

**ORBIT GROUP LIMITED (formerly Orbit Housing
Group Limited) AND ITS SUBSIDIARIES**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009



ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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**Industrial and Provident
Society Number 28503R**

**Tenant Services Authority
Number L4123**

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS

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 12 months.

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.

The planned disposal of 850 homes in the South West to another RSL as part of the Group's stock rationalisation programme took place on 31 March 2008, slightly ahead of the budgeted timescale.

On 1 April 2008, the parent company changed its name from Orbit Housing Group Limited to Orbit Group Limited, and the Heart of England Housing Group joined the Orbit Group. South Warwickshire Housing Association Limited, a member of the Heart of England Housing Group, changed its name to Heart of England Housing Association Limited (trading as Orbit Heart of England), and purchased the Midlands properties previously owned by Orbit Housing Association, thus enabling the Group to bring together operations in central England in a similar way to the changes south of the Thames, benefiting customers through enhanced customer service delivery, the creation of more homes and improved efficiency and effectiveness meaning savings can be reinvested back into improving the services that matter most to customers.

Finally, on 2 April 2008, Orbit Housing Association combined with Orbit Group Limited by means of a transfer of undertakings from Orbit Housing Association into Orbit Group Limited.

As a result of these changes, our operations have been consolidated into four front line service delivery organisations, either with distinct regional structures or particular specialisms. They are Orbit South, Orbit Heart of England, 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 Members of the Orbit Group Board, all of whom served throughout the year unless otherwise stated:

Name		Appointed	End of Appointment
Elizabeth Potter	Chair (from Jan 2007)	January 2004	
Tony O'Reilly	Deputy Chair	July 2000	
Roy Brooks		April 2008	
Ron Foster		April 2004	
Brian Griffiths		April 2005	January 2009 (Deceased)
Rosemary Hyde		April 2008	
Michael Marron		December 2003	
Kim Massey		January 2004	
Jackie Matthews		March 2007	
Steve Phillips		April 2008	
Richard Reynolds		April 2008	
Vernon Simpson		July 1998	

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS

EXECUTIVE OFFICERS

The Board has appointed the following executive officers to control the work of the Association, all of whom have served throughout the year unless otherwise shown:

Paul Tennant	Group Chief Executive
Anne Turner	Group Finance and Resources Director
Paul High	Group Business Development Director
Afzal Ismail	Group Risk and Compliance Director
Sue Coulson	Group Managing Director – OGL Housing
Tony Williams	Group Director - Organisational Development
Vivien Knibbs	Group Managing Director - South
Stewart Fergusson	Group Managing Director – Orbit Heart of England
Sharon Blackburn	Group Managing Director – Heart of England Housing and Care Limited (from 01/04/08 to 30/04/09)
Paul Rabbetts	Interim Operations Director HoE Care (from 01/05/09)

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 and Hamlins
Sceptre Court
40 Tower Hill
London, EC3N 4DX

REGISTERED OFFICE

Garden Court
Harry Weston Road
Binley Business Park
Coventry, West Midlands, CV3 2SU

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

SOCIAL LANDLORD'S BUSINESS, OBJECTIVES AND STRATEGY

Orbit Group Limited (OGL) incorporates OGL Housing and also provides services to other members of the Orbit Group by means of its shared services division, OGL Services. OGL Housing comprises Orbit First Step (OFS), one of the largest specialist low cost home ownership associations in the country and, from 2 April 2008 following the transfer of undertakings from Orbit Housing Association, Orbit East.

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**
To make a demonstrable difference to improve the communities in which our residents live and to improve life chances and choices for our customers.
- **Organisation**
To 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 monitors against 17 business critical Performance Indicators.

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 GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

OPERATING REVIEW

Performance in the Period

During the year the Orbit Group Board has monitored all key areas of activity through performance reports and performance indicators.

The economic crisis has had a direct business impact over the last year. As a result of our work over the last three years to make full use of the Group structure, Orbit has weathered the storms of less funding opportunities, failing sales programmes, the lack of cross-subsidy models to support the provision of homes and fewer productive developer relationships extending our investment in homes and services. Orbit First Step has continued to sell both first and subsequent tranches of its shared ownership properties. It has introduced Rent to HomeBuy – in effect a ‘try before you buy’ option, enabling customers to rent a property for up to five years before exercising an option to purchase the property. It has also delivered the first two Mortgage Rescues in partnership with the Government initiative, tackling hardship and helping those experiencing it.

Orbit Group charged rents and service charges of £119 million in the year ended 31 March 2009, and spent 48% of this (£57 million) on property repairs and maintenance. Interest payable on loan funding cost the Group a further £26 million during the year. The Group spent £105 million on acquiring and developing new homes during the year, and its property portfolio increased from 27,036 at 31 March 2008 to 34,498 at 31 March 2009, due to both the Heart of England Housing Group joining the Orbit Group and new developments coming into management.

The focus of the Group for 2008/09 has continued to be our customers and the pursuit of excellence in all services, and this has been reflected in all parts of the organisation. The Group is absolutely clear about, and supports, the focus in the sector on good governance.

Residents have continued to benefit from the Customer Service Centre. Customers can make calls regarding housing management issues 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.

The Customer Service Centre is accredited to Customer Contact Association standards and continues to provide services to Associations outside the Orbit Group, generating additional income for the Group and ensuring that resources are effectively utilised. The Internal Audit Department has also continued to expand the work that they do for other organisations.

