

**ORBIT SOUTH HOUSING ASSOCIATION  
LIMITED (Formerly Thanet Community Housing  
Association Limited)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2009**

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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**Industrial and Provident Society  
Number 27802R**

**Tenant Services Authority  
Number L4060**

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS

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#### GROUP RESTRUCTURE

The changes to the Orbit Group that were planned at the time last year's financial statements were prepared have taken place during the last year.

On 1 October 2007, Thanet Community Housing Association Limited changed its name to Orbit South Housing Association Limited. At the same time, its operations were combined with those of Orbit Bexley Housing Association Limited by means of a transfer of undertakings into Orbit South Housing Association Limited, and the Association purchased the properties located in the South of England previously owned by Orbit Housing Association.

These financial statements reflect the first full 12 months of Orbit South. However the comparative data for 2008 relates to 12 months trading of the original Thanet Community Housing Association Limited and 6 months from 1 October 2007 for Orbit Bexley Housing Association and the properties purchased from Orbit Housing Association.

On 1 April 2008, the parent company changed its name from Orbit Housing Group Limited to Orbit Group Limited. The operations of the Group have been consolidated into four front line service delivery organisations, either with distinct regional structures or particular specialisms. They are Orbit South Housing Association, Heart of England Housing Association, OGL Housing and Heart of England Housing & Care. Responsibility and accountability for driving forward services and working in partnership with our customers rests with the Board and staff of each organisation.

Embedding our new structure is now a key priority. We believe the change provides the platform to drive our ambitions around service delivery, value for money, greater customer engagement and local accountability. It also supports our place shaping agenda, linking new housing provision to investment in communities and our existing stock.

#### BOARD MEMBERS

The following are all Members of the Board, all of whom have served throughout the year unless otherwise stated:

<b>Name</b>	<b>Role</b>	<b>Appointed</b>	<b>Left</b>
Ronald Foster (Chair)	Independent	10/02/00	
Barbara Bilson	Independent	22/11/07	
Malcolm Bushell	Independent	01/10/07	
Peter Cleland	Independent	01/10/07	07/04/08
Leslie Curtis	Resident Member	23/02/06	14/04/09
Simon Goding	Resident Member	01/10/07	
Vic Hester	Independent	09/09/03	
Roger Jennings	Independent	01/10/07	
Ambrose Jesuvant	Independent	20/09/05	
Glyn Kyle	Independent Member	11/02/09	
Terence McGlone	Independent	23/02/06	
Vanessa Nicholls	Resident Member	01/10/07	
Trevor Willington	Independent Member	11/02/09	

#### EXECUTIVE OFFICERS

V Knibbs	Managing Director	
J Andrews	Director of Neighbourhood Services	appointed 01/02/09
D Collick	Director of Property Services	appointed 24/03/09
S P Addley	Customer Services Director	resigned 31/03/09
M McCann	Divisional Development Director	
K Nash	Human Resources Business Partner	
J Smithies	Director of Operations	resigned 13/01/09
J Wood	Divisional Finance Director	resigned 31/07/08
S Olah	Divisional Finance Director	appointed 01/04/09

S P Addley and J Wood were employed directly by Orbit South. The other Executive Officers are employed by Orbit Group Limited and their services are provided to Orbit South via an Intra Group Agreement.

## **ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

### **BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS**

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#### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

Directors' and Officers' insurance has been maintained throughout the year to indemnify against liability when acting for the Association.

#### **AUDITORS**

KPMG LLP  
2 Cornwall Street  
Birmingham  
B3 2DL

#### **PRINCIPAL SOLICITORS**

Trowers & Hamlins  
Sceptre Court  
40 Tower Hill  
London, EC3N 4DX

#### **REGISTERED OFFICE**

Foy House  
27-29 High Street  
Margate  
Kent, CT9 1DL

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## OPERATING AND FINANCIAL REVIEW

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### SOCIAL LANDLORD'S BUSINESS, OBJECTIVES AND STRATEGY

Orbit South Housing Association Limited owns and/or manages just under 12,000 homes situated in the south of England, predominantly in Kent, Sussex and the London Borough of Bexley.

The Association's strategic objective throughout the year was to make a significant contribution to the communities it served.

The Association works within the overall strategic framework for the Orbit Group, which is developed by all members of the Group in a consultative process.

#### **Ambition for the Group**

We have developed a partnership model in which the Orbit Group comprises a number of interdependent organisations known as Group members. Group members collaborate in agreeing our strategic direction and values to achieve a shared vision, for the benefit of our customers and the Group as a whole.

***The ambition of the Orbit Group is that of: "Building Brighter Futures for people and communities".***

#### **Objectives for the Group**

We will achieve our ambition by focusing on three key objectives, which will provide a pathway for us over the coming years: -

- **Customer**  
To be a customer first organisation that delivers high quality services that meet customer needs, expectations and aspirations through the development of strong partnerships.
- **Place**  
Make a demonstrable difference to improve the communities in which our residents live and to improve life chances and choices for our customers.
- **Organisation**  
Be a great organisation that is well-governed, well-managed and financially viable, and that is a great place to work for colleagues while offering value for money to all of our customers.

Since 2003 Orbit has progressively improved its position by being more focussed, better structured and increasingly more effective. A major change programme has been completed to provide an excellent platform for the Group's future.

The culture and behaviour that support our delivery of services are enshrined in our values of:

*Honesty  
Innovation  
Respect  
Excellence  
Partnership*

Our ambition and objectives are underpinned by annual priorities. These create a golden thread that aligns our effort, resources and people. They also support our collective and individual aspiration to make a real and demonstrable difference to people's lives.

The various Boards in the Group approve all Business Plans and monitor progress and delivery against targets. In consultation with residents, and with the support of OGL Services, our Group Members will develop and monitor detailed delivery plans. All of our plans have clear milestones and measurable outcomes to guide and confirm progress. The Group will monitor against 17 business critical Performance Indicators.

## **ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

### **OPERATING AND FINANCIAL REVIEW**

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The Orbit Group Business Plan 2009 – 2014 sets out the direction for the Group for the next five years. We recognise the level of ongoing change in our sector and the current difficulties faced by the world's financial markets, and the impacts these are likely to have on our proposals.

Orbit South has developed a 5 year Strategic Plan with detailed objectives within each strand of the Group's objectives which also underpins the 30 year Financial Plan for the Association. Orbit South's main focus for the period was to deliver the organisational re-structure and realign resources and review processes to enable us to achieve continuous improvement in performance and in the delivery of services to all residents and to create an efficient regional association.

In line with Orbit Group's strategic priorities, the Orbit South Board has identified the following main priorities for 2009/10:

- To improve the quality and range of services to customers
- To create places where people want to live
- To develop as an organisation, able to meet its ambitions

Progress against plans will be reported upon throughout the year. Reporting will consist of both strategic indicators and operational performance indicators which will be monitored by the Association's Board.

#### **OPERATING REVIEW**

##### **Performance in the Year**

These Financial Statements are for the first complete financial year for Orbit South. The comparatives for 2008 include the activities of the original Thanet Community Housing Association business for the full year to 31 March 2008 together with the six months activity since 1 October 2007 for the business transferred from Orbit Bexley Housing Association Limited and for the properties purchased from Orbit Housing Association.

During the year the Association achieved a number of key objectives:

- Completed a full restructuring of the business with effect from 1 April 2009, to ensure full alignment of resources to business needs, and leading to ongoing savings.
- Implemented the first stage of the Office Strategy, with the establishment of a new Central Office for the South located at Maidstone.
- Developed a new Orbit South residents' forum called The Residents' Voice. This is to provide an effective link between residents and the Board, and to support our ambition to have customers at the heart of everything we do.
- Focused on dealing effectively with antisocial behaviour for example on an Erith estate, partnership working with residents led to environmental improvements, more robust housing management and residential ownership of local issues resulting in real improvements in quality of life.
- Worked in partnership to improve neighbourhoods. This included working with a Youth Development Service in East Sussex and providing funding and support to the Sedlescombe Youth Project for the development of a new Youth and Community building. This will provide much needed organised activities for youngsters in the area

Financial performance in the year has outperformed budget, with a deficit for the year of £1.72 million compared with a revised budgeted deficit for the combined entity of Orbit South of £2.27 million. The variances were within costs. There were savings of £1.4 million in interest and £0.27 million on depreciation. However, there were increases of £0.5 million in Home Ownership costs, £0.4 million in restructuring and £0.17 million in maintenance.

The development programme has progressed well during the year with 134 new homes being transferred into management in the year. There are a further 326 homes under development and it is anticipated that 180 of these homes will be completed and come into management during 2009/10.

The Audit Commission carried out an Inspection of Orbit South in the Spring of 2008. The service was assessed as 1 star with promising prospects for improvement This was an excellent result in a business that had only completed a merger in October 2007 and was going through a process of immense change. 25 recommendations were made for improvements and the business is on target to complete all requirements by the deadline of July 2009.

## **ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

### **OPERATING AND FINANCIAL REVIEW**

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The Orbit Customer Service Centre has been extended to provide services to Thanet residents, and now covers all Orbit South. Customers can make calls at any time during the hours of 8 am to 8 pm, 7 days a week, and the Orbit Response Unit operates 24 hours a day, 7 days a week to support elderly or vulnerable residents. The Customer Service Centre also provides a 24-hour emergency repairs service.

#### **Dynamics of the Social Landlord**

The drive to improve delivery and efficiency has continued throughout the last year. The Orbit Group has embraced the Government's efficiency agenda, and is continuing to review and refine the way in which it procures planned and responsive maintenance works and other major areas of expenditure with a view to achieving further efficiencies in this area.

