ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED *31 March 2016*

ASTER
GROUP

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1.0 LEGAL AND ADMINISTRATIVE DETAILS

Registered office	Sarsen Court, Horton Avenue, Cannings Hill, Devizes, Wiltshire, SN10 2AZ
Legal status:	Aster Group Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 number 29573R Registered with the Homes and Communities Agency (HCA)
Members of the board:	The directors of the company who were in office during the year and up to the date of signing the financial statements, unless otherwise indicated, are set out below. The biographies of the current directors are set out on page 7.

Non-executive directors

Andrew Jackson	Chairman
Phillip Owens	Senior Independent Director
Sally Higham	
Steve Trusler	
Arthur Merchant	
Mary Watkins	
Mike Biles	
Mel Cook	Retired 30 September 2015

Executive directors

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

Executive board:

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

Company Secretary: Douglas Smith

Independent Auditors:
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Princess Court
23 Princess Street
Plymouth
PL1 2EX

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

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

Funders:

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

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

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

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

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

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

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

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

2.0 *Corporate Governance*
DIRECTORS' BIOGRAPHIES

Andrew Jackson

Phillip Owens

Sally Higham

Steve Trusler

Arthur Merchant

Mary Watkins

Dr Mike Biles

Bjorn Howard

John Brace

Andrew Jackson
Chairman

Andrew was, until his retirement in 2013, joint Managing Director and Chief Financial Officer of MW High Tech Projects Ltd. (the UK subsidiary of the global M+W Group) and focused on the development and construction of hi-tech manufacturing installations, waste to energy power plants and science and research facilities in the UK and Europe.

Previously, as the government appointed Chief Financial Officer of the UK Atomic Energy Authority, he led the commercialisation, and ultimate sale of, the contract delivery, consultancy and project management elements of the authority.

Over the course of a 45-year career he has also held a number of directorships with international companies, primarily in the civil engineering and construction sectors, including Alfred McAlpine, Norwest Holst Construction and Bovis International. His responsibilities have included finance, IT, HR, legal and PFI. He is commercially focused and is an expert in risk management and effective governance structures.

Andrew is a Fellow of the Chartered Institute of Management Accountants. He holds an honours degree in business studies.

Committee Membership:
Group Treasury Committee

Phillip Owens
Senior independent director

Phillip qualified as a solicitor with honours in 1973. Prior to his retirement, he was a director, company secretary and senior managing consultant for two respective consultancy companies. Both companies offered an extensive range of services to housing and the public sector.

Phillip's achievements in this role included acting as a lead consultant in the transfer of housing stock to, and/or the establishment and development of, over 20 new housing companies and management organisations.

A major part of Phillip's earlier career was in local government, in particular as Chief Executive of Kennet District Council, which was recognised as a top performing shire district. He previously had departmental responsibilities for legal, HR, corporate governance and direct services in local authorities in London and the South-East.

He has held a number of other non-executive posts including a director of the former NHS Trust Wiltshire and Swindon and Chair of its Audit and Risk Committee. Within the Aster Group Phillip was previously Chair of Aster Property Limited and Vice-Chairman of the former Aster Group Board. He also chaired the Governance Review Steering Group responsible for implementing the group's new governance framework

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

DIRECTORS' BIOGRAPHIES

Sally Higham
Non-executive director

Sally is an award-winning social entrepreneur and the Chief Executive of the social purpose organisation, RunAClub. She has considerable experience forging strong strategic advisory relationships across multiple public and private sector organisations at a senior level and on a national basis.

Sally's key skills are in developing new products and services, drawing together partnerships, researching and evaluating policies, functions and services and advising on new methods and practices in young people's services and education. She instigates strategic funding negotiations via social investors and grant makers. She has demonstrated success in supporting new ventures to evolve and works in partnership to help companies, schools, local authorities, charities and social enterprises grow and evolve.

Sally has a passion for motivating organisations to use technology to create social change within communities, to create sustainable community networks. She grew up in a social housing property in Wiltshire and has always maintained active community voluntary work.

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

Arthur Merchant
Non-executive director

Arthur is a qualified public finance accountant and has specialised in the provision of external and internal audit services, as well as advisory services, to the education, local government and health services and not-for-profit sectors.

His specialist advisory skills include value for money, business planning, governance and risk management. He recently retired from Grant Thornton LLP having been head of the firm's housing team for over 20 years. He worked with many different housing associations during that time.

Arthur is a regular speaker at housing conferences and is a contributor to the CIPFA Housing Association Panel. He is also a board member of two other housing associations.

Committee Membership:
Chair of Audit Committee
Treasury Committee

Steve Trusler
Non-executive director

Steve is responsible for leading Laing O'Rourke's accommodation business and setting strategies to drive sustainable business growth with key customers in the residential market.

The focus is to be a construction partner of choice by delivering certainty to its customers through intelligent offsite solutions across their housing projects.

Before joining Laing O'Rourke, Steve held senior positions with Wates, Lovell and Alfred McAlpine and with over 30 years experience in the housing sector, he is committed to ensuring that issues of supply and affordability remain high on the political agenda.

Steve is also a Governing board member of the Chartered Institute of Housing and a member of the Greater Manchester Planning & Housing Commission. He is a Fellow of the Royal Institute of Chartered Surveyors and a Chartered Member of the Chartered Institute of Housing.

Committee Membership:
Chair of the Group Remuneration and Nominations Committee

Mary Watkins, Baroness Watkins of Tavistock
Non-executive director

Mary is a Registered Nurse and was Deputy Vice-Chancellor of the University of Plymouth until 2012 where she is now Emeritus Professor of Healthcare Leadership. In December 2015 Mary was appointed a life peer as Baroness Watkins of Tavistock.

She is a non-executive director of South West Ambulance Service NHS Foundation Trust and chairs its Quality and Governance Committee and is also a member of the BUPA Medical Advisory Committee.

She is the author of two books relating to health care and presented at over 50 conferences covering a range of health care subjects including health care regulation, user/carer involvement in care, competency in practice and advocacy.

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

Committee Membership:
Chair of the Regulation Committee
Risk Committee

DIRECTORS' BIOGRAPHIES

Dr Mike Biles
Non-executive director

Until November 2014 Mike was the Housing Ombudsman for England - a role he held for over 13 years. In this role Mike acquired extensive knowledge of a broad range of issues in rented housing.

He championed the principle of applying the learning from feedback, complaint handling, and appropriate dispute resolution to support and improve customer service and to help sustain good relations and better understanding between providers and residents.

Mike holds a BA(Hons) degree in law. He also has a doctorate in law from Southampton University entitled "The arousal and denial of residential tenants' non-financial remedies for disrepair, unfitness, and lack of amenity in their homes".

Mike was called to the bar in 1983 by Middle Temple. He is an Honorary Member of the Chartered Institute of Housing and has been a Member of the Chartered Institute of Arbitrators, and a Fellow of the Royal Society of Arts.

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

Mike is a Visiting Professor in Law in the Southampton Business School and, in 2010, as Visiting Research Fellow in the Law School at Flinders University, undertook a series of lectures, seminars, and meetings with legal and housing professionals in and around Adelaide. Before becoming the Housing Ombudsman, Mike was the Head of the School of Law in the Southampton Business School, a lawyer member of what was then called the Leasehold Valuation Tribunal and a member of the committee of management of a Registered Social Provider.

Committee membership:
Group Risk Committee
Group Regulation Committee
Group Remuneration & Nominations Committee
Customer and Communities Network

John Brace
Group resources director and deputy group chief executive

John has been with Aster Group companies since 2000, when he joined as Sarsen's Finance Director.

Having first qualified as a chartered accountant with a national firm, he then spent several years dealing with insolvent companies before moving to the commercial sector as Group Financial Controller for an insurance broking and financial services group.

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

After joining Sarsen in 2000, John was heavily involved in the creation of Silbury Group and Aster Group, as well as the mergers that followed. In that time he has led on many successful funding initiatives including the group's first bond issue in 2013. John is a member of the National Housing Federation's Regional Committee in the South West. He is also on the Board of two other smaller housing associations.

Bjorn Howard
Group chief executive

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

Bjorn has extensive board-level experience as both an executive and non-executive director. His first CEO role was at Coastline Housing in 2003, where he led the transformation of a failing business into one with excellent prospects for the future. Since then Bjorn has served as a Non-Executive Director of an NHS Trust, educational organisations and as a government-appointee on a housing association board. Bjorn became Group CEO of Aster in May 2009 and led its successful merger with Synergy Housing in 2012 since when its housing business has grown to more than 28,000 homes.

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

3.0 CHAIRMAN'S STATEMENT

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

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

The group has had a successful financial year. Headline revenue was £179 million with operating profit before impairment, interest and taxation at £59 million. Throughout the year over £32 million has been spent on maintaining the group's stock of over 28,000 homes. Net profit after tax was £34 million.

Our vision: everyone has a home

The board agreed a new corporate strategy and plan which gives a new clarity of purpose with the vision that everyone has a home. The group's purpose is to be an ethical housing developer and landlord to benefit society.

The group's corporate objectives:

- Growth through the provision of more housing;
- Ensure the group's business model is sustainable in terms of energy, culture, use of IT and employee skills;
- Increased focus on efficiency, reducing non-core activities to fund more housing;
- Continuing work on corporate social responsibility.

These objectives will be achieved through the corporate plan:

- Maximising profit. Being strategic in asset management and maximising the value of assets. Building as many new homes as the group can;
- Transacting and communicating with customers and colleagues digitally. Ensuring the group's culture engages colleagues in its vision so that they are able to contribute to the group's success;
- Ensuring all areas of the business are as efficient as possible;
- Developing the work of the Aster Foundation.

Aster Foundation

The Aster Foundation brings the group's corporate social responsibility activities together to draw a distinction between core business as a developer and landlord and the work the group chooses to do. Under the Foundation the group will concentrate on four pledges: people, places, performance and planet. The directors will monitor these pledges every quarter and activities will be shared as part of the annual report. Under the first pledge – people – the group commits to providing customers with:

- Work placements and volunteering opportunities;
- Welfare and benefit advice;
- A hardship fund;
- Digital inclusion and education.

Employees will benefit through:

- A commitment to wellbeing and benefits;
- A match funding scheme;
- Apprenticeships and internships;
- Volunteering opportunities.

The group's work won't be done until it can be sure that everyone has a home. It's a sobering thought that the UK is one of the richest nations in the world, yet around one in seven children live in poor housing or are homeless. The effects of poor housing and homelessness are well documented, having implications for health, education, employment and mental wellbeing.

The Group and Executive Boards work together to focus the business on what Aster does best – provide homes for people in its local communities. Aster's social heart will never leave, but it also has to think commercially to ensure the group can continue developing new homes and providing good services to both existing and new customers for the long term.

The future

In July 2015 the Chancellor announced in his Budget Statement that social rents would fall by 1% each year for the next four years. Whilst this is clearly good news for tenants, it increases pressure on the group to be more commercially focused and efficient in its delivery of its core and non-core services to enable Aster to continue to deliver new homes and achieve its vision. Indeed, the reduction in rents by 1% is forecast to reduce the group's revenue by c£28 million by the time the four year rent reduction period comes to an end and by some £670 million over the 30 year life of the financial plan. However, the directors and senior management of the group have welcomed the challenge of positioning and reshaping the group, its operations, services and people to be able to deliver the level of service required whilst still achieving sufficient profits to enable the group to deliver new homes.

Much of the work involved in this has just started and the challenge for 2017 and beyond will be to put this into action and deliver the efficiencies required. Part of this efficiency program fits into and expands the group's existing More Homes project, details of which are set out below.

As part of the package of changes necessary to be able to cope with this revenue reduction, the group is expected to increase the focus of its development program towards shared ownership and open market sale products. Profits and cash generated from these revenue streams will be reinvested into building more homes.

The Chancellor also announced plans to extend the right-to-buy arrangements and to remove some of the more onerous conditions on Registered Providers that prevented the sale of underperforming stock. The directors are keen to embrace these changes where economically feasible.

Despite the revenue reduction and the challenges ahead, Aster remains financially strong. Its latest business plan sets out a healthy build program whilst still comfortably operating within its banking and lending covenants.

Brexit

The UK decided in an advisory referendum on the 23 June 2016 to leave the EU. The exact outcome and consequences of this decision are unknown, however, as a result of Brexit the directors were informed by its rating agency, Standard & Poor, that the group's credit rating had fallen from AA- to A+. The group's principal risks are explained on page 9 and Brexit could potentially trigger some or all of these risks.

More Homes project – one year on

As the group enters the second year of the More Homes project, it's a good time to look back on what has been achieved so far.

More Homes was launched in January 2015. The project is about focusing on Aster's core business activities – providing legally and regulatory compliant housing management and maintenance services to ensure the group achieves the vision that everyone has a home.

Following the budget announcement in July the group's rental income will reduce by one per cent every year, for the next four years. This is expected to reduce the group's revenue and profit by circa £28 million on a cumulative basis over this period, and measured over a life time, by more than £670 million. As a result the scope of More Homes was extended. The savings target was increased to £4 million across operational services areas in 2016/17, split as follows:

Aster Communities, Synergy Housing Limited and Aster Living - £1.6 million;

Aster Property - £2.4 million.

Working through each project carefully, carrying out employee and customer consultations where appropriate, the group is on track to achieve the savings identified.

During 2015 the following projects were delivered:

- Streamlined customer board structure;
- Evolved the approach to customer involvement to take advantage of technology;
- Closed the Twice as Nice Stores in Hampshire and Somerset and handed over the Dorset operation to another organisation;
- Ended the provision of the assisted gardening service and the elderly decoration scheme;
- Re-classified repairs priorities and emergency out of hours service;
- Refreshed recharges policy and procedures;
- Communicated the new lettable standard;
- Ended the provision of Neighbourhood Panels.

Over the next year, a range of service areas will be considered including the approach to complaints, customer surveys and lettings service. In addition, the group will continue to work to embed the new recharges policy and procedures across all regions, reduce plant hire and embark on waste management and subcontractor tenders. More detailed information about this year's projects will be available over the coming months.

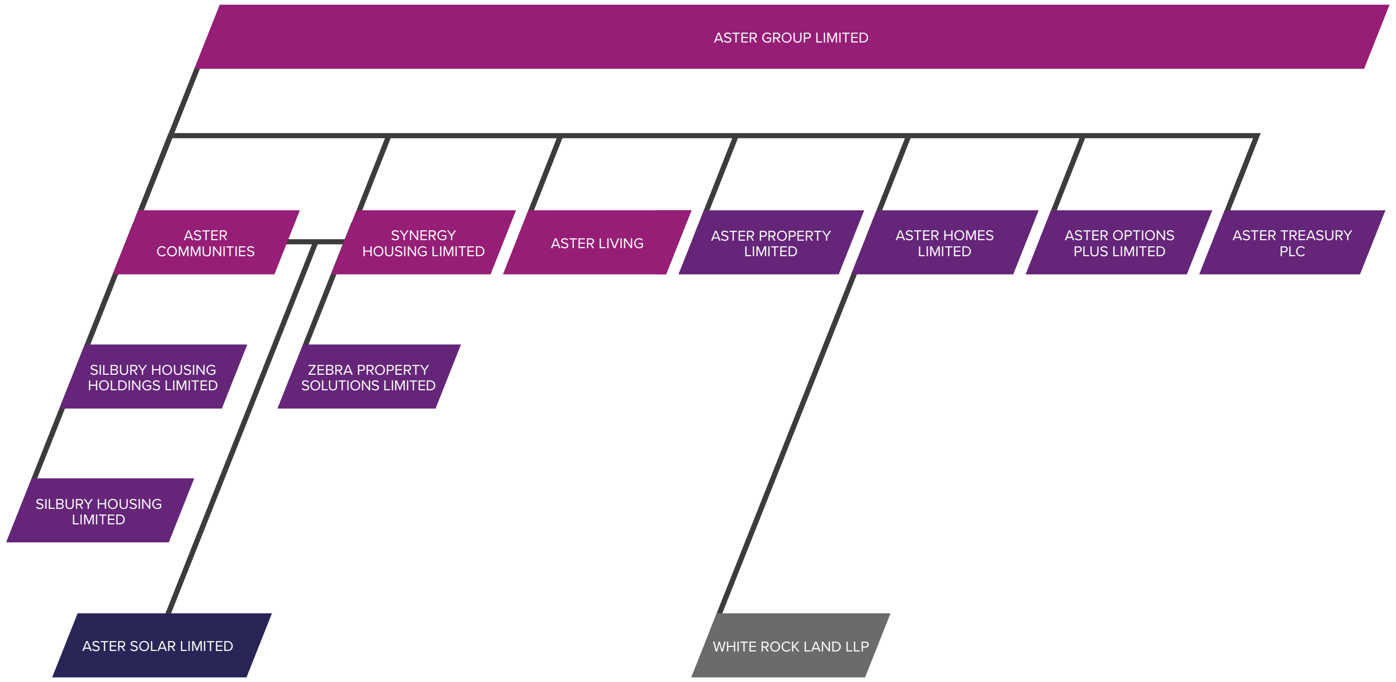
While making tough decisions to change or cease services is difficult, it means the Group can concentrate on its primary purpose – to provide good core services and more homes.

Andrew Jackson
Chairman

August 2016

4.0 STRATEGIC REPORT

Group Structure
The structure of the group is:



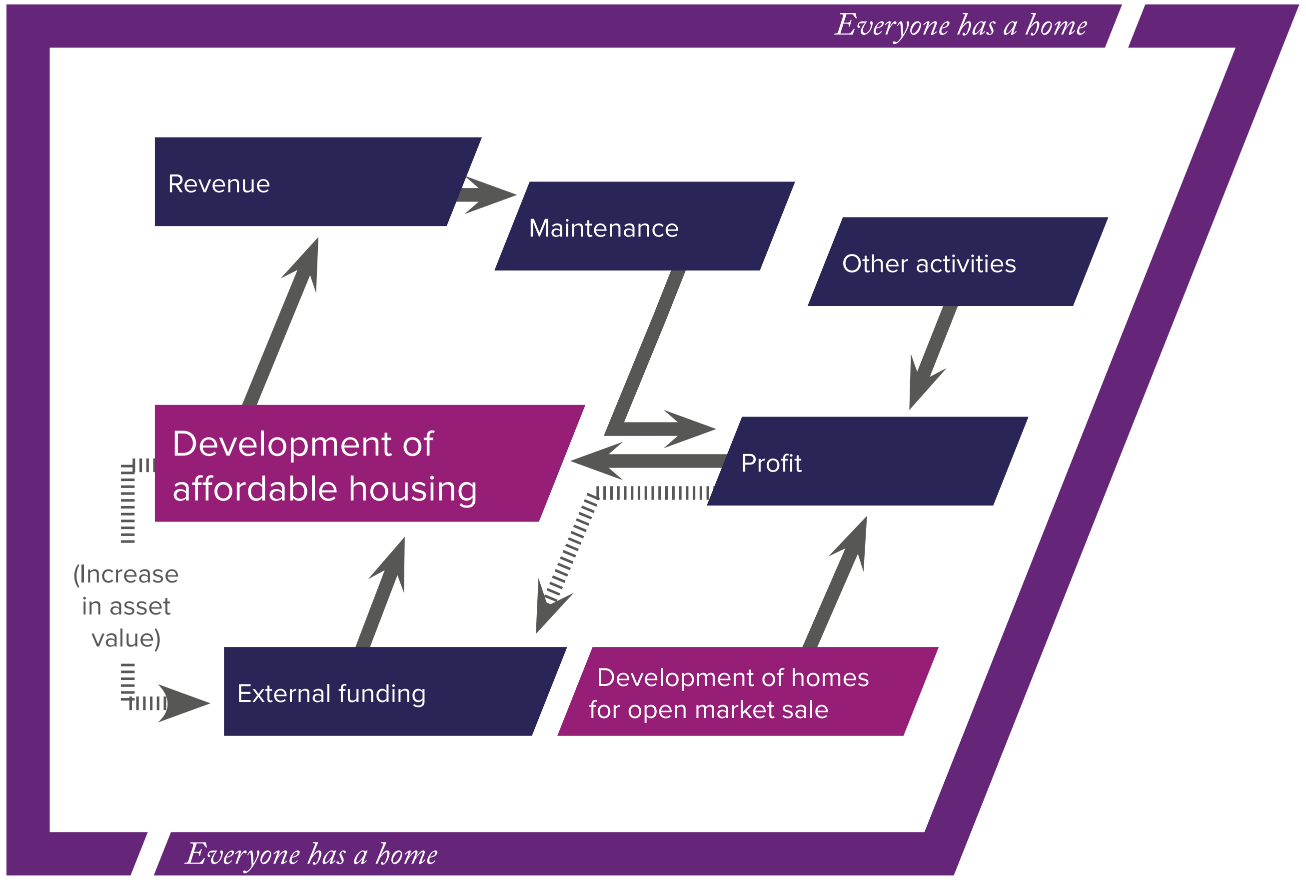
THE MAIN ACTIVITY OF EACH OF THE COMPANIES IN THE GROUP IS:	
Aster Group Limited	Acts as holding company for the group and provides support services for each of the subsidiaries.
Aster Communities	Registered Provider, with properties primarily in Hampshire, Wiltshire, Somerset and Devon and Cornwall.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

STRATEGIC REPORT

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

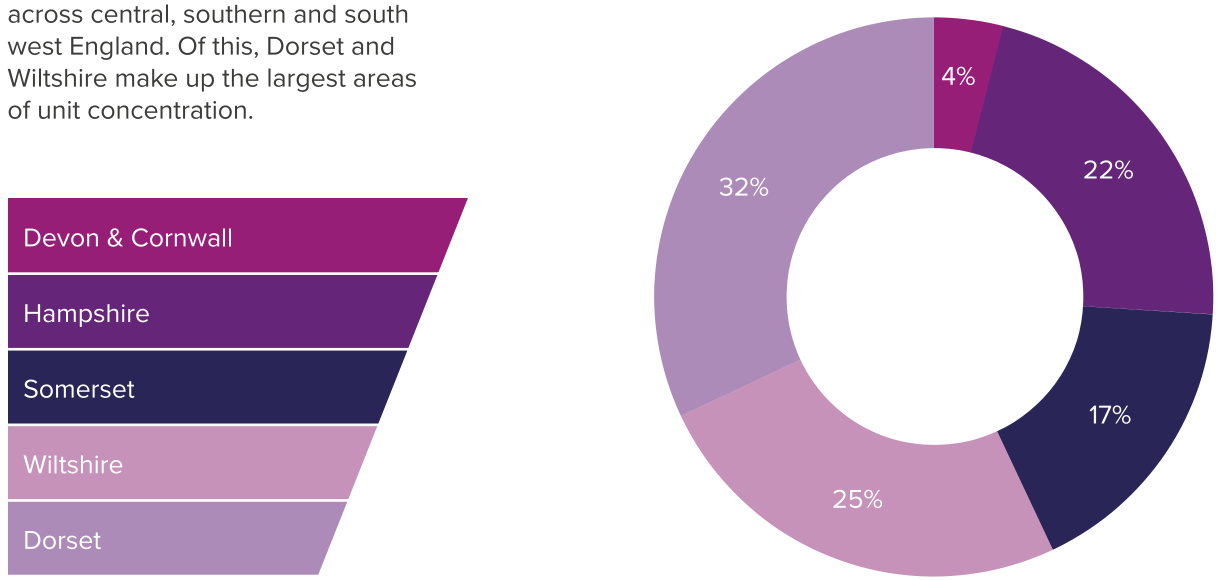
The group primarily generates revenues from rent and service charges associated with the provision of housing and sales income from the sale of houses built for sale and for shared ownership. Profits after financing (servicing of debt) and tax are reinvested and used to build additional homes (usually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

The group finances additional development through traditional bank funding and capital markets (bonds).



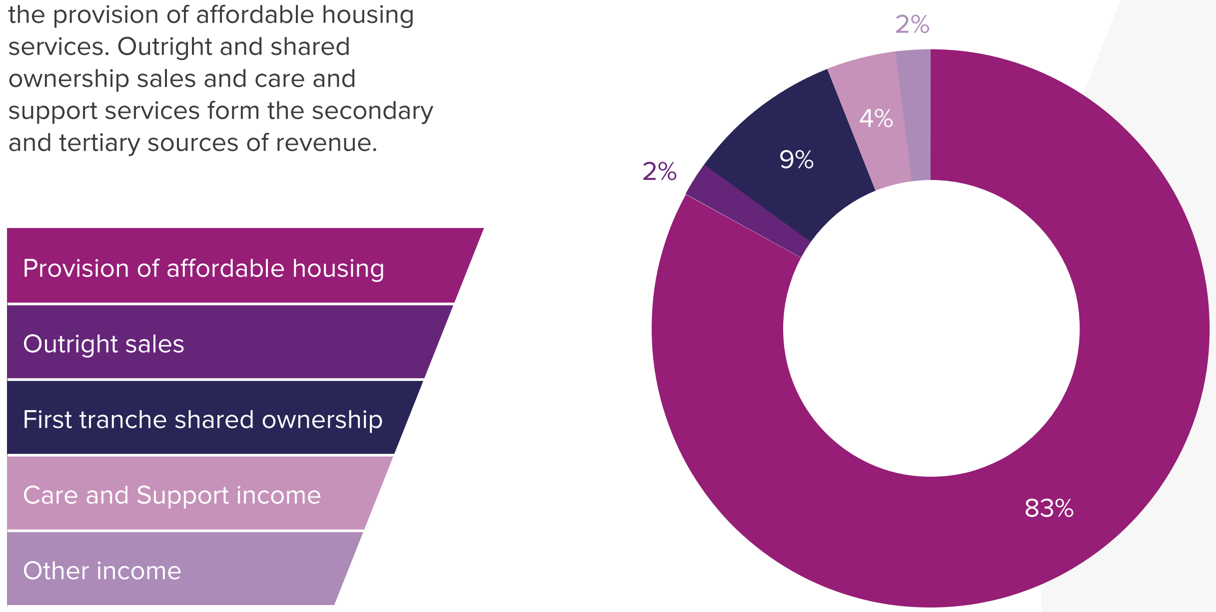
Marketplace
Aster Group owns and manages over 28,000 properties providing services to more than 75,000 customers across central, southern and south west England. Of this, Dorset and Wiltshire make up the largest areas of unit concentration.

