# Aster Group Limited

Financial Statement
For the Year Ended 31 March 2013

aster

Gardens at Keyford Heights, Frome, Somerset.

## Contents

# Climbing higher

2012/13 was a time of royal celebration as the Queen marked 60 years as monarch. It was also the 60th anniversary of the conquering of Everest.

Aster Group had its own 'Everest' moment in 2012/13 as it completed one of its most important and significant years.

In November 2012 Synergy Housing in Dorset joined the Group after an extensive merger process.

This was a major step for both organisations and took the Group's property stock to over 25,000 for the first time.

It also built our customer base to more than 75,000 (including 20,000 care and support customers) and increased our staff numbers to 1,600 colleagues working in 42 locations.

The merger of two successful teams with similar visions and values, enabled Aster to strengthen its geographical presence across seven counties in central southern and south west England.

Financially Aster also had a successful year, helped by operating efficiencies in repairs and maintenance and low interest rates and proactive treasury management.

Our operating surplus for the year was £30m, against £21m in 2012.

Our retained surplus was £196m, against £6m in 2012, with the rise due to Synergy Housing's assets being shown in Aster Group's income and expenditure account.

Our housing stock at the end of the year was worth £1,043m, against £603m in 2012 and total assets were £1,151m, against £675m in 2012.

The Group's long-term funding was £601m, against £380m in 2012 and total reserves were £497m, against £260m in 2012.

Aster once again put its financial strength to good use during the year, building 280 new affordable homes for Aster Communities (against a target of 277) and 92 for Synergy Housing (77).
Alongside this, nine new homes were built for open-market sale.

We again saw some strong performances within our operating businesses during the year.

Aster Communities and Synergy Housing, our affordable housing divisions, both achieved customer satisfaction scores of over 90%, with more than 98% of property repairs completed on time and over 90% of customers satisfied with repair work.

Within Aster Property, our asset management and maintenance arm, each operative completed more than four jobs per day. And within our care and support arm, Aster Living, care hours completed rose to over 240,000, up 120,000 on the previous year.

Like every organisation we faced challenges during the year. The first was ensuring the merger of Synergy Housing into Aster Group was robustly managed, maximising the opportunity to capture benefits.

This was achieved in many different ways, not least building new, stronger teams combining the best people from across both organisations. And extending proven ideas, like Synergy Housing's successful 'Neighbourhood Approach' into other areas.

The merger also brought with it financial opportunities and we are on target to make financial savings of around £8m over the first five years. The new, enlarged Group now has the capacity to borrow more and so increase our investment in local communities.

The second key challenge was responding to new Government policies and the wider performance of the UK economy, a reality faced by all housing and care providers.

During the year we worked hard to understand and prepare for the changes proposed through welfare reform, calculating the impact on our business, but more importantly our customers.

As a business we took steps to minimise the impact of policy changes like the so-called 'Bedroom Tax'. For us this was as much about compassionate communication, support and advice with our affected customers as practical measures around financial planning and budgeting for potential rent arrears.

Although arguably the Bedroom Tax affects 'the few, not the many', benefit changes generally hit everyone.

Place that impact within the context of flat economic performance and scarcity of job opportunities, and those who live in our communities face harder times than ever.

That makes the work of Aster Group, and its businesses, ever more vital. At the heart of all vibrant, successful communities are local people living in decent homes they can afford.

That is the difference Aster can make to improve the lives of the communities it serves, despite our own challenge to fund new developments without the level of Government subsidy enjoyed in the past.

In this report we reflect on a good year for Aster Group, a year of change and strong performance.

It was also a year which saw us strengthen and grow our base camp so we are more ready than ever for the climb ahead.

**Mel Cook,** ***Chair, Aster Group***

**Bjorn Howard,** ***Chief Executive, Aster Group***

# Legal and administrative details

| | |
|---|---|
| Registered office: | Sarsen Court, Horton Avenue, Cannings Hill, Devizes, Wiltshire SN10 2AZ |
| Legal status: | Incorporated under the Industrial and Provident Societies Act 1968, number 29573R<br>Registered with the Homes and Communities Agency (HCA), formerly the Tenant Services Authority (TSA) |

| | | |
|---|---|---|
| Members of the Board: | Colin Martin | Chairman (until 7 August 2012) |
| | Robert Cribb | Vice-Chairman (until 7 August 2012) |
| | Mel Cook | Chairman (from 7 August 2012) |
| | Rob Yates | (from 15 May 2012)<br>Vice-Chairman (from 13 November 2012) |
| | Bjorn Howard | Group Chief Executive |
| | John Brace | Group Resources Director and Deputy Group Chief Executive |
| | Douglas Fisher | (until15 May 2012) |
| | Carey Gage | (until 15 May 2012) |
| | Anne Goymer | (until 15 May 2012) |
| | Sally Higham | (from 15 May 2012) |
| | Brian Jamieson | (until 15 May 2012) |
| | John McGibbon | |
| | Wendy Murphy | (until 15 May 2012) |
| | Phillip Owens | (from 15 May 2012) |
| | Roger Shepherd | (until 15 May 2012) |
| | Mary Watkins | (from 15 May 2012) |
| | Robert Cowan | (co-opted 11 September 2012) |
| | Peter Kingsbury | (from 5 November 2012) |
| | Arthur Merchant | (co-opted 5 November 2012) |
| | Graeme Stanley | Group Strategy and Implementation Director (from 5 November 2012) |
| Group Leadership Team (GLT): | Bjorn Howard | Group Chief Executive |
| | John Brace | Group Resources Director and Deputy Group Chief Executive |
| | Rachel Credidio | Group Strategic Change Director |
| | Susan Holmes | Group Care and Support Director |
| | Michael Reece | Group Asset Director |
| | Joanne Savage | Group Services Director |
| | Graeme Stanley | Group Strategy and Implementation Director |
| | Amanda Williams | Group Development Director |
| | Brian Whittaker | Group Human Resources Director |
| | Dawn Fowler-Stevens | Strategic Services Director (covering Group Strategic Change Director’s maternity leave from 26 November 2012) |
| Company Secretary: | Carolyn Filmore | |
| Independent Auditors: | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>31 Great George Street<br>Bristol BS1 5QD | |

## Legal and administrative details

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

# Report of the Board

### Report of the Board
The Board presents its report and the audited consolidated financial statements for the year ended 31 March 2013.

### Principal activities
The Aster Group's principal activities are to provide affordable homes and associated services through its Registered Providers and other member companies.

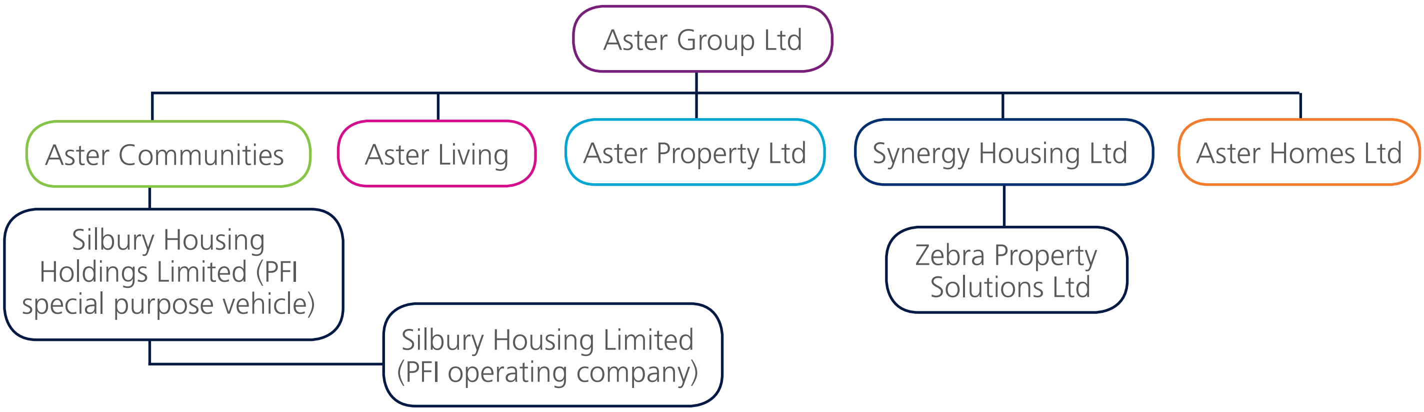
### The Board
The members of the Board are listed in the legal and administrative details at the beginning of this report.

### Share Capital
During the year, six shares were issued and seven were cancelled leaving a balance in the share capital of the company of £7 (2012: £8).

# Group Structure and governance

### Structural changes
On 1 November 2012, Aster Group merged with Synergy Housing to create a new organisation owning 26,000 properties, and employing 1,600 people across central southern and south west England. Synergy Housing has become a subsidiary of Aster Group Limited.

The current structure of the Group is:




## The main activity of each company in the Group is:

| | |
|---|---|
| Aster Group Limited | Acts as holding company for the Group, and provides support services for each subsidiary. |
| Aster Communities | Registered Provider, with properties primarily in Hampshire, Wiltshire, Somerset and Devon and Cornwall. |
| Synergy Housing Limited | Registered Provider, with properties primarily in Dorset, Hampshire and Wiltshire. |
| Aster Living | Provision of care and support services to vulnerable people in specialist housing or their own homes. |
| Aster Homes Limited | Development of homes for affordable and market sale and rent. |
| Aster Property Limited | Management and maintenance of housing stock and related areas. |
| Silbury Housing Holdings Limited and Silbury Housing Limited | Special vehicles for the delivery of 242 homes in Wiltshire as part of a Private Finance Initiative. |
| Zebra Property Solutions Limited | The development of properties for resale and rental on the open market. |

## The Group's governance structures comprise:

| | |
|---|---|
| Aster Group Board | Responsible for the overall direction of the Group, formulating strategies and plans and monitoring the work of the committees. |
| Subsidiary Boards | Contribute to the overall direction and strategy, and formulate the strategy and plans for the subsidiaries in line with the overall Group. |
| Group Governance Committee | Considers matters relating to the governance of the Group, in particular recruitment and development of Board members and the approval of policies and standing orders and regulations. |
| Group Audit and Risk Committee | Oversees the appointment of internal and external auditors, and the scope of their risk work. It also reports to the Board on the operation of risk management and internal control arrangements. |
| Group Treasury Committee | Oversees all of the Group's treasury management activities, and makes recommendations to the Board on those activities. |
| Group Leadership Team | Responsible for implementing the Group's strategy and for the ongoing management and viability of the Group. |
| Subsidiary senior management teams | Responsible for implementing the subsidiary strategies, and have delegated authority for day-to-day management of the subsidiaries. |

The Group's Board and committee structure is governed and supported by rules, standing orders, financial regulations, an intra-Group agreement and service level agreements that provide a structured approach to decision-making and service provision. This ensures clarity and accountability between key operational departments.

The standing orders and financial regulations specify the responsibilities of the Boards, committees, the Group Leadership Team and subsidiary senior management teams, and also detail the approved delegations. The standing orders reflect the need for appropriate levels of delegation to manage effectively a large group and formalise the authority and responsibility of the Group and subsidiary senior management teams. The financial regulations specify authority levels for managers appropriate to specific areas of expenditure.

The Group has adopted the National Housing Federation's Codes, Excellence in Governance: a Code for Members 2010, and Excellence in Standards of Conduct: Code for Members 2010.

## Disabled employees

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

## Employee involvement

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

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

## Equality and diversity

The Group is committed to promoting equality and diversity internally and in the wider community. We try to ensure, together with our suppliers, contractors, consultants and customers, fairness in all our dealings with people, communities and organisations. Services are therefore designed wherever possible to ensure people have equal access to them. We have a formal Equality and Diversity review and action process. This is delivered through a Group-wide Equality and Diversity Champions Group. This is led by a GLT member and has representatives from every company across the Group. One of our Group-wide 'competencies', on which selection and appraisal is based, is 'Equality and Diversity'.

## Environmental impacts and mitigation

During the year we were pleased to be successful in maintaining the certification of our environmental management system to the externally certified ISO 14001 standard.

As part of our environmental management system we have a range of procedures for managing, measuring and reporting our main environmental aspects. We measure carbon, waste, water, paper and atmospheric pollutants, as presented in our annual sustainability review.

We have calculated our theoretical 1990 baseline for carbon emissions. This enables us to align ourselves with the Government targets of an 80% reduction by 2050, and a 34% reduction by 2020, based on 1990 levels. We have also set ourselves interim targets to help us achieve these reductions. We have accurately measured our footprints for the last four years and are processing the 2012/13 data. We are currently on target with the reduction pathway. This is largely a result of continued energy efficiency improvements to our existing stock.

Wider support for our tenants has also continued with the highly successful Better Off Green Campaign helping residents reduce their environmental impact and save money. So far it is estimated this campaign has had the potential to save up to £60,000 for those tenants taking part. This campaign alongside Aster's broader environmental achievements, saw the Group take the top prize in the 'Social Housing Provider of the Year – Corporate Sustainability Award' category at the Sustainable Housing Awards 2012, organised by Inside Housing magazine and its sister publication Sustainable Housing.

# Business

## Description

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

Aster Group is the parent company of Aster Communities, Synergy Housing Limited, Aster Homes Limited, Aster Living and Aster Property Limited. The group employs 1,600 (2012: 1,200) people, has total fixed assets of over £1,060m (2012: £620m) and turnover of over £133m (2012: £92m).

Aster Communities and Synergy Housing Limited provide over 26,000 homes to more than 75,000 customers across central southern and south west England.

Aster Homes Limited is a commercial development company which aims to create excellent new homes for sale, and develop affordable homes for Aster Group companies and other housing associations. It plans to develop around 600 (2012: 340) new affordable homes per year.

Aster Living helps people to live independent lives through a variety of services, including care and support, care and repair, and telecare. It has around 20,000 (2012: 12,000) customers in west Berkshire, Hampshire, Wiltshire, Somerset, Dorset, Devon and Cornwall.