The Association's Asset Management Strategy is linked to the Group's values and mission and covers all of its housing properties. The strategy takes account of both the future likely demand for the homes as well as the actual physical condition and lifecycle of the properties, enabling short, medium and long term planning. The Association has ensured the current focus of its planned maintenance programme meets the requirements of the Decent Homes Standard by the end of 2010. The Association works with a number of partners in carrying out reactive and planned maintenance and works with these partners to achieve effective and efficient delivery of works and value for money.

Orbit South has Rent Plans that allow rent restructuring to be achieved to the timetable previously issued by the Housing Corporation. Thanet Community Housing Association Limited had been given formal approval to waive certain aspects of the rent restructuring assumptions by the Housing Corporation's panel, which met on 21 January 2004. Following the creation of Orbit South Housing Association Limited on 1 October 2007, rent plans for the new Association have been reviewed during 2008/09 and a new Rent Plan was agreed during 2008/09 which is fully compliant with the rent restructuring guidelines.

The Group Orbit Extra programme has been used to support a number of Community Initiatives. One example is a youth inclusion football programme at Larner Road estate in Bexley with Charlton FC. This is flourishing and now hosts one of the national Kickz programmes and we are bidding for Sports Lottery funding. Another is the Paradise Allotment project at Ramsgate, supporting people with learning difficulties with a community allotment and café.

#### **Investment for the future**

Orbit South has implemented a new organisational structure with effect from 1 April 2009. This will provide the platform to drive ambitions around service delivery, value for money, greater customer engagement and local accountability.

Orbit South has responded positively to the opportunities arising from the credit crunch and has secured grant funding of £43 million in 2008/09. It already has a pipeline of over 700 properties for delivery in the next 4 years, all of which is incorporated into the Association's long term financial plan. The Orbit Group is an approved Development Partner identified by the HCA in a number of the local authority areas in which we work. New developments are fully compliant with the principles of 'rethinking construction' and meet the minimum requirements of the National Affordable Housing Programme 2008-11.

Orbit South is fully committed to releasing resources through efficiencies and improving performance in order to invest in priority areas. In 2008/09 a new office strategy was also approved and a number of staff have relocated to a regional office in Maidstone. The premises at Bexley Manor Park will be vacated in 2009/10.

The Association was involved in a major Group project to introduce new common IT systems across the whole of the Orbit Group, to improve information and efficiency. The first roll out of new software commenced in March 2009.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## OPERATING AND FINANCIAL REVIEW

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### FINANCIAL REVIEW

#### Capital structure and Treasury Policy

Housing properties of £393.9 million, other tangible fixed assets of £2.1 million and other net liabilities of £18.3 million are financed by grants £195.2 million (51.6%), loans and long term creditors of £174.8 million (46.3%), pension liability of £1.8 million (0.5%) and accumulated reserves of £5.9 million (1.6%).

The depreciation policy for Orbit South Housing Association Limited is that it depreciates its properties over the average economic life of those properties.

The Association has reviewed its properties for impairment. £36k has been provided for housing properties and £22k for the office at Margate.

The Association has adopted FRS17 (accounting for pensions) in full. The pension liability on the balance sheet at 31 March 2009 was £1.8 million (2008: £1.1 million).

#### Treasury Policy

From 1 October 2007, the major loans of all the Group Members at that date were re-routed through a new group treasury vehicle, Orbit Treasury Limited. The treasury vehicle has facilitated changes to the group structure and is supported by group cross-collateralisation. The benefits include improved efficiencies in terms of both streamlined and efficient treasury procedures and strategy, as well as reduced average interest rates and reduced compliance work.

During the year, Orbit Treasury Limited entered into three new swaps with two organisations. The notional value of these transactions is £30 million and comprises three 30-year £10 million swaps, two of which are linked to RPI and one is an interest rate swap which is callable after 3 years. All of these transactions were in sterling.

In June 2009, Orbit Treasury Limited extended the group facility with Abbey National Treasury Services by a further £50 million.

The Orbit Group Board recognises that the fluctuations in the Association's debt requirement arising from sales and new developments in particular make it important to regularly review its treasury policy. The treasury function operates within a framework of clearly defined Board approved policies, procedures and delegated authorities. The fundamental principle underlying the Association's approach is to treat treasury activities as a means of controlling risk rather than for profit generation. The Association has Rules that allow the use of derivatives and the relevant accounting policies are included in note 1 to the Financial Statements.

The treasury policy adopted by the Board requires the Association to:

- only use institutions or investment instruments with high credit ratings
- limit exposure to individual institutions when investing
- limit sensitivity to market fluctuations by adopting a mix of fixed and floating interest rates
- limit the use of third party derivatives
- limit refinancing risk by means of a good spread of debt repayment terms

The treasury policy adopted by Orbit Group Limited was a Group policy, and has been adopted and continued by Orbit Treasury Limited.

#### Cash flow and liquidity

The cash inflow from operating activities during the year was £3.1 million (2008: £11.9 million).

The principal source of both operating cash inflow and outflow remained that of income from the provision of housing accommodation and associated operating costs.



## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### OPERATING AND FINANCIAL REVIEW

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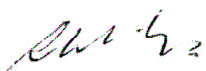
#### Going concern

After making enquiries the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in the financial statements.

#### Conclusion

The successful creation of Orbit South as a single legal entity has provided a platform from which we are delivering more efficient and effective services to residents, and investing more effectively in neighbourhoods across the region.

On behalf of the Orbit South Housing Association Limited Board



**Ron Foster**  
**Chair**  
**23 July 2009**

## **ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

### **HOUSING ASSOCIATION GOVERNANCE**

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#### **Governance**

Orbit South Housing Association (formerly Thanet Community Housing Association Limited) has been a registered social landlord since 1994. Orbit South Housing Association Limited is a subsidiary of Orbit Group Limited.

#### **NHF Code of Governance**

The Board adopts in full the National Housing Federation's Code of Governance. We confirm that Orbit South Housing Association Limited complies with the Code of Governance in all material aspects.

#### **Board of Management**

The Board Members of the Association during the year ended 31 March 2009 are listed on page 2.

The Board is responsible for governing the affairs of the Association and comprises up to twelve non-executive members, excluding co-optees. At least one third of board members must be independent persons, and not more than one third of members may be tenants/leaseholders. Thus the Board Members are drawn from a wide background bringing together professional, commercial and local experience. The Chair of Orbit South Housing Association Limited also sits on the Orbit Group Board, the Governing Board of Orbit Group Limited ("OGL"). All Members of the Orbit Group Board are paid in relation to their responsibilities on that Board. The Orbit South Board are to be paid with effect from 1 April 2009.

The Board meetings have been based on a two monthly cycle and the Board has in place one Committee which is the Service Board to allow the Board to focus on strategic matters.

A representative of the Association will sit on each of the following Group Committees of Orbit Group Limited: Group Audit Committee, and the Group Membership and Governance Committee.

The Board delegates the day to day management of the Association to the Executives and staff. Certain Executives and staff attend the Orbit South Housing Association Limited Board meetings. The Board and the Committee obtain external specialist advice from time to time as necessary.

#### **Resident Involvement**

Orbit South is committed to involving residents in decisions affecting their homes. Up to one third of places on the Orbit South Housing Association's Board are reserved for residents. There are 4 places for residents on the Service Board.

Orbit South has a number of Residents' Fora across the region which meet quarterly, and at which key documents and processes are discussed and for which residents views are sought. The fora have proper constitutions which govern the way in which meetings take place.

#### **Performance Monitoring**

During the year the Board and Service Board have monitored and reviewed key areas of performance for Orbit South.

#### **Housing Ombudsman Service**

There was one case dealt with by The Ombudsman service during the year; on which the company awaits judgement.

## **ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

### **HOUSING ASSOCIATION GOVERNANCE**

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#### **Responsibility for the System of Internal Control**

The Orbit South (OS) Board acknowledges that it has the overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness to provide the necessary assurances in accordance with the requirements of the TSA circular 07/07 and the Regulatory Code.

#### **Scope of Assurance**

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that the key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

#### **Risk Management Process**

The Association has in place a comprehensive and robust Risk Management Strategy & Framework, which is fully compliant with the requirements of the TSA and is based on best practice across the public and private sectors.

The process for the identification and management of risks is an ongoing process and has been in place throughout the year under review. The control environment to manage these risks is continually evaluated and monitored by the OS Board. The lead person for the Association on risk management is the OS Managing Director and the Internal Audit Team as part of an audit review assess whether the control measures stated by Officers as in place and working, are actually effective. The findings of which are reported in Audit Reports and the process is that any significant anomalies are reported to the OS Managing Director and the OS Board. The Group's Audit Committee monitors the implementation of the Group Strategy and plan for Risk Management. The overall responsibility for risk management for the Association remains with the OS Board.

#### **Process for Reviewing the Effectiveness of the Internal Control System**

The OS Board has established a robust and comprehensive framework to assess the effectiveness of the internal control system. The framework comprises of different sources of assurance the more significant ones being Internal Audit, the Group Audit Committee, External Audit, the Association's Senior Management Team and the TSA. In addition, a major component of this assessment is the risk management process described above.