Units owned and managed - *2016*



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

Group revenue split - *2016*



Marketplace (continued)
Historically, the focus of the group's development was on building units for affordable rent to meet the demand in the sector. However, as the amount of available government funding for the development of affordable housing has declined, the group has increased the development of shared ownership and outright sale units (including through its joint venture with White Rock Land LLP) to compensate. These profits are then channelled into the building of affordable housing.

With the July 2015 budget announcement of a reduction of rental income of 1% per year over the next four years, the mix of affordable / build for sale developments will be weighted more towards shared ownership and outright sales. Additional profits as a result will support the development of affordable rent schemes.

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

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

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

The Audit Committee, which is chaired by Arthur Merchant, monitors and reviews the scope and effectiveness of the group's internal control policies and procedures for the identification, assessment and reporting of risks to the Board.

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

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

Risk appetite
The Group Risk Appetite Statement ensures there is a common understanding between the board and senior management as to the quantum and type of risk the organisation is willing to seek and tolerate in the pursuit of its strategy and value creation. Risk appetite and supplementary risk tolerance levels are reviewed annually by the Board and these levels determine the principal parameters for the assessment of risks and opportunities. In 2016, the board reviewed the tolerance levels across a number of areas, including strategic, operational, health and safety, environmental, political, reputational, and technical. The board will continue to review key risks to ensure they remain within the boundaries defined by the Group Risk Appetite Statement.

Principal risks
During 2015/16, the board regularly reviewed the risks which they believed could adversely impact the business and also focussed on the opportunities that could be realised to deliver the strategy. The following list provides an overview of the principal risks to the group at the end of March 2016. The list is not exhaustive or set out in order of priority and is continually subject to change:

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

Risk appetite (continued)

RISK	*Potential Impact*	*Mitigation*
Credit rating downgrade The group has a strong credit rating with Standard and Poor.	The risk of a downgrade in the group's credit rating could have a direct impact on the cost of borrowing and investor appetite for future bond placements. Should this occur future funding for the development of housing may become restricted.	The group's business plan presents a robust financial profile to maintain its credit rating. Senior management meet with the credit rating agency at least once a year to discuss the operations of the group. The group also undertakes research on credit rating methodology to understand the potential for a downgrade.
Security charging The group uses its housing assets as security to enable it to borrow new funds.	The group's inability to charge housing assets as security for current and future funding requirements restricts the level of future borrowing and could result in an increased cost of borrowing and hence could restrict the level of housing development. In the case of existing borrowing, a delay in security charging could result in a loan covenant breach.	The group maintains an up to date register of properties in charge and able to be charged. The group employs solicitors adept in charging large tranches of security who are tasked with ensuring properties are able to be charged appropriately before build and complete the charging of properties when required.
Business continuity failure The group is a complex organisation which relies on several key functions to keep it operational.	A crisis or disaster could prevent one or more of these key functions from operating. This could result in (the short-term) key services not being delivered, customers suffering from no support or help, and (in the long-term) regulatory intervention and loss of housing stock.	Each business across the group has in place, maintains and tests detailed business contingency plans to ensure the various function can continue to operate in time of crisis. In addition, the group has insurance in place.
Loss of reputation The Aster brand is important to the group and helps support its profitability.	The group relies on its reputation to help secure new development opportunities, win new tenants and customers, trade with funders and suppliers and support its position with regulators. Damage to the group's reputation could have a detrimental impact on any or all of the above resulting in a negative impact on profits and the future provision of housing.	The operations of the group are monitored regularly by the Executive and Group Boards and any potential reputational issues arising resolved as a priority.

RISK	*Potential Impact*	*Mitigation*
Loss of key people Retaining and attracting good people is key to delivering superior performance and customer service.	The inability to recruit and retain talented people could affect the group's ability to maintain its performance. When key people leave or retire, there is a risk that knowledge or competitive advantage is lost. Excessive employee turnover is likely to impact on our ability to maintain the appropriate quality of service to our customers and would ultimately impact our financial performance adversely.	Aster provides well-structured and competitive reward and benefit packages that enable the group to attract and retain the employees needed. Employees have the right working environment and equipment to enable them to do the best job possible and maximise their satisfaction at work. The group invests in training and career development opportunities for its people to support them in their careers.
Development programme delayed or frustrated The group's vision is that "everyone has a home" and in order to achieve this it must build more homes. In order to develop new homes the group requires either land to build on or developer contributions to help supply affordable housing.	The purchase of land is competitive and is subject to price, availability and location. Should management make errors of judgement in these areas development schemes may not be viable. The availability of sites under the developer contribution route is influenced by local and central government housing policy. A change in these policies could have a significant impact on the future development of housing. The group is exposed to sales risk, inflation risk (on construction costs) and planning risk on the sites it develops. Should these be inappropriately managed it could lead to reduced profit and/or curtailment of future development. The group requires sufficient available funding to be in place in order to purchase and pay for development sites. Should funding be constrained the securing of new developments would be adversely impacted.	The group's development programme and related risks are assessed and monitored prior to purchase of sites through to completion by appropriately skilled people. There is a clear route for approval of schemes up to Board level as appropriate. The development team work closely with finance to ensure funding is available where required.

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

Operating Review
The group continues to build on the success of previous financial years. Turnover has grown to £178.9 million (2015: £174.9 million). Efficiency savings implemented in 2014/15 have benefited the group again this year with operating expenditure reduced from the previous year at £119.9 million (2015: £124.4 million) with reductions in service charges, planned maintenance and major improvements. Operating profit before interest and taxation has increased by £6.7 million to £59.2 million for the year (2015: £52.5 million).

Net interest and financing costs of £25.1 million (2015: £24.1 million) were in line with expectations for the year. Interest receivable increased by £536,000 with interest on short term deposits up from the previous year. Interest payable increased by £1.9 million due in part to increased interest on fixed and floating rate debt (£600,000), a reduction in interest capitalised on development (£862,000) and administration charges (£374,000).

Aster Communities and Synergy Housing Limited have not yet experienced the predicted downturn in results associated with the introduction of the Welfare Reform act. Both rental income and unrecoverable debts have remained stable. With the July 2015 budget announcement and expected rent reductions of one percent per year over the next four years, the group responded promptly by achieving operational costs savings of over £1.7 million in 2015/16 through response repairs and planned maintenance and a strong focus on efficiency and best use of technology. The group is well positioned to weather the storm of rent reductions and associated challenges and retain its financial strength.

Aster Homes delivered 633 affordable homes for affordable rent and sale, down from 725 in the previous financial year due in part to a moratorium on entering into new contracts caused by the announcement of the government's decision to reduce social rents by one percent.

Throughout the year, the continued rise in private sector house prices caused developers to complete their own commercial homes ahead of the S106 affordable homes they were contracted to build for the company. Aster Homes will seek to mitigate this risk by choosing development partners carefully, based on their financial standing, expertise and commitment to our sector.

The development strategy going forward seeks to reduce reliance on S106 delivery, addressing both risks of programme control and changes to the S106 market from starter homes by re-balancing the programme through delivering a higher proportion of land led schemes. The company now has a dedicated team seeking land opportunities and will be expanding this team in due course.

Efficiencies in response, planned and major improvements of £1.2 million (2015: £670,000) have been delivered in 2015/16, over £580,000 more than the initial target. Aster Property Limited also delivered maintenance services within the agreed Aster Communities and Synergy Housing Limited budgets. External income generated for the full year was £414,000 (2015: £454,000), generating a net margin of 3% (2015: 4%).

Additional income of £500,000 has been generated from a new Somerset Handihelp and Home Improvement Agency contract which was awarded in August 2015. In addition, growth in Extra Care and Learning Difficulties care delivery in Somerset, resulted in additional income of £425,000. Aster Living fully complied with the expectations of the company's regulators, the Care Quality Commission (CQC) and the Homes and Communities Agency (HCA).

Operating Review (continued)

During 2015, Aster Solar invested £3.4 million in the installation of 758 photovoltaic systems with the final installation completed and registered for the feed-in tariff in November 2015. These activities generated £126,000 of revenue for the company. As a result, on average, significant improvements have been made to the SAP performance of the properties, a 13 points increase and average fuel savings of £250 per household have been delivered to the customer.

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

Aster Communities

The organisation has had a successful financial year. Operating profit increased by £3.6 million to £34 million.

Turnover increased by £2.8 million with general needs income increasing by £2.7 million to £79.4 million. Rental income from Supported Housing decreased slightly by £125,000 to £10.4 million and Shared Ownership income increased by £329,000 to £3.2 million. Increases relate to the increase in available properties (following development) and the annual rent increase of CPI +1%.

First tranche shared ownership income decreased by £385,000 falling to £10.4 million during the year. Operating costs were lower by £792,000 due to lower service charge costs of £799,000 and savings on routine and planned maintenance spend of £1.6 million as a result of efficiency savings made in Aster Property.

Major repairs expenditure decreased in year by £875,000 (net of component capitalisation).

Operational and financial performance in the business continues to improve and strengthen. Key highlights are as follows:

Improved performance in income collection despite a challenging environment evidenced by a reduction in arrears percentage to 1.7% against a target of 3% and prior year of 1.8%.

Improved performance in reduction of rent lost through properties being empty with only 0.65% of rent lost compared to a target of 0.75% and prior year of 0.5%.

Improved performance in re-letting homes with average number of days to re-let three days better than target for general needs, but nine days worse than target for housing for older people (HOPS).

Completed 390 new homes for rent or sale against a target of 578 and prior year of 480.

A continued focus on managing the impacts of welfare reform, through the internal Strategy and Practitioners Groups, ensuring that the company supports its customers at the same time as protecting income streams.

Improving the association's approach to service charges with the new management system ensuring tighter controls and more efficient systems for recording expenditure and charging customers.

Significant operational savings were achieved through a strong focus on efficiency, working smarter and using technology more effectively.

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

	2015/16 Target	2015/16 Actual	2014/15 Actual
% rent lost through vacant properties	0.8%	0.7%	0.5%
Average number of days to re-let - General Needs	18	15	16
Average number of days to re-let - Housing for Older People (HOPS)	24	33	20
% arrears (General Needs & HOPS)	3.0%	1.7%	1.8%
% repairs completed on time	98%	98.6%	99.1%
% of tenants satisfied with repair work	80%	75%	96.1%
% of all appointments kept	90%	91%	92.4%
New homes completed	578	390	480

Synergy Housing Limited

The organisation had a successful financial year. Operating profit increased by £5.5 million to £18.8 million.

Turnover increased by £4.2 million with general needs income increasing by £2.9 million to £38.1 million. Rental income from Supported Housing increased by £259,000 to £10.9 million and shared ownership income increased by £184,000 to £1.1 million. Increases relate to the increase in available properties and the annual rent increase of CPI +1%.

First tranche shared ownership income increased by £884,000 to £5.2 million during the year. Operating costs were lower by £1.3 million falling to £36.6 million for the year due to savings on routine and planned maintenance spend as result of efficiency savings made in Aster Property.

Major repairs expenditure decreased in year by £144,000 (net of component capitalisation).

Although rent debtors have increased from £1.2 million in 2015 to £1.4 million in 2016 the associated bad debt provision has only been increased by £142,000 reflecting the age and risk of the arrears debt.

Operational and financial performance in the business continues to improve and strengthen. Key highlights are as follows:

Improved performance in income collection despite a challenging environment evidenced by a reduction in arrears % to 1.69% against a target of 3% and prior year of 2.7%;

Improved performance in reduction of rent lost through properties being empty with only 0.27% of rent lost compared to a target of 0.75% and prior year of 0.5%;

Improved performance in re-letting homes with average number of days to re-let two days better than target for general needs and seven days better than target for housing for older people (HOPS);

Completed 236 new homes for rent or sale against a target of 312 and prior year of 245;

A continued focus on managing the impacts of welfare reform, through the internal Strategy and Practitioners Groups, ensuring that the association supports its customers at the same time as protecting income streams;

Improving the association's approach to service charges with the new management system ensuring tighter controls and more efficient systems for recording expenditure and charging customers;

Significant operational savings were achieved through a strong focus on efficiency, working smarter and using technology more effectively;

Synergy Housing Limited has Key Performance Indicators. Targets are set at the beginning of each year as part of the business planning process and regular reports are drawn from each of the key operating systems to monitor performance.

Measures for the association are highlighted below:

	2015/16 Target	2015/16 Actual	2014/15 Actual
% rent lost through vacant properties	0.75%	0.27%	0.5%
Average number of days to re-let - General Needs	18	16	17
Average number of days to re-let - Housing for Older People (HOPS)	24	17	53
% arrears (General Needs & HOPS)	3%	2.52%	2.7%
% repairs completed on time	98%	99%	99.1%
% of tenants satisfied with repair work	80%	90%	94.9%
% of all appointments kept	90%	89%	92.4%
New homes completed	312	236	245

STRATEGIC REPORT

Aster Property Limited
This year, Aster Property Limited has made an operating surplus of £1.3 million (2015: £1.5 million) with an operating margin of 2.4% (2015: 2.6%). During the year the company generated a turnover of £55.2 million (2015: £56.6 million) and profit after taxation and gift aid to charitable subsidiaries in the group of £1.3 million (2015: £61,000). A £1 share has been issued to Aster Group at a share premium of £3 million, this recapitalisation leaves Aster Property Limited with net assets of £3.3 million.

Maintenance efficiencies of £1.2 million (2015: £670,000) have been delivered, over £580,000 more than the initial target. Aster Property Limited also delivered maintenance services within the agreed Aster Communities and Synergy Housing Limited budgets. External income generated for the full year was £414,000 (2015: £454,000), generating a net margin of 3% (2015: 4%).

The table below summarises the year end position for the in-house contracting area of Aster Property Limited:

GROSS PROFIT MARGIN	2015/16 Actual %	2014/15 Actual %	Movement %
Estates	19.7	21.5	(1.8)
Planned/Cyclical	17.5	16.8	0.7
Response	34.2	28.8	5.4
GROSS PROFIT MARGIN			
Estates	2	1.6	0.4
Planned/Cyclical	2.8	3.7	(0.9)
Response	6.3	2.2	4.1

The table below summarises key response maintenance performance indicators calculated according to information held within the company's contract management system.

OPERATIONAL KPI'S	2015/16 Target	2015/16 Actual	2014/15 Actual
% of repairs completed on time	98%	98.7%	98.5%
% of tenants satisfied with their completed repair in terms of customer service and quality of work	80%	90.0%	95.5%
% of appointments kept	97.5%	98.4%	91.5%
Productivity (average completions per day per operative)	5.0%	4.5%	4.4%

Repairs completed on time, tenants satisfaction and appointments kept have all outperformed their targets and management plan to focus on improving productivity next year.

Aster Homes Limited
The company performed well during the year with a net profit before tax of £452,000 (2015: £1,119,000) Gift Aid of £456,000 (2015: £1,114,000) will be paid to Aster Group Limited.

Aster Homes generated a total turnover of £59.6 million in the year (2015: £66.3 million). This included £55.8 million (2015: £63.6 million) of design and build fee income from services provided to Aster Communities and Synergy Housing Limited, which was ahead of forecast despite a lag in development activity in the last quarter of the year. The lag in development activity was partly due to the moratorium on contracting new development schemes whilst the group assessed the full impact of the budget announcement to reduce social rental income by 1%. This reduction was offset by an equal fall of £7 million in design and build costs. Completions were also disappointing as the continued rise in private sector house prices caused developers to complete their own commercial homes ahead of the affordable homes they were contracted to build for the company.

Revenue from trading activity carried out through the operational joint venture with Galliford Try at Newton Abbot was £3.2 million (2015: £2.1 million). The final build cost for this scheme is expected to be higher than originally anticipated and is being negotiated with Galliford Try.

The trading activity through White Rock Land LLP is estimated to generate £84 million of sales income and £11 million of profit over the next six years. Aster Homes Limited share is consolidated at group level. This year sales income from the LLP was £18.3 million (2015: £1.8 million) and profits were £1.3 million (2015: 1.2 million). Delays in the LLP scheme at Tithebarn due to planning processes and the negotiations around the energy supply to the site led to lower unit sales of private homes although related spend was also delayed.

Other income of £613,000 (2015: £550,000) is mainly attributable to first tranche shared ownership sales fees charged to Aster Communities and Synergy Housing Limited. Also included in other income is £122,000 for the provision of development services to Teign Housing Limited and £53,000 for recovery of aborted scheme costs.

The sales team generated £15.6 million (£2015: £15.1 million) of shared ownership sales income for Aster Communities and Synergy Housing Limited.

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

HOMES COMPLETED	2016/17 Target	2015/16 Actual	2014/15 Actual
Homes completed for Aster Communities Limited	428	363	480
Homes completed for Synergy Housing Limited	556	270	245
Total affordable homes built	984	633	725
Private sales completed	153	91	17

Work in progress at the end of the year was £165,000 (2015: £2.1 million).This decrease represents sales of completed stock at the Newton Abbot joint venture.

Aster Living

The key factors affecting the performance of Aster Living during the course of this year were:
The award of the new Somerset Handihelp and Home Improvement Agency contract from August 2015 which generated additional income of £500,000 in 2015/16. The contract runs until July 2018;

Growth in Extra Care and Learning Difficulties care delivery in Somerset, resulting in additional income of £425,000;

Full compliance with the expectations of the company's regulators, the Care Quality Commission (CQC);
The loss of £288,000 contract funding and 3,000 customers in Hampshire for the Handihelp service, with a resultant reduction in staffing of eight employees;

Delay in the sale and rental of units at a new Extra Care scheme in Devon, resulting in loss of income of £142,000;

Staff recruitment delays in Care & Support in Dorset impacted the ability to take on additional packages of care within existing contracts. This resulted in a loss of income of £90,000, offset in part by a reduction in employee costs;

The decision to exit the Handihelp service in Torbay due to the service not being financially viable. This resulted in lost income of £47,000;

The home improvements service made a loss of £219,00 during the year. This is a reduction on the previous year and management are keeping the service provision under review.

Aster Living supports 13,000 customers (2015: 18,000) across west Berkshire, Hampshire, Wiltshire, Somerset, Dorset, Devon and Cornwall. The reduction in customer numbers was driven by several factors:

Handihelp saw a reduction of 4,400 customers, 3,000 of these due to loss of the Hampshire contract;
Home Improvement Agency saw a reduction of 250 customers;
Telecare had a reduction of 106 customers.

The balance of the reduction during 2015/16 was in Care & Support, where supported housing services were transferred into Aster Communities at the end of the financial year 2014/15.

Aster Solar Limited

Aster Solar Limited was incorporated on 6 March 2015. The company's principal activity is the provision of green electricity to the group's tenants from the installation of photovoltaic panels on existing properties. The company benefits from the resale of unused electricity generated, through the government agreed feed-in tariff.

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

Solar panel installations form a significant element of Aster Group's retrofit and energy strategy. When linked with existing investment programmes it can make substantial energy savings for customers.

The loss for the financial period was £27,000. The company's financial model covers a 20 year period and demonstrates a positive cash payback over the life of the project and a healthy return on investment measured on a net present value basis. As such the company is expected to start generating profits next year.

During 2015, the company invested £3.4 million in the installation of 758 photovoltaic systems with the final installation completed and registered for the feed-in tariff in November 2015. These activities generated £176,000 of revenue for the company. As a result, on average, significant improvements have been made to the SAP performance of the properties, a 13 points increase, and average fuel savings of £250 per household have been delivered to the customer.

Aster Treasury Limited

The principal assets and liabilities of the company represent the proceeds of the bond of £250.3 million, matched by the on-lending to Aster Communities and Synergy Housing Limited. Accrued interest payable of £3.2 million (2015: £2.8 million) is matched by interest receivable from those societies.

The average amount of interest payable and receivable per month has increased from £707,000 to £935,000. This is a result of the issue of the retained bonds last year with interest for these two tranches of the bond being included in the results for the full twelve months of the year as opposed to part of the year in 2015. A small tax charge was accrued in 2015, however the payment of gift aid in financial year 2016 to Aster Group Limited removed this.

Financial review

This year, the group is required to prepare its results under a new accounting standard, FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland. Adoption of the new standard has resulted in a number of differences in the way some previously reported transactions are now calculated, disclosed and categorised. The results for the year to 31 March 2015 were reported last year under UK Generally Accepted Accounting Practice (GAAP). Under the new standard the Group and Association are required to restate their comparative information together with that year's opening balance sheet information (the balance sheet for 1 April 2014) under FRS 102. Set out on pages 153 to 163 of these financial statements is a reconciliation, together with an explanation of the change, between the previously reported UK GAAP results for the year to 31 March 2015 and the restated amounts.

The group made a profit before tax for the year of £34 million (2015: £28 million). The main movements are set out below:

TURNOVER	2016 £m	2015 £m	Change £m
Social Housing	159	153	6
First tranche shared ownership	16	15	1
Other turnover	4	7	(3)
OPERATING COSTS			
Social Housing	(104)	(106)	2
First tranche shared ownership	(15)	(14)	(1)
Other	(1)	(3)	2
Interest and similar income and charges	(25)	(24)	(1)
Surplus on ordinary activities before taxation	**34**	**28**	**6**

The bulk of the increase in social housing turnover is driven by the increase in general needs income, primarily from new housing stock developed during the year and the CPI +1% increase in rents.

Cash inflows and outflows

The detailed cash flow for the group is set out on page 71. In summary the main cash flows for the group were:

	2016 £m	2015 £m
Net cash flows from operating activities	106	78
less net interest paid	(25)	(22)
	81	56
Investment in new properties	(108)	(103)
Social Housing Grant received	6	5
Proceeds from sale of housing	8	5
Purchase of other fixed assets	(6)	(3)
	(19)	(40)
Drawdown of loans	**21**	64
Loans to LLP	**(3)**	(10)
Repayment of borrowings	-	(14)
	18	40
(Decrease) in cash holdings	**(1)**	-

The group held £82 million (2015: £83 million) of cash and cash equivalents at year end and £761 million (2015: £741 million) of bank loans and bonds.

Net cash flows from operating activities increased by £28 million due primarily to the increased profit for the year (£6 million), decrease in current assets (£6 million) and the decrease in debtors (£13 million).

Cash invested in new properties was £5 million more than 2015 at £108 million (2015: £103 million).

The reduction in loan drawdowns is £21 million down from £64 million in 2015 which included proceeds of the retained bond.

Statement of Financial Position

Main movements were as follows:

FIXED ASSETS	2016 £m	2015 £m	Movement £m
Property, plant and equipment	**1,328**	1,264	64
Investment properties	**16**	15	1
CURRENT ASSETS			
Inventory	**1**	3	(2)
Debtors	**83**	89	(6)
Shared ownership properties held for resale	**11**	7	4
Cash and cash equivalents	**82**	83	(1)
Creditors amounts falling due within one year	**(36)**	(42)	6
Net assets before net debt	**1,485**	1,419	66
Creditors: amounts falling due after more than one year	**(808)**	(777)	(31)
Pension liability	**(35)**	(38)	3
Net Assets	**642**	604	38

These movements are explained below:

Property, plant and equipment - Increase in completed properties and component replacements offset by depreciation.

Investment properties - fair value adjustment at 31 March 2016.

Inventory - reduction in work in progress.

Debtors - increase in loan to Limited Liability Partnership - £4 million and Increase in trade debtor - £1 million, offset by reductions in: Finance lease - £2 million, Margin call account - £6 million, and Other capital grants receivable - £2 million.

Shared ownership properties held for resale - increase in units under construction at the end of the year.

Creditors: amounts falling due within one year - Increase in trade creditors £1 million, service charge over-recovery - £1 million and amounts due under RTB sharing agreement £1 million. Offset by reductions in Social Housing Grant £5 million and reductions in accruals and deferred income.

Creditors: amounts falling due after more than one year - Increased loans - £20 million and social housing grant - £10 million.

Pension deficit - Reduction in pension deficit for Dorset and Somerset County pension schemes.

Financial instruments

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

The group's exposure to interest rate fluctuations on its borrowings is managed by using fixed rate loans and interest rate swaps. It is the group's policy to manage interest rate risk by having at least 50% of debt subject to fixed rates for the medium to long term. As at 31 March 2016, 77% of debt was fixed (2015: 84%). The fixed portion of debt remains high in part due to the £250 million bond issue in 2013. This is anticipated to fall as new variable rate debt is drawn. The group finances its operations by a mixture of retained surpluses, borrowing from the capital markets, government grants and bank loans.

Current liquidity
Liquidity risk is managed by ensuring the group can meet at least three months of committed spend from a combination of cash and loan facilities capable of immediate drawdown. In addition, loan facilities are required to be in place to finance all committed expenditure of the group. The group is currently holding considerably more cash than three months committed capital expenditure.