Equality and Diversity has remained an important area of work and is an integral part of the Group culture and objectives. Indicators to assess our progress have been agreed and action plans are in place across the Group.

As an individual Association, Orbit Group Limited charged rents and service charges of £19 million in the year ended 31 March 2009 and made a surplus on sale of housing properties of £2 million, and spent 29% of this (£6 million) on property repairs and maintenance. Interest payable on loan funding cost the Association £3 million during the year.

Orbit First Step has maintained its increased development programme, and the number of new properties developed has continued to exceed the number of properties sold, leading to an increase in its property portfolio from 2,816 at 31 March 2008 to 3,202 at 31 March 2009. As well as retaining its HomeBuy Agency status in Norfolk and Suffolk, it has now won a further five zones, becoming the largest HomeBuy agent in the country. It has also established a dedicated HomeBuy website.

On 3 April 2006, Orbit Group Limited was granted exempt charitable status for taxation purposes.

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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

Dynamics of the Social Landlord (Continued)

The requirement to address Decent Homes Standard by 2010 has emphasised the importance of investing in existing homes and ensuring the quality of asset management strategies. Rent restructuring has had a significant effect on the sector, and the Group continues to be mindful of its capped income and the need to increase efficiencies and economies.

All Associations within the Group for whom rent restructuring is applicable have 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 are now fully compliant with the rent restructuring guidelines.

All Associations within the Group have put in place overarching improvement plans, that encompass all existing action plans, internal audit recommendations and other actions identified as a result of a "gap" analysis exercise. The plans cover all of the applicable Audit Commission Key Lines of Enquiry. Following a successful Audit Commission inspection in May 2008, despite being only 8 months old Orbit South was awarded 1 star with promising prospects for improvement. Heart of England Housing and Care has retained 3-star quality ratings across its 9 care homes, awarded by the Commission for Social Care Inspection.

Orbit's Community Investment Programme has been rebranded as the Orbit Extra Programme, and the Orbit Extra Team has been given the task of delivering the programme's aims and objectives. The purpose of the programme is to use the Group's resources to make long-lasting contributions and improvements to the communities in which it works. Over the next five years, Orbit Extra will aim to invest over £3 million in a wide range of projects that will focus on a variety of issues such as financial inclusion, enterprise & employment, training & education, health & well-being and community cohesion.

All Group Members continue to work well within and meet all of their loan covenants.

Investment for the Future

The Orbit Group continues to develop new homes, and has signed up to and adopted the principles of the 2012 Construction Commitments.

Group initiatives to release resources through efficiencies and improved performance in order to invest in our priority areas will continue over the coming year, and this work will impact on all parts of our operations.

In order to achieve Decent Homes Standards for our rented homes in line with Government target dates, the individual Associations within the Group are continuing to develop and implement asset management strategies that ensure that our investment in our properties is efficiently and effectively targeted, assessing both the lettable and long-term sustainability of our properties.

The Group is committed to being an employer of choice and continues to implement improvements in its terms and conditions to raise staff satisfaction. The staff survey undertaken in 2007 has been actively used to drive improvements for the future, and a further survey is planned for later this year.

FINANCIAL REVIEW

Accounting Policies

The Statement of Recommended Practice for Registered Social Landlords (2008) was released in January 2008, and was mandatory for all accounting periods beginning on or after 1 April 2008. The key change related to our accounting policy for shared ownership properties, and prior period balances have been adjusted to reflect the change in accounting policy. The revised accounting policies and the impact of the 2008 SORP are described in notes 1 and 41 (respectively) to the financial statements.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

Capital structure and Treasury Policy

At 31 March 2009, the Group balance sheet shows housing properties of £1,238 million and other net assets of £41 million, financed by grants of £529 million (41%), loans of £548 million (43%), and internal funds of £202 million (16%). The Association balance sheet shows housing properties of £305 million and other net assets of £78 million, financed by grants of £151 million (39%), loans of £117 million (31%), and internal funds of £115 million (30%).

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 flows

The Group's net cash inflow from operating activities during the year was £36 million, higher than that of 2008, reflecting the increased size of the group since Heart of England Housing Group joined. The principal sources of cash inflow for the Group remained that of income from the provision of housing accommodation and the sale of housing properties. The principal sources of cash outflow for the Group were the costs associated with the provision of housing accommodation, the acquisition and construction of housing properties and interest payable on loan facilities.

For Orbit Group Limited as an individual association, the net cash inflow from operating activities amounting to £3.4 million in 2008 was restated to £4.9 million as a result of the implementation of the 2008 SORP. During 2009, this has increased to £20.4 million, both as a result of the new accounting requirements for shared ownership first tranche sales under the 2008 SORP, and as a result of the transfer of undertakings from OHA on 2 April 2008 (which comprised primarily Orbit East). The principal sources of cash inflow for the Association were the income from other group members for support services, income from the provision of general needs, supported and shared ownership housing accommodation and the sale of housing properties. The principal sources of cash outflow for the Association were the costs associated with the provision of support services and housing accommodation, the acquisition and construction of housing properties and interest payable on loan facilities.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

Current Liquidity

At 31 March 2009 loan borrowings amounted to £548 million for the Group as a whole, and £117 million for the Association. The Group's working capital position was restated from £20.9 million to £33.0 million, as a result of the implementation of the 2008 SORP, and has moved to £38.2 million during the year. The Association's net current asset position was restated from £12.6 million to £24.6 million at 31 March 2008, as a result of the implementation of the 2008 SORP, and has moved to £71 million at 31 March 2009.