Briefly the key features are:

- The OS Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues and new investment strategies. The Board also regularly reviews key performance indicators to assess the progress towards the achievement of key business objectives, targets and outcomes.
- OS has in place a comprehensive Internal Audit Plan. The plan covers financial and non-financial areas of OS's business and assurances in all of the significant areas of the Association's activity is provided by the Internal Audit Team. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from these reports. Additionally, as part of each audit review, the Internal Audit Team follow up the previous year's recommendations and the extent to which these have been implemented form part of the Audit Report. Some work has been done to improve the reporting systems to monitor recommendations which have not been implemented at both Managing Director and Board level.
- In accordance with good practice, the Group Audit Committee presented a report to the OS Board outlining its work in 2008-09 to support the assurance work on internal controls. It should be noted that the Group Risk and Compliance Director reports directly to the Group Chief Executive and has direct access to the Group Audit Committee.
- The OS Board receives an annual report from the Managing Director outlining the work undertaken and a corresponding opinion on the adequacy and effectiveness of the system of internal controls. In addition, the Group Audit Committee reviews reports from the management, internal auditors and external auditors to provide reasonable assurance that control procedures are in place and are being followed across the Group.

## **ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

### **HOUSING ASSOCIATION GOVERNANCE**

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#### **Control Environment**

The Association has a number of measures in place to instil and encourage a suitable culture of effective internal control. These mechanisms include the following:

- It has adopted the Group's Standing Orders which include appropriate delegations of Authority, signatories and mandates as well as the Schedule One of Housing Act 1996. A copy of the Group's Standing Orders is available to all staff and compliance is an implied term of an employee's contract of employment.
- The Association has adopted the NHF Code of Governance which provides guidance to members on best practice in the governance of Housing Associations and the 'Terms of Reference', for Board and its Committees is based on the guidance therein.
- Formal policies and procedures are in place, including the documentation of key systems. A number of these are being reviewed and updated both at a Group and local level.
- Annual appraisal procedures are well established for staff, appropriate training and development opportunities are offered to all staff to maintain standards of performance.
- Forecasts and budgets are prepared which allow the Board and management to monitor the key business risks and financial objectives. Regular management accounts are prepared which provide relevant, reliable and up-to-date financial and other information. Significant variances from budgets are investigated and reported.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through Board Members and others as appropriate including risk assessments.
- The Group Audit Committee reviews reports from management, internal auditors and external auditors to provide reasonable assurance that control procedures are in place and are being followed across the Group. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from these reports.
- A Staff Handbook exists, the sections of which include staff conduct (e.g. whistle blowing, hospitality, gifts email, etc), health and safety, equal opportunities and other organisational policies (e.g. Data Protection).
- All property, assets and activities of Orbit South are properly documented, managed, and insured. The Board receives adequate information and professional advice to be able to make decisions in relation to Orbit South's property and assets and to confirm that all property and assets are under the control of the Association.

#### **Fraud**

The Group complies with the TSA's requirements on fraud. The TSA's requirements and the Group's approach on fraud are reflected in a revised Policy and Fraud Response Plan which were approved in 2009/10. Relevant cases are reported to the TSA. The Group Standing Orders outline a policy on responding to suspected fraud and corruption. A fraud register is maintained and reviewed regularly by the Group Audit Committee and reported to the Orbit Group Board.

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### HOUSING ASSOCIATION GOVERNANCE

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#### Board's Conclusion

The Board has received the Annual Report on Internal Controls Assurance and has conducted its annual review of the effectiveness of the system of internal control. In addition, the OS Board has monitored and considered the outcomes arising as a consequence of the Association's Risk Management process and the corresponding reports from officers on the associated control environment.

The Board confirms that the process for identifying, evaluating and managing significant risks faced by the Association is ongoing and has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board. There is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year. No fundamental weaknesses were identified which required disclosure in the financial statements.

#### On behalf of the Orbit South Housing Association Limited Board



**Ron Foster**  
**Chair**  
**23 July 2009**

# **ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD**

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The Board present their report and audited financial statements for the year ended 31 March 2009.

### **The Association**

The Association is a not-for-profit organisation with exempt charitable status and is administered by a voluntary Board. The Association operates in the South East of England, predominantly in Kent, Sussex and the London Borough of Bexley.

The Association manages a number of housing schemes providing accommodation for rent. At 31 March 2009 it owned housing properties with a historic cost of £393.9 million (2008 £367.1 million). The Managing Director is employed by Orbit Group Limited. Services are provided to Orbit South Housing Association Limited via a Services Agreement. During the year a range of Corporate Services were provided by the parent body Orbit Group Limited, as set out in the Intra-Group Agreement and individual Customer Supplier Agreements.

### **Principal Activities**

The principal activity of the Association is the management and development of social housing. An operating and financial review of the year's activities appears on pages 4 to 8.

### **Board Members and Executive Officers**

The present Board Members together with the dates of any changes are set out on page 2. The Rules provide that the total Board Membership shall consist of up to twelve members excluding co-optees. All Members of the Orbit Group Board and the Operating Association Strategic Boards are paid in relation to their responsibilities for the Board (note 6). Payment started with the effect from September 2004 for Orbit Group Board members, and has now been introduced for all Operating Association Strategic Board members.

The Executive Officers hold no interest in the Association's shares and have no legal status as directors although they act as executives within the authority delegated by the Board.

### **Members of Staff**

The Orbit Group's ambition is to be considered as employers of choice within the sector, an organisation that is seen to be a great place to work, where employees are supported to do a great job and fulfil their potential and a place where values are put into practice on a daily basis.

Our approach is through the Orbit People Strategy, which sets out the Group's approach to making this ambition a reality. The strategy reflects our commitment to opportunities for continuous professional and personal development, Equality and Diversity, and our drive for continuous improvement.

We will ensure that employees have the skills, knowledge and motivation to deliver excellent services for our customers in line with our "customer first" approach, and that we have confident, capable people managers who are able to work together to deliver results. Various recognition awards for staff have been introduced, including OGL Housing "Can Do" awards, and Orbit South Oscars. We continue to train and develop our people by providing opportunities for in-house training and conferences, together with financial support to attend various professional and vocational courses.

During the last year, we have introduced new leadership standards and a competency framework that will be used as the basis for performance management from April 2010. We have also introduced new Leadership and Management Development Programmes for the Group Executive Team, the Group Leadership Team and senior managers within the group, as part of our fresh approach to developing our potential and growing our leaders.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD

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### Creditors Payment Policy

The Group's current policy concerning the payment of its trade creditors is to:

- Settle the terms of payment with those suppliers when agreeing the terms of each transaction.
- Ensure that the suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- Pay in accordance with its contractual and other legal obligations.

### Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety and has adopted the Group's detailed health and safety policies. Orbit provides members of staff with health and safety training and development opportunities. In accordance with Group requirements work is ongoing to perform risk assessments and reduce the potential for accidents.

Driver awareness training and risk assessments are undertaken for all staff who have the occasion to drive on Association business.

### Donations

During the period the Association did not make any donations to charitable organisations.

### Statement of the responsibilities of the Board for the financial statements

The Industrial and Provident Societies Acts and Registered Social Housing Legislation 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 Association and of the (deficit)/surplus for that period. In preparing those financial statements the Board has:

- Selected suitable policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Followed applicable accounting standards and the March 2005 Statement of Recommended Practice: "Accounting by Registered Social Landlords";
- Prepared the financial statements on a going concern basis.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It is also responsible for maintaining an adequate system of internal control and safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

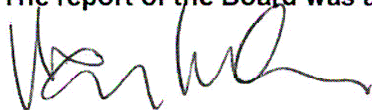
### Annual General Meeting

The annual general meeting will be held on 23 July 2009 at Horizon House, Maidstone.

### Auditors

A resolution to re-appoint KPMG LLP as the Association's auditor will be proposed at the Annual General Meeting.

The report of the Board was approved on 23 July 2009 and signed on its behalf by:



**Vivien Knibbs**  
Secretary

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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## Independent Auditors' Report to the members of Orbit South Housing Association Limited

We have audited the financial statements of Orbit South Housing Association Limited for the period ended 31 March 2009 which comprise the Income and Expenditure account and Balance Sheet, Cash Flow Statement, statement of recognised surpluses and deficits, note of historical cost and surpluses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Board of Management and auditors

As described in the statement of Directors' Responsibilities the Association's Board is responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the Board of Management Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the directors' remuneration and transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion the financial statements:

- Give a true and fair view in accordance with UK Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2009 and of its deficit for the period then ended.
- Have been properly prepared in accordance with the Industrial & Provident Societies Acts 1965-2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

KPMG LLP

19/08/09

KPMG LLP - Chartered Accountants, Birmingham



## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### INCOME AND EXPENDITURE For the Year Ended 31 March 2009

	NOTES	2009 £'000	2008 £'000
Turnover	2/3	50,504	29,933
Operating Costs	2/3	(43,919)	(26,263)
Operating Surplus	4	6,585	3,670
Surplus on Sale of Housing Properties	5	24	142
<b>Surplus on Ordinary Activities before Interest</b>		<b>6,609</b>	<b>3,812</b>
Interest Receivable and Similar Income	8	42	187
Interest Payable and Similar Charges	9	(9,133)	(5,122)
Other Income/(Expenditure)		(43)	14
<b>Deficit on Ordinary Activities before Donations</b>		<b>(2,525)</b>	<b>(1,109)</b>
Donation receivable		804	516
Deficit on ordinary activities before taxation		(1,721)	(593)
Tax on Surplus on ordinary activities	10	-	-
Deficit for the Financial Year		(1,721)	(593)
Transfer to Designated reserves		(163)	(135)
Revenue Reserves brought forward	22	6,417	8,318
Pension Scheme actuarial (loss)/gain	7	(813)	529
General Reserve transferred in at 1 October 2007.		-	(1,702)
<b>Revenue Reserves at 31 March</b>	22	<b>3,720</b>	<b>6,417</b>

All amounts derive from continuing operations.

### STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS For the Year Ended 31 March 2009

		2009 £'000	2008 £'000
<b>Deficit for the Financial Year</b>		<b>(1,721)</b>	<b>(593)</b>
Transfer to Designated Reserve		(163)	(135)
Pension Scheme actuarial (loss)/gain	7	(813)	529
<b>Total recognised Deficit for the year</b>		<b>(2,697)</b>	<b>(199)</b>


# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## BALANCE SHEET

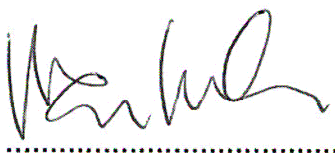
At 31 March 2009

	NOTES	2009		2008	
		£'000	£'000	£'000	£'000
<b>Tangible Fixed Assets</b>					
Housing Properties at Cost	11	393,858		367,119	
Less: Social Housing Grants	11	(194,820)		(184,920)	
Less: Other Public Grants	11	(351)		(351)	
			198,687		181,848
Other Tangible Fixed Assets	12		2,137		2,175
			<u>200,824</u>		<u>184,023</u>
<b>Current Assets</b>					
Stock		4		-	
Debtors	13	4,502		4,749	
Investments & Short Term Deposits	14	-		666	
Cash at Bank and in Hand		979		499	
		<u>5,485</u>		<u>5,914</u>	
<b>Creditors: Amounts falling due within one year</b>	15	<u>(23,824)</u>		<u>(19,905)</u>	
<b>NET CURRENT LIABILITIES</b>			(18,339)		(13,991)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u><b>182,485</b></u>		<u><b>170,032</b></u>
<b>Creditors: Amounts falling due after more than one year</b>					
RCGF and DPF	16		174,017		159,483
Pension Liability	17		737		1,022
	21		1,846		1,108
<b>Capital and Reserves</b>					
Called Up Share Capital	19	-		-	
Designated Reserves	20	2,165		2,002	
General Reserves	22	3,720		6,417	
<b>Association's Funds</b>			<u>5,885</u>		<u>8,419</u>
			<u><b>182,485</b></u>		<u><b>170,032</b></u>

The financial statements on pages 16 to 43 were approved by the Board on 23 July 2009 and signed on its behalf by:

  
 .....  
 Ron Foster  
 CHAIR

  
 .....  
 Malcolm Bushell  
 BOARD MEMBER

  
 .....  
 Vivien Knibbs  
 SECRETARY

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## CASHFLOW STATEMENT

For the Year Ended 31 March 2009

	2009		2008	
	£'000	£'000	£'000	£'000 restated
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 25)</b>		3,115		11,918
<b>Returns on Investments and Servicing of Finance</b>				
Interest Received	42		187	
Interest Paid	(8,575)		(4,525)	
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		(8,533)		(4,338)
Donation from parent (Gift Aid)	804		48	
		804		48
<b>Capital Expenditure and Financial Investment</b>				
Acquisition and Construction of Housing Properties	(9,189)		(4,373)	
Acquisition and Construction of Housing Properties on Restructure	-		(310,095)	
Sale of Housing Properties	344		142	
Grants received	4,603		2,005	
Grants transferred on restructure	-		166,015	
Purchase of Other Fixed Assets	(114)		(1,507)	
Acquisition of Reserves on Restructure	-		708	
Sale of Other Fixed Assets	1		-	
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT ACTIVITIES</b>		(4,355)		(147,105)
<b>NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		(8,969)		(139,477)
<b>Management of Liquid Resources and Financing (Note 27 &amp; 28)</b>				
<u>(i) Liquid Resources</u>				
Decrease/ (Increase) in Bank Deposits (with a maturity in excess of 24 hours)	-		4,200	
<u>(ii) Financing</u>				
Housing Loans Received on Restructure from Group	40,499		148,110	
Intercompany Loans transferred on Restructure	-		25,000	
Housing Loans transferred on Restructure	-		(25,000)	
Housing Loans Repaid	(31,716)		(11,769)	
Loan Arrangement Fees			(7)	
<u>(iii) Pension Scheme Liability (Note 7)</u>				
Pension Scheme Contributions paid	-		(339)	
<b>NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		8,783		140,195
<b>(DECREASE)/INCREASE IN CASH AT BANK AND IN HAND (Note 28)</b>		<b>(186)</b>		<b>718</b>

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

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### 1 PRINCIPAL ACCOUNTING POLICIES

#### Legal Status

Orbit South Housing Association Limited is incorporated under the Industrial & Provident Societies Act 1965 and registered with the Housing Corporation as a Registered Social Landlord as defined by the Housing Act 1996. The Parent Body is Orbit Group Limited.

#### Basis of Accounting

The financial statements have been prepared in accordance with applicable Accounting Standards and Statements of Recommended Practice of the United Kingdom. The Financial Statements comply with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 to the Housing Act 1996, the Accounting Requirements for Registered Social Landlords General Determination 2006, and the Statement of Recommended Practice published by the National Housing Federation in 2008 "Accounting for Registered Social Landlords". The Financial Statements are prepared on the historical cost basis of accounting. In 2006-07 the Association adopted FRS17 Retirement Benefits.

#### Group Services

The Association has taken advantage of the exemptions available under FRS8 (Related Party Transactions) and has not disclosed transactions with the Parent undertaking as consolidated financial statements are available from the Registered Office.

A range of services are provided to Orbit South Housing Association Limited by the Parent Body Orbit Group Limited, as set out in the Intragroup Agreement between the two Associations. During the year the Association also had service agreements with other Associations within the Group particularly in respect of receipt and delivery of housing management services.

With the exception of costs capitalised as development costs, all costs incurred through this agreement are written off to the Income and Expenditure Account in the period in which they are incurred.

#### Turnover

Turnover represents rental and service charge income receivable, revenue grants from local authorities and the Housing Corporation, and other income. All income is recognised on a receivable basis.

#### Housing Properties

- Housing properties

Housing properties comprise the cost of acquiring land and buildings, development costs and attributable interest charges incurred during the development period and the capital element of expenditure incurred in respect of the stock improvement programme.

Freehold land is not depreciated. Housing properties are shown at cost. Depreciation is charged so as to write down the value of freehold properties on a straight-line basis over their estimated useful economic lives. General needs houses and flats and sheltered properties are all believed to have useful economic lives of between 75 and 100 years. Acquired properties are depreciated over their estimated remaining economic lives.

- Non housing assets

Non-housing properties are stated at cost, less accumulated depreciation and capital grants. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:

Freehold offices and commercial premises	2%
Computer equipment	20%-25%
Fixtures, Fittings and Other Equipment	20%-25%

Freehold offices are shown at cost less depreciation.

The useful economic lives of all tangible fixed assets are reviewed annually.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

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### 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### **Social Housing Grant (SHG) and Other Grants**

Where Social Housing Grant (SHG) from the Housing Corporation or Local Authorities, or capital grants from other bodies, have been received as a contribution towards the capital costs of a scheme, such grants are shown on the face of the balance sheet as a deduction from the cost of housing properties.

Where SHG is received on items treated as revenue expenditure, e.g. elements of major repair expenditure, it is treated as a revenue grant and credited to the income and expenditure account and disclosed separately within the turnover note.

Social Housing Grant may be repayable in certain circumstances, even where it has been treated as a revenue grant for accounting purposes, such as where the development of a property is not completed.

At the balance sheet date if the SHG or other grants received or receivable on the development programme as a whole are greater than gross cost, the difference is treated as included in creditors falling due within one year and disclosed as SHG and other grants in advance.

Where SHG is to be recycled or repaid on the disposal of housing properties, the SHG to be recycled or repaid less the SHG relating to the disposal is treated as abated SHG and treated as a surplus or deficit on disposal.

#### **Capitalisation of Interest and Administration Costs**

Interest on loans financing development has been capitalised. Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

#### **Impairment**

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the Income and Expenditure Account. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or its value in use.

#### **Leased Assets**

Where assets are financed by leasing agreements that give rights approximating to ownership, they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the income and expenditure account using the straight-line basis method. Rentals paid under operating leases are charged to the income and expenditure account on a straight-line basis over the life of the lease.

#### **Pension Costs**

The association operates a defined benefit funded pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The requirements of FRS17 Retirement Benefits are now fully reflected in the financial statements and associated notes. Note 7 provides a summary of the pension valuation report, together with prior year statements which state last year's revenue and reserves. For funding purposes, surpluses or deficiencies are dealt with as advised by the actuary.

For defined benefit schemes the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments and are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The Parent Body participates in the Social Housing Pension Scheme and offers a Stakeholder pension scheme; further details of both can be found in the Group Financial Statements. The cost of providing retirement pensions and related benefits is charged to management expenses. The disclosures in the Group's Financial Statements follow the requirements of FRS 17.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

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### 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### **Cyclical Repairs and Maintenance**

Due to the number of properties held and the establishment of regular programmes of repair and maintenance, the Association does not make provision for future works but charges actual costs incurred to the Income and Expenditure account.

#### **Disposal of Housing Properties**

Under the terms of the original transfer agreement, between Thanet District Council and Thanet Community Housing Association Limited (now Orbit South) proceeds from right to buy sales within those originally transferred properties are shared with Thanet District Council. On completion of a right to buy sale, the full proceeds are taken to the Income and Expenditure account. The share payable to the Council is treated as a cost of sale. A similar agreement exists between Bexley Council and Orbit South. Proceeds from other right to buy sales are retained by Orbit South.