At 31 March 2016, undrawn loan and overdraft facilities amounted to £111 million (2015: £150 million), all of which is committed and available for immediate drawdown.

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

In order to maintain flexibility in the management of liquidity, the group's policy is to ensure that no more than 10% of debt matures in any 12 month period over the next five years where no replacement finance has been arranged. Of the group debt, £10 million (1%) is repayable within five years.

Cash held at 31 March 2016 is £81.7 million (2015: £82.8 million). These funds will be used to fund the development programme over the next two years.

Credit Risk
The group's policy is to minimise borrowings and surplus funds and investments are only made with highly rated counterparties on a Group Treasury Committee approved list with a maximum investment of £20 million per counterparty or up to a limit of the principal amount outstanding of any lender to the group.

Corporate and social responsibility

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

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

The group was assessed against the Investors in People standard in November 2014 and was re-accredited as a result. The assessor interviewed a random cross section of employees in depth, about the organisation's people management practices with one of the benefits being the receipt of objective feedback from an external perspective.

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

Here are some comments from the October 2015 Best Companies Survey:

> *"The camaraderie of my team members makes day to day tasks enjoyable."*

> *"Managers are easy to talk to and mostly there when require assistance and advice."*

> *"Employees do care about their roles and the impact it has on our tenants, they take pride in their work and are genuinely committed to doing a good job. Aster has a strong sense of community and does a lot of charitable work. The people are really nice and most people work together well. The learning opportunities/courses on offer to everyone are good and the social events the local committees provide are really good."*

> *"The team that I work with are fantastic and I would not change them for the world."*

> *"My direct team work well together."*

> *"The people who I work with have a sense of humour and are committed to giving great Customer Service."*

> *"Bjorn is forward thinking and ready to challenge the status quo."*

Corporate and social responsibility

Equality and diversity

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

Environmental impacts and mitigation

A newly approved energy strategy for 2016-2025 will see Aster's general need properties having an energy performance certificate rating of band C by 2025, some five years ahead of the national 2030 Fuel Poverty Regulation deadline. This proactive approach will identify those properties that need additional investment, or alternatively where that investment will cost too much individual properties will be considered for potential disposal where it's uneconomical to bring that property to a C energy performance rating. The bulk of this activity will be funded from a business as usual approach, by reviewing heating policies, ensuring customers manage their energy effectively, working increasingly in partnership, and only focussing on activities that are good for the business and that will benefit customers.

The group continues to see the value for money opportunities from sustainability and energy projects and initiatives. For example, the group concluded a large scale project that saw 758 solar PV systems installed on its stock at a cost of £3.5 million. This was a reduction on the original project following changes to government funding for housing associations. Despite the project reducing in size, the project has been a great success, seeing those customers with panels save on average £214 per year with a community wide cumulative carbon saving of over 14,000 tonnes over the lifetime of the panels. The new energy strategy will now help bring all properties to band C by 2025 to further help reduce the negative impacts of fuel poverty for all customers.

The group continues to maintain an externally certified ISO14001 environmental management system that ensures the group maintains legal compliance, prevents pollution and ensures continual environmental improvements across our operations. In addition to this the group sought input for the businesses' latest corporate strategy to seek the development of a cross cutting sustainability theme. The internationally renowned Forum for the Future helped the Group Board shape this approach. Work now continues to further develop the 'planet' themes within the group corporate social responsibility activity and ensure sustainability activity is embedded within the emerging 'Aster Foundation' initiative. The Aster Foundation initiative includes four pledges, number four is entitled Planet. It covers the group's commitment to reduce its carbon footprint, use of resources and waste. It also introduces potential efficiency savings via the options of community energy and stock rationalisation.

In the previous year the group reviewed the management of waste materials with a view to reducing the cost, reducing the amount of waste produced and also ensuring best legal compliance. The main recommendation to bring forward a new group wide waste procurement exercise, as part of the More Homes project, to rationalise and introduce savings will be launched during 2016/17.

5.0 VALUE FOR MONEY REPORT

Making value happen

We know that there has never been a greater need to innovate to provide good quality housing across the country. And, we know that helping to end the nation's housing crisis is the biggest impact we can have on society.

Our clear vision, strategy and objectives ensure that delivering value for money is at the heart of our business and is a constant thread through our services, processes and culture.

By taking a commercial approach and focusing on efficiency we are maximising our ability to deliver our vision.

We have been refocusing the business on core activity, releasing efficiencies to be spent on new homes. This has meant that we have been well prepared for the challenges posed by the 1% rent cut introduced in 2015, cuts in social care budgets, and the introduction of universal credit and welfare reform. We are determined to continue to transform our business so that we can deliver our vision.

Our Value for Money self-assessment sets out our resolute approach to increasing value for money, details how we have achieved efficiencies in key areas of the business during 2015/16 and what we have planned for 2016/17.

Value for Money highlights

"633 number of affordable homes delivered"

£1,950,000
Our Social Return on Investment equating to £19 for every pound we spent

£1,730,000
Operational efficiencies realised by our Asset Management and Maintenance teams

9.6%
The percentage return on our assets, a 1.6% increase year on year

210,000
Reduction in our business miles as a result of investment in new technologies and flexible working

87%
Of our tenants are satisfied that their rent provides value for money

£1,120,000
Savings achieved through procurement efficiencies

£250 per year
The amount energy bills have reduced for Aster Solar customers

£1,100,000
Operational efficiencies realised by our Housing Care and Support teams

The full report will be published on **www.aster.co.uk** *from 30 September 2016.*

6.0 REPORT OF THE BOARD

The board presents its report and the audited consolidated financial statements for the year ended 31 March 2016.

The board's report comprises pages 38 to 39 of this report. Some of the matters required by legislation have been included in the Strategic Report (pages 11 to 30) as the board considers them to be of strategic importance. Specially these are: future business developments; principal risks; and corporate and social responsibility (including diversity).

Principal activities

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

Group results for the year

The group's consolidated profit for the year was £34.1 million (2015:£28.4 million). Profit before tax was £34.1 million (2015: £28.4 million)

The Board

The members of the board are listed in the legal and administrative details at the beginning of this report. On 30 September 2015, Mel Cook, the group's chairman retired having served 5 years and as required by the UK Corporate Governance Code. On the same date Andrew Jackson was elected chair of the board. Arthur Merchant has indicated that he will retire from the board in September 2016.

Share Capital

During the year, 1 share was issued and 1 was cancelled leaving a balance in the share capital of the company of £7 (2015: £7).

Capital structure

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

Directors' indemnities

The group has directors' and officers' liability insurance for the benefit of its directors and those of other associated companies. This insurance has been in place throughout the year and remains in force at the date of this report.

Going concern

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

Responsibilities of the Board

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS102 used in the preparation of financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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

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

So far as each director is aware, there is no relevant audit information of which the group's auditors are not aware; and
Each director has taken all the steps that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.
This information is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

By order of the board

Douglas Smith
Company secretary

August 2016

7.0 CORPORATE GOVERNANCE REPORT

Introduction

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

The UK Corporate Governance Code

The UK Corporate Governance Code (the Code) was published by the Financial Reporting Council (FRC) in May 2010 and revised in September 2012, together with a revised version of its Guidance on Audit Committees. The Code contains broad principles and specific provisions which set out standards of good practice in relation to leadership and effectiveness, remuneration, accountability and relations with shareholders. This Corporate Governance Report is structured so as to report against each of these key areas. Together with the Remunerations and Nomination Committee Report and the Audit Committee Report, it describes how the group has complied with the provisions of the Code and applied its main principles during the year.

Governance arrangements

The group's governance structures comprise:

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

CORPORATE GOVERNANCE REPORT

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

Aster Group has not complied with Code provision B.6.2, which states that evaluation of the board should be externally facilitated at least every three years. For 2015/16 the board chose, after careful consideration, to conduct an internal evaluation of the boards covered by the overlap board and that of their committees and individual directors. The internal review was led by the Company Secretary and Senior Independent Director. The board considered this appropriate, given the changes made to the board during the year.

The board believes that the approach taken to evaluation is consistent with the relevant main principle of the Code (B.6) which requires the board to undertake a formal and rigorous annual evaluation. Given the change in board membership, the board considers it appropriate to postpone external evaluation. The board's intention remains to undertake an externally facilitated evaluation process at least every three years and that in the intervening years the review will be led by the Chairman, Senior Independent Director and the Company Secretary. External scrutiny remains important to the group board and during the year, the group's external governance consultants carried out a review of the governance structure implemented in 2014 and the positive report and its recommendations were approved by the group board.

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

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

The group board is confident that the evaluation of these specialist boards and their individual directors, through day to day monitoring of performance by the overlap boards, executive board and the group leadership team ensures they are fit for purpose.

During the year the group remuneration & nominations committee supported the group board to appoint a new Chair and a replacement non-executive director. On both occasions the group board were comfortable that the appointment should be made from the strong internal talent pool. The appointment of the Chair was made following a thorough, internal process with all existing non-executive directors and independent members invited to apply. The shortlisting process and the interviews were supported by independent consultants Altair.

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

The Role of the Senior Independent Director
Phillip Owens has been the Senior Independent Director since September 2014. As Senior Independent Director, Phillip's role is to provide a sounding board for Andrew Jackson, to act, when necessary, as a focal point and intermediary for the concerns of the other non-executive directors and to ensure that any key issues that are not being addressed by the Chairman or the executive management are taken up. Andrew has a regular dialogue with Phillip regarding current issues. While no such issues have arisen in the year, should any significant issues arise which threaten the stability of Aster or its board, it is recognised that the Senior Independent Director may be required to work with the Chairman or others or to intervene to resolve them. The Senior Independent Director is available to shareholders should they have concerns which have not been resolved from contact through the normal channels of Chairman, Chief Executive or other executive directors or if the normal channels may be inappropriate. The Senior Independent Director is responsible for leading the annual appraisal of the Chairman's performance. The Senior Independent Director plays an important role by ensuring there is an orderly succession process for succession to the chairmanship of Aster.

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

Board Meetings
The board meets regularly throughout the year in order to effectively discharge its duties, during 2015 it has met 12 times and there is frequent contact between meetings.

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

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

CORPORATE GOVERNANCE REPORT

Attendance at board and committee meetings

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

Group board and committees	Aster Group Limited	Group Executive Board	Customer & Community Network	Group Audit Committee	Group Remuneration & Nominations Committee	Group Risk Committee	Group Regulation committee	Group Treasury Committee
Number of possible meetings	12	10	4	4	3	10	4	4
Andrew Jackson	12 (100%)			2 (50%)	2 (67%)			1 (25%)
Mike Biles	10 (83%)		4 (100%)		1 (33%)	10 (100%)	4 (100%)	
Mel Cook	5 (83%)							2 (50%)
Sally Higham	10 (83%)				3 (100%)	10 (100%)	4 (100%)	
Arthur Merchant	11 (92%)			4 (100%)				4 (100%)
Phillip Owens	12 (100%)		3 (75%)	2 (50%)	3 (100%)		4 (100%)	
Steve Trusler	11 (92%)				3 (100%)			
Mary Watkins	10 (83%)					8 (80%)	4 (100%)	
Peter Kingsbury			4 (100%)					
Tony Brooks			4 (100%)					
Debbie Cattell			3 (75%)					
Mark Skellon			4 (100%)					
Chris Bain			4 (100%)					
Nigel Woollcombe-Adams			3 (75%)					
Malcolm Curtis				4 (100%)		9 (90%)		
Andrew Kluth				4 (100%)				4 (100%)
Bjorn Howard		10 (100%)	3 (75%)					
John Brace	8 (67%)	6 (60%)						
Rachel Credidio		10 (100%)	4 (100%)					
Michael Reece		10 (100%)						
Graeme Stanley		8 (80%)						
Amanda Williams		8 (80%)						
Brian Whittaker		10 (100%)						
Jean Dalziel			4 (100%)					

The Board Committees' Terms of Reference

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

Effectiveness

The Composition of the Board

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

All Non-Executive Directors except Sally Higham have been involved with the group for less than six years and meet the independence criteria set out in the Code. Sally has been involved for seven years. Having previously adopted the NHF Excellence in Governance Code which allowed a nine year term of office for Board Directors, in 2016 the Board agreed transitional arrangements that allowed Non-Executive Directors serving at the time of the transition to serve a maximum of nine years.

Appointment to the Board and its Committees

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

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

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

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

The group considers the refreshment of the board during 2015 to be positive as it ensures the board's collective experiences equip it to direct the group's strategy and meet its business needs as they evolve over time. The board is also mindful that an appropriate balance between directors who can bring a new perspective and those who provide continuity is essential for a business like Aster's.

CORPORATE GOVERNANCE REPORT

Directors' conflicts of interest

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

Board Evaluation

The board agreed that the 2015/16 review should be carried out by the Company Secretary and the Senior Independent Director. The board is satisfied that these internal reviews followed an established process which enabled a thorough review with full and open participation from all directors. A questionnaire was circulated to all directors seeking their evaluation of a number of matters, including strategy, board and management succession, board culture, balance and diversity, meetings and processes, decision making, risk management and board committees. This was followed up in separate discussions with each of the directors to include their detailed feedback on any emerging themes. The Company Secretary then presented the principal conclusions to the board:

- The board recognised that the last year had seen significant change, particularly regarding the Governance review and the announcement of the new strategy;
- The board was satisfied that the management team was well placed to lead the business in this period of significant change for the sector.

In addition:

- Given the scale of change in the sector the Board agreed to continue to devote more time to reviewing the implementation of the strategy;
- The board considered a number of key decisions that it had made during the year and concluded that its decision making processes were robust.;
- There were clear succession plans for the Non-Executive Directors. This would enable an orderly transition from long serving Non-Executives to new appointees;
- The Board continued to operate very effectively with a good balance and a strong culture reflecting Aster's values, with Directors working well together with a high degree of trust and integrity;
- The need for succinct board and committee packs is an enduring challenge. Board paper templates have been used for a number of years in order to provide a common structure for both the reader of the report and the author and promote a more consistent quality.

The Chairman provided feedback to each Director on their individual contributions to the Board and, with each of them, considered their development priorities.

Board induction and training

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

Diversity

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

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

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

Succession Planning

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

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

Time Commitment of the Chairman and the Non-Executive Directors

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

Aster Communities and Synergy Housing Limited significantly improved their engagement with shareholders during the year with the introduction of regular briefing notes and informal shareholder gatherings attended by board directors and senior staff.

The shareholders of the remaining group companies are directors and companies within the group and engagement with shareholders is through the day to day reporting structure. During the year the group treasury committee discussed and outlined an approach for the board of Aster Treasury plc to engage with bond holders.

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

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

The following describes the key elements of the frameworks and the processes used by the board during 2015/16 to review the effectiveness of the system and the approach to be taken in 2016/17.

Strategic Direction
The group's strategy and business plan are proposed by the Executive board and approved by the board. The CEO is responsible for managing the group's business and implementing the group's strategy and overall objectives in consultation with the board and executive board. The CEO is also responsible for implementing the decisions of the board and its committees and driving performance against the group's KPIs.

Operating Management
Following organisational changes which were implemented during 2015 the executive directors are supported by the new group Leadership Team (GLT).

A Business Plan and budgets are prepared annually to help ensure the group meets its strategy. After an iterative process, the Business Plan and budget are presented to the board for approval.

Compliance statement (continued)
Risk Management
The risk committee continues to be responsible for the development of the risk management framework and processes within the group and for overseeing the implementation of the requirements of this framework. It does this by ensuring that the framework for the identification, assessment, mitigation and reporting on all areas of risk is fit for purpose and that appropriate assurance arrangements are in place in relation to these risks to bring them within the Risk Appetite Statement agreed by the board.

The Risk Management Framework defines the processes through which Aster seeks to systematically identify, analyse, assess, treat and monitor the business risks faced by the group. The group risk committee, which has met ten times during 2015-16, continues to focus on ensuring the risk framework and strategies embedded in the organisation are fit for purpose.

To supplement the role of the committee, business and project risks, together with the mitigating measures and responsibilities, are identified and managed at a company and departmental level. Local level risk registers are used to capture, assess, monitor and review risks before principal risks are consolidated into the group's risk register, which is regularly reviewed by the executive board, group risk committee and the board to ensure that the business understands the key risks it faces and that there is an embedded risk management approach in place across the group.

Enhancements to our approach to risk management during 2015/16 included the following:

- The group Risk Appetite statement was reviewed in light of changes to the business over the last year to ensure it was still aligned with the business strategy. A series of risk tolerance levels across a number of categories were identified and agreed with the board and senior management.
- The Company Secretary facilitated a board risk identification workshop. The purpose of the workshop was to utilise the collective knowledge of the board to consider, in line with the strategy going forward, the principal risks to the achievement of the strategy objectives. An analysis against the group Risk Register was then performed to ensure alignment.
- The risk committee reports on the group's risk profile to both the group audit committee and the board. Additionally, the audit committee and the board receive internal reviews of the effectiveness of internal controls relative to the key risks.

Assurance
The "three lines of defence" framework adopted by the board provides three levels of assurance against the risks facing the group: first of all at the operational level; secondly through overview by functional management and the board committees; and thirdly through internal or external audits or independent accreditation. Enhancements to our approach to regulatory and legislative compliance assurance during 2015-16 included the following:

- Development of a Compliance Requirements Register. This register identifies all legislation, regulation or industry standard which impacts on the work of the group. From this, those where there is an obligation for Aster to comply were identified, lead directors assigned and compliance assessments completed.
- These assessments form the Compliance Obligations Register, detailed electronic records of how an item impacts on the group, our controls to ensure compliance or prevent non-compliance and the assurance available from the three lines of defence.
- The group regulation committee, which met four times during 2015-16, twice jointly with the risk committee, focussed on ensuring the compliance framework and strategies embedded in the organisation were fit for purpose.

CORPORATE GOVERNANCE REPORT

Compliance Statement (continued)
Assurance (Continued)
The directors derived assurance from the following internal and external controls during 2015/16:

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

A key responsibility of the board is to review, assess and confirm the adequacy and effectiveness of the group's risk management and internal control systems (including financial controls, controls in respect of the financial reporting process and controls of an operational and compliance nature). The board has delegated part of this responsibility to the Audit Committee. The role and work of the Audit Committee in this regard and the role of the group's internal audit function are described in the Audit Committee Report.

The board, through setting its own annual agenda plan, defines the review process to be undertaken, including the scope and frequency of assurance reports received throughout the year. The board agenda plan, together with that of the Audit Committee, are designed to ensure that all significant areas of risk are reported on and considered during the course of the year.

The board, in part through the Audit Committee, has conducted an overarching review of the effectiveness of the company's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls, and financial reporting processes, for the year.

The group's internal auditors have submitted their annual report that includes reference to the standard of control that has been achieved throughout the year and generally shows a strong compliance with controls. The standards of control have been reported to the group audit committee in regular internal audit reports. There have been three audit reports graded with limited assurance during the year. However, action plans are already underway to return controls to a compliant state. In terms of our financial statements, these items have not been considered material.

Fraud
The group complies with the Homes and Communities Agency (HCA) requirements on fraud. In particular, it has a clear policy that has been approved by the group board and is available to all staff. It is also publicly available on request. The Policy requires a register to be maintained of all actual and attempted fraud. All such cases are reported to the group audit committee and the group board. Any significant items would be reported to the appropriate regulator.

Contingency plans exist to be invoked in the case of suspected fraud. These are designed to prevent further loss and to maximise the chance of recovery of any losses that might have been incurred. During the financial year there have been no significant cases of fraud against group companies.

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

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

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

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

Compliance as at 31 March 2016
Based on the submissions received, it is considered the group is compliant with all standards and is continuing to retain a G1/V1 rating. In the case of Value for Money (VFM), the HCA have confirmed the group are compliant with the standard. A summary of the VFM self-assessment is contained in the financial statement. The governance and financial viability standard from April 2015 set an expectation for RP's to develop and maintain an 'asset & liability register', with the register to be in place by 31 March 2016. The purpose of this register is to "ensure that registered providers understand their housing assets and security position and have swift access to this information in decision making and risk management" as well as "liabilities which relate directly to the social housing assets and those which might have an impact on the business as a whole."

The group has complied with this expectation, with an asset & liability register completed and audited by Mazars in late March 2016.

The governance and financial viability standard set an expectation for boards to take reasonable measures to assure themselves of compliance against all relevant law. To meet this obligation, Aster developed a compliance requirements register that identified all relevant areas of regulation, legislation and industry standards and ensured accountability for compliance was clear identified.

This compliance requirements register formed the basis for:

- Collating compliance management information from operational management teams, including positive information on controls and assurance, identification of inadequate controls or where insufficient assurance exists;
- Directing focus on highest compliance risks and critical processes
- Exception reporting to the Risk, Regulation and Audit Committees
- Provide a continuous process of compliance assurance to group board, group audit committee and executive board to enable the internal control statements to be signed off with confidence.

A total of 89 compliance obligations records have been completed. These records cover over 200 individual Acts, Regulations and Regulatory Standards.

Regulatory interaction
During 2015/16, the Aster group has communicated with the Health & Safety Executive (HSE) in relation to incidents. In 2015/16, in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR), the group made 10 reports to the HSE. These RIDDOR reports did not lead to HSE investigation.

CORPORATE GOVERNANCE REPORT

Audit Committee

Committee Composition Skills and Experience

The Committee comprises of Arthur Merchant (Chair and Non-Executive Director), Phillip Owens (Senior Executive and Non-Executive Director), Andrew Kluth and Malcolm Curtis (both independent Committee members).

All members of the Committee have a high level of financial literacy. Arthur Merchant is a qualified public finance accountant and Andrew Kluth a career finance professional. Phillip Owens is a qualified solicitor and a former Chief Executive of a District Council. Malcolm Curtis is a managing director of a group of successful property companies.

All members have extensive Committee and Board experience.

Purpose

The Committee meets at least four times in each financial year and its purpose is to ensure that Aster has an effective system of Internal Controls, appropriate internal and external audit management, and that assurance is provided to the Group Board that the social housing assets and liabilities have been separately identified and that a registration is maintained in accordance with the HCA requirements.

Main Responsibilities

The Committee has delegated authority to exercise the powers of the Aster Group Board and Subsidiary Boards in relation to the following matters:

External Audit

To make recommendations to the Group Board in relation to the appointment of the External Auditors (and removal if necessary) and to agree the Terms of Engagement with Auditors.

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

Consideration of external audit reports on financial statements, management letters, letters of representation, auditor independence and any other reports.

Recommendation of financial statement to the Group Boards.

To develop and implement policies on the engagement of the External Auditor to supply non-audit services, taking account of relevant ethical guidance.

Internal Controls

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

Review the Financial regulations and make recommendations to the Group Board.

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

Internal Audit

Monitor and review the effectiveness of the company's Internal Audit function and structure, including utilisation and cost of external resourcing.

Review and approve internal audit programme and scope of activities.

Receive reports of Internal Audit findings, consider and make recommendations to the appropriate Boards and Committees.

Other

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

Meet, at least once per year with the external and internal auditors independently with no staff present.

Review the effectiveness of the Committee annually.
Ensure compliance with the Financial

Reporting Council's guidance on Audit Committees.

Policies and Registers

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

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

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

Viability Statement

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

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

The financial plan considers the group's future financial stability, property development strategy and the viability of future expense reduction programmes by measuring the operating margin, property open market sales exposure, asset cover, interest cover and net worth ratios over the seven year period. The interest cover and net worth cover ratios form part of the group's loan covenant agreements. These ratios are then subjected to multi-variate stress and sensitivity analysis over the period of the plan, taking account of the group's current position and known prospects. The stress testing considers the principal risks assessed to have the highest probability of occurrence and greatest impact. A hypothetical rent reduction of -1% for an additional two years past the four already announced by the government followed by a rent freeze for a further four years produced the most adverse conditions.

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

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

8.0 DIRECTORS' REMUNERATION REPORT

Committee Overview

The Directors' remuneration report for the year ended 31 March 2016 sets out the remuneration policy and remuneration details for the executive and non-executive directors of the group.

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

The Committee will continue to focus on the linking of reward to business and individual performance and the strengthening of the Group's values.

The Committee's responsibility is to determine and oversee remuneration policy that seeks to retain and motivate talented individuals, align with the Group's values and principles, and comply with best practice and regulatory requirements.

The Committee reviews the ongoing appropriateness and relevance of remuneration policy and takes into account many factors including the need for remuneration to be structured so as to link rewards to business and individual performance.

With regard to future remuneration policy, the Committee believes annual incentive scheme to be appropriate and as such will motivate the Executives to achieve short to medium and long term business objectives.

The composition of the remuneration Committee was refreshed during the year and the Committee comprises four non-executive directors.

MEMBERS	
Steve Trusler	Committee member and Chair since 1 September 2014
Philip Owens	Committee member since 1 September 2014
Sally Higham	Committee member since 1 September 2014
Andrew Jackson	Committee member from 1 September 2014 – 5 November 2015
Mike Biles	Committee member since 5 November 2015

Other attendees at Committee meetings include: the Group Chief Executive, Group HR Director, Strategic Services Director and Head of Governance and assurance. The Committee met three times during 2015/16. The effectiveness of the Committee during the year was reviewed as part of the facilitated evaluation of the Board and its Committees in September 2015.

Committee's role and responsibilities

The Committee's responsibilities include:

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

Committee activities during 2015/16

The work of the Committee is supported by the Group's governance and assurance team and Group HR director who assist the Committee chairman in planning the Committee's work and ensuring that the Committee receives accurate and timely information.

