cost	**573**	365
Contributions by scheme participants	**100**	235
Expenses	**11**	10
Interest expense	**422**	409
Actuarial (gains) / losses	**(2,220)**	1,132
Benefits paid and expenses	**(199)**	(352)
Closing defined benefit obligation	**16,089**	17,402

Reconciliation of fair value of scheme assets

	31 MARCH 2020 £000	31 MARCH 2019 £000
Opening fair value of scheme assets	**12,705**	11,483
Interest income	**313**	304
Actuarial gains	**77**	507
Contributions by the employer	**814**	528
Contributions by scheme participants	**100**	235
Benefits paid and expenses	**(199)**	(352)
Closing fair value of scheme assets	**13,810**	12,705
Net pension liability	**2,279**	4,697

24 Other provisions

	Redundancy 2020 £000	Redundancy 2019 £000
At 1 April	**37**	31
Additions during the year	**-**	6
Utilised during the year	**(37)**	-
At 31 March	**-**	37

25 Called up share capital

	2020 £	2019 £
Ordinary shares allotted, issued and fully paid of £1 each		
At 1 April	**7**	7
Issued during the year	**1**	3
Cancelled during the year	**(2)**	(3)
At 31 March	**6**	7

26 Operating leases

The association has total commitments under non-cancellable operating leases due to expire as follows:

	2020 £000	2019 £000
Office equipment		
Not later than one year	**22**	10
Later than one but not later than five years	**17**	28
Later than five years	**-**	-
	39	38

27 Related party transactions

Aster Group Limited provides management and other services to all group companies under the terms of documented service level agreements. Overheads are apportioned on the basis of the amount of time spent and the affordability to the subsidiary. The amount of turnover relating to registered provider and other subsidiaries is shown in note 5.

Aster Group Limited has taken advantage of the exemption allowed under FRS 102 Section 33 'Related Party Disclosures' not to disclose related party transactions within the group. This exemption is available providing the transactions are entered into between two or more members of a group, so long as any subsidiary which is party to the transaction is wholly owned.

Entity Legal
Status

28 Status

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

- Aster Communities, a wholly owned subsidiary which is a registered provider and Charitable Community Benefit Society, registered with the Regulator of Social Housing (RSH). Co-operative and Community Benefit Societies Act 2014 number 31530R;
- Aster Living, a wholly owned subsidiary whose activities include providing care and support services. Aster Living is a Charitable Community Benefit Society. Charity registration number 29574R;
- Aster Property Limited, a wholly owned subsidiary of Aster Group Limited whose activities include property maintenance services to group members. Aster Property Limited is incorporated under the Companies Act 2006. Company registration number 4628065;
- Aster Homes Limited, a subsidiary of Aster Group Limited which provides property based development services to group members. Aster Homes Limited is incorporated under the Companies Act 2006. Company registration number 06424046;
- Aster LD Limited, a subsidiary of Aster Group Limited which provides property based development services. Aster LD Limited is incorporated under the Companies Act 2006. Company registration number 12341593;
- Synergy Housing Limited, a wholly owned subsidiary which is a registered provider and Charitable Community Benefit Society, registered with the Regulator of Social Housing (RSH). Co-operative and Community Benefit Societies Act 2014 number 31447R;
- Zebra Property Solutions Limited, a wholly owned subsidiary of Synergy Housing Limited which ceased trading on 1 April 2018. Zebra Property Solutions Limited is incorporated under the Companies Act 2006. Company registration number 06265109;
- Silbury Housing Holdings Limited, which is a wholly owned subsidiary of Aster Communities and has a subsidiary, Silbury Housing Limited, which provides a service concession arrangement for Wiltshire Council. Both companies are incorporated under the Companies Act 2006. Company registration numbers 07273905 and 07276148;
- Aster Treasury Plc, a wholly owned subsidiary of Aster Group Limited, providing long term finance under a finance bond to group members. Aster Treasury Plc is incorporated as a public limited company under the Companies Act 2006. Company registration number 8749672;
- Aster Solar Limited, a subsidiary jointly owned by Aster Communities and Synergy Housing Limited, provides investment in photo voltaic panels on behalf of the group. Aster Solar Limited is incorporated under the Companies Act 2006. Company registration number 9476337;
- Aster 3 Limited, a wholly owned subsidiary which is a registered provider and Charitable Community Benefit Society, registered with the Regulator of Social Housing (RSH). Co-operative and Community Benefit Societies Act 2014 number 7605R; and
- East Boro Housing Trust, a wholly owned subsidiary of Aster Group Limited, and has a subsidiary, East Boro Housing Services Limited, is a registered provider and Charitable Community Benefit Society, registered with the Regulator of Social Housing (RSH). Co-operative and Community Benefit Societies Act 2014 number 16946R. East Boro Housing Services Limited is incorporated under the Companies Act 2006. Company registration number 07341593;