#### **Works to Existing Housing Properties**

Expenditure on housing properties which increases the net rental stream over the life of the property is capitalised. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance costs, or a significant extension of the life of the property. All other costs are classified as maintenance and are charged to the Income and Expenditure Account in the year in which the work is undertaken. No depreciation charge is made during the year in which a property comes into management, nor in the year of sale.

#### **Supporting People Income and Costs**

Supporting People charges are levied as a separate charge and not as part of rent. The income and related costs are therefore shown within Other Social Housing Activities.

#### **Disposal Proceeds Fund**

Voluntary Purchase Grants net of disposal proceeds are credited to this fund which appears as a creditor until spent.

#### **Value Added Tax**

The Association is party to a group registration for VAT. All amounts disclosed in the Financial Statements are inclusive of non-recoverable VAT.

#### **Taxation**

The Association was accepted as a charity for taxation purposes by HMRC with effect from 28 January 2003 and no taxation is payable. The Association's activities are exempt from taxation.

#### **Designated Reserves**

The Association designate those reserves that have been set aside for uses that prevent them, in the judgement of the Board, from being regarded as part of the free reserves of the Association.

**ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 March 2009

**2 TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS**

	<b>2009</b>		
	<b>Turnover £'000</b>	<b>Operating Costs £'000</b>	<b>Operating Surplus/ (Deficit) £'000</b>
<b>SOCIAL HOUSING LETTINGS (Note 3a)</b>	48,717	(42,073)	6,644
<b>Other Social Housing Activities</b>			
Managed Associations	288	(138)	150
Home Ownership Services	714	(1,066)	(352)
Supporting People	570	(630)	(60)
<b>Non-Social Housing Activities (Note 3b)</b>			
Other	215	(12)	203
	<u>50,504</u>	<u>(43,919)</u>	<u>6,585</u>
	<b>2008</b>		
	<b>Turnover £'000</b>	<b>Operating Costs £'000</b>	<b>Operating Surplus/ (Deficit) Restated £'000</b>
<b>SOCIAL HOUSING LETTINGS (Note 3a)</b>	28,553	(25,020)	3,533
<b>Other Social Housing Activities</b>			
Managed Associations	94	(159)	(65)
Home Ownership Services	371	(410)	(39)
Supporting People	394	(351)	43
Other	346	(262)	84
<b>Non-Social Housing Activities (Note 3b)</b>			
Other	175	(61)	114
	<u>29,933</u>	<u>(26,263)</u>	<u>3,670</u>

The allocation of costs by activity for 2007/8 has been restated to be comparable to 2008/9. This affects notes 2 and 3a.

**ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 March 2009

**3a INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS**

	Year ended			Total £'000
	General Needs Housing £'000	Supported Housing £'000	Key Worker Accom. £'000	
<b>INCOME</b>				
Rents receivable net of identifiable service charges	42,168	1,288	404	43,860
Service Charges	4,508	512	228	5,248
<b>Gross Rent Receivable</b>	<u>46,676</u>	<u>1,800</u>	<u>632</u>	<u>49,108</u>
Less: Rent losses from voids	(748)	(49)	(39)	(836)
Net rents receivable	<u>45,928</u>	<u>1,751</u>	<u>593</u>	<u>48,272</u>
Other Income	437	8	-	445
<b>TOTAL INCOME</b>	<u>46,365</u>	<u>1,759</u>	<u>593</u>	<u>48,717</u>
<b>EXPENDITURE</b>				
Services	(4,310)	(584)	(229)	(5,123)
Management	(7,698)	(381)	(377)	(8,456)
Routine Maintenance	(9,242)	(421)	(14)	(9,677)
Planned Maintenance	(15,540)	(603)	(11)	(16,154)
Rent Losses from Bad Debts	(173)	(21)	(1)	(195)
Depreciation of Housing	(2,343)	(50)	-	(2,393)
Lease Charges	(17)	-	-	(17)
Impairment	(58)	-	-	(58)
<b>TOTAL EXPENDITURE</b>	<u>(39,381)</u>	<u>(2,060)</u>	<u>(632)</u>	<u>(42,073)</u>
<b>OPERATING SURPLUS/ (DEFICIT) ON LETTINGS</b>	<u>6,984</u>	<u>(301)</u>	<u>(39)</u>	<u>6,644</u>



**ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2009**

**3a INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS (CONTINUED)**

	Year ended 31/03/09			Total £'000
	General Needs Housing £'000	Supported Housing £'000	Key Worker Accom. £'000	
<b>INCOME</b>				
Rents receivable net of identifiable service charges	23,718	1,854	209	25,781
Service Charges	1,840	854	127	2,821
<b>Gross Rent Receivable</b>	<u>25,558</u>	<u>2,708</u>	<u>336</u>	<u>28,602</u>
Less: Rent losses from voids	(254)	(87)	(29)	(370)
Net rents receivable	<u>25,304</u>	<u>2,621</u>	<u>307</u>	<u>28,232</u>
Other Income	<u>333</u>	<u>(12)</u>	<u>-</u>	<u>321</u>
<b>TOTAL INCOME</b>	<u><u>25,637</u></u>	<u><u>2,609</u></u>	<u><u>307</u></u>	<u><u>28,553</u></u>
<b>EXPENDITURE</b>				
Services	(1,788)	(1,171)	(105)	(3,064)
Management	(3,994)	(239)	(2)	(4,235)
Routine Maintenance	(4,661)	(528)	(21)	(5,210)
Planned Maintenance	(2,363)	(130)	(19)	(2,512)
Major Repairs Expenditure	(6,936)	(1,130)	-	(8,066)
Rent Losses from Bad Debts	(137)	(21)	-	(158)
Depreciation of Housing Properties	(1,347)	(87)	-	(1,434)
Other Costs	<u>(315)</u>	<u>(26)</u>	<u>-</u>	<u>(341)</u>
<b>TOTAL EXPENDITURE</b>	<u><u>(21,541)</u></u>	<u><u>(3,332)</u></u>	<u><u>(147)</u></u>	<u><u>(25,020)</u></u>
<b>OPERATING SURPLUS/ (DEFICIT) ON LETTINGS</b>	<u><u>4,096</u></u>	<u><u>(723)</u></u>	<u><u>160</u></u>	<u><u>3,533</u></u>

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

### 3b TURNOVER FROM NON-SOCIAL ACTIVITIES

	2009 £'000	2008 £'000
<b>Lettings:</b>		
Commercial Premises	186	134
Other	29	41
	<u>215</u>	<u>175</u>

### 4 OPERATING SURPLUS

	Note	2009 £'000	2008 £'000
<b>Operating Surplus is Stated after Charging/(Crediting)</b>			
<b>On Fixed Assets Other than Housing Properties:</b>			
- Depreciation	12	129	106
- Provision for Impairment	12	22	-
Housing Properties Depreciation	11	2,393	1,435
(Surplus) on disposals	5	(24)	(142)
Operating Leases		-	4
Provision for Impairment		36	-
<b>Auditor's Remuneration:</b>			
- In their capacity as Auditors		59	34

### 5 SURPLUS ON SALE OF HOUSING PROPERTIES

	2009 £'000	2008 £'000
Proceeds from disposal	500	631
Cost of sales	(370)	(265)
Right to Buy clawbacks	(106)	(211)
Legal fees	-	(13)
<b>Gain</b>	<u>24</u>	<u>142</u>

Right to Buy clawback relates to arrangements between Thanet District Council and Orbit South and Bexley Council and Orbit South, whereby the proceeds from sales of the original housing properties made under the Preserved Right to Buy legislation are shared with the respective councils from which the stock was originally transferred. The method of sharing is set out in a pre-agreed formula.

### 6 DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

The Senior Executives are defined for the purpose of emoluments as the Board, the Managing Director, and any person who reports directly to the Managing Director or the Board.

The Directors of the Association are its Board Members. No emoluments were paid to Directors during the year.

Expenses paid to, and on behalf of Board Members are shown below. These amounted to £25k (2008 £17k). They received no other emoluments.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

### 6 DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (CONTINUED)

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Travel Costs	6	6
Meeting Costs	11	4
Training	1	4
Accommodation and Hospitality	6	2
Periodicals and Magazines	1	1
	<u>25</u>	<u>17</u>
<b>Gain</b>	<u><u>25</u></u>	<u><u>17</u></u>

Certain of the Board Members are tenants/leaseholders of the Association. Their tenancies/leases are on normal commercial terms and the Members cannot use their position to their advantage. Board Members payments were introduced for all Group Board Members from September 2004, and this includes the Chair of Orbit South Housing Association Limited in his role as a Group Board Member. The payments to Group Board Members are disclosed in the financial statements of Orbit Group Limited. Payments to Orbit South Board Members have been agreed with effect from 1 April 2009.

Orbit South employs some staff directly but the majority of staff are employed by Orbit Group Limited. These Financial statements show the emoluments of persons directly employed by the Association. Emoluments of other Senior Executives (including the Managing Director) and staff are disclosed in the Group Financial Statements.

No payments or benefits, other than those permitted, were made to the persons referred to in Schedule 1 of the Housing Act 1996.