Aster Property Limited maintains and repairs the homes owned by Aster Group companies, and also provides property maintenance services to other organisations. It offers a broad range of maintenance services including reactive, planned and estate maintenance. The company also carries out specialist maintenance activities like gas servicing, electrical inspections, mobile caretaking, arboriculture, and work on our sewers. Its annual budget for repair and maintenance activities is over £49m (2012: £30m).

The Group also runs an investment and development partnership called New Futures. Aster is one of the HCA's Investment Partners and has built relationships with other progressive developers. Aster bids for grant funding on behalf of other group companies and its New Futures' partners. The partners are Severn Vale Housing Society, Elim Housing, Tamar Housing Society, Teign Housing, Wiltshire Rural Housing Association, Wyedean Housing Association, United Housing Association, and Cirencester Housing Society.

## Mission and ambitions

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

We have four ambitions to help us meet our mission:

**We will grow our business**

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

Growing our business will help us deliver these commitments.

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

- We are committed to investing in local communities
- And we are committed to offering new services in areas such as education and health.

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

**We will deliver value and offer choice**

- We are committed to improving our range of services
- And we are committed to spending money wisely, cutting out waste wherever we can.

Through this focus we will deliver value and choice.

**We will be financially strong**

- We are committed to managing our money well
- And we are committed to using our financial strength to raise funds.

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

We have three values that support our mission and ambitions:

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

These values guide our approach to everything we do.

# *Operating review*

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

- The merger of Aster Group and Synergy Housing, particularly work undertaken to integrate our operations and systems
- Savings, particularly from repairs and maintenance efficiencies
- The development and early delivery of homes under the Wiltshire PFI scheme, and continued low interest rates, providing a considerable saving on our expected interest costs for the year.

# Performance in year

Each Group business has Key Performance Indicators. Targets are set at the beginning of each year as part of the business planning process, and regular reports are drawn from each key operating system to monitor performance. Measures for the Group are highlighted below:

| | 2012/13 Target | 2012/13 Actual | 2011/12 Actual |
|---|---|---|---|
| **Aster Communities** | | | |
| % rent lost through vacant properties | 0.75 | 0.89 | 1.3 |
| Average number of days to re-let (General needs and Housing for Older People (HOPS)) | 21 | 22.61 | 22 |
| % arrears (General needs and HOPS) | 2.3 | 2.01 | 3.05 |
| % customer satisfaction | 89.1 | 86.2 | 87.3 |
| % repairs completed on time | 97.5 | 98.1 | 98.4 |
| % of tenants satisfied with repair work | 95 | 95 | 94.4 |
| % of all appointments kept | 90 | 88.22 | 88.1 |
| New homes completed for Aster Communities | 277 | 280 | 323 |
| **Synergy Housing Limited** | | | |
| % rent lost through vacant properties | - | 1.14 | - |
| Average number of days to re-let | 14 | 14.9 | 18.5 |
| % arrears | 2.25 | 2.03 | 2.02 |
| % repairs completed on time | 99.0 | 99.5 | 99.4 |
| % of tenants satisfied with repair work | 96.0 | 92.1 | 93.6 |
| % of all appointments kept | 85.0 | - | - |
| Customer satisfaction – grounds maintenance | 95.0 | 90.0 | 87.7 |
| New homes completed in 2012/13 | 77 | 92 | 43 |
| **Aster Property Limited** | | | |
| Productivity (average completions per day per operative) | 5.0 | 4.6 | 4.6 |
| **Aster Homes Limited** | | | |
| New homes completed | 10 | 9 | 1 |
| **Aster Living** | | | |
| Care hours completed | 381,616 | 241,255 | 120,588 |

2012/13 has been a year of significant change for the Group. As a result of the merger, Aster Group and Synergy Housing aligned their processes and procedures to achieve the savings expected and continue providing services customers value. All this against a challenging external environment of financial downturn and preparing for welfare reform.

In view of these environmental factors, we are pleased with our overall operational performance against target, with the main exceptions being care hours in Aster Living.

Care hours have not increased in line with the expectation, particularly under the Wiltshire Help To Live at Home contract. The target hours included certain assumptions on volume being available as per contract indication. Clearly volume has not been achieved and this together with high levels of sub-contract work has led to poor financial performance.

# Future performance and principal risks

The main factors affecting the operation of the Group will relate to our external environment, and involve pushing for more efficiency and value for money. Key risks include:

- Considerable uncertainty over the future state of the economy, and in particular the construction sector
- The impact of welfare reform and other Government cuts on our income streams, in terms of the level of income and the cost of collection
- The availability and cost of funds for development
- Reduction in capital grants available for developing new homes, and in local and national Government spending more generally
- Pressure from Government and regulators to demonstrate value for money clearly
- Changes to planning rules, especially the provision of affordable housing on new developments.

The work we have undertaken in recent years to restructure the Group, together with the merger, had been designed to put the Group in the best position to meet these challenges and still achieve our objectives. We believe the future will raise many challenges for the sector, but will also open many opportunities for progressive organisations to make a real difference in our communities.

# Risk management

The Group maintains a risk register which is reviewed quarterly by the Group Leadership Team and twice yearly by the Boards. For each risk we also maintain mitigating controls. Each risk is impact and probability scored. The major risks we face are closely aligned to the factors affecting our future performance (outlined above).

# Financial review

## Financial performance and position

The Group has had a very successful financial year, mainly due to efficiencies arising from the restructure of responsibilities for repairs and maintenance, and from the continuing low interest rates. The operating surplus for the year was £30m (2012: £21m), and retained surplus for the year was £196m (2012: £5m). At the end of the year, the value of the Group's housing properties was £1,043m (2012: £603m), and the total assets were £1,151m (2012: £675m). The Group's long term funding amounted to £601m (2012: £380m), and total reserves were £497m (2012: £260m).

## Cash inflows and outflows

The main cash flows for the Group were:

| | 2013 £m | 2012 £m |
|---|---|---|
| Net cash inflows from operating activities | **25** | 15 |
| Less net interest paid | **(12)** | (17) |
| | **13** | (2) |
| Investment in new properties | **(51)** | (29) |
| Drawdown of loans | **44** | 35 |
| Cash balances on acquisition of Synergy | **1** | - |
| Increase in cash holdings | **7** | 4 |

## Capital structure

The Group contains entities in different forms (Industrial and Provident Societies with charitable rules and companies limited by shares). None of these is able to raise equity funding. The Group therefore finances its operations by a combination of Government grants, loans from commercial banks and retained surpluses. Indications are that the commercial banks are becoming less willing to lend for long terms, and it is likely therefore, we may have to raise bond finance for some future funding requirements.

Only Aster Property Limited and Aster Homes Limited could pay a dividend up to Aster Group Limited if they had profits available. No dividend payments can be made outside the Group.

## Treasury policy

The Group operates a centralised Treasury Management function with the primary purpose of managing liquidity, funding, investment and the Group's financial risk, including risk from volatility in interest rates and liquidity. It is the Group's policy to have the Group Treasury Policy reviewed and approved by the Group Treasury Committee and the Board.

The interest rate risk relates to interest rates and/or inflation increasing beyond the levels assumed in the business plan. It was our policy at year end to manage interest rate risk by maintaining between 50% and 80% of borrowings at a fixed rate of interest. Since year end a new hedging policy has been adopted. At the year end 78% of the Group's borrowings were fixed. The market will continue to be kept under review to identify future opportunities to fix interest rates that will be advantageous to the organisation's business plan and to manage our interest rate risk for the future.

The liquidity risk is managed by ensuring the Group can meet at least three months of committed spend and ensuring continuity of funding by having committed borrowing facilities. The Group is currently working on a Bond Issue by March 2014.

## Current liquidity

At 31 March 2013, the available bank loan and overdraft facilities amounted to £727m, of which £568.3m (excluding the PFI contract) had been drawn.

The drawdown of loan facilities is closely linked to investment in new homes. At the end of the year, we had not committed to any investment that would take us beyond the scale of facilities available.

Our business plans indicate we will not suffer from liquidity issues in the next 12 months.

Interest was capitalised on development expenditure, using a weighted average rate across all variable loans in place during the year. These rates varied from a low of 2.30% to 2.60%.

## Going concern

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

# Value For Money (VFM)

The merger between Aster Group and Synergy Housing has afforded Aster an excellent opportunity to review its approach to Value For Money. This includes best practice learning externally and within both organisations, and identifying opportunities for improvement to ensure the methodology and processes used by the Aster Group are robust and fit for purpose.

Already the merger has provided benefit. It has:

- Enabled Aster to focus on activities, and improve efficiency. This has seen cash savings of £1.5m per annum in Aster Property
- Realised savings from the merger of over £2m per annum by rationalising management structures and central services
- Anticipated future efficiency savings of £14.5m over five years
- Improved the ability to use the asset base to raise further finance for investment in new properties and other ventures.

This comes at an opportune time for Aster, with significant external pressures on the Group's finances like:

- Welfare reform
- Access to borrowing
- Interest rates and the potential for increases
- Ongoing reductions in public spending
- Lack of development funding
- Government pressure to reduce costs
- Increasing pressure on our customers' income and expenditure.

As a result of the review, a new Value For Money Strategy, which has been recognised in the Regulatory Judgement, has been developed. The strategy is underpinned by three key strategic objectives:

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

These objectives are underpinned by strategy commitments at all levels of the organisation. These commitments will be developed further in a SMART action plan.

- That high-level VFM indicators are agreed and progress reported regularly to Group Board. Examples of these could include % of surplus against turnover or increasing the net present value (NPV) of the stock
- That an approach to understanding the potential for return on assets is developed
- That a shared understanding of the costs of service delivery and the links between costs, performance, and outcomes are developed
- That a shared understanding of overhead costs and the links between costs, performance and outcomes is developed
- That staff, Non-Executive Directors (NEDs), customers and stakeholders can influence and are made aware of achievements and plans for improvement
- That when key decisions are made they are done so after considering potential alternate options and delivery model
- That an operating framework is developed to support these commitments and agreed across the Group.

Key to this approach is Aster's annual VFM framework. The framework is structured to include staff, customers, NEDs and external stakeholders.

## *Responsibilities of the Board*

The Industrial and Provident Societies Acts and registered social housing legislation require the Board to prepare financial statements for each financial year. This must give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

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

The Board is responsible for keeping proper accounting records. These must disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords Determination 2006. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and prevent and detect fraud and other irregularities.

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

# Disclosure of information to auditors

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

## The Board's report on internal controls assurance

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

The Board has a current strategy and policy on fraud covering prevention, detection and reporting and the recovery of assets. This is also supported by an established whistle blowing policy.
The Board exercises internal control through a framework, which comprise:

- Board overview of plans, finances and key policies
- Operational reports on key business drivers
- Performance information
- Risk management strategy
- Compliance with quality management systems
- Group Chief Executive's management assurance and Members' review
- Internal audit
- External audit
- Reports to regulators and funders.

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

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

## Compliance with the Code of Governance

The Group supports the National Housing Federation's Code of Governance and strives to comply. While it has generally achieved this objective, some companies within the Group have not achieved full compliance with the Code. Synergy Housing Limited and Aster Group Limited decided not to complete the appraisals of their Boards' NEDs this year, which is usually the practice on an annual basis, in Synergy's case due to substantial additional work arising from the merger, whilst Aster Group Limited considered that as there had been substantial changes in the composition of the Board and a number of new Board directors, it was not appropriate to do so at that time. Aster Living decided that for the purposes of continuity at a time of change, the Aster Living Chairman would continue in office for one more year, taking her over the maximum nine-year period of office. Synergy Housing Limited also decided, for the purposes of continuity, to co-opt two members for one more year, which meant that the Board exceeded the maximum recommended size of 12 members. The Group has also adopted the National Housing Federation's Code of Conduct 2012 and is fully compliant.

By order of the Board
Carolyn Filmore
Company Secretary
13 August 2013

# Independent Auditors' Report to the Members of Aster Group Ltd

We have audited the financial statements of Aster Group Limited for the year ended 31 March 2013 which comprise the Group and Association Income and Expenditure Account, the Group and Association Balance sheets, the Group Cash Flow Statement, the Group and Association Statement of Total Recognised Surpluses and Deficits, the Group and Association Statement of Historical Cost Surpluses and Deficits and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## Respective responsibilities of the Board and auditors.

As explained more fully in the Statement of Board's Responsibilities set out on page 19, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This Report, including the opinions, has been prepared for and only for the Association's members as a body in accordance with Section 9(1) and Section 13(5) of the Friendly and Industrial and Provident Societies Act 1968 and the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this Report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2013 and of the Group's and Association's income and expenditure and the Group's cash flows for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 require us to report to you if, in our opinion:

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

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
22 August 2013

(a) The maintenance and integrity of the Aster website/s is the responsibility of the Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.


The new extension at St Pauls Court, Efford, Plymouth.

# Income and Expenditure Account

**Income and Expenditure account**
**For the Year Ended 31 March 2013**

| | | Group | | Association | |
|---|---|---|---|---|---|
| | Note | **2013** **£'000** | 2012 £'000 | **2013** **£'000** | 2012 £'000 |
| **Turnover** | 2a | **133,880** | 92,049 | **10,394** | 8,009 |
| Operating costs | 2a | **(103,948)** | (68,702) | **(10,583)** | (8,049) |
| Total operating costs | 2a | **(103,948)** | (68,702) | **(10,583)** | (8,049) |
| Administrative expenses | 2a | **(124)** | (2,008) | **-** | - |
| **Operating surplus/(deficit)** | 3 | **29,808** | 21,339 | **(189)** | (40) |
| Exceptional item: gain on non-exchange transaction | 6 | **178,924** | - | **-** | - |
| Surplus on sale of properties not developed for outright sale | 7 | **493** | 708 | **-** | - |
| Surplus on sale of fixed assets | | **6** | 3 | **-** | - |
| Gift aid receivable | | **-** | - | **235** | 1,192 |
| Interest receivable and other income | 8 | **510** | 226 | **-** | 3 |
| Interest payable and similar charges | 9 | **(12,561)** | (17,273) | **-** | - |
| Other finance cost | | **(593)** | (222) | **(22)** | (8) |
| **Surplus on ordinary activities before taxation** | | **196,587** | 4,781 | **24** | 1,147 |
| Tax on surplus on ordinary activities | 10 | **(114)** | 2 | **-** | (868) |
| **Surplus for the year** | | **196,473** | 4,783 | **24** | 279 |

All amounts relate to continuing activities.