The Committee has considered an independent report into remuneration of the executive directors. Altair was appointed specifically to provide the Committee with objective and independent advice on executive remuneration matters. The Committee is satisfied that the advice provided by Altair is objective and independent.

The Committee has overseen the development of a succession plan and policy for the Group. The Committee regularly reviews the structure, size and composition (including the skills, knowledge and experience) required of the board and makes recommendations to the board as appropriate. The board has satisfied itself that the Committee has in place appropriate plans for orderly succession to the board and senior management positions as well as procedures to ensure an appropriate balance of skills within the group and on the board and its Committees.

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

The board through the Committee will continue to focus during the coming year in particular on NED succession planning.

The board and the remuneration and nomination Committee have discussed and reviewed board composition and succession planning throughout 2015 and oversaw the appointment process of a new Group Chairman.

The board and the Committee are satisfied that the individual's currently fulfilling key senior management positions in the organisation have the requisite depth and breadth of skills, knowledge and experience.

The board, through the Nomination Committee, follows a formal, rigorous and transparent procedure to select and appoint new board directors. The processes are similar for the appointment of executive and of non-executive directors.

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

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

DIRECTORS' REMUNERATION REPORT

The Committee Director Induction and Development

Aster will review its induction process for new directors. While directors' backgrounds and experience are taken into account, the induction is aimed to be a broad introduction to the group's businesses and its areas of significant risk.

Our intention is that all directors have familiarity with, appropriate knowledge of, and gain access to our operations and employees. The board ensures that the group provides the necessary resources to allow this to happen. We take various steps to ensure that all of our directors continually refresh their knowledge and skills so that they can effectively fulfil their roles on our board and its committees. The training programme will be reviewed by the Committee in 2016/17.

Remuneration Policy

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

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

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

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

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

Remuneration Policy

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

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

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

The purpose of the Executive Bonus scheme is to:

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

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

DIRECTORS' REMUNERATION REPORT

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

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

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

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

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

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

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

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

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

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

DIRECTORS' REMUNERATION REPORT

Directors' emoluments
Members of the executive board

	2016 £000	2015 £000
The aggregate emoluments paid to or receivable by directors, including employment costs	1,013	1,126
The emoluments paid to the highest paid director of the Group excluding pension contributions	221	219

The Group Chief Executive is an ordinary member of the Social Housing Pension, defined benefit scheme. No enhanced or special terms apply and there are no additional pension arrangements in place. Pension contributions of £18,057 (2015: £17,703) were made by the group during the year on behalf of the Group Chief Executive. In addition to the Group Chief Executive there are 4 (2015: 5) other directors and members of the group's management team who are accruing benefits under defined benefit schemes.

As at 31 March 2016 the Group Executive Management Team's remuneration comprising base salary, car allowance, acting up allowance and bonuses as follows:

NAME	POSITION	Remuneration					
		2016			2015		
		Salary and allowances £	Bonus £	Total £	Salary and allowances £	Bonus £	Total £
Bjorn Howard	Group Chief Executive	211,304	9,605	220,909	207,161	11,300	218,461
John Brace	Group Resources Director and deputy Group Chief Executive	163,579	7,094	170,673	160,518	8,346	168,864
Joanne Savage	Group Services Director	-	-	-	77,672	-	77,672
Michael Reece	Group Operations and Asset Director	148,104	6,732	154,836	145,200	7,920	153,120
Graeme Stanley	Group Strategy and implementation Director *	74,055	-	74,055	67,421	-	67,421
Amanda Williams	Group Development Director	146,072	6,346	152,418	119,067	6,495	125,562
Brian Whittaker	Group Human Resources Director	122,859	5,585	128,444	113,035	6,166	119,201
Susan Holmes	Group Care and Support Director	-	-	-	92,318	5,650	97,968
Rachel Credidio	Group Strategic Change Director	106,807	4,896	111,703	92,347	5,037	97,384
		972,780	40,258	1,013,038	1,074,739	50,914	1,125,653

* Graeme Stanley is employed as a consultant.

Non-executive directors

	2016 Total £	2015 Total £
Christopher Bain *	-	4,359
Mike Biles	11,730	3,806
Anthony Brooks	4,590	4,359
Debbie Cattell *	-	4,359
Alan Clevett	-	1,750
Richard Clewer	1,224	495
Melvyn Cook	13,005	25,790
Peter Cruttenden	-	4,026
Malcolm Curtis	6,885	7,992
Susan Dear	3,767	6,285
Peter Denning	-	4,018
Mary Douglas	-	2,081
Warren Finney	-	1,750
Sally Higham	12,750	10,719
Andrew Jackson	18,875	9,508
Brian Jamieson	2,512	4,162
Ken Johnson	-	1,756
Mark Jones	-	1,750
David Kemp	-	1,387
Peter Kingsbury *	-	9,344
Andrew Kluth	9,180	-
Joe Logan	-	1,750
Erfana Mahmood (Kahn)	-	1,804
John McGibbon	-	5,041
Christopher McGowan	-	2,625
Arthur Merchant	12,750	11,367
Susan Noone	-	1,750
Phillip Owens	17,340	16,155
Geoff Petherrick	-	1,750
Rita Sammons	-	1,908
Mark Skellon *	-	4,359
Steve Trusler	12,750	11,649
Anthony Ward	1,224	2,434
Mary Watkins	12,750	12,968
Nigel Woollcombe-Adams	5,814	5,059
	147,146	190,315

Expenses for all boards of £12,718 (2015: £19,527) were reimbursed during the year.

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

* No longer non-executive directors, now part of the Customer and Communities Network group.

Steve Trusler
Chairman of the Remuneration Committee

9.0 INDEPENDENT AUDITORS' REPORT

to the members of Aster Group Limited

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the Group's and of the Parent Association's affairs as at 31 March 2016 and of the Group's and of the Parent Association's income and expenditure and of the Group's Cash flows for the year then ended 31 March 2016; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England 2015.

What we have audited

The financial statements comprise:

- the Consolidated and Parent Association's Statements of Financial Position as at 31 March 2016;
- the Consolidated Statements of Comprehensive Income and Parent Association's Statement of Income and Retained Earnings for the year then ended;
- the Consolidated Statement of Cash flows for the year then ended;
- the Consolidated Statement of Changes in Reserves for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

Our audit approach

Context

Our audit for the year-ended 31 March 2016 was planned and executed having regard to the operating, economic and political environment the Group and Parent Association operated in during the year. This included the impact on the financial statements due to changes to government policy and welfare reforms and the house building and property market in the areas in which the Group operate, both of which we considered as part of our impairment of assets area of focus. We also had regard to the adoption of FRS102 for the first time, which we have included as an area of focus this year.

Overview

Materiality

- Group materiality was £1,791k which represents 1% of total revenue

Audit scope

- The Group comprises twelve trading entities and one joint arrangement.
- We conducted a full scope audit of the twelve trading entities. The joint arrangement was not significant from the perspective of the Group.

Areas of focus

- Risk of fraud in revenue and expenditure recognition;
- Transition to FRS102;
- Impairment of assets; and
- Pension scheme valuation and assumptions.

The scope of our audit and our areas of focus

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

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

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

Area of Focus	How our audit addressed the area of focus
Risk of fraud in revenue and expenditure recognition See note 4 to the financial statements for the Group's disclosures of significant accounting policies, judgements and estimates relating to the recognition of revenue, and for the recognition of expenditure. Under ISA (UK&I) 240 there is a rebuttable presumption that there are risks of fraud in revenue recognition. We have also extended this to the recognition of expenditure given that this has the potential to be more easily manipulated. The Group has historically made relatively large annual surpluses. With the reduction in social housing rent levels in future years, we considered that there is a heightened risk that income from 2015/16 is inappropriately recorded in 2016/17. There is also a risk that inappropriate accruals for expenditure are raised in 2015/16 which are then released in 2016/17. In either case, the 2015/16 surplus would be reduced in order to reduce the deficit/increase the surplus in 2016/17. The three main sources of revenue for the Group are rental income, surpluses on sales of housing properties, and other income. We focused on this area because there is a heightened risk in the following areas: • rental and service charge income - the risk of a fictitious property being set up or amended on the housing management system, as well as the application of incorrect rent, service charge or rent weeks during the financial year. This consideration applies to both social and commercial rental income.	**Recognition of revenue and expenditure** We evaluated and tested the accounting policies for revenue recognition to check they are consistent with the requirements of FRS102 and the Statement of Recommended Practice "Accounting by Registered Social Landlords" updated in 2014 (SORP). We noted no material issues in this respect. Rental income is recorded on a periodic basis in line with the tenancy agreements. We used our Computer Aided Audit Techniques to test that rent recognised was in line with the DCLG's national rent regime target value and matched the appropriate debtor or cash balance. We substantively tested the rent which was not matched to check that the income had been recognised appropriately. We noted no material issues in this respect. We also tested a sample of deferred income prepayments to supporting invoices and documentation to check that the balance had been recorded in the correct period. We noted no material issues in this respect.

Area of Focus (continued)
Risk of fraud in revenue and expenditure recognition (continued)

- surpluses on sales of housing properties – the recognition of sales potentially being recorded in the incorrect period around year-end to meet forecast and budget.
- other income – this includes management fees and support costs and revenue grants. The recognition of other income is heightened as 2015/16 income may be moved into 2016/17 in order to increase the 2016/17 surplus.

For expenditure, the area of heightened risk related to ad-hoc purchases. In particular, there is the potential that accruals are used to inappropriately increase expenditure in the current year and decrease expenditure in the following year.

We considered the key areas of focus to be:

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

How our audit addressed the area of focus (continued)
Recognition of revenue and expenditure (continued)
For surpluses on sales of housing properties, we agreed a sample of the transactions to underlying records to determine whether the revenue was recognised in the correct period and that the surplus was accurately recorded. The underlying records included invoices, contracts and correspondence where applicable. We noted no material issues in this respect.

For other income, we tested a sample by tracing the transaction to underlying records to determine whether the revenue was recognised in the correct period. The underlying records included invoices, contracts and correspondence where applicable. We noted no material issues in this respect.

For expenditure we focussed testing on year end accruals in the balance sheet and expenditure recorded in the last period of the year. We agreed the accruals to supporting invoices to check that they related to 2015/16. We also traced expenditure in last period to supporting invoices to check that it did not relate to 2016/17. We noted no material issues in this respect.

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

Area of Focus (continued)
We assessed that expenditure could be overstated through recognising liabilities or provisions that did not exist at 31 March 2016.

Transition to FRS102
See note 4 to the financial statements for the Group's disclosures of the related accounting policies, judgements, estimates, and note 42 for further information on the Group's transitional adjustments.

The first time adoption of the new UK GAAP reporting framework FRS102 has been a significant change to the Group's financial reporting. This has included changes to accounting policies, format of the financial statements and terminology.

We focused our work to consider whether firstly the Group had identified the required adjustments and secondly that management judgements made regarding those adjustments were appropriately supported and recorded accurately.

The key areas affecting the Group during the transition were as follows:

- impairment of assets
- valuation and classification of investment properties where previously recognised at cost
- hedge accounting; and
- presentation of disclosures in the financial statements.

How our audit addressed the area of focus (continued)
We agreed the provision for non-collection of rent arrears to supporting documentation to check that the basis of the provision was in line with the group's policy and fairly calculated.

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

Impairment of assets
We reviewed the Group's impairment calculations, identifying and testing the assumptions. Details of the work performed are set out in the Impairment of assets section below.

Valuation and classification of investment properties where previously recognised at cost
We obtained and read the valuation performed by the Group's Valuers. We used our own valuations expertise to evaluate and challenge the assumptions and methodology applied in the valuation exercise. We found the assumptions and methodology applied to be consistent with our expectations. The key assumption identified is that the valuation is based on market value – vacant possession. This is based on the properties being held on short term tenancies. We agreed that this is an appropriate approach to the valuation, given the agreements in place.
We checked that the valuer had a UK qualification, was part of an appropriate professional body and was independant of the Group.

We tested the disclosure of investment properties to ensure they were classified correctly. No issues were noted.

Hedge accounting
Under FRS 102 all derivatives have to be fair valued with fair value changes recognised in the income statement, unless hedge accounting is applied.
The Group have a number of interest rate swaps that hedge the risk of variance in interest rates. We tested that the transactions to appropriate hedging strategy documentation to verify that the swaps were eligible to apply hedge accounting to. No material issues were noted

Area of Focus (continued)
Impairment of assets
See note 4 to the financial statements for the Group's disclosures of the related accounting policies, judgements, estimates, and use of experts relating to the impairment review undertaken, and note 5 for further information including the determination of the Cash Generating Unit and calculation of Recoverable Amount for social housing properties.

The Group has £1,344m of fixed assets as at 31 March 2016 (31 March 2015: £1,279m), which is the largest asset on the Group's balance sheet. The Group made the decision on transition to FRS 102 to measure housing properties at deemed cost. FRS 102 requires that a social landlord must assess at each reporting date whether there is any indicator of impairment for assets measured at cost, with the SORP setting out examples of potential indicators of impairment that should be considered.

Although market prices have continued to improve, careful monitoring of impairment exposure continues to be necessary. The Group's development plans also carry financial risks where contractor or development issues are experienced and land is held without planning permission or approved scheme development appraisals.

In particular, the rent reduction in the Welfare Reform and Work Act 2016 ("the Act") was an impairment indicator on social housing properties. The Act required registered providers of social housing in England to reduce social housing rents by 1% a year for four years and to comply with maximum rent requirements for new tenancies.

The model, consistent with the SORP, the Group used to identify if an impairment was required compared the carrying value of each Cash Generating Unit, defined by the Group as an individual property, to its calculated depreciated replacement cost using an average cost per square metre. This is due to the properties being let for social housing This cost is depreciated from the property's completion date or 1 April 2014 if the property was completed or purchased before this date. All properties completed or purchased before 1 April 2014 were valued at Existing Use Value – Social Housing which became their deemed cost, as this value represented their service potential at that date. When the units' carrying values were compared to their depreciated replacement costs those completed or purchased prior to 1 April 2014 showed no impairment. Some properties completed after 1 April 2014 required an impairment, which was mainly due to additional costs of construction. The properties' carrying values were reduced to their depreciated replacement cost, resulting in a £3.144 million impairment charge in the group's 2015/16 financial statements.

How our audit addressed
the area of focus (continued)
Presentation of disclosures in the financial statements
We checked that the transition to FRS102 was disclosed in the Strategic Report and the financial statements.

We checked that accounting policies were disclosed within note 4 with significant accounting estimates and judgements clearly set out as this was a new requirement. We reviewed the FRS102 transition disclosure note to check that it accurately detailed the balances reported under the previous UK GAAP, the FRS102 adjustments and the new balances.

We noted no material issues.

We obtained the Group's impairment assessment for social housing. For the average construction cost per unit, we agreed the calculation to management's working papers, and these were based on the Group's experience of the cost of construction, and the underlying data used to form those costs. We found the assumptions and methodology applied to be consistent with the Group's experience of costs.

We considered, based on our knowledge of the Group, the review of Group Board minutes, and discussions with management whether the Group had any future plans that would impact on the usage (and, hence, valuations) of the properties. We noted no material issues.

We verified that it was appropriate for the impairment to be made, based on the methodology applied by the Group and that the amount included within the accounts agreed to the methodology. We recalculated the impaired value, agreeing this to external correspondence with contractors and advisors and management working papers. We checked that the Group correctly disclosed details of the impairment process in the financial statements.

We noted no material issues.

Area of Focus (continued)
Pension scheme valuation and assumptions
See note 4 to the financial statements for the Group's disclosures of the related accounting policies, judgements and estimates, relating to the fair value of financial instruments, and note 30 for further information.

The Group is a member of four different county council defined benefit pension schemes. The valuations are calculated by the scheme actuaries based upon a number of assumptions for the scheme. There are three different firms of actuaries completing these valuations across the four counties and the assumptions used can differ.

Small differences in assumptions, particularly the discount rate used, can make significant differences to net liability calculated.

Under FRS102, while the Social Housing Pension Scheme continues to be accounted for as a defined contribution scheme, a long term liability is recognised for the share of future commitments to pay of the deficit. As this is a long term liability it requires discounting, again using assumptions provided by the actuaries which can have a significant impact on the value of the liability

How our audit addressed
the area of focus (continued)
We obtained the actuaries reports, agreed the valuations and agreeing source data to payroll records. This confirmed that the correct base data was being used by the actuary.

We compared the assumptions used by the scheme actuaries were in line with our expectations. The assumptions over the demographics of scheme members, in particular the average lifespan was longer than national averages, which increases the liability. We confirmed that this was an appropriate assumption. We agreed the calculation of the share of scheme assets to the pension scheme's latest audited accounts.

We checked that the appropriate long term liability was recognised within the financial statements in relation to Aster's share of the Social Housing Pension Scheme future commitments. This was undertaken through confirming the balance to correspondence from the Social Housing Pension Scheme. We confirmed that the accounting treatment of the pension was still appropriate.

We noted no material issues.

How we tailored the audit scope

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

The Group comprises twelve trading entities. We performed a full scope audit of the trading entities for group reporting purposes because they all required individual statutory audits, alongside auditing the consolidation process. The audit was performed at the Poole site. We did not audit the joint arrangement which is audited by a separate team of auditors.

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

Materiality

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

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

Overall Group materiality	£1,791k
How we determined it	1% of revenue
Rationale for benchmark applied	We applied this benchmark, which is a generally accepted measure when auditing not-for-profit organisations, to calculate overall materiality. We believe this to be the most appropriate financial measure of the performance of the Group and the measure used by the users of the financial statements.

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

Going concern

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

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

Other required reporting

ISAs (UK & Ireland) reporting

Other matters on which we are required to report by exception

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

• information in the Annual Report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Parent Association acquired in the course of performing our audit; or • otherwise misleading.	*We have no exceptions to report.*
• the statement given by the directors on page 34 that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group and Parent Association's performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Association acquired in the course of performing our audit.	*We have no exceptions to report.*
• the section of the Annual Report on page 49 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	*We have no exceptions to report.*

INDEPENDENT AUDITORS' REPORT

to the members of Aster Group Limited

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

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

the directors' confirmation on page 46 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

We have nothing material to add or to draw attention to.

the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

We have nothing material to add or to draw attention to.

the directors' explanation on page 51 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

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

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

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

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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

What an audit of financial statements involves

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

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

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

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions.
We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.
In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Heather Ancient (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Plymouth
September 2016

(a) The maintenance and integrity of the Aster Group Limited website is the responsibility of the directors; 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.

10.0 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

	Note	2016 £000	2015 £000
Turnover	6a	178,982	174,881
Operating expenditure before impairment	6a	(119,784)	(124,379)
Operating profit before impairment		59,198	50,502
Impairment	6b	(3,144)	(49)
Operating profit		56,054	50,453
Profit on disposal of property, plant and equipment	9	1,982	96
Share of profit /(loss) in joint ventures		635	(600)
Increase in fair value of investment properties	16	482	2,539
Profit before interest and taxation		59,153	52,488
Interest receivable and similar income	10	4,265	3,729
Interest payable and similar charges	10	(28,251)	(26,288)
Ineffective cash flow hedge fair value movements	10	128	(189)
Interest on net pension liability	10	(1,205)	(1,315)
Total finance income and expense		(25,063)	(24,063)
Profit before taxation		34,090	28,425
Tax on profit on ordinary activities	12	(100)	(15)
Profit for the year		33,990	28,410
Other comprehensive income / (expense)			
Actuarial gains / (loss) in respect of pension schemes	30	4,855	(6,384)
Movement in pension deferred taxation		7	(62)
Effective cash flow hedge fair value movements	11	(676)	(20,404)
Other comprehensive income / (expense) for the year		4,186	(26,850)
Total comprehensive income for the year		38,176	1,560

11.0 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2016

	Note	2016 £000	2015 £000
Fixed assets			
Intangible assets	13	4,386	4,171
Property, plant and equipment (social housing)	14	1,298,463	1,236,818
Property, plant and equipment (other assets)	15	21,376	19,218
Investment properties	16	15,550	14,560
HomeBuy loans receivable	17	4,820	5,084
Investments in joint ventures	18	(184)	(819)
		1,344,411	1,279,032
Current assets			
Inventories	19	493	2,551
Debtors: falling due after one year	20	66,662	63,801
Debtors: falling due within one year	21	16,400	25,017
Shared ownership properties held for resale	22	11,004	7,400
Cash and cash equivalents	23	81,743	82,788
		176,302	181,557
Creditors: amounts falling due within one year	24	(36,661)	(41,777)
Net current assets		139,641	139,780
Total assets less current liabilities		1,484,052	1,418,812
Non current liabilities			
Creditors: amounts falling due after more than one year.	25	(807,753)	(777,208)
Pension liability	30	(33,773)	(37,652)
Other provisions	31	(689)	(291)
Net assets		641,837	603,661
Capital and reserves			
Called up share capital	32	-	-
Profit and loss reserve		250,953	209,558
Revaluation reserve	33	411,733	414,276
Restricted reserve	33	208	208
Cash flow hedge reserve	33	(21,057)	(20,381)
Total reserves		641,837	603,661

The financial statements were approved and authorised for issue by the board on 9 August 2016 and were signed on its behalf by:

Andrew Jackson
Chairman

John Brace
Group resources director

Douglas Smith
Company secretary

12.0 CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

for the year ended 31 March 2016

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

	2015				
	Profit and loss reserve £000	Revaluation reserve £000	Restricted reserve £000	Cash Flow Hedge reserve £000	Total reserves £000
Balance at 1 April 2014	186,217	415,653	208	23	602,101
Profit for the year	28,410	-	-	-	28,410
Other comprehensive income for the year	(26,850)	-	-	-	(26,850)
Transfer from revaluation reserve to income and expenditure reserve	1,377	(1,377)	-	-	-
Transfer of effective cash flow hedge fair value movements	20,404	-	-	(20,404)	-
Balance at 31 March 2015	209,558	414,276	208	(20,381)	603,661

13.0 CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2016

	Note	2016 £000	2015 £000
Net cash generated from operating activities	1	106,095	77,999
Taxation (paid) / received		(68)	49
Cash flow from investing activities			
Acquisition and construction of investment properties		(395)	(9,596)
Acquisition and construction of social housing properties		(108,349)	(92,850)
Proceeds from sale of social housing properties		8,325	4,625
Purchase of intangible assets		(1,044)	(1,039)
Purchase of other assets		(5,048)	(2,401)
Proceeds from sale of other assets		429	44
Loans to White Rock LLP		(2,857)	(9,739)
Grants received		5,921	4,637
Interest received		4,265	3,729
		(98,753)	(102,590)
Cash flow from financing activities			
Interest paid		(29,819)	(26,004)
New secured loans		21,500	64,471
Repayment of borrowings		-	(13,877)
		(8,319)	24,590
Net (decrease) / increase in cash and cash equivalents		(1,045)	48
Cash and cash equivalents at beginning of the year		82,788	82,740
Cash and cash equivalents at end of the year		81,743	82,788

14.0 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Note to the consolidated statement of cash flows

CASH FLOW FROM OPERATING ACTIVITIES	2016 £000	2015 £000
Profit for the year	33,990	28,425
Adjustments for non-cash items		
Amortisation of intangible assets	1,257	570
Depreciation of property, plant and equipment	22,027	22,551
Impairment of property, plant and equipment	3,144	49
Investment property fair value adjustments	(482)	(2,539)
Write off of components	905	195
Decrease in current assets	12,413	6,541
Decrease/(increase) in inventory	2,058	(208)
Decrease/(increase) in debtors	9,199	(3,691)
(Decrease) / Increase in creditors	(1,209)	2,815
Increase/(decrease) in provisions	398	(219)
Pension cost less contributions payable	976	933
Carrying amount of property, plant and equipment	6,772	4,573
Ineffective hedging adjustment	(128)	189
Adjustments for investing or financing activities		
Proceeds from the sale of property, plant and equipment	(8,754)	(4,669)
Government grants utilised and recycled in the year	(457)	(75)
Interest payable	28,251	26,288
Interest receivable	(4,265)	(3,729)
Net cash generated from operating activities	106,095	77,999

2 General information

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

3 Statement of compliance

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

4 Summary of significant accounting policies

Basis of preparation

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

As from 1 January 2015 all previous UK GAAP accounting standards were withdrawn and replaced by FRS 102: The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

The group has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 42.

Presentation

The Aster Group has elected not to produce Strategic Reports or Statements of Cash Flows within the individual subsidiary financial statements in line with exemptions available within FRS 102.

A Strategic Report and Statement of Cash Flows are included in the consolidated financial statements.

Group consolidation

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

Basis of consolidation

(a) Subsidiaries

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

(b) Joint ventures

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

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

4 Summary of significant accounting policies (continued)

Basis of consolidation (continued)
(b) Joint ventures
ii. Jointly controlled operations – each party uses their own resources rather than establishing a separate organisation. The jointly controlled operation agreement lays out how revenues from the activity are shared. For these operations the Group recognises:

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

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

Turnover
Turnover represents:

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

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

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

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

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

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

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

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

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

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

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

Right to acquire
The 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 deficit for the period at the date of transfer, any gain on disposal less allowable deductions is credited to the disposal proceeds fund to be recycled or repaid to the Homes and Communities Agency (HCA) if not used within the specified time period.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Summary of significant accounting policies (continued)

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

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

	UEL
Computer software	3 years
Main computer systems software	10 years

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

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

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

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

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

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

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

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

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

Freehold land is not depreciated.