The remuneration paid to the senior executives of the Association was:

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Emoluments including pension contributions and benefits in kind	<u>125</u>	<u>178</u>
Emoluments excluding pension contributions paid to the highest paid Senior Executive	<u>76</u>	<u>73</u>

The number of Senior Executives and non-executive Board Members, including the highest paid senior executive who received emoluments (excluding pension contributions) in the following ranges was:

	<b>2009</b> <b>Number</b>	<b>2008</b> <b>Number</b>
£Nil	20	20
£70,001 - £80,000	1	2
	<b>2009</b> <b>£</b>	<b>2008</b> <b>£</b>
Total expenses reimbursed to the Senior Executives not chargeable to United Kingdom income tax	<u>3,843</u>	<u>4,888</u>

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2009

#### 6 DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (CONTINUED)

The average weekly number of persons (including the Senior Executives) employed during the year was:

	<b>2009 Number</b>	<b>2008 Number</b>
Office Staff	32	39
Wardens, caretakers and cleaners	20	23
	<u>52</u>	<u>62</u>
Full-time	39	50
Part-time	13	12
	<u>52</u>	<u>62</u>
Full Time Equivalents	<u>48</u>	<u>60</u>
	<b>2009 £'000</b>	<b>2008 £'000</b>
Staff costs for the Above		
Wages and salaries	1,206	1,808
Social security costs	98	138
Other pension costs	256	291
	<u>1,560</u>	<u>2,237</u>

#### 7 PENSION COSTS

##### (a) Local Government Pension Scheme - KCC

The Association participates in The Local Government Pension Scheme (LGPS defined benefit statutory scheme) which is administered by Kent County Council (KCC). The Association has adopted accounting standard FRS 17 'Retirement Benefits' since March 2007. The impact of this standard has been reflected throughout the financial statements. Prior year comparatives have been restated where appropriate.

The difference between the fair value of the assets held in the Association's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Association's balance sheet as a pension scheme asset or liability as appropriate. Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the Association are charged to the Income and Expenditure account or the statement of total recognised surpluses and deficits in accordance with FRS 17 'Retirement Benefits'.

Total employer contributions paid to the scheme for the year were £260k (2008: £283k).

Due to changes to the standard asset valuation which has moved from a fair value to a realisable value (bid basis) there has been a £20k impact on the balance sheet in 2008/09.

##### Triennial actuarial valuation

Triennial actuarial valuations of the LGPS are performed by an independent, professionally qualified actuary using the projected unit method. The projected figures do not make allowance for the effect of members electing to exchange part of their LGPS pension for additional tax-free cash at retirement, as permitted from April 2005. The most recent valuation of KCC's scheme was completed as at 31 March 2007, with the next formal valuation due for the year ended 31 March 2010.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2009

### 7 PENSION COSTS (CONTINUED)

The major financial assumptions used by the actuary in the FRS 17 valuation are:

	2009	2008	2007
Rate of increase in salaries	4.6%	5.1%	4.7%
Rate of increase in pensions in payment and deferred pensions	3.1%	3.6%	3.2%
Discount rate applied to scheme liabilities	6.9%	6.9%	5.4%
Inflation assumption	3.1%	3.6%	3.2%

The inflation assumption is based on consideration of the difference in gross redemption yields of traditional and index-linked gilt edge securities as at 31 March 2009.

Salary increases are assumed to be 1.5% (2008: 1.5%, 2007: 1.5%) more than assumed inflation, in line with the assumption used in the latest formal valuation of the Fund.

#### Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 2009 £000	Value at 2008 £000	Value at 2007 £000
Equities	2,690	3,360	3,540
Bonds	690	680	620
Other – Property	370	520	510
Cash	330	280	360
Total Scheme Assets	<u>4,080</u>	<u>4,840</u>	<u>5,030</u>
Total Value of Scheme liabilities	(4,990)	(5,040)	(6,180)
Net pension liability	<u>(910)</u>	<u>(200)</u>	<u>(1,150)</u>
	<b>Expected rate of return</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Equities	7.0%	7.7%	7.8%
Bonds	5.4%	5.7%	4.9%
Other – Property	4.9%	5.7%	5.8%
Cash	4.0%	4.8%	4.9%
Total Expected Returns	<u>6.3%</u>	<u>7.0%</u>	<u>7.0%</u>

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

### 7 PENSION COSTS (CONTINUED)

#### Analysis of amounts charged to Income and Expenditure

	2009 £'000	2008 £'000
<b>Amount charged to operating costs</b>		
Service Costs	140	220
Past Costs	60	-
Curtailments and settlements	10	-
	<u>210</u>	<u>220</u>
Expected return on Employers Assets	350	360
Interest on Pension Scheme Liabilities	<u>(350)</u>	<u>(340)</u>
	<u>-</u>	<u>20</u>

#### History of experience gains and losses at end of year

	2009	2008	2007	2006	2005
Difference between the expected and actual return on scheme assets (£000)	(1,320)	(640)	(30)	653	113
% of scheme assets	(32.3%)	(13.2%)	(0.6%)	14.5%	3.6%
Experience Gains and (Losses) arising on the scheme liabilities (£000)	-	340	(15)	3	(296)
% of scheme liabilities	-	6.7%	(0.2%)	0.0%	(6.1%)
Actuarial (Loss)/Gain recognised in the statement of recognised surpluses/(deficits) £(000)	(760)	870	385	(137)	(276)
% of scheme liabilities	(15.3%)	17.3%	6.2%	(2.3%)	(5.7%)

#### Movement in surplus/deficit during the year

	2009 £'000	2008 £'000
<b>(Deficit) in pension scheme at 1 April</b>	(200)	(1,150)
Service Costs	(210)	(220)
Contributions	260	280
Net Return on Assets less interest on pension scheme liabilities	-	20
Actuarial Gains/(Losses)	<u>(760)</u>	<u>870</u>
<b>Deficit in pension scheme at 31 March</b>	<u>(910)</u>	<u>(200)</u>

Based on the actuarial assumptions, Orbit South Housing Association Limited's pension contributions for the next 2 years will need to remain at 25.3%. This level of contribution will be subject to further review at the next triennial formal valuation review due to take place for the year ended 31 March 2010.

#### (b) Social Housing Pension Scheme

The Orbit Group participates in the Social Housing Pension Scheme which is a member scheme of "The Pensions Trust for Charities and Voluntary Organisations", and also offers a Stakeholder pension scheme. Further details can be found in the Group Financial Statements.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2009

### 7 PENSION COSTS (CONTINUED)

#### (c) Local Government Pension Scheme – Bexley London Borough

Orbit South Housing Association Limited also participates in the Bexley London Borough Pension Fund, which is a defined benefit scheme. The Association has adopted the provisions of FRS 17 'Retirement benefits' in preparing these accounts.

Due to changes to the standard asset valuation which has moved from a fair value to a realisable value (bid basis) there has been a £4k impact on the balance sheet in 2008/09.

The next tri-ennial valuation is for the year ending March 2010.

	12 months to 31/03/09	12 months to 31/03/08	6 months to 30/09/07	12 months to 31/03/07
Rate of increase in salaries	5.05%	5.35%	4.85%	4.85%
Rate of increase in pensions in payment and deferred pensions	3.30%	3.60%	3.10%	3.10%
Discount rate applied to scheme liabilities	7.10%	6.10%	5.40%	5.40%
Inflation assumption	3.30%	3.60%	3.10%	3.10%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

#### Pension Liability

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, are:

	Value at 31/03/09 £000	Value at 31/03/08 £000	Value at 30/09/07 £000
Equities	1,224	1,599	1,709
Government Bonds	183	208	267
Other Bonds	255	333	360
Other – Cash	44	58	27
Other	142	113	88
Total fair value of assets	1,848	2,311	2,451
Present value of scheme liabilities	(2,784)	(3,219)	(3,062)
Net pension liability	(936)	(908)	(611)

	Long Term Expected Rates of Return 31/03/09	31/03/08	30/09/07
Equities	7.5%	7.5%	7.5%
Government Bonds	4.0%	4.6%	4.7%
Other Bonds	6.0%	6.1%	5.4%
Other - Property	6.5%	6.5%	N/A
Other - Cash	0.5%	5.3%	5.3%
Other	-	7.5%	7.5%

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2009

### 7 PENSION COSTS (CONTINUED)

Movement in deficit during the year:

	31/3/09 £'000	31/03/08 £'000	30/09/07 £'000
Deficit in scheme at beginning of year	(908)	(611)	(634)
<b><u>Movement during the year:</u></b>			
Current service cost	(9)	(6)	-
Contributions paid	77	59	23
Past service cost	-	(3)	-
Other finance costs	(43)	(6)	-
Actuarial gain/(loss)	(53)	(341)	-
	<u>(936)</u>	<u>(908)</u>	<u>(611)</u>

#### Analysis of other pension costs charged in arriving at operating surplus:

	31/03/09 £'000	31/03/08 £'000	30/09/07 £'000
Current service cost	(9)	(6)	-
Past service (loss)	-	(3)	-
	<u>(9)</u>	<u>(9)</u>	<u>-</u>

#### Analysis of amounts charged to other financing costs:

	12 months to 31/03/09 £'000	12 months to 31/03/08 £'000	6 months to 30/09/07 £'000
Expected return on pension scheme assets	150	157	-
Interest on pension scheme liabilities	(193)	(163)	-
	<u>(43)</u>	<u>(6)</u>	<u>-</u>

#### Analysis of amount recognised in statement of total recognised surpluses and deficits:

	12 months to 31/03/09 £'000	12 months to 31/03/08 £'000	6 months to 30/09/07 £'000
Actual return less expected return on pension scheme assets	(574)	(231)	-
Liability Gain	-	110	-
Gain/(Loss) on change of assumptions underlying the present value of the scheme liabilities	525	(220)	-
Revaluation of balance sheet	(4)	-	-
	<u>(53)</u>	<u>(341)</u>	<u>-</u>



# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2009

### 7 PENSION COSTS (CONTINUED)

History of experience gains and losses:

	12 Months to 31/03/09 £'000	12 months to 31/03/08 £'000	6 months to 30/09/07 £'000
Actual return less expected return on scheme assets	(574)	(231)	-
% of scheme assets at year end	(31.1%)	(10.0%)	(0.0%)
Experience loss arising on scheme liabilities	525	-	-
% of scheme liabilities at year end	18.9%	-	(0.0%)
Total actuarial gain recognised in statement of total recognised surpluses and deficits	(53)	(341)	-
% of scheme liabilities	(1.9%)	(10.6%)	-

### 8 INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 £'000	2008 £'000
Interest Receivable from Unlisted Investments	<u>42</u>	<u>187</u>

### 9 INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £'000	2008 £'000
<b>On Bank Loans, Overdrafts and Other Loans</b>		
Redeemed in year	-	651
Repayable within 5 years, by instalments	1,376	693
Repayable by instalments wholly or partly, in more than 5 Years	7,602	3,804
Loan refinancing costs	-	7
Derivative interest	-	14
Other Interest	298	143
	<u>9,276</u>	<u>5,312</u>
Capitalised interest	<u>(143)</u>	<u>(190)</u>
	<u>9,133</u>	<u>5,122</u>

The loans are secured by a fixed charge over the majority of the housing properties.