**The notes on pages 28 to 83 form an integral part of these financial statements.**

**Company number: 29573R**

## Statement of Total Recognised Surpluses and Deficits (STRSD)
## For the Year Ended 31 March 2013

| | Note | Group 2013 £'000 | Group 2012 £'000 | Association 2013 £'000 | Association 2012 £'000 |
|---|---|---|---|---|---|
| Surplus on ordinary activities for the year before taxation | | **196,587** | 4,781 | **24** | 1,147 |
| Actuarial loss on pension schemes | 25 | **(2,229)** | (4,589) | **(349)** | (125) |
| Movement in FRS 17 deferred tax provision | 25 | **57** | 64 | **-** | - |
| Other movement in reserves | 27 | **-** | (23) | **-** | - |
| Taxation | 10 | **(114)** | 2 | **-** | (868) |
| Unrealised surplus on revaluation of properties | 27 | **43,173** | 7,101 | **-** | - |
| Total surpluses/(deficit) recognised since the last annual report | | **237,474** | 7,336 | **(325)** | 154 |

## Statement of Historical Cost Surpluses and Deficits
## For the Year Ended 31 March 2013

| | Note | Group 2013 £'000 | Group 2012 £'000 | Association 2013 £'000 | Association 2012 £'000 |
|---|---|---|---|---|---|
| Surplus on ordinary activities for the year before taxation | | **196,587** | 4,781 | **24** | 1,147 |
| Realisation of property revaluations on disposal | 27 | **368** | 38 | **-** | - |
| Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | 27 | **1,564** | 1,201 | **-** | - |
| Historical cost surplus/(deficit) for the year | | **198,519** | 6,020 | **24** | 1,147 |

**The notes on pages 28 to 83 form an integral part of these financial statements.**

## Balance Sheets at 31 March 2013

| | Note | Group 2013 £'000 | Group 2012 £'000 | Association 2013 £'000 | Association 2012 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Housing properties at valuation/cost | 11 | **1,047,646** | 603,527 | **-** | - |
| Less: Social Housing Grant | 11 | **(4,228)** | (966) | **-** | - |
| Net book value of housing properties | 11 | **1,043,418** | 602,561 | **-** | - |
| HomeBuy loan | 14 | **6,156** | 6,207 | **-** | - |
| HomeBuy grant | 14 | **(6,067)** | (6,118) | **-** | - |
| Other fixed assets | 12 | **22,871** | 17,869 | **1,077** | 611 |
| **Total fixed assets** | | **1,066,378** | 620,519 | **1,077** | 611 |
| **Current assets** | | | | | |
| Stock | 15 | **24,095** | 21,262 | **-** | - |
| Debtors | 16 | **31,597** | 13,006 | **3,138** | 3,771 |
| Properties held for resale | 17 | **2,325** | 42 | **-** | - |
| New Build HomeBuy properties developed for sale | 18 | **4,239** | 4,687 | **-** | - |
| Cash at bank and in hand | 19 | **22,531** | 15,177 | **494** | 608 |
| | | **84,787** | 54,174 | **3,632** | 4,379 |
| **Creditors:** amounts falling due within one year | 20 | **(23,065)** | (17,377) | **(2,950)** | (3,313) |
| **Provisions for liabilities and charges** | 21 | **(735)** | - | **-** | - |
| **Net current assets** | | **60,987** | 36,797 | **682** | 1,066 |
| **Total assets less current liabilities** | | **1,127,365** | 657,316 | **1,759** | 1,677 |
| **Creditors:** amounts falling due after more than one year | 22 | **600,913** | 380,332 | **-** | - |
| **Pension liability** | 25 | **29,225** | 17,231 | **1,222** | 815 |
| **Capital and reserves** | | | | | |
| Called up share capital | 26 | **-** | - | **-** | - |
| Revaluation reserves | 27 | **473,139** | 241,128 | **-** | - |
| Designated reserves | 27 | **398** | 56 | **-** | - |
| Restricted reserves | 27 | **208** | 208 | **-** | - |
| Revenue reserve | 27 | **50,598** | 38,507 | **1,743** | 1,719 |
| Pension reserve | 27 | **(27,116)** | (20,146) | **(1,206)** | (857) |
| | | **1,127,365** | 657,316 | **1,759** | 1,677 |

**The notes on pages 28 to 83 form an integral part of these financial statements.**

The financial statements were approved by the Board and were signed on its behalf by:

**Chairman:** **Mel Cook**

**Group Resources Director:** **John Brace**

**Date: 13 August 2013**

**Company number: 29573R**

## Group Cash Flow Statement
## For the Year Ended 31 March 2013

| | Note | 2013 £'000 | 2013 £'000 | 2012 £'000 | 2012 £'000 |
|---|---|---|---|---|---|
| **Net cash inflow from operating activities** | 28 | | **25,477** | | 15,330 |
| **Returns on investments and servicing of finance** | | | | | |
| Interest received | | **510** | | 227 | |
| Interest paid | | **(12,555)** | | (17,270) | |
| **Net cash outflow from returns on investment and servicing of finance** | | | **(12,045)** | | (17,043) |
| | | | **13,432** | | (1,713) |
| **Taxation** | | | **-** | | (326) |
| **Capital expenditure and financial investment** | | | | | |
| Acquisition and construction of housing properties | | **(57,841)** | | (36,110) | |
| Replacement of major components | | **(10,001)** | | 6,036 | |
| Social Housing Grant received | | **9,622** | | 7,566 | |
| Proceeds from sale of housing properties | | **9,918** | | 7,462 | |
| Cost of sale of housing properties | | **225** | | (41) | |
| Purchase of other fixed assets | | **(3,192)** | | (1,991) | |
| Proceeds from sale of other fixed assets | | **74** | | 3 | |
| Cost of sale of other fixed assets | | **-** | | 46 | |
| **Net cash outflow from capital expenditure** | | | **(51,195)** | | (29,101) |
| **Net cash outflow before management of liquid resources and financing** | | | **(37,763)** | | (31,140) |
| **Financing** | | | **44,048** | | 35,270 |
| **Acquisitions and disposals** | | | | | |
| Cash balance on acquisition of Synergy | | | **1,069** | | - |
| **Increase in net cash** | | | **7,354** | | 4,130 |

**The notes on pages 28 to 83 form an integral part of these financial statements.**

Better Off Green planting event, Ryleaze, Potterne, Wiltshire.

# Principal Accounting Policies

## Note 1

### Basis of Accounting

The Association is an Industrial and Provident Society and is registered with the Homes and Communities Agency (HCA) as a Registered Provider, as defined by the Housing Act 1996. The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The financial statements comply with Schedule 1 of the Housing Act 1996, the Accounting Direction for Social Housing in England from April 2012 and the Statement of Recommended Practice ('SORP 2010'), published by the National Housing Federation ('NHF') in 2010. The financial statements are prepared on a 'going concern' basis, under the historical cost convention, except as modified by the revaluation of housing properties. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

### Group Consolidation

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

Synergy Housing Limited and Zebra Property Solutions Limited joined the Group on 1 November 2012, and have been recognised as a non-exchange transaction and the fair values of the recognised assets and liabilities were recognised as a gain in the income and expenditure account in the year. Intra-group transactions have been eliminated on consolidation, which is performed on a line-by-line basis.

### Turnover

Turnover represents rental and service charge income receivable, fees and revenue grants from local authorities and the HCA, first tranche sales of New Build HomeBuy housing properties developed for sale and other income. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of properties built for sale is recognised at the legal completion of sale. Other income is recognised when, as a result of performing a service or otherwise meeting the requirements of any arrangement with a third party, the income falls due.

### Fixed Assets and Depreciation

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

| | | |
|---|---|---|
| Freehold offices | 50 years | |
| Motor vehicles | 4–5 years | |
| Office, estate equipment and furniture | 3–15 years | |
| Computer equipment and software | 3 years | |
| Major computer systems (included within computer equipment and software) | 10 years | |
| Maintenance tools and equipment | 5–20 years | Included within office, estate, equipment and furniture |
| Supported housing furniture and alarms | 5 years | |
| Supported housing hostels equipment | 5 years | |
| Synergy Works (depot) fixtures and fittings | 10 years | |

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

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

### Social Housing Properties and Depreciation

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

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

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

| Component | UEL |
|---|---|
| Structure (see below) | 75-100 years |
| Roof | 60 years |
| Lift | 40 years |
| Heating distribution systems | 30 years |
| Boiler | 15 years |
| Bathroom | 30 years |
| Windows/Doors | 30 years |
| Kitchen | 20 years |
| Electrical wiring | 30 years |

As at the year end the total carrying value of social housing units, including components, is restated at EUV-SH valuation.

Impairment reviews are carried out on an annual basis on assets whose useful economic lives are expected to exceed 50 years, in accordance with Financial Reporting Standard 11.

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

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

Depreciation on freehold properties and long leasehold housing properties is provided to write off the valuation less the estimated residual value of housing properties by equal instalments over their remaining estimated useful economic life (UEL). Any additions and improvements are depreciated over the remaining life of the premises. A full year's charge is made in the year the asset is brought into use at the following rates:

| Structure | UEL |
|---|---|
| Precast reinforced concrete (PRC) construction | 75 years |
| Bedsits | 100 years |
| Constructed post 1960 | 60 to 100 years |
| Constructed before 1960 | 75 to 100 years |
| Major components | 15 to 60 years |

Freehold land is not depreciated

Certain PRC construction properties and bedsits have been re-lifed to 10 years and 30 years respectively, where it is considered that their economic life will be less than this standard policy.

### Works to Existing Housing Properties
The Group capitalises replacements of major components of the social housing properties and depreciates these additions over their expected useful lives.

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

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

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

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

SHG received for items of cost written off in the income and expenditure account is matched against those costs as part of turnover.

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

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

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

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

### Capitalisation of Development Costs
Administration costs relating to development activities are capitalised to the extent that they are part of the development process and directly attributable to bringing the properties into their intended use.

### Capitalisation of Interest Costs

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

### Development Administration Costs

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

### New Build HomeBuy

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 fixed assets for the remaining part of the property which is expected to be retained.

First tranche sales on New Build HomeBuy properties are taken to turnover, with an appropriate proportion of development build costs (excluding any SHG funding) being expensed through cost of sales.

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

### Right to Buy

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

### Right to Acquire

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

### HomeBuy

The Group operates the HomeBuy scheme lending 25% of the cost of a house purchase to tenants who wish to own their own home. This loan is secured on the title, and on the sale of the property 25% of the sale proceeds will be payable to the Group. The loans are financed by SHG from the HCA. On repayment the SHG is recycled and the Group keeps any surplus. In the event of a loss, the SHG is written off and expensed through cost of sales. The loan to the purchaser is treated as a fixed asset investment made by the Group and the grant from the HCA is recognised separately as a loan to the Group. The investment is carried on the balance sheet at historical cost.

### Property Managed by Agents

Where the Group carries the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the Income and Expenditure Account.

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

### Leased Assets

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

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

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

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

### Stocks

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

### Private Finance Initiative (PFI)

Costs incurred on the PFI scheme, in respect of development, design, construction and finance costs during the period prior to availability of the social housing properties, are accumulated within stocks as amounts recoverable on long-term contracts. Once completed, housing units are made available for occupation and 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 in trust by the Group, and may only be used for the benefit of the relevant schemes. These funds are held in Creditors on the Balance Sheet.

### Pension Costs

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

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

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

All LGPS schemes are closed to new starters.

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

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

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

### Designated Reserve

All income and expenditure relating to movements in the designated reserves are included in the Group's income and expenditure account before identifying the result for the year. Use of the designated reserves is shown by making a transfer from the reserves to the accumulated surplus/(deficit) of the relevant expenditure in the year.

The Group designates those reserves which have been set aside for future service enhancements and which prevent them, in the judgement of the Board, from being regarded as part of the free reserves of the Group.

### Restricted Reserve

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

### Bad and doubtful debts

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

### Provisions

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

### Accrued Income

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

### Deferred Income

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

### Management Expenses

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

### Interest Payable

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

1. Interest on borrowings specifically financing the development programme after deduction of interest on SHG in advance; or
2. Interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

### Loan Finance Issue Costs

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

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

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

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

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

### 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.

Meadow Court summer fete, Verwood, Dorset.