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

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

4 Summary of the significant accounting policies (continued)

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

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

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

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

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

Capitalisation of internal staff costs

(a) Housing development schemes

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

(b) Development of internally created assets

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

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

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

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

Capitalisation of interest costs

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

- Interest costs incurred specifically for financing the development programme after the deduction of Social Housing Grant in advance; or
- Interest costs of the Group as a whole after the deduction of interest on Social Housing Grant in advance to the extent that they are funding the development programme.

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

Leased assets

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

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

Investment properties

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

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

HomeBuy scheme

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

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

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

4 Summary of significant accounting policies (continued)

Inventories

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

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

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

Impairment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Summary of significant accounting policies (continued)

Financial instruments (continued)

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

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

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

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

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

(f) Trade payables
Trade payables are not interest-bearing and are stated at their transaction value.

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

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

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

(I) a standalone derivative recognised at fair value through the profit or loss; or
(ii) a cash flow hedging instrument.

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

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

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

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

Social housing and other grants

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

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

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

Pension Costs

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

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

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

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

All LGPS schemes are closed to new starters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Summary of significant accounting policies (continued)

Pension Costs (continued)

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

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

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

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

Provisions

(a) General provisions

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

(b) Termination benefits

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

Deferred taxation

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

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

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

Restricted Reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Critical accounting judgements and estimation uncertainty

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

Critical judgements in applying the group's accounting policies

Multi-employer defined benefit pension scheme

The group participates in two multi-employer defined benefit pension schemes, one defined benefit based on final salary and one defined benefit based on a career average of earnings, both provided by the Social Housing Pension Scheme. In the judgement of the directors, the Group does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for as a defined contribution scheme, see note 30 for further details.

Fair value

The directors have made the following judgements regarding fair value:

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

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

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

Hedging relationships

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

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

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

Indexation uplifting in leases

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

Loans with embedded callable options

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

Early Repayment clauses in loan facility agreements

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

Exemptions on transition to FRS 102

The group has elected to use the previous UK GAAP valuation of its social housing properties as deemed cost in transition to FRS 102. The assets are depreciated from the date of transition (1 April 2014) in accordance with the company's accounting policies.

Recognition of a deferred tax asset

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

Interest rate exposure

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

Cash generating units

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

Impairment of debtors
The group makes an estimate of the recoverable value of rent arrears and other debtors. When assessing these debts for impairment, management considers factors including the status of the tenant, (current or former), the aging profile of the debtors and historical experience. Former tenant debts are assumed to be impaired and so are fully provided for. Current tenant debts which have an arrangement to pay over the period greater than 12 months are discounted, to reflect the time value of money. See note 21 for the net carrying amount of the debtors and the associated impairment provision.

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

6 Turnover, operating cost and profit
6a

	Note	2016 Turnover £000	2016 Operating costs £000	2016 Operating profit / (loss)
Income and expenditure from lettings				
Housing accommodation before impairment	6b	143,931	(88,517)	55,414
Other income and expenditure				
Social Housing				
Housing services provided to third parties		1,625	(1,896)	(271)
Supporting People contract		1,283	(1,206)	77
Properties managed by agents		276	-	276
Community involvement and transform		191	(1,155)	(964)
Domiciliary care		4,072	(3,682)	390
Helpline / Telecare		1,405	(1,251)	154
Home improvements		2,686	(2,947)	(261)
First tranche shared ownership		15,618	(14,831)	787
Development costs not capitalised		-	(108)	(108)
Other		-	74	74
		27,156	(27,002)	154
Non Social Housing				
Garage lettings		2,622	(438)	2,184
Sewerage services		322	(55)	267
Market rented properties		812	(176)	636
Open market property sales		3,219	(3,149)	70
Other		920	(305)	615
		7,895	(4,123)	3,772
Total		178,982	(119,642)	59,340
Administrative expenses				(142)
Operating profit before impairment				59,198
Impairment				(3,144)
Operating profit	6b			56,054

6 Turnover, operating cost and profit
6a

	Note	2015 Turnover £000	2015 Operating costs £000	2015 Operating profit / (loss)
Income and expenditure from lettings				
Housing accommodation before impairment	6b	137,793	(89,777)	48,016
Other income and expenditure				
Social Housing				
Housing services provided to third parties		3,202	(2,608)	594
Supporting People contract		1,897	(1,917)	(20)
Properties managed by agents		274	(30)	244
Community involvement and transform		195	(2,381)	(2,186)
Domiciliary care		3,836	(3,818)	18
Helpline / Telecare		1,521	(1,166)	355
Home improvements		3,002	(3,327)	(325)
First tranche shared ownership		15,119	(14,276)	843
Development costs not capitalised		-	(76)	(76)
Other		318	(824)	(506)
		29,364	(30,423)	(1,059)
Non Social Housing				
Garage lettings		2,454	(757)	1,697
Sewerage services		373	(388)	(15)
Market rented properties		728	(323)	405
Open market property sales		2,106	(1,834)	272
Other		2,063	(724)	1,339
		7,724	(4,026)	3,698
Total		174,881	(124,226)	50,655
Administrative expenses				(153)
Operating profit before impairment				50,502
Impairment				(49)
Operating profit	6b			50,453

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Income and expenditure
6b

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

	2015				
	General needs housing £000	Supported housing £000	Shared ownership £000	Other £000	Total £000
Income					
Rents	109,446	17,044	3,103	1,181	130,774
Service charges	2,448	3,831	752	11	7,042
Amortisation of government grants	(23)	-	-	-	(23)
Other revenue grants	-	-	-	-	-
Total net rents from lettings	111,871	20,875	3,855	1,192	137,793
Expenditure					
Management	(23,633)	(183)	(99)	(925)	(24,840)
Services	(4,374)	(3,535)	(107)	(10)	(8,026)
Routine maintenance	(10,812)	(1,931)	(7)	(65)	(12,815)
Planned maintenance	(7,538)	(1,188)	-	(67)	(8,793)
Major improvements and repairs	(13,611)	(202)	(7)	-	(13,820)
Bad debts	(738)	(148)	(5)	(107)	(998)
Property lease charges	-	-	-	(83)	(83)
Depreciation of housing properties	(18,786)	(916)	(530)	(28)	(20,260)
Other costs	(142)	-	-	-	(142)
Operating costs on housing lettings	(29,634)	(8,103)	(755)	(1,285)	(89,777)
Operating profit on lettings activities before impairment	32,237	12,772	3,100	(93)	48,016
Impairment of housing properties	-	(49)	-	-	(49)
Operating profit on lettings activities	32,237	12,723	3,100	(93)	47,967
Rental income is stated net of void losses as set out below:					
Void losses	588	368	4	123	1,083

6c Segmental analysis

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

TURNOVER	2016						
	Net rental income £000	Care & support income £000	Repairs & maintenance income £000	Design & build and management services fees £000	First tranche and open market property sales £000	Other £000	Total £000
Aster Communities	96,060	-	-	2,235	10,418	516	109,229
Synergy Housing Limited	50,493	-	-	20	5,200	1,085	56,798
Aster Living	-	6,760	2,686	-	-	-	9,446
Aster Property Limited	-	-	55,224	-	-	-	55,224
Aster Homes Limited	-	-	-	55,790	3,219	613	59,622
Zebra Property Solutions Limited	-	-	-	-	-	82	82
Aster Group Limited	-	-	-	18,511	-	-	18,511
Aster Treasury Plc	-	-	-	-	-	-	-
Silbury Housing & Holdings Limited	-	-	-	-	-	1,357	1,357
Aster Options Plus Limited	-	-	-	-	-	260	260
Aster Solar Limited	-	-	-	-	-	126	126
Eliminations	-	-	(55,224)	(74,430)	-	(2,019)	(131,673)
Total turnover	148,553	6,760	2,686	2,126	18,837	2,020	178,982

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

6c Segmental analysis

TURNOVER	2015						
	Net rental income £000	Care & support income £000	Repairs & maintenance income £000	Design & build and management services fees £000	First tranche and open market property sales £000	Other £000	Total £000
Aster Communities	92,964	-	-	1,963	10,803	779	106,509
Synergy Housing Limited	47,209	-	-	26	4,316	1,109	52,660
Aster Living	-	7,254	3,002	1,213	-	-	11,469
Aster Property Limited	-	-	56,617	-	-	-	56,617
Aster Homes Limited	-	-	-	63,629	2,106	550	66,285
Zebra Property Solutions Limited	74	-	-	-	2,456	-	2,530
Aster Group Limited	-	-	-	17,747	-	-	17,747
Aster Treasury Plc	-	-	-	-	-	-	-
Silbury Housing & Holdings Limited	-	-	-	-	-	1,330	1,330
Aster Options Plus Limited	-	-	-	-	-	116	116
Aster Solar Limited	-	-	-	-	-	-	-
Eliminations	-	-	(56,617)	(81,376)	(393)	(1,996)	(140,382)
Total turnover	140,247	7,254	3,002	3,202	19,288	1,888	174,881

PROFIT/(LOSS) FOR THE YEAR ENDED 31 MARCH 2015	2015				
	Turnover £000	Operating expenses £000	Depreciation £000	Impairment £000	Operating profit £000
Aster Communities	106,509	(62,869)	(13,151)	(49)	30,440
Synergy Housing Limited	52,660	(29,537)	(8,336)	-	14,787
Aster Living	11,469	(10,838)	(170)	-	461
Aster Property Limited	56,617	(54,479)	(668)	-	1,470
Aster Homes Limited	66,285	(65,194)	-	-	1,091
Zebra Property Solutions Limited	2,530	(1,788)	-	-	742
Aster Group Limited	17,747	(16,320)	(689)	-	738
Aster Treasury Plc	-	-	-	-	-
Silbury Housing & Holdings Limited	1,330	(882)	-	-	448
Aster Options Plus Limited	116	(115)	-	-	1
Aster Solar Limited	-	-	-	-	-
Eliminations	(140,382)	140,657	-	-	275
	174,881	(101,365)	(23,014)	(49)	50,453
Net interest					(24,063)
Asset disposals					96
Share of Joint venture loss					(600)
Fair value movements					2,539
Profit before taxation					28,425

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Operating profit

	2016 £000	2015 £000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration (including irrecoverable VAT)		
In their capacity as auditors:		
Financial statements audit, including FRS102	134	197
In respect of other services:		
Completion of Corporation Tax returns	15	12
Other business advice	-	7
Depreciation:		
Property, plant and equipment - social housing	19,716	20,260
Property, plant and equipment - other assets	2,311	2,691
Amortisation of intangible assets	1,257	707
Impairment of housing properties	(3,144)	(49)
Profit on shared ownership properties, first tranche	(787)	(843)
Profit on disposal of property, plant and equipment	(1,982)	(96)
Inventory recognised as an expense	7,618	7,929
Operating lease payments		
Land and buildings	443	984
Other assets	1	144

8 Employee information

	2016 No.	Restated 2015 No.
The Average number of persons employed during the year (full time equivalents) based on 37 hours per week	1,232	1,246

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

	2016	2015
£59,999 or less	1,200	1,199
£60,000 to £69,999	7	14
£70,000 to £79,999	4	9
£80,000 to £89,999	10	10
£90,000 to £99,999	3	6
£100,000 to £109,999	1	3
£110,000 to £119,999	2	1
£120,000 to £129,999	1	1
£130,000 to £139,999	-	-
£140,000 to £149,999	-	1
£150,000 to £159,999	2	-
£160,000 to £169,999	-	1
£170,000 to £179,999	1	-
£180,000 to £189,999	-	-
£190,000 to £199,999	-	-
£200,000 to £209,999	-	-
£210,000 to £219,999	-	1
£220,000 to £229,999	1	-
	1,232	1,246

Staff costs:

	2016 £000	2015 £000
Wages and salaries	36,995	37,075
Social security costs	3,376	3,312
Other pension costs	4,427	2,512
	44,798	42,899

Pension costs have increased due to the 2014 actuarial valuation of SHPS showing that an additional tier (tier 4) needed to be added to the schemes recovery plan. The net present value of these additional payments have been charged directly to profit for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2016			2015		
	Proceeds £000	Cost of sales £000	Profit / (loss) £000	Proceeds £000	Cost of sales £000	Profit / (loss) £000
Right to buy	3,015	(3,393)	(378)	2,103	(2,575)	(472)
Right to acquire	289	(354)	(65)	100	(100)	-
Shared ownership staircasing	2,148	(1,652)	496	2,422	(1,825)	597
Others	2,873	(1,218)	1,655	-	(35)	(35)
Total social housing	8,325	(6,617)	1,708	4,625	(4,535)	90
Motor vehicles	21	-	21	30	(23)	7
Computer equipment	-	(60)	(60)	6	(7)	(1)
Office disposal	269	(95)	174	-	-	-
Land sale	139	-	139	-	-	-
Total other assets	429	(155)	274	36	(30)	6
Total	8,754	(6,772)	1,982	4,661	(4,565)	96

10 Finance income and expense

	Note	2016 £000	2015 £000
Interest receivable and other income			
Interest on short term deposits		454	272
Finance debtor interest receivable		2,663	2,705
Interest receivable on lease contracts		17	7
Other interest receivable		957	660
Total interest income on financial assets not measured at fair value through profit or loss		4,091	3,644
Unwinding of trade debtor discounting		174	85
		4,265	3,729
Interest payable and similar charges			
Guaranteed fixed rate secured bond		(11,159)	-
Fixed rated loans		(6,781)	(28,841)
Floating rated loans		(11,507)	-
Less interest capitalised		2,312	3,174
		(27,135)	(25,667)
Disposal proceeds fund interest		(1)	(23)
Recycled capital grant fund interest		(19)	-
Amortisation of arrangement fees		(85)	(83)
Administration charge		(374)	-
Amortisation of issue costs		(71)	-
Total interest income on financial liabilities not measured at fair value through profit or loss		(27,685)	(25,773)
Movement in SHPS creditor discounting		(118)	(201)
Trade debtor discounting		(448)	(314)
		(28,251)	(26,288)
Ineffective cash flow hedge fair value movements			
Financial liabilities measured at fair value through profit or loss	11	128	(189)
Interest on net pension liability			
Local government pension schemes	30	(1,205)	(1,315)
Total finance income and expense		(25,063)	(24,063)

11 Gains and losses on financial instruments measured at fair value through profit or loss

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

	2015			
	Profit or loss		Other comprehensive income	
	Gains £000	Losses £000	Gains £000	Losses £000
Financial assets measured at fair value through profit or loss	-	-	-	-
Financial liabilities measured at fair value through profit or loss	-	(189)	-	(20,404)
	-	(189)	-	(20,404)

12 Tax on profit on ordinary activities

	2016 £000	2015 £000
(a) Tax expense included in profit or loss The tax charge on the surplus on ordinary activities was as follows		
Current tax		
UK corporation tax expense	-	86
Under provision in previous years	(9)	-
Total current tax	(9)	86
Deferred tax		
Origination and reversal of timing differences	92	(71)
Adjustment for prior year	-	-
Changes in tax rate or laws	17	-
Total deferred tax	109	(71)
Tax on surplus on ordinary activities	100	15

12 Tax on profit on ordinary activities (continued)

	2016 £000	2015 £000
(b) Tax expense/(income) included in other comprehensive income		
Deferred tax		
Origination and reversal of timing differences	(7)	(62)
Impact of change in tax rate	-	-
	(7)	(62)

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

	2016 £000	2015 £000
(c) Factors affecting tax charge for the year Profit on ordinary activities before taxation	34,090	28,425
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 20% (2015: 21%)	70	5,698
Effects of:		
Profit from charitable activities	-	(5,605)
Expenses not deductible	-	4
Utilisation of losses	(128)	(34)
LLP Profit share	127	-
Items not allowable for tax purposes	(10)	-
Capital allowances less than depreciation	-	19
Items charged to other comprehensive income	(1)	(6)
Adjustments for prior year	(12)	-
Other timing differences	28	10
	74	86

(d) Tax rate changes
From March 2016, the UK Corporation tax rate was changed from 21% to 20%. Deferred tax balances at 31 March 2016 and 31 March 2015 are measured at the rate of 20%.

(e) Deferred Tax
A deferred tax asset has not been recognised in respect of timing differences primarily arising from trading losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is approximately £4,000 (2015: £nil). The asset would be recovered where there are sufficient and suitable surpluses in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Intangible assets

	2016		
	Assets under construction £000	Computer software £000	Total £000
Cost			
At 1 April	325	7,512	7,837
Additions	184	860	1,044
Completions	(489)	489	-
Reclassification (to)/from other assets	-	428	428
Disposals	-	(81)	(81)
At 31 March	20	9,208	9,228
Accumulated amortisation			
At 1 April	-	3,666	3,666
Charge for year	-	1,257	1,257
Disposals	-	(81)	(81)
At 31 March	-	4,842	4,842
Net book value	20	4,366	4,386

	2015		
	Assets under construction £000	Computer software £000	Total £000
Cost			
At 1 April	11	6,709	6,720
Additions	314	862	1,176
Disposals	-	(59)	(59)
At 31 March	325	7,512	7,837
Accumulated amortisation			
At 1 April	-	2,959	2,959
Charge for year	-	707	707
At 31 March	-	3,666	3,666
Net book value	325	3,846	4,171

14 Property, plant and equipment (social housing)

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

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

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

Impairment relates to both a downward revaluation following the trigger of the Government decision to reduce rents by 1% for the next four years and a small number of schemes where expenditure exceeded the original approved budget for the scheme.

Current value of completed social housing properties					
Existing Use Valuation - Social Housing					
Valuation	-	1,015,580	-	81,730	1,097,310
Net book value at 31 March 2016	-	1,015,580	-	81,730	1,097,310

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

14 Property, plant and equipment (social housing)

	2015				
	Housing properties under construction £000	Completed housing properties £000	Shared ownership under construction £000	Shared ownership completed £000	Total £000
Cost					
At 1 April 2014	35,914	1,074,481	8,647	56,573	1,175,615
Additions	48,799	-	32,099	-	80,898
Components	-	11,952	-	-	11,952
Disposal of components	-	(1,815)	-	-	(1,815)
Impairment	-	(111)	-	-	(111)
Completions	(51,201)	51,201	(8,195)	8,195	-
Transfer to/from current assets	-	-	(11,928)	5,342	(6,586)
Disposals	-	(2,817)	-	(1,827)	(4,644)
At 31 March 2015	33,512	1,132,891	20,623	68,283	1,255,309
Accumulated depreciation					
At 1 April 2014	-	-	-	-	-
Charge for year	-	19,840	-	442	20,282
Impairment	-	(62)	-	-	(62)
Disposal of components	-	(1,620)	-	-	(1,620)
Disposals	-	(107)	-	(2)	(109)
At 31 March 2015	-	18,051	-	440	18,491
Net book value at 31 March 2016	33,512	1,114,840	20,623	67,843	1,236,818

The cost of completed properties during the year includes £3.2 million of capitalised borrowing costs at an average rate of 6.67%

	2016 £000	2015 £000
Net book value of Property, plant and equipment - Social Housing by tenure		
Freehold	1,297,855	1,235,092
Long leasehold	608	1,726
Net book value	1,298,463	1,236,818

15 Property, plant and equipment (other assets)

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

15 Property, plant and equipment (other assets)

	2015						
	Office premises £000	Leasehold office improvements £000	Assets under constuction £000	Motor vehicles £000	Office & Estate equipment & Furniture £000	Computer equipment £000	Total £000
Cost							
At 1 April 2014	14,937	889	627	5,247	6,485	2,793	30,978
Additions	10	-	205	451	426	1,368	2,460
Reclassification (to)/ from intangible assets	-	(9)	(76)	-	(10)	80	(15)
Disposals	-	-	-	(107)	-	(86)	(193)
At 31 March 2015	14,947	880	756	5,591	6,901	4,155	33,230
Accumulated depreciation							
At 1 April 2014	2,378	87	-	3,069	3,809	2,570	11,913
Charge for year	303	19	-	663	662	622	2,269
Disposals	-	-	-	(84)	-	(86)	(170)
At 31 March 2015	2,681	106	-	3,648	4,471	3,106	14,012
Net book value at 31 March 2015	12,266	774	756	1,943	2,430	1,049	19,218
Net book value at 31 March 2014	12,559	802	627	2,178	2,676	223	19,065

16 Investment properties

	2016 Market rented properties £000	2015 Market rented properties £00
Fair value		
At 1 April	14,560	2,425
Additional Properties	544	9,596
Replacement components	13	-
Disposals of components	(49)	-
Fair value adjustments	482	2,539
At 31 March	15,550	14,560

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

17 HomeBuy loans receivable

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

	2016 £000	2015 £000
At 1 April	5,084	6,156
Proceeds received from sales	(338)	(983)
Losses/(Profits) taken to profit or loss	74	(89)
At 31 March	4,820	5,084

18 Investments in joint ventures

In September 2013 Aster Homes Limited set up a limited liability partnership jointly controlled entity, White Rock Land LLP, with Galliford Try Homes Limited to develop and sell properties for social and private housing. For the year to 31 March 2016 White Rock Land LLP made a gain of £1.3 million (2015: loss £1.2 million) and made no distribution to shareholders. The balance sheet of White Rock Land LLP and the Group's share (50%) is as follows:

WHITE ROCK LAND LLP	2016 £000	Group's share (50%) £000	2015 £000	Group's share (50%) £000
Current assets	57,158	28,579	54,927	27,463
Current liabilities	(57,526)	(28,763)	(56,565)	(28,282)
Net assets	(368)	(184)	(1,638)	(819)

19 Inventories

	2016 £000	2015 £000
Trade consumables	328	455
Work in progress	165	1,904
Completed units for open market sale	-	192
	493	2,551

20 Debtors: falling due after one year

	2016 £000	2015 £000
Finance debtor	42,655	43,608
Loan to Limited Liability Partnership	24,007	20,193
	66,662	63,801

21 Debtors: falling due within one year

	2016 £000	2015 £000
Trade debtors	2,759	2,385
Rent arrears	7,918	7,582
Service charge under-recovery	3,301	2,792
Less discounting of debts payable over more than 12 months	(694)	(420)
Less provision for bad debts	(3,490)	(3,420)
	9,794	8,919
Finance debtor	3,125	3,155
Other debtors	596	660
Less provision for bad debts	(222)	(305)
Finance lease	-	1,880
Corporation tax payable	1	-
Deferred tax	162	247
VAT Recoverable	327	76
Margin call account	-	5,650
Other capital grants receivable	345	2,403
Prepayments and accrued income	2,272	2,332
	16,400	25,017

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

FINANCE LEASE	2016 £000	2015 £000
Net investment in finance leases comprises:		
Gross investment in the lease	-	6,006
Less: discount adjustment	-	(4,126)
	-	1,880
Minimum lease payments receivable		
not later than one year	-	146
later than one year and no later than five years	-	656
later than five years	-	1,078
	-	1,880

The properties covered by the finance lease were purchased by the lessee during the reporting period ending the lease arrangement.

22 Shared ownership properties held for sale

	2016 £000	2015 £000
Unsold completed units	4,156	4,916
Units under construction	6,848	2,484
	11,004	7,400

23 Cash and cash equivalents

	2016 £000	2015 £000
Short term deposits	50,478	72,661
Cash at bank and in hand	31,265	10,127
	81,743	82,788

24 Creditors: Amounts falling due within one year

	Note	2016 £000	2015 £000
Trade creditors		5,363	4,587
Taxation and social security payable		901	892
Pension contributions		363	409
Social Housing Pension scheme recovery plan		1,022	811
VAT		639	353
Rent paid in advance		3,003	2,694
Service charge over-recovery		3,582	2,359
Amounts due under right to buy sharing agreement		2,103	1,125
Corporation tax		61	129
Capital grant received in advance		170	1,274
Social Housing Grant	26	1,711	6,324
Recycled capital grant	27	1,188	657
Disposal proceeds fund	28	226	115
PFI Payments		167	-
Other creditors		2,288	2,318
Accruals and deferred income		11,089	15,215
Loan repayable by instalment (within 1 year)		2,785	2,525
Less deferred arrangement fees		-	(10)
		36,661	41,777

25 Creditors: Amounts falling due after more than one year

	Note	2016 £000	2015 £000
Loans not repayable by instalments			
In less than five years		72,495	5,071
In five years or more		686,075	733,723
Less unamortised issue fees		(1,892)	(1,925)
Less unamortised discount issue fees		(2,986)	(3,038)
Less deferred arrangement fees		(639)	(724)
Plus unamortised premium on issue		5,236	5,340
		758,289	738,447
Social Housing Grant	26	15,057	4,637
Recycled capital grant fund	27	1,108	1,529
Deferred recycled capital grant fund	27	361	350
Disposal proceeds fund	28	258	305
Financial liabilities		21,056	20,509
Tenants funds for repair and replacement		-	394
Capital reinvestment fund		-	110
HomeBuy Grant		4,820	5,084
Social Housing Pension scheme recovery plan		6,804	5,843
		807,753	777,208

Interest is payable on housing loans at varying commercial rates. Loans are secured by fixed charges on individual properties. Interest rates ranged from 1.9% to 6.3% (2015: 2.02% to 6.19%) for fixed/hedged loans and 0.7% to 1.02% (2015: 0.73% to 1.08%) for variable loans.

At 31 March 2016, the Group had undrawn loan facilities of £111 million (2015: £150 million) to finance future operating cash flows and investments.