### 10 TAXATION

The Association was accepted as a charity for tax purposes by HMRC. No liability for taxation is anticipated. The Board is not aware of any circumstances which will affect the future taxation status of the Association.

**ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2009**

**11 TANGIBLE FIXED ASSETS**

	Housing Properties for Letting		Supported Housing		Care Estabs.	Total
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	£'000	£'000
<b>COST</b>						
At 1 April 2008	362,397	16,019	5,791	984	858	386,049
Additions	173	23,860	-	5,178	-	29,211
Transfer on completion	14,776	(14,776)	5,090	(5,090)	-	-
Disposals	(48)	-	-	-	-	(48)
<b>At 31 March 2009</b>	<b>377,298</b>	<b>25,103</b>	<b>10,881</b>	<b>1,072</b>	<b>858</b>	<b>415,212</b>
<b>LESS: GRANTS</b>						
At 1 April 2008	(173,181)	(9,639)	(1,637)	-	(814)	(185,271)
Reclassification	-	977	-	(977)	-	-
Grants Receivable	16	(7,518)	-	(2,373)	-	(9,875)
Transfers on completion	(7,463)	7,463	(3,350)	3,350	-	-
Transfer To Recycled Capital Grant Fund	-	(25)	-	-	-	(25)
<b>At 31 March 2009</b>	<b>(180,628)</b>	<b>(8,742)</b>	<b>(4,987)</b>	<b>-</b>	<b>(814)</b>	<b>(195,171)</b>
<b>DEPRECIATION ON HOUSING PROPERTIES</b>						
At 1 April 2008	(18,207)	-	(441)	-	-	(18,648)
Charge for the Year	(2,343)	-	(50)	-	-	(2,393)
Eliminated in respect of Disposals	5	-	-	-	-	5
<b>At 31 March 2009</b>	<b>(20,545)</b>	<b>-</b>	<b>(491)</b>	<b>-</b>	<b>-</b>	<b>(21,036)</b>

**ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2009**

**11 TANGIBLE FIXED ASSETS (CONTINUED)**

	Housing Properties for Letting		Supported Housing		Care Estabs.	Total
	Complete £'000	In Development £'000	Complete £'000	In Development £'000		
<b>IMPAIRMENT ON HOUSING PROPERTIES</b>						
At 1 April 2008	(189)	-	(93)	-	-	(282)
Charge for the Year	(36)	-	-	-	-	(36)
At 31 March 2009	(225)	-	(93)	-	-	(318)
<b>NET BOOK AMOUNT</b>						
At 31 March 2009	175,900	16,361	5,310	1,072	44	198,687
At 31 March 2008	170,820	6,380	3,620	984	44	181,848

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

### 11 TANGIBLE FIXED ASSETS (CONTINUED)

During the year total expenditure on works to existing properties was £23 million of which £1 million has been capitalised.

Additions to properties include capitalised interest costs of £143k (2008: £190k).

The Association reviewed its assets for impairment and £36k of provisions for impairment were made during the year.

Grants stated in the note above comprise primarily Social Housing Grants but also grants received towards development costs from other public bodies. The total amount of Social Housing Grant received during the year was as follows:

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Within Housing properties and work in progress	<u>9,900</u>	<u>10,014</u>
<b>The Net Book Value of Housing and Other Properties (note 12) comprises:</b>		
Freehold Land and Buildings	200,531	183,760
Long Leasehold Land and Buildings	<u>114</u>	<u>117</u>
	<u>200,645</u>	<u>183,877</u>
<b>Housing properties</b>	198,687	181,848
<b>Other – freehold offices</b>	1,844	1,912
<b>Other – Commercial premises</b>	<u>114</u>	<u>117</u>
	<u>200,645</u>	<u>183,877</u>

Housing Stocks are stated at the lower of cost and net realisable value. Cost includes land, build costs, applicable overheads and interest.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

### 12 OTHER TANGIBLE FIXED ASSETS

	Freehold Offices £'000	Commercial Premises £'000	Motor Vehicles £'000	Equipment & Fixtures £'000	Total £'000
<b>COST</b>					
At 1 April 2008	2,310	150	26	1,645	4,131
Additions	-	-	-	114	114
Disposals	-	-	(2)	(415)	(417)
<b>At 31 March 2009</b>	<u>2,310</u>	<u>150</u>	<u>24</u>	<u>1,344</u>	<u>3,828</u>
<b>LESS: DEPRECIATION</b>					
At 1 April 2008	(398)	(33)	(25)	(1,500)	(1,956)
Charge for the Year	(46)	(3)	(1)	(79)	(129)
Depreciation on Disposals	-	-	2	414	416
<b>At 31 March 2009</b>	<u>(444)</u>	<u>(36)</u>	<u>(24)</u>	<u>(1,165)</u>	<u>(1,669)</u>
<b>LESS: IMPAIRMENT</b>					
At 1 April 2008	-	-	-	-	-
Charge for Year	(22)	-	-	-	(22)
At 31 March 2009	<u>(22)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22)</u>
<b>NET BOOK AMOUNT</b>					
At 31 March 2009	<u>1,844</u>	<u>114</u>	<u>-</u>	<u>179</u>	<u>2,137</u>
At 31 March 2008	<u>1,912</u>	<u>117</u>	<u>1</u>	<u>145</u>	<u>2,175</u>

### 13 DEBTORS

	2009 £'000	2008 £'000
Rents and Service charges	3,617	4,107
Provision for Bad Debts	(468)	(807)
Net Rental Debtors	<u>3,149</u>	<u>3,300</u>
Amounts Due from Fellow Subsidiary	-	475
Service Charges due from Leaseholders	156	251
Prepayments and Accrued Income	-	72
Debtors due in more than one year	578	259
Provision – bad debts	(25)	(19)
Grants Receivable	-	16
Other Debtors	644	395
	<u>4,502</u>	<u>4,749</u>
Debtors after one year included in Other Debtors above	<u>578</u>	<u>259</u>

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

### 14 OTHER INVESTMENTS AND SHORT TERM DEPOSITS

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Short Term Bank Deposits maturing in less than 24 hours	-	666
	<u>-</u>	<u>666</u>

### 15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Trade Creditors	5,560	4,062
Rents Received in advance	601	358
Amounts Due to Other Group Members	8,805	4,941
Loans from Group Companies	5,078	5,078
Housing Loans (Note 18)	242	216
Other Creditors	1,239	671
Disposal Proceeds Fund (see below)	429	-
Grants Received in Advance	-	697
Accruals and Deferred Income	1,868	3,879
Other taxation and social security payable	2	3
	<u>23,824</u>	<u>19,905</u>

Housing Loans shown above are net of £0k loan arrangement fees carried forward (2008 £7k)

### 16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Leaseholder Maintenance and renewal provisions	976	781
Intra Group Loan	151,358	142,359
Bank Loans	13,447	13,689
Amounts due to other Group Members	7,730	2,383
Other Creditors	412	202
Accruals & Deferred income	94	69
	<u>174,017</u>	<u>159,483</u>

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

#### 17 DISPOSAL PROCEEDS AND RECYCLED CAPITAL GRANT FUNDS

	RCGF £000	DPF £000	TOTAL £000
<b>At 1 April 2008</b>	54	968	1,022
General Needs RTB Clawback	(25)	-	(25)
Grants Recycled	-	327	327
Interest Accrued	1	43	44
Transfers to other Group Members	(30)	(172)	(202)
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2009</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	-	1,166	1,166
Due within one year	-	429	429
Due after more than one year	-	737	737
	<hr/>	<hr/>	<hr/>
	-	1,166	1,166

#### 18 HOUSING LOANS AND FINANCE LEASE OBLIGATIONS

On 28 September 2007, the majority of the loans of the Orbit Group, including those of Orbit South, were re-routed through a separate treasury vehicle, Orbit Treasury Limited (OTL). OTL is a trading company limited by shares and is a wholly owned subsidiary of Orbit Group Limited. All members of the Orbit Group entered into a fully cross-collateralised structure on 28 September 2007. OTL borrows money on behalf of the Group and onlends to individual operating associations as required. The loan is repayable half yearly in instalments.

The Loan from Orbit Treasury Limited is secured by fixed charges on individual properties. The interest rates ranged between 4.19% and 5.15% for the year ended 31 March 2009.

The Greenwich Natwest loan is secured by fixed charges on individual properties. The loan is repayable half yearly in instalments. The interest rates are between 10.7% and 11.9% and the final instalments fall to be repaid in 2026 and 2032. The Parent has agreed for the next 4 years to reimburse Orbit South the difference between these higher interest rates and the average interest rate for loans made through OTL. In 2007/08 this equated to a donation of £804k.