# Turnover, operating costs and surplus: Group

**Note 2a**

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

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

| | Note | Turnover | Operating costs | Operating Surplus/ (Deficit) |
|---|---|---|---|---|
| | | | 2012 | |
| | | £'000 | £'000 | £'000 |
| **Income and expenditure from lettings** | | | | |
| Housing accommodation | 2b | 72,988 | (46,017) | 26,971 |
| **Other income and expenditure** | | | | |
| **Social Housing** | | | | |
| Housing services provided to third parties | | 1,122 | (750) | 372 |
| Supporting people contract | | 2,000 | (1,432) | 568 |
| Properties managed by agents | | 501 | (35) | 466 |
| Community involvement and transform | | 72 | (1,007) | (935) |
| Domiciliary care | | 4,096 | (4,082) | 14 |
| Helpline/Telecare | | 1,377 | (1,129) | 248 |
| Home improvements | | 2,979 | (4,025) | (1,046) |
| First tranche new build HomeBuy | | 3,691 | (3,169) | 522 |
| Development costs not capitalised | | - | (842) | (842) |
| | | 15,838 | (16,471) | (633) |
| **Non-Social Housing** | | | | |
| Garage lettings | | 1,904 | (274) | 1,630 |
| Management services | | 277 | (87) | 190 |
| Sewerage services | | 29 | (48) | (19) |
| Open market sales of properties | | 160 | (125) | 35 |
| Other | | 853 | (5,669) | (4,816) |
| Aborted project costs | | - | (11) | (11) |
| | | 3,223 | (6,214) | (2,991) |
| **Total** | | 92,049 | (68,702) | 23,347 |
| Administrative expenses | | | | (2,008) |
| **Operating surplus** | | | | 21,339 |

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

# Income and expenditure from lettings: Group

**Note 2b**

| | 2013 | | | | |
|---|---|---|---|---|---|
| | General Needs Housing | Supported Housing | New Build Homebuy | Other | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Income** | | | | | |
| Rents | 76,922 | 10,659 | 1,975 | 1,468 | 91,024 |
| Service charges | 1,536 | 2,316 | 533 | 37 | 4,422 |
| Other revenue grants | 7 | 285 | - | 14 | 306 |
| **Total net rents from lettings** | 78,465 | 13,260 | 2,508 | 1,519 | 95,752 |
| **Expenditure** | | | | | |
| Management | 16,002 | 282 | 202 | 976 | 17,462 |
| Services | 3,525 | 1,569 | 110 | 39 | 5,243 |
| Routine maintenance | 9,611 | 718 | 43 | 143 | 10,515 |
| Planned maintenance | 6,465 | 380 | 8 | 14 | 6,867 |
| Major improvements and repairs | 9,549 | 240 | - | 8 | 9,797 |
| Bad debts | 537 | 48 | - | 3 | 588 |
| Property lease charges | - | - | - | 15 | 15 |
| Depreciation of housing properties | 14,037 | - | 306 | 7 | 14,350 |
| Impairment of housing properties | 451 | - | - | - | 451 |
| Other costs | 837 | - | - | 5 | 842 |
| **Operating costs on housing lettings** | 61,014 | 3,237 | 669 | 1,210 | 66,130 |
| **Operating surplus on letting activities** | 17,451 | 10,023 | 1,839 | 309 | 29,622 |
| Void losses from rents | 517 | 485 | 5 | 92 | 1,099 |

| | 2012 | | | | |
|---|---|---|---|---|---|
| | General Needs Housing | Supported Housing | New Build HomeBuy | Other | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Income** | | | | | |
| Rents | 62,613 | 3,540 | 1,458 | 1,281 | 68,892 |
| Service charges | 2,129 | 1,723 | 202 | 42 | 4,096 |
| Other revenue grants | - | - | - | - | - |
| **Total net rents from lettings** | 64,742 | 5,263 | 1,660 | 1,323 | 72,988 |
| **Expenditure** | | | | | |
| Management | 7,771 | 823 | 265 | 226 | 9,085 |
| Services | 2,569 | 1,245 | 36 | 22 | 3,872 |
| Routine maintenance | 8,306 | 450 | 121 | 53 | 8,930 |
| Planned maintenance | 9,891 | 294 | 89 | 55 | 10,329 |
| Major improvements and repairs | 3,044 | 188 | 49 | 12 | 3,293 |
| Bad debts | 743 | 22 | 6 | 3 | 774 |
| Property lease charges | - | - | - | 567 | 567 |
| Depreciation of housing properties | 8,876 | - | 291 | - | 9,167 |
| **Operating costs on housing lettings** | 41,200 | 3,022 | 857 | 938 | 46,017 |
| **Operating surplus on letting activities** | 23,542 | 2,241 | 803 | 385 | 26,971 |
| Void losses from rents | 412 | 31 | - | - | 443 |

# Surplus on ordinary activities for the year before taxation

**Note 3**

| | Group | | Association | |
|---|---|---|---|---|
| | **2013 £'000** | 2012 £'000 | **2013 £'000** | 2012 £'000 |
| Is stated after charging/(crediting): | | | | |
| Auditors' remuneration (including irrecoverable VAT): | | | | |
| In their capacity as auditors: | | | | |
| Financial statements audit | **68** | 57 | **4** | 5 |
| Sewage financial statements audit | **-** | 2 | **-** | - |
| Drews Park financial statements audit | **-** | 1 | **-** | - |
| In respect of other services: | | | | |
| VAT advice | **7** | 5 | **7** | - |
| Component Accounting (PYA) | **-** | 10 | **-** | |
| Preparation of Corporation Tax returns | **6** | 13 | **-** | - |
| Other business advice | **8** | 4 | **-** | - |
| Depreciation: | | | | |
| Housing properties | **14,350** | 9,166 | **-** | - |
| Other assets | **2,080** | 1,852 | **314** | 241 |
| Profit on disposal of properties | **(493)** | (708) | **-** | - |
| Profit on the disposal of other fixed assets | **(6)** | (3) | **-** | - |
| Impairment of housing properties | **451** | - | **-** | - |
| Operating lease payments: | | | | |
| Land and buildings | **291** | 72 | **-** | - |
| Other assets | **62** | 36 | **-** | - |

# Directors’ emoluments

## Note 4

Members of the Executive Board and Executive Management Team – Group and Association

| | Group | | Association | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£’000** | £’000 | **£’000** | £’000 |
| The aggregate emoluments paid to or receivable by Directors and other members of the Group’s management teams including employment costs) | **2,103** | 2,090 | **725** | 750 |
| The emoluments paid to the highest paid Director of the Group excluding pension contributions | **208** | 190 | **208** | 190 |

The Group Chief Executive is an ordinary member of the Social Housing Pension Scheme. No enhanced or special terms apply and there are no additional pension arrangements in place. Pension contributions of £14,843 (2012: £13,537) were made by the Association during the year on behalf of the Group Chief Executive. In addition to the Group Chief Executive there are five other directors and other members of the Group’s Management Team who are accruing benefits under defined benefit schemes.

As at 31 March 2013 the Group Leadership Team’s remuneration, comprising base salary, car allowance and any acting up allowance and bonuses, was as follows:

| **Name** | **Position** | **Remuneration** |
|---|---|---|
| | | **£** |
| Bjorn Howard | Group Chief Executive | **208,167** |
| John Brace | Group Resources Director and Deputy Group Chief Executive | **161,262** |
| Rachel Credidio | Group Strategic Change Director | **98,974** |
| Susan Holmes | Group Care and Support Director | **102,348** |
| Michael Reece | Group Asset Director | **126,106** |
| Joanne Savage | Group Services Director | **125,041** |
| Graeme Stanley | Group Strategy and Implementation Director | **137,500** |
| Amanda Williams | Group Development Director | **114,442** |
| Brian Whittaker | Group Human Resources Director | **113,584** |
| **Total** | | **1,187,424** |

## Directors' emoluments *(continued)*

| Non-executive Directors | 2013 | | |
|---|---|---|---|
| | Aster Board | Other Group Boards and Committees | Total |
| | £ | £ | £ |
| Anthony Brooks | - | 3,487 | 3,487 |
| Debbie Cattell | - | 3,487 | 3,487 |
| Alan Clevett | 833 | 8,844 | 9,677 |
| Melvyn Cook | 11,371 | 6,605 | 17,976 |
| Susan Coulson | - | 3,487 | 3,487 |
| Robert Cowan | 4,091 | 5,917 | 10,008 |
| Robert Cribb MBE | 8,702 | - | 8,702 |
| Peter Cruttenden | 3,544 | - | 3,544 |
| Malcolm Curtis | - | 7,012 | 7,012 |
| Susan Dear | 1,567 | 3,741 | 5,308 |
| Peter Denning | 3,304 | 2,421 | 5,725 |
| Mary Douglas | - | 3,152 | 3,152 |
| Warren Finney | - | 2,837 | 2,837 |
| Douglas Fisher | 386 | - | 386 |
| Spencer Flower | 1,875 | 5,941 | 7,816 |
| Carey Gage | 386 | - | 386 |
| Anne Goymer | 146 | 7,757 | 7,903 |
| John Heffer | 2,169 | - | 2,169 |
| Sally Higham | 5,243 | - | 5,243 |
| Andrew Jackson | - | 3,487 | 3,487 |
| Brian Jamieson | 459 | 2,673 | 3,132 |
| Ken Johnson | 230 | 3,486 | 3,716 |
| Mark Jones | - | 3,487 | 3,487 |
| David Kemp | 923 | 2,653 | 3,576 |
| Peter Kingsbury | 1,756 | 5,728 | 7,484 |
| Joe Logan | - | 4,137 | 4,137 |
| Erfana Mahmood | - | 3,487 | 3,487 |
| Colin Martin | 7,339 | - | 7,339 |
| John McGibbon | 3,207 | 7,268 | 10,475 |
| Christopher McGowan | 1,151 | 2,653 | 3,804 |
| Arthur Merchant | 1,756 | 5,728 | 7,484 |
| Mary Miller | - | 2,565 | 2,565 |
| Wendy Murphy | 386 | - | 386 |
| Susan Noone | - | 4,879 | 4,879 |
| Phillip Owens | 2,980 | 6,606 | 9,586 |
| Geoff Petherick | - | 4,137 | 4,137 |
| Rita Sammons | - | 3,487 | 3,487 |
| Sandy Scott | - | 4,137 | 4,137 |
| Roger Shepherd | 466 | - | 466 |
| Stephanie Taylor | - | 5,437 | 5,437 |
| Steve Trusler | - | 7,757 | 7,757 |
| Nigel Walker | - | 3,487 | 3,487 |
| Anthony Ward | - | 2,045 | 2,045 |
| Mary Watkins | 2,793 | 3,881 | 6,674 |

# Directors' emoluments *(continued)*

| **Non-executive Directors (continued)** | **Aster Board** | **2013** **Other Group Boards and Committees** | **Total** |
|---|---|---|---|
| | **£** | **£** | **£** |
| Nigel Woollcombe-Adams | **-** | **3,487** | **3,487** |
| Rob Yates | **6,739** | **-** | **6,739** |
| | **73,802** | **161,380** | **235,182** |

Expenses for all Boards of £32,376 (2012: £22,184) were reimbursed during the year.

| **Non-executive Directors** | Aster Board | 2012 Other Group Boards and committees | Total |
|---|---|---|---|
| | £ | £ | £ |
| Paul Bancroft | - | 1,650 | 1,650 |
| Anthony Brooks | - | 3,380 | 3,380 |
| Antony Burdett | 520 | 2,514 | 3,034 |
| Nigel Carter | - | 2,514 | 2,514 |
| Debbie Cattell | - | 1,500 | 1,500 |
| John Cockaday | - | 2,514 | 2,514 |
| Tim Cooper | - | 1,500 | 1,500 |
| Susan Coulson | - | 3,000 | 3,000 |
| Robert Cribb | 8,520 | - | 8,520 |
| Susan Dear | 620 | 4,482 | 5,102 |
| Mary Douglas | - | 3,015 | 3,015 |
| Douglas Fisher | 2,120 | 4,050 | 6,170 |
| Carey Gage | 988 | 2,514 | 3,502 |
| Anne Goymer | 1,130 | 6,600 | 7,730 |
| John Heffer | 5,913 | 1,512 | 7,425 |
| Sally Higham | - | 3,382 | 3,382 |
| Andrew Jackson | - | 1,589 | 1,589 |
| Brian Jamieson | 2,058 | 6,848 | 8,906 |
| Ken Johnson | 620 | 3,765 | 4,385 |
| Mark Jones | - | 3,000 | 3,000 |
| David Kemp | - | 1,589 | 1,589 |
| David Kent | - | 2,514 | 2,514 |
| Erfana Khan | - | 1,500 | 1,500 |
| Susan Lewis | - | 3,049 | 3,049 |
| Helen Marriage | - | 1,500 | 1,500 |
| Colin Martin | 12,420 | - | 12,420 |
| John McGibbon | 1,750 | 8,582 | 10,332 |
| Christopher McGowan | 329 | 2,620 | 2,949 |
| Mary Miller | - | 3,000 | 3,000 |
| Wendy Murphy | 1,441 | 6,849 | 8,290 |
| Henry (Bill) Murray | - | 2,514 | 2,514 |

**Non-executive Directors (continued)**

| | 2012 | | |
|---|---|---|---|
| | Aster Board | Other Group Boards and committees | Total |
| | £ | £ | £ |
| Patsy Newton | - | 1,500 | 1,500 |
| Phillip Owens | - | 5,034 | 5,034 |
| Rita Sammons | - | 1,500 | 1,500 |
| Roger Shepherd | 3,620 | 531 | 4,151 |
| Mark Sherwood | - | 2,514 | 2,514 |
| Gillian Sweet | - | 2,514 | 2,514 |
| Edie Szep | - | 2,030 | 2,030 |
| Joanna Taylor | - | 2,514 | 2,514 |
| Steve Trusler | - | 6,600 | 6,600 |
| Nigel Walker | - | 3,000 | 3,000 |
| Mary Watkins | 329 | 3,607 | 3,936 |
| Mark Wightman | - | 3,967 | 3,967 |
| Sarah Wilde | - | 2,514 | 2,514 |
| Lee Williams | - | 2,514 | 2,514 |
| Margaret Williams | - | 2,514 | 2,514 |
| Sally Williams | 519 | 2,514 | 3,033 |
| Nigel Woollcombe-Adams | - | 1,133 | 1,133 |
| | 42,897 | 139,546 | 182,443 |

# Employee information

## Note 5

| | Group | | Association | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **No.** | No. | **No.** | No. |
| The average number of persons employed during the year (full time equivalents) based on a 37 hours per week was: | **1,197** | 920 | **151** | 119 |
| FTE by salary bands: | | | | |
| £60,000 to £69,999 | **11** | 9 | **6** | 7 |
| £70,000 to £79,999 | **8** | 3 | **6** | 1 |
| £80,000 to £89,999 | **8** | 4 | **2** | 2 |
| £90,000 to £99,999 | **2** | - | **-** | - |
| £100,000 to £109,999 | **2** | 3 | **-** | 1 |
| £110,000 to £119,999 | **1** | 2 | **-** | 1 |
| £120,000 to £129,999 | **3** | - | **1** | - |
| £130,000 to £139,999 | **-** | 1 | **-** | - |
| £140,000 to £149,999 | **-** | 1 | **-** | 1 |
| £150,000 to £159,000 | **-** | - | **-** | - |
| £160,000 to £169,999 | **1** | 2 | **2** | 1 |
| £170,000 to £179,999 | **-** | 1 | **-** | 1 |
| £180,000 to £189,999 | **-** | - | **-** | - |
| £190,000 to £199,999 | **-** | - | **-** | - |
| £200,000 to £209,999 | **1** | - | **1** | - |

| | **2013** | 2012 | **2013** | 2012 |
|---|---|---|---|---|
| Staff costs: | **£'000** | £'000 | **£'000** | £'000 |
| Wages and salaries | **31,389** | 25,872 | **6,061** | 4,558 |
| Social security costs | **2,808** | 2,473 | **593** | 426 |
| Other pension costs | **2,216** | 1,668 | **720** | 484 |
| | **36,413** | 30,013 | **7,374** | 5,468 |