26 Social Housing Grant

	2016 £000	2015 £000
Balance as at 1 April	10,961	4,332
Additions	5,921	6,651
Amortised within Statement of Comprehensive Income	(114)	(22)
Balance as at 31 March	16,768	10,961
Recognised in:		
Creditors: amounts falling due within one year	1,711	6,324
Creditors: amounts falling due after one year	15,057	4,637
	16,768	10,961

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

GOVERNMENT GRANTS RECEIVED	2016 £000	2015 £000
Social Housing Grant	242,741	236,933
HomeBuy Grant	4,820	5,084
	247,561	242,017

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

27 Recycled Capital Grant Fund

	2016 £000	2015 £000
Funds relating to activities within areas covered by the HCA:		
Balance as at 1 April	2,186	1,625
Additions:		
Grants recycled	514	704
Interest accrued	-	1
Withdrawals:		
New build	(404)	(144)
Balance as at 31 March	2,296	2,186
Analysis of Maturity:		
- in less than one year	1,188	657
- in one to two years	631	868
- in more than two years	477	661
	2,296	2,186

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

DEFERRED RECYCLED CAPITAL GRANT FUND	2016 £000	2015 £000
Funds relating to activities within areas covered by the HCA:		
Balance as at 1 April	350	175
Additions:		
Grants recycled	42	175
Withdrawals:		
New build	(31)	
Balance as at 31 March	361	350
Analysis of Maturity:		
- in more than two years	361	350
	361	350

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

28 Disposal Proceeds Fund

	2016 £000	2015 £000
Funds relating to activities within areas covered by the HCA:		
Balance as at 1 April	420	779
Additions:		
Funds recycled	258	1
Net Preserved Right to Buy receipts	-	-
Withdrawals:		
New build	(194)	(360)
Balance as at 31 March	484	420
Analysis of Maturity:		
- in less than one year	226	115
- in one to two years	60	272
- in more than two years	198	33
	484	420

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

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

29 Financial instruments

29a Financial instruments' descriptions

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

Interest rate swaps

An interest rate swap is an agreement between two parties to exchange interest rate types. Floating rate interest is exchanged for fixed rated interest and vice-versa. During 2015 the group managed its interest rate risk and reduced interest rate volatility through five interest rate swaps, exchanging floating rated interest for fixed rated interest.

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

At the 31 March 2016 the group held £21.1 million (2015: £20.5 million) of interest rate swap financial liabilities.

Guaranteed fixed rate secured bonds

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

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

Fixed rated loans

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

At the end of the year the group had drawn £231.0 million of fixed rated loans which incurred an effective interest charge during the year of between 1.9% and 6.3%

Floating rated loans

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

Disposal proceeds fund

The group receives Social Housing Grant from the Homes and Communities Agency (HCA) to build Social Housing. If a tenant purchases their home under the Right to Acquire the grant associated with building the property can be released into the Disposal Proceeds Fund to be used to fund the building of other properties. If the grant is not re-used within three years it is re-payable to the HCA. A notional amount of interest is added to the fund each year. The interest rate is dependent on the value of the fund. The balance in the group's Disposal Proceeds Fund at the end of the year was £484,000 (2015: £420,000).

Recycled capital grant fund

The Recycled Capital Grant Fund works in a similar way to the Disposal Proceeds Fund. When the tenant of a New Build HomeBuy property purchases a further tranche of the property, if there are sufficient sales proceeds, the associated grant will be recycled via the Recycled Capital Grant Fund. Like the Disposal Proceeds Fund a notional amount of interest is added to the fund each year depending on the value of the fund. The balance in the Group's Recycled Capital Grant Fund at the end of the year was £2,296,000 (2015: £2,186,000), this includes £nil (2015: £1,000) of interest added during the year.

Loan commitments are measured at cost less impairment

The group has various borrowing facilities available to it. The undrawn committed facilities are valued at cost less impairment. The amount of undrawn borrowings at 31 March 2016 was £105 million, the cost of the undrawn facility is nil, it is not considered to be impaired.

Hedge accounting

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

For the year ended 31 March 2016 the group recognised £676,000 (2015:£20,404,000) of effective cash flow hedge losses in other comprehensive income and gains of £128,000 (2015: losses £189,000) of ineffective cash flow hedge movements in profit or loss.

29b Financial instruments' classifications

Amortised cost

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

Fair Value Through Profit or Loss (FVTPL)

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

Equity

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

29 Financial instruments (continued)

29c Financial instrument carrying values

The group has the following financial instruments

	2016 £000	2015 £000
Financial assets measured at fair value through profit or loss		
Derivative financial instruments held to manage interest rates		
Interest rate swaps	-	-
	-	-
Financial instruments that are debt instruments measured at amortised cost		
Short term deposits	50,478	72,661
Cash at bank and in hand	31,265	10,127
Finance debtor	42,655	46,763
Loans to limited liability partnership	24,007	20,193
Trade and rent debtors	13,978	9,967
Margin call account	-	5,650
Finance lease	-	1,880
Other grants receivable	345	2,403
Other debtors	596	660
	163,324	170,304
Financial instruments that are equity instruments measured at cost less impairment		
Short term deposits	(184)	(819)
Financial liabilities measured at fair value through profit or loss		
Derivative financial instruments held to manage interest rates		
Interest rate swaps	(21,056)	(20,509)
Financial instruments measured at amortised cost		
Guaranteed fixed rate secured bonds	(250,358)	(250,377)
Fixed rate loans	(231,275)	(248,484)
Floating rated loans	(279,441)	(242,111)
Disposal proceeds fund	(484)	(420)
Recycled Capital Grant Fund	(2,657)	(2,536)
Trade creditors	(5,363)	(4,587)
Accruals	(11,089)	(15,215)
Other creditors	(2,288)	(2,318)
	(782,955)	(766,048)
Loan commitments measured at cost less impairment		
Undrawn committed borrowings	104,823	143,323
Carrying value of undrawn committed borrowings	-	-

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

29d Interest rate profile of borrowings

	2016 £000	2015 £000
Group borrowings comprise		
Guaranteed fixed rate secured bonds	250,000	250,000
Fixed rated loans	392,787	369,504
Floating rated loans	117,416	116,458
Disposal proceeds fund	484	420
Recycled capital grant fund	2,657	2,536
	763,344	738,918

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

	2016		2015	
	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Weighted average period for which rate is fixed Years
At 31 March				
Guaranteed fixed rate secured bonds	4.50	27.7	4.50	28.7
Fixed rated loans	3.77	10.3	4.12	17.5

29e Maturity of borrowings

The maturity profile of the principal value of the group's loans, shown in note 29d , is:

	2016			2015		
	Repayment			Repayment		
	By instalments £000	Not by instalments £000	Total £000	By instalments £000	Not by instalments £000	Total £000
0 -1 years	1,166	1,414	2,580	1,107	772	1,879
1 - 2 years	3,255	1,052	4,307	2,479	1,858	4,337
2 - 5 years	32,785	675	33,460	4,011	720	4,731
Over 5 years	450,035	272,962	722,997	459,251	268,720	727,971
	487,241	276,103	763,344	466,848	272,070	738,918

The above borrowings are secured against the group’s social housing properties. The value of the secured properties is £1,146.7 million (2015: £1,158.3 million). At 31 March 2016 properties valuing £174.3 million (2015: £148.1 million) were unsecured and available to be secured.

29 Financial instruments (continued)

29f Hedge accounting

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

CASH FLOW HEDGES	2015						
HEDGING INSTRUMENT	Principal £000	Interest rate payable %	Maturity	Cash flows	Fair value £000	Charge to other comprehensive income £000	Charge to profit or loss £000
Barclays swaps	43,716	3.08	2034	Monthly	(6,623)	6,371	(4)
Credit Suisse swap	42,500	2.97	2031	Monthly	(4,939)	3,495	-
Credit Suisse swap	50,000	2.26	2022	Monthly	(3,207)	3,471	-
Notting Hill swap	8,000	2.96	2038	Half yearly	(1,600)	1,978	31
Notting Hill swap	22,000	2.85	2037	Quarterly	(4,140)	5,089	162
	166,216				(20,509)	20,404	189

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

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

Both Notting Hill interest rate swap hedging relationships have a degree of ineffectiveness, assuming a normal relationship between one, three and six month LIBOR. This is immaterial and will remain throughout the life of the hedge. The ineffectiveness is caused by the hedged loans having an underlying interest rate based on one month LIBOR, while the interest rates swaps are based on three and six month LIBOR. The impact of this ineffectiveness on profit or loss is expected to be minimal over the life of the hedge.

30 Pension Obligations

Group pension schemes

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

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

and two defined contribution ('stakeholder') schemes:

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

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

Summary of movements and balances in funding

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

Pension contributions have increased due to the 2014 actuarial valuation of SHPS showing that an additional tier (tier 4) needed to be added to the schemes recovery plan. The net present value of these additional payments have been charged directly to profit or loss for the year.

ASTER GROUP CONSOLIDATED	2015			
	Total contribution by scheme £000	Total interest on net pension liability by scheme £000	Actuarial gains in pension scheme £000	Pension deficit £000
County pension schemes				
Wiltshire	265	231	546	(6,212)
Hampshire	70	230	400	(5,800)
Somerset	202	360	1,560	(10,215)
Dorset	479	494	3,878	(15,425)
SHPS	1,471	-	-	-
Friends Provident	25	-	-	-
	2,512	1,315	6,384	(37,652)

The pension cost to the company for the year ended 31 March 2016 was £4.4 million (2015: £2.5 million) in respect of 1,170 (2015: 1,290) employees. SHPS costs have increased year on year by £1.5 million due to the introduction of tier 4 of the recovery plan.

30 Pension Obligations (continued)

Wiltshire Pension Fund

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

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

As at the balance sheet date there were 25 (2015: 31) active members of the Scheme employed across the whole group. The annual pensionable payroll in respect of these members was £847,315 (2015: £954,608) 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 2015. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard No. 102 section 28 – Employee Benefits are stated below. The actuary has used the projected unit credit method of valuation.

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

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

Wiltshire Pension Fund (continued)

FINANCIAL ASSUMPTIONS	31 March 2016 %p.a.	31 March 2015 %p.a.
Price increases	**2.2**	-
Pension increases	**2.1**	2.1
Salary increases	**4.1**	4.0
Expected return on assets	**3.5**	3.1
Discount rate	**3.4**	3.1

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

FAIR VALUE OF EMPLOYER ASSETS	31 March 2016 £000	31 March 2015 £000
Equities	**13,363**	13,573
Bonds	**2,599**	3,059
Property	**2,412**	1,911
Cash	**185**	572
	18,559	19,115

RECOGNITION IN THE STATEMENT OF COMPREHENSIVE INCOME	31 March 2016 £000	31 March 2015 £000
Current service cost	**276**	265
Interest costs	**788**	933
Expected return on assets employed	**(600)**	(1,008)
Total	**464**	190
Actual return on plan assets	**(611)**	2,366

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Pension Obligations (continued)

Wiltshire Pension Fund (continued)

RECONCILIATION OF DEFINED BENEFIT OBLIGATION	*31 March* 2016 £000	*31 March* 2015 £000
Opening defined benefit obligation	25,327	22,772
Current service cost	276	265
Past service cost	-	-
Interest cost	788	933
Contributions by members	61	68
Actuarial (gains)/losses	(1,900)	2,411
Other experience measurements	-	(201)
Estimated unfunded benefits paid	(9)	(8)
Estimated benefits paid	(674)	(913)
Closing defined benefit obligation	23,869	25,327

RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS	*31 March* 2016 £000	*31 March* 2015 £000
Opening fair value of employer assets	19,115	16,899
Expected return on assets	600	702
Contributions by members	61	68
Contributions by employers	668	695
Unfunded contributions	9	8
Actuarial (losses)/gains	(1,211)	1,664
Assets distributed on settlements	-	-
Unfunded benefits paid	(9)	(8)
Benefits paid	(674)	(913)
Closing fair value of employer assets	18,559	19,115

PROJECTED PENSION EXPENSE *for the year to 31 March 2017*	*31 March* 2017 £000
Projected current service cost	252
Interest on obligation	580
Expected return on plan assets	(405)
Total	427

30 Pension Obligations (continued)

Hampshire County Council Pension Fund

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

At the balance sheet date there were 5 (2015: 8) active members of the Scheme employed by Aster Communities. The annual pensionable payroll in respect of these members was £185,484 (2015: £229,076).

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 2015. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard No. 102 section 28 'Employee Benefits' are stated below. The actuary has used projected unit credit method of valuation.

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

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

Hampshire County Council Pension Fund (continued)

FINANCIAL ASSUMPTIONS	*31 March* 2016 %p.a.	*31 March* 2015 %p.a.
Price increases	**2.8**	1.8
Pension increases	**1.7**	1.8
Salary increases	**3.2**	3.3
Discount rate	**3.4**	3.2

MORTALITY	Males years	Females years
Current pensioners	**24.6**	26.4
Future pensioners	**26.7**	28.7

FAIR VALUE OF EMPLOYER ASSETS	*31 March* **2016 £000**	*31 March* 2015 £000
Equities	**6,266**	6,823
Gilts	**2,860**	2,827
Bonds	**234**	178
Property	**857**	890
Cash	**913**	412
	11,130	11,130

RECOGNITION IN THE STATEMENT OF COMPREHENSIVE INCOME	*31 March* **2016 £000**	*31 March* 2015 £000
Current service cost	**60**	60
Interest costs	**530**	640
Expected return on assets employed	**(360)**	(430)
Past service cost	**-**	10
Total	**230**	280
Actual return on plan assets	**160**	1,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Pension Obligations (continued)

Hampshire County Council Pension Fund (continued)

RECONCILIATION OF DEFINED BENEFIT OBLIGATION	*31 March* 2016 £000	*31 March* 2015 £000
Opening defined benefit obligation	**16,690**	15,010
Current service cost	**60**	60
Past service cost	**-**	10
Interest cost	**530**	640
Contributions by members	**10**	20
Actuarial (gains)/losses	**(980)**	1,390
Estimated benefits paid	**(420)**	(440)
Closing defined benefit obligation	**15,890**	16,690

RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS	*31 March* 2016 £000	*31 March* 2015 £000
Opening fair value of employer assets	**11,330**	10,250
Expected return on assets	**360**	430
Contributions by members	**10**	20
Contributions by employers	**50**	60
Contributions in respect of unfunded benefits	**-**	-
Actuarial (losses)/gains	**(200)**	1,010
Assets distributed on settlements	**-**	-
Benefits paid	**(420)**	(440)
Closing fair value of employer assets	**11,130**	11,330

Unfunded Scheme

FINANCIAL ASSUMPTIONS	*31 March* 2016 %p.a.	*31 March* 2015 %p.a.
Price increases - RPI	**2.8**	-
Price increases - CPI	**1.7**	1.8
Discount rate	**3.4**	3.2

MORTALITY	Males years	Females years
Current pensioners	24.6	26.4

Hampshire County Council Pension Fund (continued)

Unfunded Scheme

RECOGNITION IN THE STATEMENT OF COMPREHENSIVE INCOME	*31 March* 2016 £000	*31 March* 2015 £000
Interest costs	**10**	20

RECONCILIATION OF UNFUNDED LIABILITIES	*31 March* 2016 £000	*31 March* 2015 £000
Opening defined benefit obligation	**440**	420
Actuarial (gains)/losses	**(20)**	20
Interest cost	**10**	20
Estimated benefits paid	**(20)**	(20)
Closing defined benefit obligation	**410**	440

PROJECTED PENSION EXPENSE *for the year to 31 March 2017*	*31 March* 2017 £000
Funded benefits	
Projected current service cost	50
Interest on obligation	160
Expected return on plan assets	-
Total	210
Unfunded benefits	
Interest on obligation	10
Total	10

30 Pension Obligations (continued)

Somerset County Council Pension Fund

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

As at the balance sheet date there were 24 (2015: 29) active members of the Scheme employed by Aster Communities. The annual pensionable payroll in respect of these members was £592,251 (2015: £747,023).

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 2015. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard No. 102 section 28 – Employee Benefits are stated below. The actuary has used the projected unit credit method of valuation.

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

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

Somerset County Council Pension Fund (continued)

FINANCIAL ASSUMPTIONS	*31 March* **2016** **%p.a.**	*31 March* 2015 %p.a.
Price increases	**3.2**	3.2
Pension increases	**2.3**	2.4
CPI increases	**2.3**	2.4
Salary increases	**4.1**	4.2
Discount rate	**3.6**	3.3

MORTALITY	Males years	Females years
Current pensioners	23.8	26.2
Future pensioners	26.1	28.5

FAIR VALUE OF EMPLOYER ASSETS	*31 March* **2016** **£000**	*31 March* 2015 £000
Equities	**6,463**	6,703
Gilts	**711**	631
Bonds	**1,040**	1,005
Property	**1,062**	879
Cash	**153**	396
	9,429	9,614

RECOGNITION IN THE STATEMENT OF COMPREHENSIVE INCOME	*31 March* **2016** **£000**	*31 March* 2015 £000
Current service cost	**194**	198
Interest costs	**646**	739
Expected return on assets employed	**(313)**	(379)
Administration expenses	**7**	4
Total	**534**	562
Actual return on plan assets	**93**	1,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Pension Obligations (continued)

Somerset County Council Pension Fund (continued)

RECONCILIATION OF DEFINED BENEFIT OBLIGATION	*31 March* 2016 £000	*31 March* 2015 £000
Opening defined benefit obligation	19,829	17,014
Current service cost	194	198
Past service cost	-	-
Interest cost	646	739
Contributions by members	45	50
Actuarial (gains)/losses	(1,823)	2,299
Estimated benefits paid	(535)	(471)
Closing defined benefit obligation	18,356	19,829

RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS	*31 March* 2016 £000	*31 March* 2015 £000
Opening fair value of employer assets	9,614	8,722
Expected return on assets	313	379
Contributions by members	45	50
Contributions by employers	219	199
Contributions in respect of unfunded benefits	-	-
Administration expenses	(7)	(4)
Actuarial (losses)/gains	(220)	739
Assets distributed on settlements	-	-
Benefits paid	(535)	(471)
Closing fair value of employer assets	9,429	9,614

PROJECTED PENSION EXPENSE *for the year to 31 March 2017*	*31 March* 2017 £000
Projected current service cost	173
Interest on obligation	317
Expected return on plan assets	6
Total	496

30 Pension Obligations (continued)

Dorset County Council Pension Fund

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

As at the balance sheet date there were 55 (2015: 57) active members of the Scheme employed by Synergy Housing Limited. The annual pensionable payroll in respect of these members was £1.6 million (2015: £1.6 million).

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 31 March 2015. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard No. 102 section 28 – Employee Benefits are stated below. The actuary has used the projected unit credit method of valuation.

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

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

Dorset County Council Pension Fund (continued)

FINANCIAL ASSUMPTIONS	*31 March* 2016 %p.a.	*31 March* 2015 %p.a.
Price increases (CPI)	**2.4**	2.4
Pension increases	**2.4**	2.4
Salary increases	**3.9**	3.9
Expected return on assets	**-**	6.2
Discount rate	**3.7**	3.3

MORTALITY	Males years	Females years
Current pensioners	**22.9**	25.3
Future pensioners	**25.2**	27.7

FAIR VALUE OF EMPLOYER ASSETS	*31 March* 2016 £000	*31 March* 2015 £000
Equities	**13,471**	14,184
Bonds	**2,328**	2,924
Debt Instruments	**313**	271
Other Bonds	**21**	95
Alternative Assets	**3,006**	3,071
Absolute Return Portfolio	**1,140**	1,207
Property	**2,637**	2,357
Cash	**992**	635
	23,908	24,744

RECOGNITION IN THE STATEMENT OF COMPREHENSIVE INCOME	*31 March* 2016 £000	*31 March* 2015 £000
Current service cost	**518**	461
Interest costs	**1,311**	1,513
Expected return on assets employed	**(807)**	(1,019)
Past service cost	**15**	-
Administration expenses	**17**	18
Total	**1,054**	973
Actual return on plan assets	**(233)**	2,325

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Pension Obligations (continued)

Dorset County Council Pension Fund (continued)

RECONCILIATION OF DEFINED BENEFIT OBLIGATION	*31 March* 2016 £000	*31 March* 2015 £000
Opening defined benefit obligation	**40,169**	33,783
Current service cost	**518**	461
Past service cost	**15**	-
Interest cost	**1,311**	1,513
Contributions by members	**108**	117
Actuarial (gains)/losses	**(2,803)**	5,184
Estimated unfunded benefits paid	**(7)**	(6)
Estimated benefits paid	**(1,037)**	(883)
Closing defined benefit obligation	**38,274**	40,169

RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS	*31 March* 2016 £000	*31 March* 2015 £000
Opening fair value of employer assets	**24,744**	22,855
Expected return on assets	**807**	1,019
Contributions by members	**108**	117
Contributions by employers	**350**	354
Administration expenses	**(17)**	(18)
Actuarial (losses)/gains	**(1,040)**	1,306
Benefits paid	**(1,044)**	(889)
Closing fair value of employer assets	**23,908**	24,744

PROJECTED PENSION EXPENSE *for the year to 31 March 2017*	*31 March* 2017 £000
Projected current service cost	467
Interest on obligation	525
Expected return on plan assets	17
Total	1,009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Pension Obligations (continued)

The Social Housing Pension Scheme

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

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

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

- Final salary with a 1/60th accrual rate – now closed to new members.
- Final salary with a 1/70th accrual rate – not available to employees of Aster Group.
- Career average revalued earnings (CARE) with a 1/60th accrual rate – closed to new members.

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

- Final salary with a 1/80th accrual rate – not available to employees of Aster Group.
- Career average revalued earnings (CARE) with a 1/80th accrual rate – not available to employees of Aster Group.

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

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

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

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

SHPs defined benefit scheme

Aster Group participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

The Social Housing Pension Scheme (continued)

SHPs defined benefit scheme (continued)

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123 million, liabilities of £4,446 million and a deficit of £1,323 million. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

DEFICIT CONTRIBUTIONS	
Tier 1 From 1 April 2016 to 30 September 2020	£40.60 million per annum (payable monthly and increasing by 4.7% per annum each 1 April)
Tier 2 From 1April 2016 to 30 September 2023	£28.6 million per annum (payable monthly and increasing by 4.7% per annum each 1 April)
Tier 3 From 1 April 2016 to 30 September 2026	£32.7 million per annum (payable monthly and increasing by 3% per annum each 1 April)
Tier 4 From 1 April 2016 to 30 September 2026	£31.7 million per annum (payable monthly and increasing by 3% per annum each 1 April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062 million, liabilities of £3,097 million and a deficit of £1,035 million. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate of 2.06% (2015: 1.92%). The unwinding of the discount rate is recognised as a finance cost.

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 2015. At this date the estimated employer debt for Aster Group was £44.9 million (2015: £31.6 million).

31 Other provisions

	2016			2015		
	Redundancy £000	Other £000	Total £000	Redundancy £000	Other £000	Total £000
At 1 April	**291**	**-**	**291**	510	-	510
Additions during the year	**42**	**647**	**689**	-	-	-
Amounts charged during the year	**(291)**	**-**	**(291)**	(219)	-	(219)
At 31 March	**42**	**647**	**689**	291	-	291

Other provisions relates to a provision for unused office space rented by the association under an operating lease.

32 Called up share capital

	2016 £	2015 £
Ordinary shares allotted, issued and fully paid of £1 each		
At 1 April	**7**	7
Issued during the year	**1**	2
Cancelled during the year	**(1)**	(2)
At 31 March	**7**	7

33 Other reserves

	2016			
	Revaluation reserve £000	Restricted reserve £000	Cash flow hedge reserve £000	Total £000
At 1 April	**414,276**	**208**	**(20,381)**	**394,103**
Revaluation surplus realised on disposals	**(2,543)**	**-**	**-**	**(2,543)**
Effective cash flow hedge fair value movements	**-**	**-**	**(676)**	**(676)**
At 31 March	**411,733**	**208**	**(21,057)**	**390,884**

	2015			
	Revaluation reserve £000	Restricted reserve £000	Cash flow hedge reserve £000	Total £000
At 1 April	415,653	208	23	415,884
Revaluation surplus realised on disposals	(1,294)	-	-	(1,294)
Depreciation in excess of that required on historical cost.	(83)	-	-	(83)
Effective cash flow hedge fair value movements	-	-	(20,404)	(20,404)
At 31 March	414,276	208	(20,381)	394,103

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

Restricted reserve
The restricted reserve consists of the sales proceeds of some properties where the local council required the group to retain a portion of the proceeds. The reserve can only be used to fund investments in properties in the Mendip area, in agreement with Mendip District Council.

Cash flow hedge reserve
The cash flow hedge reserve is used to record the effective transactions from the group's cash flow hedging arrangements.

34 Capital commitments

	2016 £	2015 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	138,530	105,371
Capital expenditure that has been authorised by the board but has not yet been contracted	25,643	189,234
	164,173	294,605

These commitments will be funded through a mixture of cash and committed borrowings. The group's available committed borrowings are set out in note 31c.