	2009 £'000	2008 £'000
<b>Due Within One Year:</b>		
Orbit Treasury Limited	5,078	5,078
Greenwich Natwest Limited	242	216
	<hr/>	<hr/>
	5,320	5,294
<b>Due After More Than One Year:</b>		
Orbit Treasury Limited	151,358	142,359
Greenwich Natwest Limited	13,447	13,689
	<hr/>	<hr/>
	164,805	156,048
<b>Total Housing Loans</b>	<hr/> <hr/>	<hr/> <hr/>
	170,125	161,342

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

#### 18 HOUSING LOANS AND FINANCE LEASE OBLIGATIONS (CONTINUED)

The Housing Loans through Orbit Treasury Limited are repayable at varying rates of interest in instalments due as follows:

	2009 £'000	2008 £'000
<b>In one year or less:</b>	<u>5,320</u>	<u>5,294</u>
<b>Repayable in instalments:</b>		
In more than one year but not less than two years	5,350	5,325
In more than two years but not more than five years	16,264	15,334
In more than five years	143,191	135,389
	<u>164,805</u>	<u>156,048</u>

None of the loans are repayable other than in instalments.

The interest rate profile of Orbit South at 31 March 2009 was:

	Total £'000	Variable £'000	Fixed rate £'000	Weighted average Rate %	Weighted Average term of fixing in years
Instalment Loans	<u>170,125</u>	<u>57,414</u>	<u>112,711</u>	5.5%	9

#### 19 CALLED UP SHARE CAPITAL

	2009 £	2008 £
<b>Shares of £1 Each, allotted, issued and fully paid</b>		
At 1 April 2008	22	19
Issued during the year	2	6
Cancelled during the year	(4)	(3)
	<u>20</u>	<u>22</u>
<b>At 31 March 2009</b>	<u>20</u>	<u>22</u>

Each member of the Board of management holds one share of £1 in the association. The share capital of Orbit South Housing Association Limited is raised by the issue of shares with a nominal value of £1 each. As the Association has Industrial and Provident Society status, the maximum shareholding permitted per member is 1 share. There is no Authorised Share Capital and the Board operate a restricted shareholding policy. The shareholders consist of the parent, and those persons who with the prior written approval of the parent are admitted as shareholders.

The Association's shares carry no right to interest, dividend or bonus. Shares are not capable of being withdrawn or transferred and cannot be held jointly. Shareholders have the right to attend (or to vote by proxy) at any general, special general or extraordinary meeting of the Association.

On 14 April 2009, Leslie Curtis, a Resident Board Member resigned and surrendered his share.



**ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 March 2009

**20 DESIGNATED RESERVES**

	At the start of the year £'000	Transfer to provisions £'000	Transfer to General Reserves £'000	At 31 March 2009 £'000
Renewal of Furniture and Equipment	1,815	247	(84)	1,978
Insurance	187	-	-	187
	<u>2,002</u>	<u>247</u>	<u>(84)</u>	<u>2,165</u>

**21 PENSION LIABILITY**

	At the start of the year £'000	Transfer to provisions £'000	Transfer to General Reserves £'000	At 31 March 2009 £'000
<b>Pension Liability</b>				
Retirement Benefit Obligation- KCC scheme	200	760	(50)	910
Bexley scheme	908	53	(25)	936
	<u>1,108</u>	<u>813</u>	<u>(75)</u>	<u>1,846</u>

**22 RECONCILIATION OF MOVEMENTS IN ASSOCIATION'S FUNDS**

	2009 General Reserve £'000	2008 General Reserve £'000
<b>Opening funds</b>	6,417	8,318
(Deficit) for year	(1,721)	(593)
Opening Funds transferred on restructuring	-	(1,702)
Restricted Reserves	(163)	(135)
FRS17 Actuarial (loss)/gain	(813)	529
<b>Closing funds</b>	<u>3,720</u>	<u>6,417</u>

Funds are stated with the effect of implementation of FRS17 'Retirement Benefits'.

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

#### 23 CAPITAL COMMITMENTS

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Capital Expenditure which has been contracted for but has not been provided for in the financial statements	13,761	20,045
Capital Expenditure which has been authorised under authority from the Board but has yet to be contracted for	<u>19,870</u>	<u>13,592</u>
	<b><u>33,631</u></b>	<b><u>33,637</u></b>
The Association expects these commitments to be financed with:		
Social Housing Grant	16,028	16,629
Committed Loan Facilities	<u>17,603</u>	<u>17,008</u>
	<b><u>33,631</u></b>	<b><u>33,637</u></b>

#### 24 CONTINGENT LIABILITIES

There were contingent liabilities as at 31 March 2009 of £200k in relation to potential costs following the company reorganisation. (2008: £Nil).

#### 25 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Operating Surplus	6,585	3,670
Bad Debt Provision (Decrease)/Increase	(339)	586
Provision for Impairment	58	-
Depreciation	2,522	1,541
Increase in stocks	(4)	(1)
(Decrease)/Increase in pension scheme liability	(118)	297
Increase in Debtors	(4,378)	(4,370)
(Decrease)/Increase in Creditors	(1,211)	10,172
Intercompany transactions	<u>-</u>	<u>23</u>
Net Cash Inflow from Operating Activities	<b><u>3,115</u></b>	<b><u>11,918</u></b>

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

### 26 ANALYSIS OF MOVEMENTS IN GRANTS

	Social Housing Grant £'000	Other Capital Grants £'000	Total £'000
<b>At 1 April 2007</b>	8,950	327	9,277
Cash received	11,232	-	11,232
Transferred in on Group Reorganisation	157,522	-	157,522
Transferred from Group in Work in Progress	7,973	-	7,973
Movement in Net Current Assets	(698)	-	(698)
Released from RCGF and DPF	(35)	-	(35)
<b>At 1 April 2008</b>	<u>184,944</u>	<u>327</u>	<u>185,271</u>
Cash received	7,130	-	7,130
Transferred in on Group Reorganisation	3,558	-	3,558
Movement in Net Current Assets	(813)	-	(813)
Credited to income and expenditure Account	25	-	25
<b>At 31 March 2009</b>	<u><u>194,844</u></u>	<u><u>327</u></u>	<u><u>195,171</u></u>

### 27 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2009 £'000	2008 £'000 restated
Increase in cash in the year	(186)	718
Decrease in Bank Deposits (with a Maturity in Excess of 24 Hours)	-	(4,200)
Loans received	(8,784)	(148,111)
Loans redeemed	-	11,770
Increase in Net Debt	<u>(8,970)</u>	<u>(139,823)</u>
Net Debt at 1 April 2008	<u>(160,176)</u>	<u>(20,353)</u>
<b>Net Debt at 31 March 2009</b>	<u><b>(169,146)</b></u>	<u><b>(160,176)</b></u>

Notes 27 and 28 have been restated for 2008 to remove non cash items

### 28 ANALYSIS OF CHANGES IN NET DEBT

	1 April 2008 £'000 Restated	Cash Flows £'000	31 March 2009 £'000
Cash at Bank and in Hand	499	480	979
Bank Deposits – Less than 24 Hours	666	(666)	-
	<u>1,165</u>	<u>(186)</u>	<u>979</u>
Housing Loans due within One Year	(5,294)	(26)	(5,320)
Housing Loans Due After One Year	(156,047)	(8,758)	(164,805)
	<u>(160,176)</u>	<u>(8,970)</u>	<u>(169,146)</u>

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

### 29 FINANCIAL COMMITMENTS

#### Operating Leases

As at 31 March 2009 Orbit South Housing Association Limited was committed to making the following payments during the year in respect of operating leases other than land and buildings.

	2009 £'000	2008 £'000
Leases which expire within one year	-	18
Leases which expire within 2-5 years	47	36
	<u>47</u>	<u>54</u>

### 30 PROPERTY PORTFOLIO - OWNED AND MANAGED STOCK

	2009 No.	2008 No.
General Needs	9,886	9,781
Supported Housing	902	887
Key Worker	156	156
<b>Total Owned by Orbit South Housing Association</b>	<u>10,944</u>	<u>10,824</u>
Leasehold	819	816
Managed - key worker	226	217
<b>Leasehold and Other Managed</b>	<u>1,045</u>	<u>1,033</u>
<b>Total Social Housing Units</b>	<u>11,989</u>	<u>11,857</u>
Commercial Units	<u>3</u>	<u>3</u>
<b>Total Non-Social Housing Units</b>	<u>3</u>	<u>3</u>
		<b>Restated</b>
<b>Stock in Development as at 31 March 2008</b>		
General Needs	326	203
Supported	-	40
	<u>326</u>	<u>243</u>

The general needs property in development was overstated in March 2008 and has been corrected

### 31 ULTIMATE PARENT ENTITY

The ultimate parent entity and controlling entity of Orbit South Housing Association Limited is Orbit Group Limited, an Industrial and Provident Society incorporated in the United Kingdom.

The results of Orbit South Housing Association Limited are included in the Group financial statements of its parent entity which are published on the Orbit Group website [www.orbit.org.uk](http://www.orbit.org.uk) and are also available from Orbit Housing Group Limited, Garden Court, Harry Weston Road, Binley Business Park, Binley, Coventry, CV3 2SU.

### 32 RELATED PARTY TRANSACTIONS

The Association is taking advantage of the exemption per FRS 8 available to wholly owned subsidiaries from disclosing transactions with other Orbit Group companies.