Post Balance Sheet Event

The Group acquired a portfolio of 594 properties from Chiltern Hundreds Charitable Housing Association (part of the Paradigm Housing Group) on 1 June 2009 for £34.7 million. The portfolio consists of a mix of rented, leasehold and shared ownership homes, mostly houses with some flats, located in 6 local authority districts in Northamptonshire. Of the total number of properties, 534 homes were purchased by Orbit Heart of England, and 60 shared ownership homes were purchased by Orbit Group Limited.

Going concern

After making enquiries the Orbit Group 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.

On behalf of the Orbit Group Board



Elizabeth Potter
Group Chair
5 August 2009

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

HOUSING ASSOCIATION GOVERNANCE

Governance

Orbit Group Ltd has been a Registered Social Landlord since 1997 and is the parent company of the Orbit Group.

NHF Code of Governance

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

The Orbit Group Board continues to work on both its Resident Involvement Strategy and its "Realising the Potential" framework for Voluntary Members in order to strengthen compliance with the Code.

Orbit Group Board, Subsidiaries and Area Forums

The Board Members of Orbit Group Limited during the year are listed on page 2.

The Orbit Group Board is at the heart of the organisation and formulates strategy for the whole Group. Each subsidiary RSL within the Group is headed by a Board that oversees the work of that particular Association and monitors performance. All Members of the Orbit Group Board are paid for undertaking their responsibilities as Members of the Group Board in addition to the reimbursement of reasonable out of pocket expenses as permitted by Orbit and its Subsidiaries' Registered Rules. Payment took effect from September 2004.

The Orbit Group Board comprises up to twelve non-executive members and is responsible for governing the affairs of Orbit Group Limited and the Orbit Group. Board Members are drawn from a wide background bringing together professional, commercial and local experience. The primary role of the Orbit Group Board is to focus on strategic and policy issues. The Board meets formally six times a year for regular business, and at other times to discuss strategy development and for Members' training.

The governing Boards delegate the day-to-day management of the Group to the Group Chief Executive and the Executive Directors who form the Group Executive Team. The Group Executive Team met fortnightly throughout 2008/09 and all of the Directors attend meetings of the Orbit Group Board and subsidiary Boards.

The Boards and their Committees obtain external specialist advice from time to time as necessary.

Group Membership and Governance Committee

The Committee is responsible for developing and maintaining the Group's governance framework, which includes arrangements for the recruitment, induction and appraisal of Board Members. Individual Associations within the Group follow this framework and make recommendations for appointments to their Boards directly to the Orbit Group Board. Membership consists of three independent members together with representatives from each Subsidiary Association. The Chair cannot be the Chair of the Orbit Group Board. The Committee meets a minimum of four times per year. The strength of governance within the Group is reviewed annually by the Group's independent appraiser and through the Group's Internal Regulatory Framework.

Group Audit Committee

The Group Audit Committee considers the operations of internal audit and the appointment of external auditors, the scope of their work and their reports. The Committee monitors the implementation of the Group's Risk Management Strategy and internal Audit Plans. It meets three times a year. It reports to the Board on the effectiveness of the Group's internal control arrangements and considers the financial statements before they go to the Board for approval. Its membership includes one representative of each Operating Association and Heart if England Housing and Care Limited, plus three Members appointed by the Orbit Group Board.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

HOUSING ASSOCIATION GOVERNANCE

Group Remuneration Committee

The Group Remuneration Committee comprises up to four members of the Orbit Group Board including the Chair of the Group, together with representatives from other parts of the business. The Committee's terms of reference are:

- To consider the Group's policy on Group Executive Directors' remuneration and conditions of service generally
- To determine the specific remuneration packages for each of the Executive Directors, including pension rights and any compensation payments
- To prepare an annual report to the Orbit Group Board on Executive Directors' remuneration
- Ensure that the Chair of the Committee (or in the Chair's absence, another Member of the Committee) shall attend OGL AGM to answer questions about Executive Directors' remuneration
- Nominate one of its members to conduct exit interviews with Directors as appropriate
- Strategic overview of the total staffing establishment and remuneration costs
- Ensure organisational development strategies are in place and monitored in accordance with the Group HR Strategy
- Monitor and review KPI's as well as activity which supports the aim to be 'Employers of Choice'
- Strategic overview of the regulatory and contractual requirements in respect of employment contracts

OGL Housing Board

The OGL Housing Board was formally constituted on 1 April 2008, and comprises up to twelve members plus up to a maximum of two co-optees. The Board comprises a minimum of 8 and a maximum of ten Independent Members, and a minimum of 2 and a maximum of 4 Resident Members. The Board has delegated responsibility to ensure the effective delivery and quality of Orbit Group Limited business in respect of operational responsibility and accountability for Orbit First Step (the Home Ownership division of Orbit Group Limited) and Orbit East.

Resident Involvement and Shareholding Policy

We remain committed to involving residents in decisions affecting their homes. A proportion of places on the Heart of England Housing Association Limited, Orbit South Housing Association Limited and OGL Housing Boards are reserved for residents.