35 Joint venture commitments

	2016 £	2015 £
Expenditure that has been contracted for but has not been provided for in the financial statements of the joint venture	83,029	98,980

36 Operating leases

	2016 £	2015 £
The group has total commitments under non-cancellable operating leases due to expire as follows:		
Land and buildings		
Leases expiring within one year	669	-
Leases expiring within two to five years	630	1,591
Leases expiring in over five years	1,052	1,591
Office premises		
Leases expiring within one year	11	3
Leases expiring within two to five years	65	102
Leases expiring in over five years	3,883	4,228
Motor vehicles		
Leases expiring within one year	-	-
Leases expiring within two to five years	-	22
Leases expiring in over five years	-	19
Office equipment		
Leases expiring within one year	18	-
Leases expiring within two to five years	21	68
Leases expiring in over five years	-	-
	6,349	7,624

37 Homes and bed spaces in management and in development

	2016 No.	Restated 2015 No.
Under development at end of year:		
Housing accommodation	885	861
Shared ownership	522	299
	1,407	1,160
Under management at end of year:		
Owned and managed by the Group:		
Housing accommodation		
Social rent	19,045	18,692
Affordable rent	2,362	2,122
Supported housing		
Social rent	3,592	3,590
Affordable rent	73	70
Shared ownership	1,504	1,360
Market rented	16	98
Leasehold	1,438	1,439
Temporary Social Housing	54	67
	28,084	27,438
Not owned but managed by the Group:		
Housing accommodation		
Social rent	260	384
Shared ownership	-	12
Leasehold	88	108
Temporary social housing	32	29
	380	533
Owned but managed by others at the end of the year:		
Supported housing		
Social rent	76	76
Shared ownership	-	2
Care homes	25	23
Market rented	85	-
	186	101
	28,650	28,072

The units for 2015 have been reclassified in order to align the headings and groupings to the HCA requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Contingent liabilities

Aster Communities

Aster Communities has entered into a service concession arrangement contract (previously known as a private finance initiative contract) with Wiltshire Council. The 242 properties covered by the contract are available for occupation and the costs of construction have been transferred to a finance debtor that is recovered over the contract period on an annuity basis.

Wiltshire Council holds an option to purchase the properties at the end of the contract period in 2034 at price equal to the existing use valuation – social housing (EUV-SH) of the properties less 40% of the 'authority residual value overage share' (ARVOS). ARVOS is the difference between the EUV-SH and the terminal debt,£12.962 million, providing EUV-SH is greater than the terminal debt. If EUV-SH is less than the terminal debt there is no ARVOS. If Wiltshire Council does not take up this option Aster Communities can purchase the properties. If this happens Aster Communities will repay the terminal debt balance £12.962 million. Aster Communities will then pay Wiltshire Council 40% of ARVOS, providing the properties EUV-SH is greater than the terminal debt, £12.962 million.

Aster Homes Limited

At the time of entering into contracts, the vendors of the two large sites with deferred payment terms required a parent company guarantee that Galliford Try Homes Limited, a joint venture partner of Aster Homes Limited, have provided, this would only be applicable in the event of the JV defaulting on payment. Aster Homes Limited agreed, through a deed of contribution entered into at site acquisition, to honour their 50% share of this guarantee. At 31 March 2016, this contingent liability was £2.2 million (2015: £5.6 million) for Aster Homes Limited.

39 Related party transactions

Aster Group Limited provides management and other services to all group companies under the terms of documented service level agreements. The group has taken advantage of the exemption allowed under Section 33 Related Party Disclosures of FRS 102 not to disclose related party transactions with wholly owned subsidiaries within the group. These have been eliminated on consolidation in the group's financial statements. Set out below are other transactions that require disclosure under FRS 102:

a) Bjorn Howard and John Brace are executive directors of Aster Group Limited, they both have related parties working within the group; the party related to Mr Howard is a member of the Executive Board. These related parties operate independently from Mr Howard and Mr Brace and do not directly report to them. They have no direct influence over the related parties' remuneration packages, which are in line with other staff in similar positions within the group. All transactions between these related parties and the group are included within these financial statements.

b) Throughout the year Aster Options Plus Limited provided £3,000 (2015: £7,000) of consultancy and internal audit services to English Rural, a minority shareholder and member of Aster Options Plus. Last year English Rural paid £1,000 membership fee to Aster Options plus. There was no such fee this year. At 31 March 2016 English Rural owed Aster Options Plus £11,000 (2015: amounts owed to Aster Options Plus £6,000).

c) Aster Homes Limited is party to limited liability partnership, White Rock Land LLP, with Galliford Try Homes Limited. White Rock Land LLP develops and sells properties for social and private housing. Aster Homes Limited entered into the following transactions during the year with the LLP partnership:

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

SCHEME	**2016 Interest received £000**	2015 Interest received £000	**2016 Loan value £000**	2015 Loan value £000	Interest rate %	Latest repayment date
White Rock	**562**	255	**6,471**	7,016	3.5 plus base*	31 March 2020
Tithebarn	**1,072**	490	**14,844**	11,088	4.0 plus base*	31 December 2021
Oakhampton	**136**	68	**922**	1,276	4.0 plus base*	31 December 2021
	1,770	813	**22,237**	19,380		

* base rate was 0.5% for the year (2015:0.5%).

The loans to White Rock LLP are secured against the land and properties being developed.

White Rock LLP's principal place of business is:
Cowley Business Park
Cowley
Uxbrigde
Middlesex
UB8 2AL

d) The Office for National Statistics classifies housing associations as public sector bodies, giving the State control over them.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Status

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

- Aster Communities, a wholly owned subsidiary which is a registered provider and Charitable Community Benefit Society, registered with the Homes and Communities Agency;
- Aster Living, a wholly owned subsidiary whose activities include providing care and support services. Aster Living is a Charitable Community Benefit Society, registered with the Homes and Communities Agency;
- Aster Property Limited, a wholly owned subsidiary of Aster Group Limited whose activities include property maintenance services to group members. Aster Property Limited is incorporated under the Companies Act 1985 (now amended to the Companies Act 2006);
- Aster Homes Limited, a subsidiary of Aster Group Limited which provides property based development services to group members. Aster Homes Limited is incorporated under the Companies Act 1985 (now amended to the Companies Act 2006);
- Synergy Housing Limited, a wholly owned subsidiary which is a registered provider and Charitable Community Benefit Society, registered with the Homes and Communities Agency;
- Zebra Property Solutions Limited, which is a wholly owned subsidiary of Synergy Housing Limited and which provides property based development services to group members. Zebra Property Solutions Limited is incorporated under the Companies Act 1985 (now amended to the Companies Act 2006);
- Silbury Housing Holdings Limited, which is a wholly owned subsidiary of Aster Communities and has a subsidiary, Silbury Housing Limited, which provides a private finance initiative project for Wiltshire Council. Both companies are incorporated under the Companies Act 2006;
- Aster Treasury Plc, a wholly owned subsidiary of Aster Group Limited, providing long term finance under a finance bond to group members. Aster Treasury Plc is incorporated as a public limited company under the Companies Act 2006;
- Aster Options Plus Limited, a cost sharing vehicle incorporated under the Companies Act 2006;
- Aster Solar Limited, a subsidiary jointly owned by Aster Communities and Synergy Housing Limited, provides investment in photo voltaic panels on behalf of the group. Aster Solar Limited is incorporated under the Companies Act 2006;
- White Rock Land LLP, a 50% owned Limited Liability Partnership between Aster Homes Limited and Galliford Try Homes Limited, established to develop sites in the South-West.

Printed copies of the financial statements are available from the following address:

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

41 Key management compensation

	2016 £000	2015 £000
Salaries and short-term benefits	1,013	1,126
Non-executive directors' fees	179	190
Post-employment benefits	78	84
	1,270	1,400
Of which		
Executive directors	424	419
Non-executive directors	179	190
Executive board members	667	791
	1,270	1,400

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

42 Transition to FRS 102

This year, the group is required to prepare its results under a new accounting standard, FRS 102. Adoption of the new standard has resulted in a number of differences in the way some previously reported transactions are now calculated, disclosed and categorised under this new standard. The results for the year to 31 March 2015 were reported last year under UK GAAP. Under the new standard the group is required to restate its comparative information together with that year's opening balance sheet information (the balance sheet for 1 April 2014) under FRS 102. Set out below is a reconciliation, together with an explanation of the change, between the previously reported UK GAAP results for the year to 31 March 2015 and the restated amounts.

42 Transition to FRS 102 (continued)

Statement of Financial Position

	At 1 April 2014							
	As previously stated £000	Financial instruments £000	SHPs deficit £000	Properties £000	Changes to SHG £000	Reclassify £000	Other £000	**FRS 102 £000**
REFERENCE		A,B,C,D,E	F	G,H,I	J,K	L,M,N,O	P,Q,R,S	
Fixed assets								
Intangible assets	-	-	-	-	-	3,761	-	**3,761**
Property, plant and equipment (social housing)	1,178,572	-	-	(2,204)	-	-	-	**1,176,368**
Social housing grant	(4,322)	-	-	-	4,322	-	-	**-**
Property, plant and equipment (other assets)	22,826	-	-	-	-	(3,761)	-	**19,065**
Investment properties	-	-	-	2,425	-	-	-	**2,425**
HomeBuy loans receivable	6,156	-	-	-	-	-	-	**6,156**
HomeBuy Grant	(6,067)	-	-	-	-	6,067	-	**-**
Investments in joint ventures	(219)	-	-	-	-	-	-	**(219)**
	1,196,946	-	-	221	4,322	6,067	-	**1,207,556**
Current assets								
Inventories	1,591	-	-	-	-	-	-	**1,591**
Debtors: falling due after one year	53,172	1,782	-	-	-	-	-	**54,954**
Debtors: falling due within one year	18,390	(191)	-	-	-	-	2,345	**20,544**
Properties held for resale	1,554	-	-	-	-	-	-	**1,554**
Shared ownership properties held for resale	5,801	-	-	-	-	-	-	**5,801**
Cash and cash equivalents	82,740	-	-	-	-	-	-	**82,740**
	163,248	1,591	-	-	-	-	2,345	**167,184**
Less: Creditors amounts falling due within one year	(28,566)	-	(775)	-	(4,322)	(165)	(2,103)	**(35,931)**
Net current assets	134,682	1,591	(775)	-	(4,322)	(165)	242	**131,253**
Total assets less current liabilities	1,331,628	1,591	(775)	221	-	5,902	242	**1,338,809**

Statement of Financial Position (continued)

	At 1 April 2014							
	As previously stated £000	Financial instruments £000	SHPs deficit £000	Properties £000	Changes to SHG £000	Reclassify £000	Other £000	**FRS 102 £000**
REFERENCE		A,B,C,D,E	F	G,H,I	J,K	L,M,N,O	P,Q,R,S	
Non current liabilities								
Creditors: amounts falling due after more than one year	(690,159)	(3,264)	(6,306)	-	-	(6,177)	-	**(705,906)**
Pension liability	(30,272)	-	-	-	-	-	-	**(30,272)**
Other provisions	(510)	-	-	-	-	-	-	**(510)**
Net current assets	610,687	(1,673)	(7,081)	221	-	(275)	242	**602,121**
Capital and reserves								
Called up share capital	-	-	-	-	-	-	-	**-**
Profit and loss reserve	85,187	(1,696)	(7,081)	(89,258)	225,973	(27,129)	242	**186,238**
Revaluation reserve	552,146	-	-	89,479	(225,973)	-	-	**415,652**
Restricted reserve	208	-	-	-	-	-	-	**208**
Pension reserve	(27,518)	-	-	-	-	27,518	-	**-**
Designated reserve	664	-	-	-	-	(664)	-	**-**
Cash Flow hedge reserve	-	23	-	-	-	-	-	**23**
Total reserves	610,687	(1,673)	(7,081)	221	-	(275)	242	**602,121**

42 Transition to FRS 102 (continued)

Statement of Financial Position (continued)

	At 31 March 2015							
	As previously stated £000	Financial instruments £000	SHPs deficit £000	Properties £000	Changes to SHG £000	Reclassify £000	Other £000	FRS 102 £000
REFERENCE		A,B,C,D,E	F	G,H,I	J,K	L,M,N,O	P,Q,R,S	
Fixed assets								
Intangible assets	-	-	-	-	-	4,171	-	**4,171**
Property, plant and equipment (social housing)	1,288,508	-	-	(51,690)	-	-	-	**1,236,818**
Social housing grant	(6,324)	-	-	-	6,324	-	-	**-**
Property, plant and equipment (other assets)	23,389	-	-	-	-	(4,171)	-	**19,218**
Investment properties	-	-	-	14,560	-	-	-	**14,560**
HomeBuy loans receivable	5,084	-	-	-	-	-	-	**5,084**
HomeBuy Grant	(5,084)	-	-	-	-	5,084	-	**-**
Investments in joint ventures	(819)	-	-	-	-	-	-	**(819)**
	1,304,754	-	-	(37,130)	6,324	5,084	-	**1,279,032**
Current assets								
Inventories	2,551	-	-	-	-	-	-	**2,551**
Debtors: falling due after one year	63,801	-	-	-	-	-	-	**63,801**
Debtors: falling due within one year	22,645	(420)	-	-	-	-	2,792	**25,017**
Properties held for resale	-	-	-	-	-	-	-	**-**
Shared ownership properties held for resale	7,400	-	-	-	-	-	-	**7,400**
Cash and cash equivalents	82,788	-	-	-	-	-	-	**82,788**
	179,185	(420)	-	-	-	-	2,792	**181,557**
Less: Creditors amounts falling due within one year	(30,679)	(1,418)	(811)	-	(6,324)	-	(2,545)	**(41,777)**
Net current assets	148,506	(1,838)	(811)	-	(6,324)	-	247	**139,780**
Total assets less current liabilities	1,453,260	(1,838)	(811)	(37,130)	-	5,084	247	**1,418,812**

Statement of Financial Position (continued)

	At 31 March 2015							
	As previously stated £000	Financial instruments £000	SHPs deficit £000	Properties £000	Changes to SHG £000	Reclassify £000	Other £000	FRS 102 £000
REFERENCE		A,B,C,D,E	F	G,H,I	J,K	L,M,N,O	P,Q,R,S	
Non current liabilities								
Creditors: amounts falling due after more than one year	(740,777)	(20,758)	(5,843)	-	(4,636)	(5,194)	-	**(777,208)**
Pension liability	(37,652)	-	-	-	-	-	-	**(37,652)**
Other provisions	(291)	-	-	-	-	-	-	**(291)**
Net current assets	674,540	(22,596)	(6,654)	(37,130)	(4,636)	(110)	247	**603,661**
Capital and reserves								
Called up share capital	-	-	-	-	-	-	-	**-**
Profit and loss reserve	113,846	(2,215)	(6,654)	(87,011)	225,996	(34,651)	247	**209,558**
Revaluation reserve	595,027	-	-	49,881	(230,632)	-	-	**414,276**
Restricted reserve	208	-	-	-	-	-	-	**208**
Pension reserve	(35,034)	-	-	-	-	35,034	-	**-**
Designated reserve	493	-	-	-	-	(493)	-	**-**
Cash Flow hedge reserve	-	(20,381)	-	-	-	-	-	**(20,381)**
Total reserves	674,540	(22,596)	(6,654)	(37,130)	(4,636)	(110)	247	**603,661**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Transition to FRS 102 (continued)

Statement of Comprehensive Income

	At 31 March 2015						
	As previously stated £000	Financial instruments £000	SHPS deficit £000	Properties £000	LGPS finance cost £000	Other £000	**FRS 102 £000**
REFERENCE		A,B,C,D,E	F	I	T	P,Q,R	
Turnover	174,891	-	-	-	-	13	**174,904**
Operating expenditure	(124,961)	-	627	-	(27)	(90)	**(124,451)**
Operating profit	49,930	-	627	-	(27)	(77)	**50,453**
Profit on disposal of property, plant and equipment	96	-	-	-	-	-	**96**
Share of loss in joint ventures	(600)	-	-	-	-	-	**(600)**
Increase in fair value of investment properties	-	-	-	2,539	-	-	**2,539**
Profit before interest and taxation	49,426	-	627	2,539	(27)	(77)	**52,488**
Interest receivable and similar income	3,644	85	-	-	-	-	**3,729**
Interest payable and similar charges	(25,672)	(415)	(201)	-	-	-	**(26,288)**
Ineffective cash flow hedge fair value movements	-	(189)	-	-	-	-	**(189)**
Interest on net pension liability	(272)	-	-	-	(1,043)	-	**(1,315)**
Total finance income and expenditure	(22,300)	(519)	(201)	-	(1,043)	-	**(24,063)**
Profit before taxation	27,126	(519)	426	2,539	(1,070)	(77)	**28,425**
Taxation	(15)	-	-	-	-	-	**(15)**
Profit for the year	27,111	(519)	426	2,539	(1,070)	(77)	**28,410**
Actuarial (loss) /gains in respect of pension schemes	(7,454)	-	-	-	1,070	-	**(6,384)**
Movement in pension deferred taxation	(62)	-	-	-	-	-	**(62)**
Effective cash flow hedge fair value movements	-	(20,404)	-	-	-	-	**(20,404)**
Total comprehensive income for the year	19,595	(20,923)	426	2,539	-	(77)	**1,560**

42 Transition to FRS 102 (continued)

A. Discounting of debtors paying over more than twelve months
Some debtors have made arrangements to pay their debts over a period greater than twelve months. This is outside the group's normal terms of business. FRS 102 requires the carrying value of these debtors to be discounted to reflect the time value of money. The discount rate used is similar to that which the debtor could obtain a loan for. The impact of this is a decrease in debtors of £420,000 (2014: £191,000). The movement increased interest payable and financing cost by £229,000 in 2015.

B. Effective interest
Loan interest under old UK GAAP was recognised as the value payable. FRS 102 requires the use of the effective interest rate method which spreads variations in a loan's interest rate and any related loans fees over the life of the loan. This has increased the carrying value of the group's loans in 2015 by £1,510,000 (2014: £1,482,000) and charged an additional £28,000 (2014: £15,000) of interest to profit or loss in 2015. This change in recognition method is also applied to deferred loan facility arrangement fees. The fees are discounted at the average market rate of the loans in the facility over the maximum life of the loans rather than being amortised on a straight line basis. As a result the carrying value of the fees reduced by £156,000 (2014: £82,000).

C. Financial Assets
Financial instruments with a mark to market value in an asset position were not previously recognised. Under FRS 102 section 12 'Other financial instruments' these financial instruments are held at fair value. At the 2015 year end this was £nil (2014: £1,782,000).

D. Financial Liabilities
Financial instruments with a mark to market value in an liability position were not previously recognised. Under FRS 102 section 12 'Other financial instruments' these financial instruments are held at fair value. At the 2015 year-end this was £20,509,000 (2014: £1,700,000).

E. Cash Flow Hedge Accounting
The group has elected to use hedge accounting which enables it to match gains or losses recognised on qualifying financial instruments with the fair value movement of the underlying asset or liability the instrument is hedging. Where the relationship between the financial instrument and the hedged item is deemed effective under FRS 102 the net gain or loss is recognised in the cash flow hedge reserve. Where an instrument is classified ineffective under FRS 102 then any gain or loss is charged directly to profit or loss. Effective losses of £20,404,000 (2014: gains £23,000) were recognised in other comprehensive income in 2015 and ineffective losses of £189,000 (2014: gains £61,000) were recognised in profit or loss in 2015.

F. Social Housing Pension Scheme (SHPS) deficit
SHPS currently has a recovery plan in place to reduce the scheme's deficit. This requires member organisations to make additional payments over the life of the plan. FRS 102 requires the discounted cash flows of these payments to be recognised. Under the previous UK GAAP these liabilities were recognised on a cash basis. On transition to FRS 102 the resulting liability was £7,081,000, reducing to £6,654,000 for the year to 31 March 2015 as payments are made and discounting of £426,000 unwound through profit or loss.

G. Removal of revaluation adjustments
The group has elected to take advantage of FRS 102's transitional provisions in relation to housing property valuations and as from 1 April 2014 elected to hold its social housing properties at deemed cost. This froze the 31 March 2014 valuation which then became the deemed cost carrying value of the properties. From 1 April 2014 any additions to the group's social housing properties are accounted for at cost. Social housing properties are accounted for at cost. Valuation adjustments of £39,876,000 recognised under old UK GAAP since 1 April 2014 have been reversed.

H. Downward valuation of social housing properties
FRS 102 splits assets into cash generating units. These are the lowest level that an asset generates cash flows independently of other assets in that class. The carrying value of assets must be reviewed at this level. Prior to 1 April 2014 the carrying value of social housing properties was their Existing Use Valuation – Social Housing (EUV-SH). The cost of construction of a property can be higher than its EUV-SH, in these cases FRS 102 requires the reduction to be charged to profit or loss. During 2015 the carrying value of the social housing properties was reduced by £89,479,000.

I. Investment properties
FRS 102 section 16 'Investment properties' requires rental properties not used for social benefit to be reclassified as investment properties. In addition these properties must be recognised at fair value at the end of each financial period. As a result £2,204,000 was transferred from property, plant and equipment - social housing at 1 April 2014 to investment properties. These properties were then re-valued increasing their carrying value by £221,000 to £2,425,000. During 2015 an additional £9,596,000 of market rental properties were acquired. These were originally classified as property, plant and equipment. Under FRS 102 they have been transferred to investment properties and re-valued increasing their carrying value by £2,354,000 to £11,950,00. In total £11,800,000 (2014: £2,204,000) of properties at cost were transferred from property, plant and equipment which increased in value by£2,539,000 (2014: 221,000) during the year resulting in a total carrying value of investment properties of £14,560.000.

J. Social housing grant for completed schemes
As set out in note G, from 1 April 2014 the group moved to recognising social housing properties at deemed cost. Social housing grant relating to properties held at this date of £225,973,000, has been transferred from the revaluation reserve to the profit and loss reserve.

Social hosing grant relating to properties built or acquired after 1 April 2014 will be recognised as a creditor due in more than one year and amortised over the useful economic life of the property.

K. Social housing grant for schemes under construction
Under the previous UK GAAP social housing grant received to fund social housing schemes was included as part of the cost of the asset. Under FRS 102 section 2 'Concepts and pervasive principles' grant of £6,324,000 (2014: £4,322,000) has been reclassified in 2015 as a creditor: amounts falling due within one year.

L. Intangible assets
Computer software, with a net book value of £3,761,000 at 1 April 2014, has been reclassified from tangible to intangible assets as required by FRS 102 section 18 'Intangible Assets other than Goodwill'. The value increased to £4,171,000 in the year to 31 March 2015. This has no effect on the company's net assets nor its profit for the year. The previous depreciation charge on these assets is now described as amortisation.

M. Reclassification of HomeBuy Grant
Under the previous UK GAAP HomeBuy loans receivable and the HomeBuy Grant were offset. Under FRS 102 section 2 'Concepts and pervasive principles' the grant must be disclosed separately. As a result the grant must be reclassified as a non current liability.

N. Local Government Pension Scheme (LGPS) reserve
Under the previous UK GAAP the reserve relating to the company's LGPS has been shown separately in the financial statements. FRS 102 does not permit this presentation. The reserve has been incorporated into the revenue reserve decreasing the revenue reserve by £27,518,000 on transition. In the year to 31 March 2015 a further charge of £7,516,000 was recognised in other comprehensive income increasing the reduction to £35,034,000.

O. Designated reserve
FRS 102 does not recognise designated reserves. As a result £554,000 of the group's designated reserves have been reclassified to the Revenue Reserve. Synergy Housing Limited holds a £110,000 capital reinvestment fund this was previously classified as a designate reserve and has been reclassified to Creditors: amounts falling due after one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Transition to FRS 102 (continued)

P. Service charge under-recovery debtor
The Aster Group operates a system of variable service charges. Each year tenants are charged a budget figure for the coming year plus the difference between the budgeted figure and the actual expenditure for the period two years prior to the current year. This leaves the difference between the budgeted figure charged and the actual expenditure for the preceding and current year uncharged. Under FRS 102 the actual expenditure was larger than the budgeted figure charged and a debtor was recognised of £2,792,000 (2014: £2,345,000). There is no right of off-set with the service charge over-recovery creditor as the debtor is recognised at customer level.

Q. Service charge over-recovery creditor
The Aster Group operates a system of variable service charges. Each year tenants are charged a budget figure for the coming year plus the difference between the budgeted figure and the actual expenditure for the period two years prior to the current year. This leaves the difference between the budgeted figure charged and the actual expenditure for the preceding and current year uncharged. Under FRS 102 the actual expenditure was smaller than the budgeted figure charged and a creditor was recognised of £2,359,000 (2014:£1,925,000). There is no right of off-set with the service charge under-recovery debtor as the creditor is recognised at customer level.

R. Holiday pay accrual
FRS 102 section 28 'Employee Benefits', requires short term employee benefits to be charged to the profit and loss account as the employee service is received. Previously holiday pay accruals were not recognised and were charged to the profit and loss as they were paid. On transition to FRS 102 this has resulted in the company recognising a liability for holiday pay of £155,000. In the year to 31 March 2015 the liability was reduced by £13,000 to £142,000, with the movement of £13,000 being credited to profit for the year.

S. Deferred tax
FRS 102 section 29 'Income tax' requires the deferred tax related to the re-valuation mentioned in note 22A to be recognised at the rate applicable to the reporting year. As a result a deferred tax creditor of £24,000 was recognised in 2014, this increase by £19,000 to £43,000 in 2015. The increase is included in the tax charge for the year. This deferred tax has not previously been recognised.

T. Local Government Pension Scheme (LGPS) other finance costs
Section 28 'Employee Benefits' of FRS 102 changes how the other finance costs for the LGPS are calculated. Previous UK GAAP allowed the assumed return on the schemes' assets to be calculated using one rate and the interest cost of the schemes' liabilities to use another. The two resulting figures were offset to produce the other finance costs for the year. FRS 102 takes the schemes' assets away from the schemes' liabilities then applies one rate of interest to the result. In 2015 this resulted in an increase in the finance cost of £1,043,000, recognised in profit before tax along with an additional £27,000 of administration fees. These increases were offset by an increase of £1,070,000 in the actuarial gains in other comprehensive income.