## Addition of Synergy to the Group

### Note 6

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

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

## Sale of properties not developed for outright sale

### Note 7

| | | **Group** | |
|---|---|---|---|
| | | **2013** | |
| | **Proceeds** | **Cost of Sales** | **Surplus/ (Deficit)** |
| | **£'000** | **£'000** | **£'000** |
| Right to acquire | **1,816** | **(1,665)** | **151** |
| New Build HomeBuy staircasing | **187** | **(154)** | **33** |
| Transfer to other housing associations | **-** | **-** | **-** |
| Others | **1,346** | **(1,037)** | **309** |
| **Total** | **3,349** | **(2,856)** | **493** |

| | | Group | |
|---|---|---|---|
| | | 2012 | |
| | Proceeds | Cost of Sales | Surplus/ (Deficit) |
| | £'000 | £'000 | £'000 |
| Right to buy sales | 469 | (198) | 271 |
| New Build HomeBuy staircasing | 607 | (609) | (2) |
| Transfer to other housing associations | 2,623 | (2,717) | (94) |
| Others | 1,039 | (506) | 533 |
| **Total** | 4,738 | (4,030) | 708 |

## Interest receivable and other income

**Note 8**

| | **Group** | | **Association** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Bank interest receivable | **386** | 22 | **-** | - |
| Interest receivable on lease contracts | **124** | 201 | **-** | - |
| Other interest receivable | **-** | 3 | **-** | 3 |
| | **510** | 226 | **-** | 3 |

## Interest payable and similar charges

**Note 9**

| | **Group** | | **Association** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£'000** | £'000 | **£'000** | £'000 |
| On bank and other loans | **12,388** | 11,854 | **-** | - |
| Exceptional breakage costs | **-** | 5,165 | **-** | - |
| Less: capitalised interest | **(417)** | (413) | **-** | - |
| | **11,971** | 16,606 | **-** | - |
| Other interest payable | **517** | 524 | **-** | - |
| Amortisation of arrangement fees | **73** | 143 | **-** | - |
| | **12,561** | 17,273 | **-** | - |

The Group capitalises interest on its property development costs. Weighted average rates are calculated using both fixed and variable loans.

# Tax on surplus on ordinary activities

**Note 10**

| | Group | | Association | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **(a) Analysis of the charge in the year** | | | | |
| The tax charge on the surplus on ordinary activities was as follows: | | | | |
| **Current tax** | | | | |
| UK Corporation Tax charge for the year | **109** | - | **-** | - |
| Under provision in previous years | **-** | - | **-** | 868 |
| Total current tax | **109** | - | **-** | 868 |
| **Deferred tax** | | | | |
| Origination and reversal of timing differences | **(10)** | (21) | **-** | - |
| Adjustment for prior year | **15** | (6) | **-** | - |
| Changes in tax rates or laws | **-** | 25 | **-** | - |
| Total deferred tax | **5** | (2) | **-** | - |
| Tax on surplus on ordinary activities | **114** | (2) | **-** | 868 |

| | Group | | Association | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **(b) Factors affecting tax charge for the year** | | | | |
| Surplus on ordinary activities before taxation | **196,587** | 4,781 | **24** | 1,147 |
| Surplus on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 24% (2012: 26%) | **47,180** | 204 | **6** | 241 |
| Effects of: | | | | |
| Expenses not deductible | **4** | - | **-** | - |
| Utilisation of losses | **9** | (8) | **-** | - |
| Tax at marginal rates | **(1)** | - | **-** | - |
| Items not allowable for tax purposes | **(47,093)** | (219) | **(6)** | (241) |
| (Over)/under provision in previous years | **-** | - | **-** | 868 |
| Capital allowances less than depreciation | **(10)** | - | **-** | - |
| Group relief | **-** | 7 | **-** | - |
| Capital transactions | **-** | 20 | **-** | - |
| Items charged to STRSD | **(57)** | 69 | **-** | - |
| Other timing differences | **77** | (73) | **-** | - |
| | **109** | - | **-** | 868 |

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

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

No provision has been made for deferred tax gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. At present, it is not envisaged that any such tax will become payable in the foreseeable future. There is a fall in the tax rate to 24% from 1 April 2012.

A number of changes to the UK Corporation Tax system were announced in the March 2012 UK budget statement. A resolution passed by parliament on 26 March 2012 reduced the main rate of Corporation Tax to 24% from 1 April 2013. Legislation to reduce the main rate of Corporation Tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012 and was substantively enacted on 3 July 2013.

Further reductions to the main rate are proposed to reduce the rate to 21% from 1 April 2014 and then to 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. Accordingly, the closing deferred tax liability in the financial statements has been recognised at 23%.

4TK float at Upton Carnival, Poole, Dorset.

# Housing Properties - Group

## Note 11

| | Housing Properties Under Construction | Completed Housing Properties at Valuation | New Build HomeBuy Under Construction | 2013<br>New Build HomeBuy Completed | Total Social Housing Properties | Market Rented Properties | Total Housing Properties |
|---|---|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Cost or Valuation** | | | | | | | |
| At 1 April 2012 | 11,158 | 552,295 | 1,526 | 37,550 | 602,529 | 1,000 | 603,529 |
| Acquisition of company to the Group | 7,601 | 346,987 | 375 | 9,680 | 364.643 | 1,723 | 366,366 |
| Additions | 44,561 | 4 | 13,961 | 1 | 58,527 | - | 58,527 |
| Components | - | 10,285 | - | - | 10,285 | - | 10,285 |
| Disposal of components | - | (2,141) | - | - | (2,141) | - | (2,141) |
| Write-off aborted costs | - | - | - | - | - | (1) | (1) |
| Completions | (36,987) | 35,801 | (8,610) | 8,610 | (1,186) | 1,186 | - |
| Transfer to current assets | (1,003) | - | (2,333) | (2,872) | (6,208) | (1,381) | (7,589) |
| Reclassification of costs | (325) | 325 | - | - | - | - | - |
| Disposals | - | (1,931) | (438) | (365) | (2,734) | (191) | (2,925) |
| Transfer to/(from) revaluation reserve | - | 23,755 | - | (2,147) | 21,608 | - | 21,608 |
| **At 31 March 2013** | **25,005** | **965,380** | **4,481** | **50,457** | **1,045,323** | **2,336** | **1,047,659** |
| **Social Housing Grant** | | | | | | | |
| At 1 April 2012 | 4,150 | (3,205) | 21 | - | 966 | - | 966 |
| Acquisition of company to the Group | 518 | - | - | - | 518 | - | 518 |
| Received during year | 6,236 | 10 | 1,679 | 2 | 7,927 | - | 7,927 |
| Completions | (7,243) | 7,243 | (1,133) | 1,133 | - | - | - |
| Disposals | - | - | - | (26) | (26) | - | (26) |
| Transfer to revaluation reserve | - | (4,048) | - | (1,109) | (5,157) | - | (5,157) |
| **At 31 March 2013** | **3,661** | **-** | **567** | **-** | **4,228** | **-** | **4,228** |
| **Accumulated depreciation** | | | | | | | |
| At 1 April 2012 | - | - | - | 2 | 2 | - | 2 |
| Acquisition of company to the Group | 90 | 3,345 | - | - | 3,435 | 143 | 3,578 |
| Charge for year | - | 13,962 | - | 380 | 14,342 | 6 | 14,348 |
| Disposal of components | - | (1,750) | - | - | (1,750) | - | (1,750) |
| Completions | (90) | 90 | - | - | - | - | - |
| Impairment | - | 451 | - | - | 451 | - | 451 |
| Transfer to current assets | - | - | - | - | - | (136) | (136) |
| Disposals | - | (78) | - | - | (78) | - | (78) |
| Transfer to revaluation reserve | - | (16,020) | - | (382) | (16,402) | - | (16,402) |
| **At 31 March 2013** | **-** | **-** | **-** | **-** | **-** | **13** | **13** |
| **Net book value at 31 March 2013** | **21,344** | **965,380** | **3,914** | **50,457** | **1,041,095** | **2,323** | **1,043,418** |
| Net book value at 31 March 2012 | 7,008 | 555,500 | 1,505 | 37,548 | 601,561 | 1,000 | 602,561 |

# Housing properties - Group *(continued)*

| | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|
| | Housing Properties Under Construction | Completed Housing Properties at Valuation | New Build HomeBuy Under Construction | New Build HomeBuy Completed | Total Social housing Properties | Market Rented Properties | Total Housing Properties |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Comparable historic cost** | | | | | | | |
| Historic cost | 22,667 | 667,874 | 3,499 | 31,557 | 725,597 | - | 725,597 |
| Accumulated depreciation | - | (133,699) | - | (1,148) | (134,847) | - | (134,847) |
| **Net book value at 31 March 2013** | **22,667** | **534,175** | **3,499** | **30,409** | **590,750** | **-** | **590,750** |

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Net book value of property assets by tenure: | | |
| Long leasehold | **6,981** | 5,130 |
| | **6,981** | 5,130 |
| Freehold | **1,036,437** | 597,431 |
| | **1,043,418** | 602,561 |

Completed housing properties were valued as at 31 March 2013 by Mazars Property Consultancy Limited, Chartered Surveyors, (Aster Communities) and Savills (L&P) Limited (for Synergy Housing Limited), on the basis of Existing Use Value – Social Housing (EUV-SH). The valuations were carried out in accordance with the RICS Appraisal and Valuation Manual effective from 1 January 1996 (as amended). The Group has revalued its housing properties as at 31 March 2013 on the basis of these independent professional valuations.

# Other fixed assets : Group

## Note 12

| | Office Premises | Leasehold Office Improvements | Assets Under Construction | Vehicles | Office & Estate Equipment & Furniture | Computer Equipment & Software | Total Other Fixed Assets |
|---|---|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Cost or Valuation** | | | | | | | |
| At 1 April 2012 | 14,537 | - | 117 | 2,658 | 3,050 | 6,378 | 26,740 |
| Acquisition of company to the Group | 720 | 217 | - | - | 2,158 | 863 | 3,958 |
| Additions | 77 | 22 | 521 | 1,238 | 378 | 956 | 3,192 |
| Completions | - | - | (119) | - | - | 119 | - |
| Disposals | - | - | - | (64) | (48) | (91) | (203) |
| **At 31 March 2013** | **15,334** | **239** | **519** | **3,832** | **5,538** | **8,225** | **33,687** |
| **Accumulated Depreciation** | | | | | | | |
| At 1 April 2012 | 1,569 | - | - | 1,943 | 2,396 | 2,963 | 8,871 |
| Charge for year | 313 | 8 | - | 443 | 362 | 954 | 2,080 |
| Disposals | - | - | - | (61) | (43) | (31) | (135) |
| **At 31 March 2013** | **1,882** | **8** | - | **2,325** | **2,715** | **3,886** | **10,816** |
| **Net book value at 31 March 2013** | **13,452** | **231** | **519** | **1,507** | **2,823** | **4,339** | **22,871** |
| Net book value at 31 March 2012 | 12,968 | - | 117 | 715 | 654 | 3,415 | 17,869 |

## Other fixed assets: Association

### Note 12

| | Assets Under Construction | Office & Estate Equipment & Furniture | Computer Equipment & Software | Total |
|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** |
| **Cost** | | | | |
| At 1 April 2012 | 117 | 326 | 1,075 | 1,518 |
| Additions | 521 | 13 | 365 | 899 |
| Transfers to fellow Group companies | (119) | - | - | (119) |
| **At 31 March 2013** | **519** | **339** | **1,440** | **2,298** |
| **Accumulated Depreciation** | | | | |
| At 1 April 2012 | - | 323 | 584 | 907 |
| Charge for year | - | 5 | 309 | 314 |
| **At 31 March 2013** | **-** | **328** | **893** | **1,221** |
| **Net book value** | | | | |
| **At 31 March 2013** | **519** | **11** | **547** | **1,077** |
| At 31 March 2012 | 117 | 3 | 491 | 611 |

## Social Housing Grant received

### Note 13

| | Group | | Association | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£'000** | £'000 | **£'000** | £'000 |
| The total accumulated amount of Social Housing Grant: | | | | |
| Capital | **232,380** | 133,743 | **-** | - |
| Revenue | **261** | 261 | **-** | - |
| HomeBuy | **9,088** | 9,088 | **-** | - |
| Total | **241,729** | 143,092 | **-** | - |

## HomeBuy Loans

### Note 14

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **£'000** | £'000 |
| HomeBuy loan received from The Housing Corporation | **6,067** | 6,118 |
| HomeBuy loan received from Recycled Capital Grant Fund | **-** | - |
| HomeBuy loan received total | **6,067** | 6,118 |
| HomeBuy loan advanced to borrower | **(6,156)** | (6,207) |

## Stock

### Note 15

| | Group | | Association | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Trade consumables | **373** | 1,336 | **-** | - |
| Costs associated with the construction of properties | **23,722** | 19,926 | **-** | - |
| | **24,095** | 21,262 | **-** | - |

## Debtors

### Note 16

| | Group | | Association | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Amounts falling due within one year: | | | | |
| Trade debtors | **2,775** | 3,644 | **91** | 93 |
| Rent arrears | **6,537** | 3,420 | **-** | - |
| Supporting People arrears | **14** | 76 | **-** | - |
| Less: provision for bad debts | **(3,569)** | (2,141) | **-** | - |
| Other capital grants receivable | **822** | 936 | **-** | - |
| Amounts owed by group undertakings: | | | | |
| Aster Living | **-** | - | **254** | 507 |
| Aster Homes Limited | **-** | - | **61** | 92 |
| Aster Property Limited | **-** | - | **1,923** | 2,852 |
| Silbury Housing Holdings Limited | **-** | - | **2** | - |
| Silbury Housing Limited | **-** | - | **2** | - |
| Synergy Housing Limited | **-** | - | **420** | - |
| Finance debtor | **13,753** | - | **-** | - |
| Other debtors | **1,056** | 1,617 | **26** | 49 |
| Less: provision for bad debts | **(117)** | (100) | **-** | - |
| Finance lease | **3,060** | 3,138 | **-** | - |
| Corporation tax repayable | **-** | 130 | **-** | - |
| Deferred tax | **360** | 308 | **-** | - |
| VAT recoverable | **40** | 39 | **-** | - |
| Margin Call Account | **4,300** | - | **-** | - |
| Prepayments and accrued income | **2,566** | 1,939 | **359** | 178 |
| | **31,597** | 13,006 | **3,138** | 3,771 |
| | | | | |
| Net investment in finance leases comprises: | | | | |
| Total amounts receivable | **5,047** | 5,250 | **-** | - |
| Less: interest allocated to future periods | **(1,987)** | (2,112) | **-** | - |
| | **3,060** | 3,138 | **-** | - |

The Margin Call Account represents cash deposited with Credit Suisse International as security to cover the shortfall of the market value of interest rate swaps.