Aster Group Limited is party to the below jointly controlled entities:

- White Rock Land LLP, a 50% owned Limited Liability Partnership between Aster Homes Limited and Vistry Homes Limited, established to develop sites in the South-West of England;
- Boorley Green LLP, a 50% owned Limited Liability Partnership between Aster Homes Limited and Vistry Homes Limited, established to develop sites in Hampshire;
- Kilnwood Vale LLP, a 50% owned Limited Liability Partnership between Aster Homes Limited and Vistry Homes Limited, established to develop sites in West Sussex.

Printed copies of the financial statements are available from the following address:

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

Sarsen Court is the registered office of all but three of the group's subsidiaries.

The registered office of Synergy Housing Limited and Zebra Property Solutions Limited is
Link House,
First Floor,
West Street,
Poole,
Dorset,
BH15 1LD.

The registered office of East Boro Housing Trust is
Faulkner House,
31 West Street,
Wimborne Minster,
Dorset,
BH21 1JS.

Legal & Administrative

Details

Registered office:

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

Legal status:

Aster Group Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 number 29573R and is registered with the Regulator of Social Housing (RSH).

Independent Auditor:

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

Principal Bankers:

Barclays Bank Plc
Corporate Banking
3rd Floor,
Windsor Court,
1-3 Windsor Place,
Cardiff, CF10 3ZL

Principal Solicitor:

Trowers and Hamlins
3 Bunhill Row,
London,
EC1Y 8YZ

Funders:

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

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

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

MORhomes PLC
71 Queen Victoria Street,
London,
EC4V 4AY

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

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

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

First Abu Dhabi Bank
3rd Floor,
45 Cannon Street,
London,
EC4M 5SB

MUFG Bank, Ltd.
Ropemaker Place,
25 Ropemaker Street,
London,
EC2Y 9AN

Security Trustee:

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

Valuer:

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

Financial Adviser:

Chatham Financial Europe Limited
12 St. James Square
London
SW1Y 4LB


hp

Glossary of

Terms

Glossary of Terms and Abbreviations

AHF	Affordable Housing Finance
ARVOS	Authority Residual value overage share
CARE	Career average of earnings
CEO	Chief Executive Officer
CIP	Construction in Progress
CPI	Consumer Price Index
CPIH	Consumer Price Index including owner occupiers' housing costs
CPU	Cost per unit
DWP	The Department for Work and Pensions
EA	Environment Agency
EBHT	East Boro Housing Trust
EBITDA MRI	Earning before interest, tax, depreciation, amortisation (major repairs included)
EIB	European Investment Bank
ERHA	East Rural Housing Association
EUV-SH	Existing Use Value - Social Housing
FRC	Financial Reporting Council
FRED	Financial Reporting Exposure Draft
FRS	Financial Reporting Standard
FTE	Full-time equivalents
GMP	Guaranteed Minimum Pensions
GRNC	Group Remuneration and Nominations Committee
HOPS	Housing for Older People Service
HSE	Health and Safety Executive
JV	Joint Venture
KPI	Key Performance Indicators
LGPS	Local Government Pension Scheme
LIBOR	London Inter-Bank Offered Rate
LLP	Limited Liability Partnership
LSVT	Large Scale Voluntary Transfers
MTM	Mark to market
NHF	National Housing Federation
PFI	Private Finance Initiative
PLC	Public Limited Company
RICS	Royal Institution of Chartered Surveyors
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences
ROCE	Return on Capital Employed
RP	Registered Provider
RPI	Retail Price Index
RSH	Regulator for Social Housing
SHG	Social Housing Grant
SHPS	Social Housing Pension Scheme
SID	Senior Independent Director
SOAP	Stock Option Appraisal Programme
SORP	Statement of Recommended Practice
UEL	Useful Economic Life
VAT	Value Added Tax
VDP	Voids Disposal Programme
VFM	Value for Money
WIP	Work in Progress

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