We have developed a fresh approach to engaging with our residents. Phase 1 of 'New Partnership with Residents' was completed in February 2009 and involved five projects to drive our plans to a step change in our partnership with residents. Led in different parts of the Group, staff and residents from Orbit have participated and contributed to the corporate project. Capturing resident involvement in all that we do as a provider of quality housing helps ensure that the services we deliver fully reflect the wishes and priorities of our residents.

Resident engagement and involvement strategies have been rolled out across all Group member associations.

Under the Association's Registered Rules, the Orbit Group Board retains discretion over the issue of shares in the Association and current policy is that shares will only be issued to existing Members. This policy will be kept under annual review.

Housing Ombudsman Service

The Ombudsman service dealt with a total of 2 cases for the Group as a whole during the year. The Ombudsman did not uphold one of the complaints, and the other case is still in progress. There was one complaint referred to the Ombudsman for Orbit Group Limited during the year, which was not upheld.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

HOUSING ASSOCIATION GOVERNANCE

Responsibility for the System of Internal Control

The Orbit Group 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.

Environment

Within the Orbit Group the internal control environment has developed and changed as a result of a number of internal and external factors during 2008/09. These include a merger with another Housing Association to create a new group structure, staff restructuring within various parts of the Group and a new IT system. A subsidiary (Orbit South HA) was subject to an inspection by the Audit Commission resulting in an Improvement Action Plan which is currently being implemented. Progress of which is reported to the TSA on a regular basis.

In addition the Group responded to the economic climate by ensuring timely identification and active management of key risks as they arose during the course of the year.

The Group's response and actions taken to ensure that the internal control environment remained strong and effective are summarised below.

Scope of Assurance

The Orbit Group 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 Group's assets and interests.

Group Assurance Framework - Reviewing the Effectiveness of the Internal Control System

The Orbit Group Board has established a robust and comprehensive framework to assess the effectiveness of the internal control system. At a high level, the assurance framework brings together information from all significant parts of the Group's business, including the subsidiary Associations. The framework comprises of different sources of assurance, the more significant ones being the Group Internal Audit team, the Group Audit Committee, External Audit, the Group's Executive Team and the TSA. In addition, a major component of this assessment is the risk management process.

As is permitted by the TSA's circular, the Orbit Group Board has delegated authority for internal controls to the Group Audit Committee. The Group Chief Executive's report on Internal Controls Assurance is therefore presented to the Group Audit Committee for consideration along with the Statement on Internal Controls, which is subsequently recommended to the Board at its Annual General Meeting. However, the responsibility for internal controls and other matters set out in the circular remains with the Orbit Group Board.

Briefly the key features are:

- **Group Internal Audit Team** - The Orbit Group has in place an Internal Audit Plan formulated in conjunction with the Group's Executive Team and approved by the Group Audit Committee. The Group Chief Executive and the Group Audit Committee regularly monitor progress against this plan. The plan covers financial and non-financial areas and the Group Internal Audit Team provides independent assurances in all of the significant areas of the Group's business. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from these reports. Additionally, as part of each audit review, the Audit Team follow up the previous year's recommendations and the extent to which these have been implemented, form part of the Audit Report.

As a result of the merger between Orbit Housing Association (subsidiary of the Orbit Group) and South Warwickshire Housing Association (subsidiary of the Heart of England Housing Group) the Group Internal Audit Team has worked closely with the new Managing Director and SMT of Orbit Heart of England (new entity created from the merger) to ensure the audit plan supported the new control environment.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

HOUSING ASSOCIATION GOVERNANCE

Group Assurance Framework - Reviewing the Effectiveness of the Internal Control System (Continued)

- **Group Audit Committee** - In accordance with good practice, the Group Audit Committee presented its annual report to each subsidiary Board and the Orbit Group Board outlining its work in 2008/09 to support the assurance work on internal controls. It should also be noted that the Group Risk & Compliance Director reports directly to the Group Chief Executive and has direct access to the Group Audit Committee. The Group's Risk & Compliance Director also presented the annual 2008/09 internal audit report which outlined the work undertaken and a corresponding opinion on the adequacy and effectiveness of the system of internal controls. In addition, the Group Audit Committee reviewed reports from management, internal auditors and external auditors to provide reasonable assurance that control procedures are being followed. No fundamental weaknesses were highlighted. However a number of recommendations have been made to improve controls where appropriate.
- **Governance** – The Orbit Group Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues including treasury strategy and new investment projects. The Group Board also regularly reviews key performance indicators to assess the progress towards the achievement of key business objectives, targets and outcomes. In respect of Operating Associations, the Group Board also confirms that the relevant Managing Director prepared reports on Internal Controls Assurance and the Group Chief Executive presented a similar report on behalf of the Group to the July 2009 Group Audit Committee. In addition the Group Executive Team (GET) forms a key part in the governance process. It is also confirmed that all Boards and the GET met on a regular basis to discuss and conduct their own individual affairs during 2008/09 and the business has been formally documented in minutes of the meetings.

The Audit Commission inspection at Orbit South HA resulted in an action plan which is being monitored by the OS Board, GET, OGB and regular contact with the TSA. Self assessments have been completed across the Group to learn from and improve the service provided.

- **Internal Regulatory Framework (IRF)** - The Orbit Group has an IRF process as a means to internally regulate the Group. The IRF process is split into three stages; desktop review, visits to boards and reporting and broadly covers an assessment of financial viability, governance and performance. Following on from the previous three years, the fourth year (2008/09) of the IRF process was completed and received well by all Boards within the Orbit Group.