## Properties held for resale

**Note 17**

| | Group 2013 £'000 | Group 2012 £'000 | Association 2013 £'000 | Association 2012 £'000 |
|---|---|---|---|---|
| Properties for sale | **1,322** | 42 | **-** | - |
| Units under construction | **1,003** | - | **-** | - |
| Total | **2,325** | 42 | **-** | - |

## New Build HomeBuy properties developed for sale

**Note 18**

| | Group 2013 £'000 | Group 2012 £'000 | Association 2013 £'000 | Association 2012 £'000 |
|---|---|---|---|---|
| Unsold completed units | **1,906** | 3,504 | **-** | - |
| Units under construction | **2,333** | 1,183 | **-** | - |
| | **4,239** | 4,687 | **-** | - |

## Cash at bank and in hand

**Note 19**

| | Group 2013 £'000 | Group 2012 £'000 | Association 2013 £'000 | Association 2012 £'000 |
|---|---|---|---|---|
| Cash at bank and in hand | **22,531** | 15,177 | **494** | 608 |

## Creditors

**Note 20**

| | Note | Group 2013 £'000 | Group 2012 £'000 | Association 2013 £'000 | Association 2012 £'000 |
|---|---|---|---|---|---|
| Amounts falling due within one year: | | | | | |
| Trade creditors | | **1,897** | 1,427 | **144** | 44 |
| Taxation and social security payable | | **994** | 626 | **185** | 151 |
| Pension contributions | | **505** | 208 | **164** | 67 |
| VAT | | **90** | 233 | **39** | 233 |
| Rent paid in advance | | **2,236** | 1,161 | **-** | - |
| Amounts due under right to buy sharing agreement | | **259** | 103 | **-** | - |
| Amounts owed to group undertakings: | | | | | |
| Aster Communities | | **-** | - | **1,930** | 2,223 |
| Corporation Tax | | **109** | - | **-** | - |
| Capital grant received in advance | | **1,551** | - | **-** | - |
| Recycled Capital Grant repayable | 23 | **123** | 157 | **-** | - |
| Disposal Proceeds Funds repayable | 24 | **-** | - | **-** | - |
| Other creditors | | **1,630** | 892 | **28** | 24 |
| Accruals and deferred income | | **13,671** | 12,570 | **460** | 571 |
| | | **23,065** | 17,377 | **2,950** | 3,313 |

## Provisions

### Note 21

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **£'000** | £'000 |
| Provision under onerous contract | **735** | - |

The provision relates to an onerous contract which Aster Living (a subsidiary company of Aster Group Limited) is required to continue to fulfil up to 28 September 2013.

## Creditors

### Note 22

| | | Group | | Association | |
|---|---|---|---|---|---|
| | Note | **2013** | 2012 | **2013** | 2012 |
| | | **£'000** | £'000 | **£'000** | £'000 |
| Amounts falling due after more than one year: | | | | | |
| Loans not repayable by instalments: | | | | | |
| In less than five years | | **24,077** | 1,796 | **-** | - |
| In five years or more | | **575,985** | 377,713 | **-** | - |
| Less deferred arrangement fee | | **(924)** | (53) | **-** | - |
| | | **599,138** | 379,456 | **-** | - |
| Recycled Capital Grant Fund | 23 | **759** | 598 | **-** | - |
| Deferred Recycled Capital Grant Fund | | **175** | 178 | **-** | - |
| Disposal Proceeds Fund | 24 | **257** | 100 | **-** | - |
| Retentions | | **318** | - | **-** | - |
| Tenants funds for repair and replacement | | **266** | - | **-** | - |
| | | **600,913** | 380,332 | **-** | - |

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

At 31 March 2013, the Group had undrawn loan facilities of £172m to finance future operating cash flows and investments.

## Recycled Capital Grant Fund

**Note 23**

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **£'000** | £'000 |
| Balance as at 1 April | **755** | 445 |
| Additions | **374** | 320 |
| Acquisition of group company | **63** | - |
| Interest | **2** | - |
| Withdrawals | **(312)** | (10) |
| **Balance as at 31 March** | **882** | 755 |
| Analysis of maturity | | |
| - in less than one year | **123** | 157 |
| - in one to two years | **386** | 278 |
| - in more than two years | **373** | 320 |
| | **882** | 755 |

## Disposal Proceeds Fund

**Note 24**

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **£'000** | £'000 |
| Balance as at 1 April | **100** | 121 |
| Additions | **224** | - |
| Acquisition of group company | **32** | - |
| Interest | **1** | 1 |
| Withdrawals | **(100)** | (22) |
| **Balance as at 31 March** | **257** | 100 |
| Analysis of maturity | | |
| - in less than one year | **-** | - |
| - in one to two years | **32** | 100 |
| - in more than two years | **225** | - |
| | **257** | 100 |

Castleman Court gardens, West Moors, Dorset.

# Pension obligations

## Note 25

### Group Pension Schemes

The cost of providing retirement pensions and related benefits is accounted for in accordance with FRS 17 – 'Retirement Benefits' as amended. The company participates in eight pension schemes.

There are six defined benefit schemes:

- The Wiltshire Pension Scheme
- The Hampshire County Council Pension Scheme
- The Somerset County Council Pension Scheme
- The Dorset County Council Pension Scheme
- The Social Housing Pension Scheme (SHPS) final salary defined benefit scheme
- The SHPS Career Average Related Earnings (CARE),

and two defined contribution (stakeholder) schemes:

- The SHPS Defined Contribution Scheme
- The Friends Provident 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 2013 was £2,216,000 (2012: £1,668,000) in respect of 527 (2012: 418) employees.

### Association Pension Schemes

Until 2002 Aster Group Limited participated in one pension scheme only, the Wiltshire Local Government Pension Fund (LGPS). From June 2002, the Association closed this scheme to new members and replaced it with the Social Housing Pension Scheme (SHPS) Final Salary Defined Benefit Scheme. In October 2010 the Association closed the Final Salary Defined Benefit Scheme to new members and replaced it with two alternatives, the SHPS Career Average Related Earnings (CARE) Defined Benefit Scheme and the SHPS Defined Contribution Scheme.

The pension cost to the Association for the year ended 31 March 2013 was £720,000 (2012: £484,000) in respect of 89 (2012: 75) employees.

### Wiltshire Pension Fund

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

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

As at the balance sheet date there were 11 active members of the Scheme employed by Aster Group Limited and 64 across the whole Group. The annual pensionable payroll in respect of these members was £394,000 (2012: £452,309) for Aster Group Limited and £1,682,000 (2012: 1,477,272) for the whole Group.

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the scheme as at 31 March 2012. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17) are stated below. The actuary has used projected unit credit method of valuation.

The next triennial valuation is due to be carried out on 31 March 2013 and the results for this will be incorporated into the financial statements for 2013/14.

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

## Wiltshire Pension Fund – Association and Consolidated

| Financial Assumptions | 31 March 2013 % p.a. | 31 March 2012 % p.a. |
|---|---|---|
| Price increases | **2.8** | 2.5 |
| Pension increases | **2.8** | 2.5 |
| Salary increases | **5.1** | 4.8 |
| Expected return on assets | **5.1** | 5.5 |
| Discount rate | **4.5** | 4.8 |

| Expected return on assets by category | 31 March 2013 % p.a. | 31 March 2012 % p.a. |
|---|---|---|
| Equities | **5.7** | 6.2 |
| Bonds | **3.7** | 4.0 |
| Property | **3.9** | 4.4 |
| Cash | **3.0** | 3.5 |

| Mortality | Males | Females |
|---|---|---|
| Current pensioners | 21.3 years | 23.6 years |
| Future pensioners | 23.3 years | 25.5 years |

## Wiltshire Pension Fund – Consolidated

| Fair value of employer assets | 31 March 2013 £'000 | 31 March 2012 £'000 |
|---|---|---|
| Equities | **11,651** | 9,514 |
| Bonds | **2,426** | 2,557 |
| Property | **1,618** | 1,562 |
| Cash | **485** | 569 |
| | **16,180** | 14,202 |

| Recognition in the income and expenditure account | 31 March 2013 £'000 | 31 March 2012 £'000 |
|---|---|---|
| Current service cost | **388** | 336 |
| Interest cost | **904** | 893 |
| Expected return on employer assets | **(786)** | (857) |
| Past service gain | **106** | - |
| Total | **612** | 372 |
| Actual return on plan assets | **1,863** | 806 |

### Wiltshire Pension Fund – Consolidated (continued)

| Reconciliation of defined benefit obligation | 31 March 2013 £'000 | 31 March 2012 £'000 |
|---|---|---|
| **Opening defined benefit obligation** | **18,796** | 15,398 |
| Current service cost | **388** | 336 |
| Interest cost | **904** | 893 |
| Contributions by members | **122** | 102 |
| Actuarial losses | **2,561** | 799 |
| Past service cost | **106** | - |
| Estimated unfunded benefits paid | **(8)** | (8) |
| Estimated benefits paid | **(543)** | 1,276 |
| **Closing defined benefit obligation** | **22,326** | 18,796 |

| Reconciliation of fair value of employer assets | 31 March 2013 £'000 | 31 March 2012 £'000 |
|---|---|---|
| **Opening fair value of employer assets** | **14,202** | 11,900 |
| Expected return on assets | **786** | 857 |
| Contributions by members | **122** | 102 |
| Contributions by the employer | **610** | 440 |
| Contributions in respect of unfunded benefits | **8** | 8 |
| Actuarial gains/(losses) | **1,003** | (373) |
| Unfunded benefits paid | **(8)** | (8) |
| Benefits paid | **(543)** | 1,276 |
| **Closing fair value of employer assets** | **16,180** | 14,202 |

| Amounts for the current and previous accounting periods | 31 March 2013 £'000 | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|---|---|---|
| Fair value of employer assets | **16,180** | 14,202 | 11,900 | 11,339 | 7,183 |
| Present value of defined benefit obligation | **(22,326)** | (18,796) | (15,398) | (20,024) | (10,547) |
| Deficit | **(6,146)** | (4,594) | (3,498) | (8,685) | (3,364) |
| Experience gains/(losses) on assets | **1,003** | (373) | (400) | 1,787 | (2,636) |
| Experience gains/(losses) on liabilities | **23** | (208) | 1,605 | (5) | 7 |

| Amount recognised in statement of total recognised surpluses and deficits (STRSD) | 31 March 2013 £'000 | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|---|---|---|
| Actuarial (losses)/gains recognised in STRSD | **(1,558)** | (1,172) | 3,403 | (5,495) | (1,566) |
| Cumulative actuarial (losses)/gains | **(3,971)** | (2,413) | (1,241) | (4,644) | 851 |

### Wiltshire Pension Fund – Consolidated (continued)

| Projected pension expense for the year to 31 March 2014<br>**Aster Group Consolidated** | **31 March 2014**<br>**£'000** |
|---|---|
| Projected current service cost | 471 |
| Interest on obligation | 1,005 |
| Expected return on plan assets | (829) |
| Total | **647** |

### Wiltshire Pension Fund – Association

| **Fair value of employer assets** | **31 March 2013**<br>**£'000** | 31 March 2012<br>£'000 |
|---|---|---|
| Equities | **2,107** | 1,687 |
| Bonds | **439** | 453 |
| Property | **293** | 277 |
| Cash | **88** | 101 |
| | **2,927** | 2,518 |

| **Recognition in the income and expenditure account** | **31 March 2013**<br>**£'000** | 31 March 2012<br>£'000 |
|---|---|---|
| Current service cost | **106** | 117 |
| Interest cost | **163** | 170 |
| Expected return on employer assets | **(141)** | (161) |
| Past service loss | **106** | - |
| Total | **234** | 126 |
| Actual return on plan assets | **335** | 72 |

| **Reconciliation of defined benefit obligation** | **31 March 2013**<br>**£'000** | 31 March 2012<br>£'000 |
|---|---|---|
| **Opening defined benefit obligation** | **3,333** | 3,039 |
| Current service cost | **106** | 117 |
| Interest cost | **163** | 169 |
| Contributions by members | **38** | 36 |
| Actuarial losses | **515** | 36 |
| Past service loss | **106** | - |
| Estimated benefits paid | **(112)** | (64) |
| **Closing defined benefit obligation** | **4,149** | 3,333 |

### Wiltshire Pension Fund – Association (continued)

| Reconciliation of fair value of employer assets | 31 March 2013 £'000 | 31 March 2012 £'000 |
|---|---|---|
| **Opening fair value of employer assets** | **2,518** | 2,359 |
| Expected return on assets | **141** | 161 |
| Contributions by members | **38** | 36 |
| Contributions by the employer | **176** | 115 |
| Actuarial gains/(losses) | **166** | (89) |
| Benefits paid | **(112)** | (64) |
| **Closing fair value of employer assets** | **2,927** | 2,518 |

| Amounts for the current and previous accounting periods | 31 March 2013 £'000 | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|---|---|---|
| Fair value of employer assets | **2,927** | 2,518 | 2,359 | 1,930 | 1,276 |
| Present value of defined benefit obligation | **(4,149)** | (3,333) | (3,039) | (3,536) | (1,712) |
| Deficit | **(1,222)** | (815) | (680) | (1,606) | (436) |
| Experience gains/(losses) on assets | **166** | (89) | 59 | 340 | (452) |
| Experience gains/(losses) on liabilities | **2** | (14) | (49) | - | - |

| Amount recognised in statement of total recognised surpluses and deficits (STRSD) | 31 March 2013 £'000 | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|---|---|---|
| Actuarial (losses)/gains recognised in STRSD | **(349)** | (125) | 615 | (1,140) | (236) |
| Cumulative actuarial (losses) | **(1,119)** | (770) | (645) | (1,260) | (120) |

| Projected pension expense for the year to 31 March 2014 | 31 March 2014 |
|---|---|
| **Aster Group Limited** | **£'000** |
| Projected current service cost | **130** |
| Interest on obligation | **188** |
| Expected return on plan assets | **(151)** |
| Total | **167** |

### Hampshire County Council Pension Fund

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

As at the balance sheet date there were 11 (2012: 11) active members of the Scheme employed by Aster Communities. The annual pensionable payroll in respect of these members was £303,700 (2012: £303,700). The fund is subject to an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 31 March 2013. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17) are stated below. The actuary has used projected unit credit method of valuation.