15.0 ASSOCIATION'S STATEMENT OF INCOME AND RETAINED EARNINGS

for the year ended 31 March 2016

	Note	2016 £000	2015 £000
Turnover	5	**18,511**	17,747
Operating expenditure	5	**(17,706)**	(17,009)
Operating profit	6	**805**	738
Interest and similar charges	9	**(35)**	(59)
Interest on net pension liability	19	**(58)**	(62)
Total finance income and expense		**(93)**	(121)
Profit before gift aid and tax		**712**	617
Gift aid	10	**1,453**	2,550
Tax on profit on ordinary activities	11	**-**	-
Profit for the financial year		**2,165**	3,167
Other comprehensive income/(expense)			
Actuarial gains/(losses) in respect of pension schemes	19	**333**	(386)
Other comprehensive income/(expense) for the year		**333**	(386)
Total comprehensive income for the year		**2,498**	2,781
Retained earnings as at 1 April		**2,860**	79
Profit for the financial year		**2,165**	3,167
Other comprehensive income for the year		**333**	(386)
Retained earnings as at 31 March		**5,358**	2,860

16.0 ASSOCIATION'S STATEMENT OF FINANCIAL POSITION

as at 31 March 2016

	Note	2016 £000	2015 £000
Fixed assets			
Intangible assets	12	**1,077**	793
Property, plant and equipment (other assets)	13	**1,265**	1,136
Investments in subsidiaries	14	**3,050**	50
		5,392	1,979
Current assets			
Trade and other debtors	15	**4,177**	4,813
Cash and cash equivalents	16	**2,774**	3,162
		6,951	7,975
Creditors: amounts falling due within one year	17	**(3,488)**	(3,388)
Net current assets		**3,463**	4,587
Total assets less current liabilities		**8,855**	6,566
Non current liabilities			
Creditors: amounts falling due after more than one year	18	**(1,983)**	(1,710)
Pension liability	19	**(1,483)**	(1,842)
Other provisions	20	**(31)**	(154)
Net current assets		**5,358**	2,860
Capital and Reserves			
Called up shared capital	21	**-**	-
Retained earnings		**5,358**	2,860
Total equity		**5,358**	2,860

The financial statements were approved by the board on 9 August 2016 and were signed on its behalf by:

Andrew Jackson
Chairman

John Brace
Group resources director

Douglas Smith
Company secretary

Aster Group Limited company number 29573R

17.0 NOTES TO THE ASSOCIATION'S ACCOUNTS

1 General Information

Aster Group Limited (the association) is a Housing Association registered with the Homes and Communities Agency (HCA) as a Registered Provider as defined by the Housing Act 2004. It is also a Charitable Community Benefit Society and a Public Benefit entity. The association's primary function is to provide management services to the other group companies.

2 Statement of compliance

The financial statements of the association have been prepared in accordance with applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102). The financial statements comply with Schedule 1 of the Housing Act 2004, the Accounting Direction for Social Housing in England from April 2012 and the Statement of Recommended Practice ('SORP 2014') published by the National Housing Federation ('NHF') in 2014.

3 Summary of significant accounting policies

Basis of preparation

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

As from 1 January 2015 all previous UK GAAP accounting standards where withdrawn and replaced by FRS 102: The Financial Reporting Standard applicable in the UK and the Republic of Ireland. The association has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 24.

Presentation

Aster Group Limited (the association) has elected not to produce the following:

a) A reconciliation between the opening and closing shares in issue as described in paragraph 4.12(a)(iv) of FRS 102;

b) A Statement of Cash Flows as outlined in section 7 of FRS 102;

c) The detailed disclosures of financial instruments, carrying values, terms and conditions and hedging relationships outlined in paragraph 11.41, 11.42, 11.44, 11.45, 11.48, 12.27, 12.29 and 12.29A of FRS 102;

d) The requirement to disclose key management personnel compensation outlined in paragraph 33.7 of FRS 102;

e) A Strategic Report as set out in paragraph 4.4 of the Housing SORP 2014.

Aster Group Limited has taken advantage of some of these exemptions this year. The association expects to take advantage of these exemptions again in its next financial year. If any shareholder objects to the association using these exemptions they need to notify the directors no later than thirty days before the 31 March 2017. A full set of disclosures are included in the group's consolidated accounts.

Summary of significant accounting policies

The group's accounting policies are detailed in note 4 of the Consolidated Financial Statements. In addition to these policies the association applies the following:

Gift aid

The commercial companies within the group can donate any excess profits in the form of Gift Aid to charitable group members. These donations can only be made if the commercial company has distributable reserves for the financial year in question. Gift Aid is recognised where irreversible board resolutions have been made or where cash has been paid.

Taxation

Aster Group Limited (the association) has adopted charitable rules and benefits from various exemptions from taxation afforded by tax legislation and is therefore not liable to corporation tax on income or gains falling within those exemptions.

Investments

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

4 Critical accounting judgements and estimation uncertainty

Basis of preparation

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

Those applied by the Aster Group can be found in note 5 to the consolidated financial statements. The association has no additional critical accounting judgements and estimation uncertainties.

5 Turnover, operating cost and profit

	2016			2015		
	Turnover £000	Operating costs £000	Operating profit £000	Turnover £000	Operating costs £000	Operating profit £000
Services provided to subsidiaries	**18,429**	**(17,628)**	**801**	17,624	(16,892)	732
Services provided to third party organisations	**82**	**(78)**	**4**	123	(117)	6
	18,511	**(17,706)**	**805**	17,747	(17,009)	738

6 Operating profit

	2016 £000	2015 £000
Operating profit is stated after charging/(crediting) Auditors' remuneration (including irrecoverable VAT):		
In their capacity as auditors:		
Financial statements audit	**65**	7
Depreciation - Other property, plant and equipment	**554**	436
Amortisation of intangible assets	**476**	253

7 Directors' emoluments

See Directors' remuneration report on page 62.

8 Employee information

	2016 No.	Restated 2015 No.
The average number of persons employed during the year (full time equivalents) based on 37 hours per week	177	160

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

	2016	2015
£59,999 or less	157	135
£60,000 to £69,999	4	6
£70,000 to £79,999	4	7
£80,000 to £89,999	5	3
£90,000 to £99,999	2	4
£100,000 to £109,999	-	1
£110,000 to £119,999	2	1
£120,000 to £129,999	1	-
£130,000 to £139,999	-	1
£140,000 to £149,999	-	-
£150,000 to £159,999	-	-
£160,000 to £169,999	-	1
£170,000 to £179,999	1	-
£180,000 to £189,999	-	-
£190,000 to £199,999	-	-
£200,000 to £209,999	-	-
£210,000 to £219,999	-	1
£220,000 to £229,999	1	-
	177	160

STAFF COSTS	2016 £000	2015 £000
Wages and salaries	7,188	6,431
Social security costs	737	674
Other pension costs	1,005	429
	8,930	7,534

9 Interest payable and other charges

	2016 £000	2015 £000
Finance charge relating to Social Housing Pension Scheme	35	59

10 Gift aid

	2016 £000	2015 £000
Gift aid receivable from subsidiaries:		
Aster Homes Limited	452	1,114
Aster Property Limited	981	1,436
Aster Treasury Plc	20	-
	1,453	2,550

11 Tax on surplus on ordinary activities

	2016 £000	2015 £000
(a) Tax expense included in profit or loss The tax charge on the surplus on ordinary activities was as follows		
Current tax		
UK corporation tax expense	-	-
Under provision in previous years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Adjustment for prior year	-	-
Changes in tax rate or laws	-	-
Total deferred tax	-	-
Tax on surplus on ordinary activities	-	-

	2016 £000	2015 £000
(b) Tax expense/(income) included in other comprehensive income		
Deferred tax		
Origination and reversal of timing differences	-	-
Impact of change in tax rate	-	-
	-	-

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

	2016 £000	2015 £000
(c) Factors affecting tax charge for the year Surplus on ordinary activities before taxation	2165	3167
Surplus on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 20% (2015: 21%)	146	654
Effects of:		
Surplus from charitable activities	-	-
Expenses not deductible	-	-
Utilisation of losses	-	-
Tax at marginal rates	-	-
Items not allowable for tax purposes	(146)	(654)
Capital allowances less than depreciation	-	-
Items charged to other comprehensive income	-	-
Other timing differences	-	-
Total tax charge	-	-

(d) Tax rate changes
From March 2016, the UK Corporation tax rate was changed from 21% to 20%. Deferred tax balances at 31 March 2016 and 31 March 2015 are measured at the rate of 20%.

NOTES TO THE ASSOCIATION'S ACCOUNTS

12 Intangible assets

	2016		
	Assets under construction £000	Computer software £000	Total £000
Cost			
At 1 April	325	1,115	1,440
Additions	184	576	760
Completions	(489)	489	-
At 31 March	20	2,180	2,200
Accumulated amortisation			
At 1 April	-	647	647
Charge for year	-	476	476
At 31 March	-	1,123	1,123
Net book value	20	1,057	1,077

	2015		
	Assets under construction £000	Computer software £000	Total £000
Cost			
At 1 April	11	702	713
Additions	314	413	727
At 31 March	325	1,115	1,440
Accumulated amortisation			
At 1 April	-	394	394
Charge for year	-	253	253
At 31 March	-	647	647
Net book value	325	468	793

13 Property, plant and equipment (other assets)

	2016			
	Assets under construction £000	Furniture and equipment £000	Computer equipment £000	Total £000
Cost				
At 1 April	137	321	2,321	2,779
Additions	592	-	91	683
Completions	(541)	-	541	-
Disposals	-	-	(225)	(225)
At 31 March	188	321	2,728	3,237
Accumulated depreciation				
At 1 April	-	259	1,384	1,643
Charge for year	-	16	538	554
Disposals	-	-	(225)	(225)
At 31 March	-	275	1,697	1,972
Net book value	188	46	1,031	1,265

	2015			
	Assets under construction £000	Furniture and equipment £000	Computer equipment £000	Total £000
Cost				
At 1 April	8	253	1,748	2,009
Additions	205	72	579	856
Reclassification (to)/from other assets	(76)	(4)	80	-
Disposals	-	-	(86)	(86)
At 31 March	137	321	2,321	2,779
Accumulated depreciation				
At 1 April	-	246	1,047	1,293
Charge for year	-	13	423	436
Disposals	-	-	(86)	(86)
At 31 March	-	259	1,384	1,643
Net book value	137	62	937	1,136

NOTES TO THE ASSOCIATION'S ACCOUNTS

14 Investments in subsidiaries

	2016 £	2015 £
Aster Treasury Plc	50,000	50,000
Aster Communities	1	1
Synergy Housing Limited	1	1
Aster Living	1	1
Aster Property Limited	3,000,001	1
Aster Homes limited	96	96
Aster Options plus	99	99
	3,050,199	50,199

During the year Aster Group Limited purchased an additional £1 share in Aster Property Limited. This share had a premium of £2,999,999 associated with it.

15 Trade and other debtors

	2016 £000	2015 £000
Trade debtors	37	190
Less provision for bad debts	-	(11)
	37	179
Amounts owing by group undertakings		
Aster Living	887	553
Aster Homes Limited	972	1,653
Aster Property Limited	980	1,374
Silbury Housing Holding Limited	11	6
Silbury Housing Limited	19	19
Synergy Housing Limited	286	271
Zebra Property Solutions Limited	-	11
Aster Options Plus	153	7
Other debtors	8	12
Prepayments and accrued income	824	728
	4,177	4,813

16 Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	2,774	3,162

17 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	172	257
Taxation and social security	203	199
Pension contributions	104	79
VAT	380	125
Amounts owed to group undertakings		
Aster Communities	2,112	1,684
Zebra Property Solutions Limited	2	-
Aster Treasury Plc	-	38
Other creditors	37	31
Accruals and deferred income	170	729
SHPS recovery plan	308	246
	3,488	3,388

18 Creditors: amounts falling due after more than one year

	2016 £	2015 £
Social Housing Pension Scheme recovery plan	1,983	1,710

NOTES TO THE ASSOCIATION'S ACCOUNTS

19 Pension Obligations

The cost of providing retirement pensions and related benefits is accounted for in accordance with FRS 102 section 28 Employee benefits. The association participates in four pension schemes.

There are three defined benefit schemes:

- Wiltshire Pension Scheme (closed to new members)
- Social Housing Pension Scheme ("SHPS") final salary defined benefit scheme (closed to new members)
- SHPS career average of earnings (CARE)

and one defined contribution ("stakeholder") scheme.

- SHPS defined contribution scheme

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

Summary of movements and balances in pension funding

	2016			
	Total contribution by scheme £000	Total interest on net pension liability by scheme £000	Actuarial losses / (gains) in pension scheme £000	Pension deficit £000
Wiltshire Pension Scheme	95	(58)	(333)	1,483
SHPS	910	-	-	-
	1,005	(58)	(333)	1,483

Pension contributions have increased due to the 2014 actuarial valuation of SHPS showing that an additional tier (tier 4) needed to be added to the schemes recovery plan. The net present value of these additional payments have been charged directly to profit or loss for the year.

	2015			
	Total contribution by scheme £000	Total interest on net pension liability by scheme £000	Actuarial losses / (gains) in pension scheme £000	Pension deficit £000
Wiltshire Pension Scheme	88	(62)	386	1,842
SHPS	341	-	-	-
	429	(62)	386	1,842

The pension cost to the company for the year ended 31 March 2016 was £1,005,000 (2015: £429,000) in respect of 150 (2015: 157) employees, which includes £546,000 relating to tier 4 of the SHPS recovery plan.

19 Pension Obligations (continued)

Wiltshire Pension Scheme

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

As at the balance sheet date there were 7 (2015: 8) active members of the Scheme employed by Aster Group Limited. The annual pensionable payroll in respect of these members was £294,146 (2015: £288,299).

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 31 March 2016. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard 102, section 28 Employee Benefits are stated below. The actuary has used the projected unit credit method of valuation.

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

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

Wiltshire Pension Fund (continued)

FINANCIAL ASSUMPTIONS	31 March 2016 %p.a.	31 March 2015 %p.a.
Price increases	**2.2**	2.4
Pension increases	**2.2**	2.1
Salary increases	**4.2**	4.0
Expected return on assets	**3.5**	3.1
Discount rate	**3.5**	3.2

Expected return on assets by category

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

FAIR VALUE OF EMPLOYER ASSETS	31 March 2016 £000	31 March 2015 £000
Equities	**2,839**	2,798
Bonds	**552**	631
Property	**512**	394
Cash	**39**	118
	3,942	3,941

RECOGNITION IN THE STATEMENT OF COMPREHENSIVE INCOME	31 March 2016 £000	31 March 2015 £000
Current service cost	**95**	88
Interest costs	**186**	208
Expected return on assets employed	**(128)**	(146)
Administration expenses		
Total	**153**	150
Actual return on plan assets	**(126)**	477

19 Pension Obligations (continued)

Wiltshire Pension Fund (continued)

RECONCILIATION OF DEFINED BENEFIT OBLIGATION	*31 March* 2016 £000	*31 March* 2015 £000
Opening defined benefit obligation	5,783	4,811
Current service cost	95	88
Past service cost	-	-
Interest cost	186	208
Contributions by members	21	23
Actuarial (gains)/losses	(587)	717
Other experience measurements	-	-
Losses on curtailment	-	-
Liabilities extinguished on settlements	-	-
Estimated unfunded benefits paid	-	-
Estimated benefits paid	(73)	(64)
Closing defined benefit obligation	5,425	5,783

RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS	*31 March* 2016 £000	*31 March* 2015 £000
Opening fair value of employer assets	3,941	3,319
Expected return on assets	128	146
Contributions by members	21	23
Contributions by employers	179	186
Contributions in respect of unfunded benefits	-	-
Administration expenses	-	-
Actuarial (losses)/gains	(254)	331
Assets distributed on settlements	-	-
Unfunded benefits paid	-	-
Benefits paid	(73)	(64)
Closing fair value of employer assets	3,942	3,941

PROJECTED PENSION EXPENSE *for the year to 31 March 2017*	*31 March* 2017 £000
Projected current service cost	85
Interest on obligation	192
Expected return on plan assets	(141)
Total	136

The Social Housing Pension Scheme

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

The Scheme is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the 'SHPS House Policies and Rules Employer Guide'. Full details of the Scheme and its operation can be found in note 30 of the consolidated accounts.

20 Other provisions

	2016 Redundancy £000's	2015 Redundancy £000's
At 1 April	154	510
Additions during the year	-	-
Amounts charged during the year	(123)	(356)
At 31 March	31	154

21 Called up share capital

	2016 £	2015 £
Ordinary shares allotted, issued and fully paid		
At 1 April	7	7
Issued during the year	1	2
Cancelled during the year	(1)	(2)
At 31 March	7	7

NOTES TO THE ASSOCIATION'S ACCOUNTS

22 Related party transactions

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

Aster Group Limited has taken advantage of the exemption allowed under FRS 102 Section 33 Related Party Disclosures not to disclose related party transactions within the group. This exemption is available providing the transactions are entered into between two or more members of a group, so long as any subsidiary which is party to the transaction is wholly owned.

23 Status

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

Aster Communities, a wholly owned subsidiary which is a registered provider;

Aster Living, a wholly owned subsidiary whose activities include providing care and support services;

Aster Property Limited, a wholly owned subsidiary of Aster Group Limited whose activities include property maintenance services to group members;

Aster Homes Limited, a subsidiary of Aster Group Limited which provides property based development services to group members;

Synergy Housing Limited, a wholly owned subsidiary which is a registered provider;

Zebra Property Solutions Limited, which is a wholly owned subsidiary of Synergy Housing Limited and which provides property based development services to group members;

Silbury Housing Holdings Limited, which is a wholly owned subsidiary of Aster Communities and has a subsidiary, Silbury Housing Limited, which provides a private finance initiative project for Wiltshire Council;

Aster Treasury Plc, a wholly owned subsidiary of Aster Group Limited, providing long term finance under a finance bond to group members;

Aster Options Plus Limited, a wholly owned subsidiary whose activities include providing services as a cost sharing vehicle to Aster Group and other organisations;

Aster Solar Limited, a subsidiary jointly owned by Aster Communities and Synergy Housing Limited, providing investment in photo voltaic panels on behalf of the group;

White Rock Land LLP, a 50% owned Limited Liability Partnership between Aster Homes Limited and Galliford Try Homes Limited to develop three sites in Devon.

Printed copies of the financial statements are available from the following address:

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

24 Transition to FRS 102

This year, the association is required to prepare its results under a new accounting standard, FRS 102. Adoption of the new standard has resulted in a number of differences in the way some previously reported transactions are now calculated, disclosed and categorised under this new standard. The results for the year to 31 March 2015 were reported last year under UK GAAP. Under the new standard the Group and Association is required to restate its comparative information together with that year's opening balance sheet information (the balance sheet for 1 April 2014) under FRS 102. Set out below is a reconciliation, together with an explanation of the change, between the previously reported UK GAAP results for the year to 31 March 2015 and the restated amounts.

24 Transition to FRS 102 (continued)

Statement of Financial Position

	At 1 April 2014					
	As previously stated £000	Intangible assets £000	Holiday pay accrual £000	SHPS deficit £000	LGPS reserve £000	**FRS 102 £000**
REFERENCE		A	B	C	D	
Fixed assets						
Intangible assets	-	319	-	-	-	**319**
Property, plant and equipment (other assets)	1,035	(319)	-	-	-	**716**
Investments in subsidiaries	50	-	-	-	-	**50**
	1,085	-	-	-	-	**1,085**
Current assets						
Trade and other debtors	5,243	-	-	-	-	**5,243**
Cash and cash equivalents	1,457	-	-	-	-	**1,457**
	6,700	-	-	-	-	**6,700**
Less: Creditors amounts falling due within one year	(3,603)	-	(51)	(236)	-	**(3,890)**
Net current assets	3,097	-	(51)	(236)	-	**2,810**
Total assets less current liabilities	4,182	-	(51)	(236)	-	**3,895**
Non current liabilities						
Creditors: amounts falling due after more than one year	-	-	-	(1,814)	-	**(1,814)**
Pension liability	(1,492)	-	-	-	-	**(1,492)**
Other provisions	(510)	-	-	-	-	**(510)**
Net current assets	2,180	-	(51)	(2,050)	-	**79**
Reserves						
Retained earnings	3,637	-	(51)	(2,050)	(1,457)	**79**
Pension reserve	(1,457)	-	-	-	1,457	**-**
Total reserves	2,180	-	(51)	(2,050)	-	**79**

	At 1 April 2015					
	As previously stated £000	Intangible assets £000	Holiday pay accrual £000	SHPS deficit £000	LGPS reserve £000	**FRS 102 £000**
REFERENCE		A	B	C	D	
Fixed assets						
Intangible assets	-	793	-	-	-	**793**
Property, plant and equipment (other assets)	1,929	(793)	-	-	-	**1,136**
Investments in subsidiaries	50	-	-	-	-	**50**
	1,979	-	-	-	-	**1,979**
Current assets						
Trade and other debtors	4,813	-	-	-	-	**4,813**
Cash and cash equivalents	3,162	-	-	-	-	**3,162**
	7,975	-	-	-	-	**7,975**
Less: Creditors amounts falling due within one year	(3,109)	-	(33)	(246)	-	**(3,388)**
Net current assets	4,866	-	(33)	(246)	-	**4,587**
Total assets less current liabilities	6,845	-	(33)	(246)	-	**6,566**
Non current liabilities						
Creditors: amounts falling due after more than one year	-	-	-	(1,710)	-	**(1,710)**
Pension liability	(1,842)	-	-	-	-	**(1,842)**
Other provisions	(154)	-	-	-	-	**(154)**
Net current assets	4,849	-	(33)	(1,956)	-	**2,860**
Reserves						
Retained earnings	6,749	-	(33)	(1,956)	(1,900)	**2,860**
Pension reserve	(1,900)	-	-	-	1,900	**-**
Total reserves	4,849	-	(33)	(1,956)	-	**2,860**

24 Transition to FRS 102 (continued)

Statement of Income and Retained Earnings

	At 1 April 2014				
	As previously stated £000	Holiday pay accrual £000	SHPS deficit £000	LGPS finance cost £000	FRS 102 £000
REFERENCE		B	C	D	
Turnover	17,747	-	-	-	**17,747**
Operating expenditure	(17,180)	18	153	-	**(17,009)**
Operating profit / (loss)	567	18	153	-	**738**
Profit/(loss) on disposal or property, plant and equipment (other assets)	-	-	-	-	-
Profit before , interest, gift aid and tax	567	18	153	-	**738**
Interest and similar charges	-	-	(59)	-	**(59)**
Interest on net pension liability	(5)	-	-	(57)	**(62)**
Profit / (loss) before gift aid and tax	562	18	94	(57)	**617**
Gift aid	2,550	-	-	-	**2,550**
Taxation	-	-	-	-	-
Profit / (loss) for the year	3,112	18	94	(57)	**3,167**
Actuarial (loss) /gains in respect of pension schemes	(443)	-	-	57	**(386)**
Total comprehensive income for the year	2,669	18	94	-	**2,781**

A. Intangible assets
Computer software, with a net book value of £319,000 at 1 April 2014, has been reclassified from tangible to intangible assets as required by FRS 102 section 18 'Intangible Assets other than Goodwill'. The value increased to £793,000 in the year to 31 March 2015. This has no effect on the company's net assets nor its profit for the year. The previous depreciation charge on these assets is now described as amortisation.

B. Holiday pay accrual
FRS 102 section, 28 'Employee Benefits', requires short term employee benefits to be charged to the profit and loss account as the employee service is received. Previously holiday pay accruals were not recognised and were charged to the profit and loss as they were paid. On transition to FRS 102 this has resulted in the association recognising a liability for holiday pay of £51,000. In the year to 31 March 2015 the liability was reduced by £18,000 to £33,000, with the movement of £18,000 being credited to profit for the year.

C. Social Housing Pension Scheme (SHPS) deficit
SHPS has a recovery plan in place to reduce the scheme's deficit. This requires member organisations to make additional payments over the life of the plan. FRS 102 requires the discounted cash flows of these payments to be recognised. Under the previous UK GAAP these liabilities were recognised on a cash basis. On transition to FRS 102 the resulting liability was £2,050,000, reducing to £1,956,000 for the year to 31 March 2015 as payments are made and discounting of £59,000 unwound through profit or loss.

D. Local Government Pension Scheme (LGPS) reserve
Under the previous UK GAAP the reserve relating to the company's LGPS has been shown separately in the financial statements. FRS 102 does not permit this presentation. The reserve has been incorporated into the revenue reserve decreasing the revenue reserve by £1,457,000 on transition. In the year to 31 March 2015 a further charge of £443,000 was recognised in other comprehensive income increasing the reduction to £1,900,000.

E. Local Government Pension Scheme (LGPS) other finance costs
Section 28 'Employee Benefits' of FRS 102 changes how the other finance costs for the LGPS are calculated. Previous UK GAAP allowed the assumed return on the scheme's assets to be calculated using one rate and the interest cost of the scheme's liabilities to use another. The two resulting figures were offset to produce the other finance costs for the year. FRS 102 takes the scheme's assets away from the scheme's liabilities then applies one rate of interest to the result. In 2015 this resulted in an increase in the finance cost of £57,000, recognised in profit before tax, and was offset by an increase of £57,000 in the actuarial gains in other comprehensive income.

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