Additionally Governance Effectiveness Reviews (GERs) have been completed for each Board by the Group's Governance Adviser (external supplier). GERs have been completed to strengthen where relevant the Group's governance. Any issues arising have been drawn into one action plan incorporating recommendations from both the IRF and the GER work.

- **Risk Management** – The Group has a Risk Management Strategy & Framework, which is compliant with the requirements of the TSA and is based on good practice. This Strategy was revised and approved by the OGB in 2008/09 to take account of developments in the sector and in the approach to risk management.

The control environment to manage risks is continually evaluated and monitored by the Group's Audit Committee on behalf of the Orbit Group 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 Group remains with the Orbit Group Board. The subsidiaries are required to implement the Group framework for risk management and provided the required reports to their respective Boards in 2008/09. The adequacy of this implementation and reporting is monitored by the Group Audit Committee.

In order to respond to the external environment, all Boards and the GET have been actively involved in managing the risks faced by the Group, namely the impact on the mix of the Group's development programme and treasury management. In addition the GET closely managed the risks to support the rollout of the new system.

- **Culture of Control** – The Group has a number of measures in place to instil and encourage a suitable culture of effective internal control. These mechanisms include the following:
 - Customer First Strategy rolled out throughout the Group to support the Group's ambition of Building Brighter Futures.
 - Group Standing Orders, which include appropriate Delegations of Authority, signatories and mandates. 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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

HOUSING ASSOCIATION GOVERNANCE

Group Assurance Framework - Reviewing the Effectiveness of the Internal Control System (Continued)

- The Group's Operational Framework consists of approved Group Strategies, Policies and Procedures which cover a range of work undertaken across the Group. Examples of which include HR, Treasury management and housing related activities. These are available to all staff via the Intranet.
- The Group has adopted the NHF Code of Governance.
- Annual appraisal procedures have been established and appropriate training and development opportunities are offered to all staff to maintain standards of performance.
- Forecasts and budgets are prepared which allow the Orbit Group Board, Operating Association Boards and management to monitor the key business risks and financial objectives. Management accounts are prepared to provide relevant 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 comprehensive risk assessments.
- A Staff Handbook is provided to all staff, the sections of which include staff conduct, health & safety, equal opportunities and other organisational policies such email, data protection.

To support the Group's values & culture and to ensure that the 'golden thread' is applied consistently, the 'Growing our Leaders' and 'Leading the Business Stream' development programmes have been rolled out for key staff across the organisation. This will continue to be monitored throughout 2009/10 to assess the impact on customer service and the internal control environment.

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 by OGB in 2008/09. Relevant cases are reported to the TSA.

Board's Conclusion

Within the Orbit Group the internal control environment has developed and changed as a result of a number of internal and external factors during 2008/09. These include a merger with another Housing Association to create a new Group structure, staff restructuring within various parts of the Group and a new IT system. The Group has responded accordingly and goes into 2009/10 having put in place the building blocks necessary to ensure a robust internal control environment to drive and support the delivery of the Group's Customer First Strategy in respect of excellent services.

The Orbit Group Board has confirmed that the Group Audit Committee has received the Group Chief Executive's Annual Report on Internal Controls Assurance and conducted its annual review of the effectiveness of the system of internal control.

The Orbit Group Board has also confirmed that the process for identifying, evaluating and managing significant risks faced by the Group is ongoing and has been in place throughout the year under review.

The main requirements of the TSA detailed in circular 07/07 and re-stated above, have all been fulfilled. No fundamental weaknesses were identified which would have resulted material misstatement or loss, which would have required disclosure in the financial statements. However, a number of recommendations have been made in Internal Audit reports to improve the system of internal control and service delivery to customers. In response, relevant management action plans have been established for implementing agreed internal audit recommendations.

On behalf of the Orbit Group Board



Elizabeth Potter
Orbit Group Chair
5 August 2009

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

REPORT OF THE ORBIT GROUP BOARD

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

The Association and the Group

Orbit Group Limited is a not-for-profit organisation administered by the Orbit Group Board. The Association operates via three divisions, Orbit First Step and, from 2 April 2008, Orbit East (together known as OGL Housing), and OGL Services, providing services to other members of the Orbit Group. Orbit First Step uses Heart of England Housing Association Limited's operational areas plus Orbit South Housing Association Limited to assist in the provision of local services.

The Association manages a number of schemes providing 8,282 properties of accommodation (including 2,216 Leasehold properties and properties managed on behalf of others) at 31 March 2009. It has housing properties at cost of £305 million (net of depreciation and impairment) at 31 March 2009. All staff engaged on the Association's activities are employed by members of the Orbit Group.

The Orbit Group as a whole manages a number of residential schemes providing 34,498 units of accommodation. It has housing properties of £1,238 million (net of depreciation and impairment). As at 31 March 2009 it employed 1,851 people of whom 1,043 work directly on housing schemes.

Principal Activities

The Association's principal activities throughout the year ended 31 March 2009 are the development and management of LCHO and social housing and the provision of services to other members of the Orbit Group. The Group's principal activities are 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 and Executive Officers of the Association are set out on page 2. All of the Board Members and Executive Officers served throughout the year except as otherwise shown. 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 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 an excellent job and fulfil their potential and a place where our 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 Group 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 GROUP LIMITED AND ITS SUBSIDIARIES

REPORT OF THE ORBIT GROUP BOARD

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 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 occasion to drive on Association business.