The latest triennial valuation was due to be carried out on 31 March 2013 and the results for this will be incorporated into the financial statements for 2013/14.

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

| **Financial Assumptions** | **31 March 2013 % p.a.** | 31 March 2012 % p.a. |
|---|---|---|
| Price increases – Retail Price Index (RPI) | **3.6** | 3.5 |
| Price increases – Consumer Price Index (CPI) | **2.7** | 2.5 |
| Pension increases | **2.7** | 2.5 |
| Salary increases | **4.6** | 5.0 |
| Discount rate | **4.3** | 4.7 |

| **Expected return on assets by category** | **31 March 2013 % p.a.** | 31 March 2012 % p.a. |
|---|---|---|
| Equities | **7.8** | 8.1 |
| Gilts | **2.8** | 3.1 |
| Bonds | **3.8** | 3.7 |
| Property | **7.3** | 7.6 |
| Cash | **0.9** | 1.8 |

| **Mortality** | **Males** | **Females** |
|---|---|---|
| Current pensioners | 24.0 years | 25.7 years |
| Future pensioners | 25.0 years | 26.9 years |

| **Fair value of employer assets** | **31 March 2013 £'000** | 31 March 2012 £'000 |
|---|---|---|
| Equities | **5,024** | 5,373 |
| Gilts | **2,171** | 2,430 |
| Bonds | **113** | 135 |
| Property | **680** | 693 |
| Cash | **732** | 369 |
| | **8,720** | 9,000 |

### Hampshire County Council Pension Fund (continued)

| Recognition in the income and expenditure account | 31 March 2013 £'000 | 31 March 2012 £'000 |
|---|---|---|
| Current service cost | 70 | 70 |
| Interest cost | 650 | 710 |
| Expected return on employer assets | (530) | (620) |
| Total | 190 | 160 |
| Actual return on plan assets | 1,240 | 430 |

| Reconciliation of defined benefit obligation | 31 March 2013 £'000 | 31 March 2012 £'000 |
|---|---|---|
| **Opening defined benefit obligation** | 14,470 | 13,110 |
| Current service cost | 70 | 70 |
| Interest cost | 650 | 710 |
| Contributions by members | 20 | 20 |
| Actuarial losses | 1,380 | 1,100 |
| Estimated benefits paid | (1,600) | (540) |
| **Closing defined benefit obligation** | 14,990 | 14,470 |

| Reconciliation of fair value of employer assets | 31 March 2013 £'000 | 31 March 2012 £'000 |
|---|---|---|
| **Opening fair value of employer assets** | 9,000 | 9,030 |
| Expected return on assets | 530 | 620 |
| Contributions by members | 20 | 20 |
| Contributions by the employer | 60 | 60 |
| Actuarial losses | 710 | (190) |
| Unfunded benefits paid | (1,600) | (540) |
| **Closing fair value of employer assets** | 8,720 | 9,000 |

| Unfunded Scheme Financial Assumptions | 31 March 2013 % p.a. | 31 March 2012 % p.a. |
|---|---|---|
| Price increases – RPI | 3.5 | 3.4 |
| Price increases – CPI | 2.6 | 2.4 |
| Discount rate | 4.1 | 4.6 |

| Mortality | Males | Females |
|---|---|---|
| Current pensioners | 24.0 years | 25.0 years |
| Future pensioners | 25.7 years | 26.9 years |

## Hampshire County Council Pension Fund(continued)

| **Recognition in the income and expenditure account** | **31 March 2013** | 31 March 2012 |
|---|---|---|
| | **£'000** | £'000 |
| Interest cost | **20** | 20 |
| Total | **20** | 20 |

| **Reconciliation of unfunded liabilities** | **31 March 2013** | 31 March 2012 |
|---|---|---|
| | **£'000** | £'000 |
| **Opening defined benefit obligation** | **400** | 360 |
| Interest cost | **20** | 20 |
| Actuarial losses recognised in STRSD | **30** | 40 |
| Estimated benefits paid | **(20)** | (20) |
| **Closing defined benefit obligation** | **430** | 400 |

**Amounts for the current and previous accounting periods both schemes**

| | **31 March 2013 £'000** | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|---|---|---|
| Fair value of employer assets | **8,720** | 9,000 | 9,030 | 9,750 | 7,450 |
| Present value of defined benefit obligation | **(15,420)** | (14,870) | (13,470) | (15,330) | (11,320) |
| Deficit | **(6,700)** | (5,870) | (4,440) | (5,580) | (3,870) |
| Experience gains/(losses) on assets | **710** | (190) | (1,150) | 2,020 | (2,550) |
| Experience (losses)/gains on liabilities | **(1,410)** | (1,140) | 990 | (3,420) | (240) |

| **Amount recognised in statement of total recognised surpluses and deficits (STRSD)** | **31 March 2013 £'000** | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|---|---|---|
| Actuarial losses recognised in STRSD | **(700)** | (1,330) | (160) | (1,400) | (2,790) |
| Cumulative actuarial (losses)/gains in STRSD | **(2,550)** | (1,850) | (520) | (360) | 1,100 |

**Projected pension expense for the year to 31 March 2014**

| **Funded benefits** | **31 March 2014** |
|---|---|
| | **£'000** |
| Projected current service cost | 90 |
| Interest on obligation | 610 |
| Expected return on plan assets | (500) |
| Total | 200 |

| **Unfunded benefits** | **31 March 2014 £'000** |
|---|---|
| Interest on obligation | 20 |
| Total | 20 |

# Pension obligations *(continued)*

### Somerset County Council Pension Fund

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

As at the balance sheet date there were 64 (2012: 41) active members of the Scheme employed by Aster Communities. The annual pensionable payroll in respect of these members was £974,000 (2012: £1,007,730). 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 2013. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17) are stated below. The actuary has used projected unit credit method of valuation.

The latest triennial valuation was due to be carried out on 31 March 2013 and the results for this will be incorporated into the financial statements for 2013/14.

The information in the statement relating to the valuation of the pension scheme's assets and liabilities has been prepared by the Scheme's actuaries, Barnett Waddingham.

| **Financial Assumptions** | **31 March 2013 % p.a.** | 31 March 2012 % p.a. |
|---|---|---|
| Price increases | **3.5** | 3.3 |
| Pension increases | **2.7** | 2.5 |
| CPI Increases | **2.7** | 2.5 |
| Salary increases | **5.0** | 4.7 |
| Discount rate | **5.5** | 4.6 |

| **Expected return on assets by category** | **31 March 2013 % p.a.** | 31 March 2012 % p.a. |
|---|---|---|
| Equities | **6.3** | 6.6 |
| Gilts | **3.0** | 3.3 |
| Bonds | **4.1** | 4.6 |
| Property | **5.4** | 5.7 |
| Cash | **0.5** | 3.0 |

| **Mortality** | **Males** | **Females** |
|---|---|---|
| Current pensioners | 20.1 years | 24.1 years |
| Future pensioners | 22.1 years | 26.0 years |

## Somerset County Council Pension Fund (continued)

| Fair value of employer assets | 31 March 2013 £'000 | 31 March 2012 £'000 |
|---|---|---|
| Equities | **6,183** | 5,413 |
| Gilts | **687** | 457 |
| Bonds | **945** | 991 |
| Property | **687** | 686 |
| Cash | **86** | 76 |
| | **8,588** | 7,623 |

| Recognition in the income and expenditure account | 31 March 2013 £'000 | 31 March 2012 £'000 |
|---|---|---|
| Current service cost | **243** | 225 |
| Interest cost | **657** | 670 |
| Expected return on employer assets | **(453)** | (543) |
| Losses on curtailments and settlements | **-** | 12 |
| Total | **447** | 364 |
| Actual return on plan assets | **1,176** | 154 |

| Reconciliation of defined benefit obligation | 31 March 2013 £'000 | 31 March 2012 £'000 |
|---|---|---|
| **Opening defined benefit obligation** | **14,390** | 12,347 |
| Current service cost | **243** | 225 |
| Interest cost | **657** | 670 |
| Contributions by members | **64** | 73 |
| Actuarial losses | **905** | 1,697 |
| Losses on curtailments | **-** | 12 |
| Estimated benefits paid | **(511)** | (634) |
| **Closing defined benefit obligation** | **15,748** | 14,390 |

### Somerset County Council Pension Fund (continued)

| **Reconciliation of fair value of employer assets** | **31 March 2013** | 31 March 2012 |
|---|---|---|
| | **£'000** | £'000 |
| **Opening fair value of employer assets** | **7,623** | 7,767 |
| Expected return on assets | **453** | 543 |
| Contributions by members | **64** | 73 |
| Contributions by the employer | **236** | 264 |
| Actuarial gains/(losses) | **723** | (390) |
| Benefits paid | **(511)** | (634) |
| **Closing fair value of employer assets** | **8,588** | 7,623 |

| **Amounts for the current and previous accounting periods** | **31 March 2013 £'000** | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|---|---|---|
| Fair value of employer assets | **8,588** | 7,623 | 7,767 | 8,203 | 6,290 |
| Present value of defined benefit obligation | **(15,748)** | (14,390) | (12,347) | (14,308) | (9,269) |
| Deficit | **(7,160)** | (6,767) | (4,580) | (6,105) | (2,979) |
| Experience gains/(losses) on assets | **723** | (390) | (824) | 1,741 | (2,815) |
| Experience adjustments on liabilities | **-** | - | 388 | - | - |

| **Amount recognised in statement of total recognised surpluses and deficits (STRSD)** | **31 March 2013 £'000** | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|---|---|---|
| Actuarial (losses)/gains recognised in STRSD | **(182)** | (2,087) | 434 | (2,881) | (1,357) |
| Cumulative actuarial (loss)/gain | **(4,477)** | (4,295) | (2,208) | (2,642) | 239 |

| **Projected pension expense for the year to 31 March 2014** | **31 March 2014** |
|---|---|
| | **£'000** |
| Projected current service cost | 266 |
| Interest on obligation | 673 |
| Expected return on plan assets | (481) |
| Total | 458 |

### Dorset County Council Pension Fund

The Group participates in the Local Government Scheme run by Dorset County Council as an 'Admitted Body'. The Scheme is a defined benefits scheme operated in the UK. The figures are based on the actuarial demographic assumptions from the Dorset County Council formal funding valuation carried out as at 31 March 2010 and then rolled forward to 31 March 2013 by a qualified independent actuary. As of 1 April 2009, this Scheme was closed to new entrants.

The Scheme is a defined benefits scheme operated in the UK. A valuation of each of the Scheme's pension liabilities has been undertaken by a firm of consulting actuaries.

## Dorset County Council Pension Fund (continued)

| **Financial Assumptions** | **31 March 2013 % p.a.** | 31 March 2012 % p.a. |
|---|---|---|
| Price increases (CPI) | **2.6** | 2.5 |
| Pension increases | **2.6** | 2.5 |
| Salary increases | **4.6** | 4.5 |
| Expected return on assets | **4.8** | 5.2 |
| Discount rate | **4.5** | 4.6 |

| **Expected return on assets by category** | **31 March 2013 % p.a.** | 31 March 2012 % p.a. |
|---|---|---|
| Equities | **6.0** | 6.3 |
| Gilts | **3.0** | 3.3 |
| Debt instruments | **4.5** | 4.7 |
| Property | **4.0** | 4.3 |
| Other | **0.5** | 3.0 |

| **Mortality** | **Males** | **Females** |
|---|---|---|
| Current pensioners | 20.1 years | 24.1 years |
| Future pensioners | 22.1 years | 26.0 years |

| **Fair value of employer assets** | **31 March 2013 £'000** | 31 March 2012 £'000 |
|---|---|---|
| Equities | **13,655** | 11,736 |
| Bonds | **4,779** | 4,249 |
| Debt instruments | **1,138** | 1,012 |
| Property | **2,048** | 1,619 |
| Cash | **1,138** | 1,619 |
| | **22,758** | 20,235 |

| **Recognition in the income and expenditure account** | **31 March 2013 £'000** | 31 March 2012 £'000 |
|---|---|---|
| Current service cost | **504** | 462 |
| Interest cost | **1,351** | 1,348 |
| Expected return on employer assets | **(1,036)** | (1,186) |
| Losses on curtailments and settlements | **28** | - |
| Total | **847** | 624 |
| Actual return on plan assets | **2,912** | 1,261 |

### Dorset County Council Pension Fund (continued)

| **Reconciliation of defined benefit obligation** | **31 March 2013 £'000** | 31 March 2012 £'000 |
|---|---|---|
| **Opening defined benefit obligation** | **29,462** | 24,640 |
| Current service cost | **504** | 462 |
| Interest cost | **1,351** | 1,348 |
| Contributions by members | **139** | 158 |
| Actuarial losses | **1,368** | 3,757 |
| Losses on curtailments | **28** | - |
| Estimated unfunded benefits paid | **(6)** | (6) |
| Estimated benefits paid | **(869)** | (897) |
| **Closing defined benefit obligation** | **31,977** | 29,462 |

| **Reconciliation of fair value of employer assets** | **31 March 2013 £'000** | 31 March 2012 £'000 |
|---|---|---|
| **Opening fair value of employer assets** | **20,235** | 19,335 |
| Expected return on assets | **1,036** | 1,186 |
| Contributions by members | **139** | 158 |
| Contributions by the employer | **347** | 384 |
| Actuarial gains | **1,876** | 75 |
| Benefits paid | **(875)** | (903) |
| **Closing fair value of employer assets** | **22,758** | 20,235 |

The expected return on assets is based on the long term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2012 for the year to 31 March 2013). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

### Dorset County Council Pension Fund (continued)

The five year history of experience adjustments is as follows:

| **Amounts for the current and previous accounting periods** | **31 March 2013** | 31 March 2012 | 31 March 2011 | 31 March 2010 | 31 March 2009 |
|---|---|---|---|---|---|
| | **£'000** | £'000 | £'000 | £'000 | £'000 |
| Fair value of employer assets | **22,758** | 20,235 | 19,335 | 17,435 | 12,583 |
| Present value of defined benefit obligation | **(31,977)** | (29,462) | (24,640) | (31,956) | (19,617) |
| Deficit | **(9,219)** | (9,227) | (5,305) | (14,521) | (7,034) |
| Experience gains/(losses) on assets | **1,876** | 75 | 790 | 3,490 | (5,588) |
| Experience gains on liabilities | **-** | - | 1,774 | - | - |

| **Amount recognised in statement of total recognised surpluses and deficits (STRSD)** | **31 March 2013** | 31 March 2012 | 31 March 2011 | 31 March 2010 | 31 March 2009 |
|---|---|---|---|---|---|
| | **£'000** | £'000 | £'000 | £'000 | £'000 |
| Actuarial gains/(losses) recognised in STRSD | **508** | (3,682) | 6,284 | (7,551) | (5,588) |
| Cumulative actuarial losses | **(4,587)** | (5,095) | (1,413) | (7,697) | (146) |

| **Projected pension expense for the year to 31 March 2014** | **31 March 2014** |
|---|---|
| | **£'000** |
| Projected current service cost | **538** |
| Interest on obligation | **1,435** |
| Expected return on plan assets | **(1,092)** |
| Total | **881** |

### Social Housing Pension Scheme

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

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

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 three defined benefit structures have been available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings (CARE) with a 1/60th accrual rate.

### Social Housing Pension Scheme (continued)

From April 2010 a further two defined benefit structures have been available, namely:

- Final salary with a 1/80th accrual rate
- Career Average Related Earnings (CARE) with a 1/80th accrual rate.

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

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

Aster Group currently operates a final salary with a 1/60th accrual rate and a career average revalued earnings (CARE) with a 1/60th accrual rate for active members.

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

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

During the accounting year Aster Group paid contributions at the rate of 4% to 12%, member contributions varied between 4% and 10%.

As at the balance sheet date there were 252 (2012: 277) active members of the Scheme employed by Aster Group, of which 64 (2012: 60) were employed by Aster Group Limited. The annual pensionable payroll in respect of Group members was £7,814,100 (2012: £7,471,000), of which £2,868,323 (2012: £2,325,000) was in respect of Aster Group Limited. Aster Group continues to offer membership of the Scheme to its employees.

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

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the actuarial report was £2,327 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241 million, equivalent to a past service funding level of 65%.

## Social Housing Pension Scheme (continued)

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

| Valuation Discount Rates: | % p.a. |
|---|---|
| Pre-retirement | 7.0 |
| Non pensioner post retirement | 4.2 |
| Pensioner post retirement | 4.2 |
| Pensionable earnings growth | 2.5 per annum for 3 years, then 4.4 |
| Price inflation (RPI) | 2.9 |
| **Pension Increases:** | |
| Pre 88 Guaranteed Minimum Pension (GMP) | 0.0 |
| Post 88 GMP | 2.0 |
| Excess Over GMP | 2.4 |

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

The valuation was carried out using the following demographic assumptions:

Mortality pre-retirement – 41% SAPS S1 male/female all pensioners (amounts), year of birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for males and 1.25% p.a. for females.

Mortality post retirement – 97% SAPS S1 male/female all pensioners (amounts), year of birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for males and 1.25% p.a. for females.
The long term joint contribution rates required from April 2013 from employers and members to meet the cost of future benefit accrual were assessed at:

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

If an actuarial valuation reveals a shortfall of assets compared to liabilities the trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

### Social Housing Pension Scheme (continued)

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

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

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

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

The Scheme Actuary will provide an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The results of this approximate update will be available in Spring 2014 and will be included in next year's disclosure note.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into SHPS.

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

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the regulator could require that the trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). A response regarding the 30 September 2011 valuation is awaited.

### Social Housing Pension Scheme (continued)

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

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Aster Group has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme, based on the financial position of the Scheme as at 30 September 2012. At this date the estimated employer debt for Aster Group was £23,533,839 (2012: £20,656,128), of which £6,703,553 (2012: £5,947,154) was in respect of Aster Group Limited.

## Called up share capital

**Note 26**

| | **Association** | |
|---|---|---|
| | **2013** | 2012 |
| | **£** | £ |
| Ordinary shares allotted, issued and fully paid | | |
| At 1 April | **8** | 7 |
| Issued during the year | **6** | 1 |
| Cancelled during the year | **(7)** | - |
| **At 31 March** | **7** | 8 |

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

Customer picnic at Winsor Hill Farm, near Shepton Mallet, Somerset.

# Reserves

## Note 27

| Group Reserves | Revaluation Reserve £'000 | Designated Reserve £'000 | Restricted Reserve £'000 | Revenue Reserve £'000 | Pension Reserve £'000 | Total Reserves £'000 |
|---|---|---|---|---|---|---|
| At 1 April | 241,128 | 56 | 208 | 38,507 | (20,146) | 259,753 |
| Acquisition of Synergy and Zebra | 190,770 | 350 | - | (7,398) | (4,798) | 178,924 |
| Surplus for the year | - | - | - | 17,549 | - | 17,549 |
| Actuarial loss recognised in STRSD | - | - | - | - | (2,229) | (2,229) |
| Movement in FRS17 deferred tax provision | - | - | - | - | 57 | 57 |
| Transfers between reserves | - | (8) | - | 8 | - | - |
| Revaluation surplus realised on disposals | (368) | - | - | 368 | - | - |
| Depreciation in excess of that required on historical costs | (1,564) | - | - | 1,564 | - | - |
| Surplus on revaluation | 43,173 | - | - | - | - | 43,173 |
| **At 31 March** | **473,139** | **398** | **208** | **50,598** | **(27,116)** | **497,227** |

| Association Reserves | Revenue Reserve £'000 | Pension Reserve £'000 | Total Reserves £'000 |
|---|---|---|---|
| At 1 April | 1,719 | (857) | 862 |
| Surplus for the year | 24 | - | 24 |
| Actuarial gain recognised in STRSD | - | (349) | (349) |
| **At 31 March** | **1,743** | **(1,206)** | **537** |

## Group cash flow

### Note 28

**Reconciliation of operating surplus to net cash inflow from operating activities**

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Operating surplus | **29,808** | 21,339 |
| Depreciation charges | **16,428** | 11,018 |
| Write-off on disposal of components | **107** | - |
| Profit on sale of first tranche Homebuy properties | **(1,806)** | - |
| Profit on disposal of current fixed assets | **-** | (160) |
| Decrease in bad debt provision | **380** | - |
| (Increase) in investments | **-** | (4,089) |
| (Increase) in stock | **(3,634)** | (16,604) |
| (Increase) in consumable stock | **(42)** | - |
| Decrease/(increase) in housing property current assets | **127** | (1,435) |
| (Increase)/decrease in debtors | **(13,649)** | 2,666 |
| (Decrease)/increase in creditors | **(2,247)** | 2,693 |
| Decrease/(increase) in pensions | **5** | (98) |
| Net cash inflow from operating activities | **25,477** | 15,330 |
| **Reconciliation of net cash flow to movement in net debt** | | |
| Increase in cash in the year | 7,354 | 4,130 |
| Change in loans | (234,920) | (32,109) |
| Change in net debt | (227,566) | (27,979) |
| Net debt at 1 April | (364,332) | (336,353) |
| **Net debt at 31 March** | **(591,898)** | **(364,332)** |

## Analysis of changes in net debt - Group

### Note 29

| | At 1 April 2012 £'000 | Cashflows £'000 | Other changes £'000 | **At 31 March 2013 £'000** |
|---|---|---|---|---|
| Cash in hand and at bank | 15,177 | 6,285 | 1,069 | **22,531** |
| Debt due after one year | (379,509) | (44,023) | (190,897) | **(614,429)** |
| | (364,332) | (37,738) | (189,828) | **(591,898)** |

Other changes are the result of the debit acquired from the merger with Synergy Housing Limited.

## Capital commitments

### Note 30

| | Group 2013 £'000 | Group 2012 £'000 | Association 2013 £'000 | Association 2012 £'000 |
|---|---|---|---|---|
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | **66,356** | 47,903 | **-** | - |
| Capital expenditure that has been authorised by the Board but has not yet been contracted | **35,705** | 17,659 | **-** | - |
| | **102,061** | 65,562 | **-** | - |

These commitments will be financed wholly by loan finance.

## Operating leases

### Note 31

| | 2013 £'000 | 2012 £'000 | 2013 £'000 | 2012 £'000 |
|---|---|---|---|---|
| Aster Group has annual commitments under non-cancellable operating leases due to expire as follows: | | | | |
| Land and buildings: | | | | |
| Leases expiring within one year | **34** | 18 | **-** | - |
| Leases expiring within two to five years | **117** | 127 | **-** | - |
| Leases expiring in over five years | **64** | 30 | **-** | - |
| Office premises: | | | | |
| Leases expiring within the next year | **352** | - | **-** | - |
| Leases expiring within two to five years | **-** | - | **-** | - |
| Leases expiring in over five years | **45** | - | **-** | - |
| Motor vehicles: | | | | |
| Leases expiring within one year | **-** | - | **-** | - |
| Leases expiring within two to five years | **31** | - | **-** | - |
| Leases expiring in over five years | **-** | - | **-** | - |
| Office equipment: | | | | |
| Leases expiring within one year | **-** | 8 | **-** | - |
| Leases expiring within two to five years | **35** | 27 | **-** | - |
| Leases expiring in over five years | **-** | - | **-** | - |
| | **678** | 210 | **-** | - |

## Homes and bed spaces in management and in development

**Note 32**

| | Group | | Association | |
|---|---|---|---|---|
| | **2013 No.** | 2012 No. | **2013 No.** | 2012 No. |
| Under development at end of year: | | | | |
| Housing accommodation | **573** | 223 | **-** | - |
| New Build HomeBuy | **233** | 99 | **-** | - |
| | **806** | 322 | **-** | - |
| Under management at end of year: | | | | |
| Owned and managed by the Group: | | | | |
| Housing accommodation | **20,151** | 13,616 | **-** | - |
| Supported housing | **2,220** | 1,597 | **-** | - |
| New Build HomeBuy | **984** | 716 | **-** | - |
| Market rented | **17** | 7 | **-** | - |
| Temporary social housing | **73** | 30 | **-** | - |
| Unavailable for letting | **178** | 1 | **-** | - |
| | **23,623** | 15,967 | **-** | - |
| Not owned but managed by the Group: | | | | |
| Housing accommodation | **207** | 116 | **-** | - |
| Managed for other bodies | **19** | 209 | **-** | - |
| Private sector leasing | **145** | 82 | **-** | - |
| Long leaseholders | **918** | 905 | **-** | - |
| Unavailable for letting | **-** | 5 | **-** | - |
| | **1,289** | 1,317 | **-** | - |
| Owned but managed by others at the end of year: | | | | |
| Housing accommodation | **128** | 20 | **-** | **-** |
| Supported housing | **1,595** | 312 | **-** | **-** |
| New Build HomeBuy | **82** | 121 | **-** | **-** |
| | **26,717** | 17,737 | **-** | **-** |

The Group owns the freehold of all its properties, with the exception of 46 (2012: 46) which are leased.

## Contingent liability

**Note 33**

Under the terms of the Private Finance Initiative contract, Wiltshire Council holds an option to purchase the properties being developed at the end of 22 years. If they do not exercise this option Aster Communities has a legal obligation to acquire them. The exact purchase price would be based on a contractual formula within the contract and cannot at this stage be confirmed.

## Related party transactions

**Note 34**

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

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

Aster Group Limited has taken advantage of the exemption allowed under FRS8 Related Party Disclosures not to disclose related party transactions within the Group. All intergroup transactions are with subsidiaries that are wholly owned. These have been eliminated on consolidation in the Group’s financial statements.

## Status

**Note 35**

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

- Aster Communities, a wholly owned subsidiary which is a registered provider
- Aster Living, a wholly owned subsidiary whose activities include providing care and support services
- Aster Property Limited, a wholly owned subsidiary of Aster Group Limited whose activities include property maintenance services to Group members
- Aster Homes Limited, a subsidiary of Aster Group Limited which provides property based development services to Group members
- Synergy Housing Limited, a wholly owned subsidiary which is a registered provider.
- Zebra Property Solutions Limited, which is a wholly owned subsidiary of Synergy Housing Limited and which provides property based development services to Group members.
- Silbury Housing Holdings Limited, which is a wholly owned subsidiary of Aster Communities and has a subsidiary, Silbury Housing Limited, which provides a private finance initiative project for Wiltshire Council.

Consolidated financial statements are available from the following address:

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

**Aster Group,** Sarsen Court, Horton Avenue, Cannings Hill,
Devizes, Wiltshire SN10 2AZ
www.aster.co.uk