Donations

During the year Orbit Group Limited made charitable donations of £1,494k to other Group members (2008: £3,438k).

Statement of the responsibilities of the Orbit Group Limited 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 year, which give a true and fair view of the state of affairs of the Group and of the surplus for that period. In preparing those financial statements the Board has:

- Selected suitable policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent;
- Followed applicable accounting standards and the 2008 Statement of Recommended Practice: "Accounting by Registered Social Landlords" (2008 SORP);
- 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 Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

REPORT OF THE ORBIT GROUP BOARD

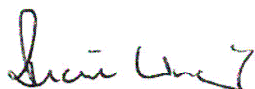
Annual General Meeting

The annual general meeting will be held on 5 August 2009 at Garden Court, Harry Weston Road, Binley Business Park, Coventry, CV3 2SU.

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 5 August 2009 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Richard Wright', is written over the printed name below.

Richard Wright
Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORBIT GROUP LIMITED

We have audited the Group and Parent Association financial statements (the 'financial statements') of Orbit Group Limited for the year ended 31 March 2009 which comprise the Group and Association Income and Expenditure Account, Group and Association Balance Sheet, the Group Cashflow Statement, the Group Statement of Total Recognised Surplus and Deficits 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 auditors' 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 and Auditors

As described in the statement of the Board's 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 United Kingdom 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 Industrial and Provident Societies (Group Accounts) Regulations 1969, 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 Report of the Board 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 other information contained in the Operating and Financial Review and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

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 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 in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group and 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 United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Parent Association's affairs as at 31 March 2009 and of the Group's deficit for the year then ended.
- Have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002 and the Industrial and Provident Societies (Group Accounts) regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

KPMG LLP

19/08/09

KPMG LLP - Chartered Accountants, Birmingham

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED AND ASSOCIATION INCOME AND EXPENDITURE ACCOUNT
For the Year Ended 31 March 2009

	NOTES	GROUP		ASSOCIATION	
		2009 £'000	2008 Restated £'000	2009 £'000	2008 Restated £'000
Turnover	2	156,231	117,196	58,344	42,295
Operating Costs	2	(132,592)	(98,117)	(54,139)	(40,304)
Cost of Sale of Properties	2	(1,869)	(136)	(1,823)	-
Operating Surplus	5	21,770	18,943	2,382	1,991
Surplus on Sale of Housing Properties	7	2,131	39,302	2,020	2,749
Surplus on Sale of Other Fixed Assets	6	477	-	-	-
Interest Receivable and Similar Income	8	746	981	266	450
Loan Refinancing Costs	9	-	(3,297)	-	(556)
Other Finance Costs	37	(262)	14	-	-
Interest Payable and Similar Charges	9	(25,637)	(18,630)	(3,342)	(2,117)
Surplus on Ordinary Activities Before Gift Aid and Taxation		(1,246)	37,790	1,326	2,517
Donated to other Group Members		-	-	(1,494)	(3,438)
Surplus/(Deficit) on Ordinary Activities Before Taxation		(1,246)	37,790	(168)	(921)
Tax on Surplus/(Deficit) on Ordinary Activities	10	(116)	(2)	-	-
Surplus/(Deficit) for the Financial Year		(1,362)	37,788	(168)	(921)
Transfer from Revaluation Reserve	26	-	-	45	46
Transfer (to)/from Designated Reserves	24	(183)	(178)	132	140
Surplus/(Deficit) for the Year after Transfer to Reserves		(1,545)	37,610	9	(735)
General Reserves at 1 April 2008 (Restated)	25	116,250	78,111	11,636	12,371
Actuarial Gain/(Loss) taken to reserves	37	(738)	529	-	-
Transfer of Undertakings from OHA	42	-	-	97,530	-
General Reserves at 31 March 2009	25	113,967	116,250	109,175	11,636

All amounts derive from continuing operations.

The restatement of the 2008 figures relates to the first time adoption of the 2008 SORP (note 41).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTE OF HISTORICAL COST SURPLUS AND DEFICIT For the Year Ended 31 March 2009

	GROUP		ASSOCIATION	
	2009	2008	2009	2008
	£'000	Restated £'000	£'000	Restated £'000
Reported Surplus/(Deficit) on Ordinary Activities Before Taxation	(1,246)	37,790	(168)	(921)
Differences between Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year calculated on the Revalued Amount	-	-	45	46
Historical Cost Surplus/(Deficit) on Ordinary Activities Before Taxation	(1,246)	37,790	(123)	(875)
Historical Cost Surplus/(Deficit) on Ordinary Activities After Taxation	(1,362)	37,788	(123)	(875)

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS For the Year Ended 31 March 2008

	NOTES	GROUP		ASSOCIATION	
		2009	2008	2009	2008
		£'000	Restated £'000	£'000	Restated £'000
Surplus/(Deficit) for the Financial Year		(1,362)	37,788	(168)	(921)
Actuarial Gain on Pension Fund Assets	37	(738)	529	-	-
Total Recognised Surplus/(Deficit) for the Financial Year		(2,100)	38,317	(168)	(921)

The restatement of the 2008 figures relates to the first time adoption of the 2008 SORP (note 41).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES


CONSOLIDATED AND ASSOCIATION BALANCE SHEET


At 31 March 2009

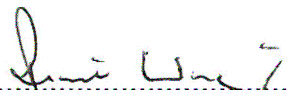
	NOTES	GROUP		ASSOCIATION	
		2009 £'000	2008 Restated £'000	2009 £'000	2008 Restated £'000
Tangible Fixed Assets					
Housing Properties - Depreciated Cost	11	1,237,528	944,683	305,283	97,049
Less: Social Housing Grant	11	(524,964)	(493,022)	(150,822)	(45,217)
Other Public Grants	11	(4,436)	(3,219)	-	-
		<u>708,128</u>	<u>448,442</u>	<u>154,461</u>	<u>51,832</u>
Other Tangible Fixed Assets	12	14,694	10,742	9,053	8,491
Homebuy Loans	13	19,072	17,520	19,072	17,520
Less: Grant Received	13	(19,072)	(17,520)	(19,072)	(17,520)
Fixed Investments	14	800	800	-	-
		<u>723,622</u>	<u>459,984</u>	<u>163,514</u>	<u>60,323</u>
Current Assets					
Properties for Sale	15	26,170	13,696	26,170	13,695
Stocks	16	9,949	5,940	9,865	5,667
Debtors	17	22,456	18,473	43,263	14,291
Other Investments and Short Term Deposits	18	10,721	23,043	5,013	3,816
Cash at Bank		7,094	3,053	2,703	81
		<u>76,390</u>	<u>64,205</u>	<u>87,014</u>	<u>37,550</u>
Creditors: Amounts falling due within one year	19	<u>(38,236)</u>	<u>(31,254)</u>	<u>(15,990)</u>	<u>(12,930)</u>
NET CURRENT ASSETS		<u>38,154</u>	<u>32,951</u>	<u>71,024</u>	<u>24,620</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>761,776</u>	<u>492,935</u>	<u>234,538</u>	<u>84,943</u>
Creditors: Amounts falling due after more than one year					
Disposal Proceeds and Recycled Capital Grant Funds	20	2,997	3,339	1,857	1,300
Other Creditors	21	553,916	349,705	119,291	69,277
		<u>556,913</u>	<u>353,044</u>	<u>121,148</u>	<u>70,577</u>
Pension Liability	37	<u>6,748</u>	<u>1,108</u>	<u>-</u>	<u>-</u>
Capital and Reserves					
Called Up Share Capital	23	-	-	-	-
Designated Reserves	24	5,883	5,772	2,490	960
Negative Goodwill	39	78,265	16,761	-	-
Revaluation Reserve	26	-	-	1,725	1,770
General Reserves	25	113,967	116,250	109,175	11,636
GROUP'S FUNDS	27	<u>198,115</u>	<u>138,783</u>	<u>113,390</u>	<u>14,366</u>
		<u>761,776</u>	<u>492,935</u>	<u>234,538</u>	<u>84,943</u>

The restatement of the 2008 figures relates to the first time adoption of the 2008 SORP (note 41).

The financial statements on pages 18 to 72 were approved by the Orbit Group Board on 5 August 2009 and signed on its behalf by:


 Elizabeth Potter, CHAIR


 BOARD MEMBER, Rosemary Hyde


 Richard Wright, SECRETARY

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 March 2009

GROUP	2009		2008	
	£'000	£'000	Restated £'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 30)		35,946		31,748
Returns on Investments and Servicing of Finance				
Interest Received	702		919	
Interest Paid (includes Loan Refinancing Costs)	<u>(24,410)</u>		<u>(24,100)</u>	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(23,708)		(23,181)
Taxation Paid	<u>(4)</u>		<u>(2)</u>	
NET CASH (OUTFLOW) FROM TAXATION		(4)		(2)
Capital Expenditure and Financial Investment				
Acquisition and Construction of Housing Properties	(125,102)		(82,052)	
Acquisition of Land	(3,932)		(5,973)	
Sale of Housing Properties	5,005		71,025	
Grants Received	27,357		22,831	
Net Movement on Homebuy Grants	559		1,318	
Purchase of Other Fixed Assets	(2,456)		(2,165)	
Sale of Other Fixed Assets	<u>16</u>		<u>532</u>	
NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT ACTIVITIES		(98,553)		5,516
NET CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(86,319)		14,081
Management of Liquid Resources and Financing				
(i) <u>Liquid Resources</u>				
Increase/(Decrease) in Bank Deposits (with a maturity in excess of 24 hours)	<u>(9,852)</u>		<u>3,431</u>	
(ii) <u>Financing (Note 31)</u>				
Housing Loans Received	77,750		312,707	
Housing Loans Repaid	(399)		(311,535)	
Loan Arrangement Fees Paid	30		995	
Capital Element of Finance Lease Rental Payments	-		(7)	
Pension Contributions Paid	<u>-</u>		<u>(339)</u>	
	<u>77,381</u>		<u>1,821</u>	
NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING		67,529		5,252
INCREASE/(DECREASE) IN CASH (Note 32)		(18,790)		19,333

The restatement of the 2008 figures relates to the first time adoption of the 2008 SORP (note 41).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

ASSOCIATION CASH FLOW STATEMENT

For the Year Ended 31 March 2009

<u>ASSOCIATION</u>	2009		2008 Restated	
	£'000	£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 30)		20,421		4,938
Returns on Investments and Servicing of Finance				
Interest Received	266		394	
Interest Paid (includes Loan Refinancing Costs)	<u>(3,809)</u>		<u>(3,151)</u>	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(3,543)		(2,757)
Donations to Group Members	<u>(1,394)</u>		<u>(2,798)</u>	
NET CASH OUTFLOW FROM DONATIONS		(1,394)		(2,798)
Capital Expenditure and Financial Investment				
Transfer of Engagements from OHA (Note 42)	28,423		-	
Acquisition and Construction of Housing Properties	(110,287)		(43,757)	
Acquisition of Land	(3,932)		(5,973)	
Sale of Housing Properties	4,049		16,776	
Grants Received	23,376		8,571	
Net movement on Homebuy Grant	559		1,318	
Grants Transferred within the Group	-		(870)	
Purchase of Other Fixed Assets	(1,116)		(2,197)	
Sale of Other Fixed Assets	<u>2</u>		<u>-</u>	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT ACTIVITIES		<u>(58,926)</u>		<u>(26,132)</u>
NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(43,442)		(26,749)
Management of Liquid Resources and Financing				
(i) <u>Liquid Resources</u>				
Increase in Bank Deposits (with a maturity in excess of 24 hours)	<u>(4,144)</u>		<u>(769)</u>	
(ii) <u>Financing (Note 31)</u>				
Housing Loans Received	116,500		78,404	
Housing Loans Repaid	(69,183)		(48,654)	
Loan Arrangement Fees Paid	<u>(56)</u>		<u>-</u>	
	<u>47,261</u>		<u>29,750</u>	
NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING		<u>43,117</u>		<u>28,981</u>
INCREASE/(DECREASE) IN CASH (Note 32)		<u>(325)</u>		<u>2,232</u>

The restatement of the 2008 figures relates to the first time adoption of the 2008 SORP (note 41).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

1 PRINCIPAL ACCOUNTING POLICIES

Legal Status

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

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 (SORP) 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 except as modified by the revaluation of freehold and leasehold offices.

The prior period adjustment reflects a change in the accounting policy for shared ownership first tranche sales introduced by the new 2008 SORP. The effect of the change is shown in notes 41 and 42.

Basis of Consolidation

The Financial Statements for Orbit Group Limited are the result of the consolidation of the Financial Statements of the Association and its subsidiaries during the year ended 31 March 2009, Orbit Housing Association, Orbit South Housing Association Limited, Heart of England Housing Association Limited (Orbit Heart of England), Heart of England Housing & Care Limited, Heart of England Consultancy Limited, Heart of England Commercial Limited, Orbit Treasury Limited and Orbit New Homes Limited.

Turnover

Turnover represents rental income receivable, grants from local authorities and the Housing Corporation, income from shared ownership first tranche sales and other income, all of which arise in the UK.

Operating Costs

Direct employee, administration and operating costs are apportioned to either the Income and Expenditure Account or capital schemes on the basis of costs of staff and the extent to which they are directly engaged in the operations concerned.

Fixed Assets and Depreciation

Tangible fixed assets 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:

Housing properties: existing stock	1.26%
Housing properties: new stock from 2001 onwards	1.00%
Housing properties rehabilitated	1.67%
Residential care homes	3.33%
Freehold offices and commercial premises	2% - 4%
Leasehold offices	Over the life of the lease
Fixtures, fittings and other equipment	15%-25%
Computer equipment	17%-33%

Freehold land is not depreciated. The useful economic lives of all tangible fixed assets are reviewed annually.

Housing Properties

Donated land is included in cost at its valuation on donation, with the donation treated as a capital grant. Housing properties are shown at cost less applicable grants, depreciation and impairment provision. Housing properties in the course of construction are stated at cost and not depreciated and are transferred to completed properties when they are ready for letting. When housing properties are to be transferred to another association, the net costs, after SHG, are dealt with in current assets.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Housing Properties (continued)

Shared ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover. The remaining element is classed as a fixed asset, and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Completed properties for outright sale and work in progress are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and attributable overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Social Housing and Other Grants

Where developments have been financed wholly or partly by social housing and other grants, the cost of those developments has been reduced by the amount of the grant received. Social Housing Grant (SHG) received for items of cost written off in the Income and Expenditure Account are matched against those costs as part of turnover.

SHG can be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Housing Corporation. However, SHG may have to be repaid if certain conditions are not met and, in that event, is a subordinated unsecured repayable debt. The net SHG received and not spent is included in current liabilities, taking into account all properties under construction.

Capitalisation of Interest and Administration Costs

Interest on loans financing development has been capitalised since 1 April 2004. 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.

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 annuity method. Rentals paid under operating leases are charged to the Income and Expenditure Account as incurred.

Pension Costs

Orbit Group Limited participates in the Social Housing Pension Scheme (SHPS), the full details are given in note 37 to the financial statements. For the purposes of the financial statements this scheme is accounted for on a defined contribution basis. Orbit Group Limited also offers a Stakeholder pension scheme for employees who are not eligible to join the Social Housing Pension Scheme because of the nature of their contract of employment. The scheme available is The Pensions Trust – Standard Life Stakeholder Pension Plan. Employees will be able to join the scheme if they meet the earnings criteria at which point the Association will match the employee's contribution, up to a maximum of 5%.

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services. The disclosures in the financial statements follow the requirements of FRS 17.

Orbit South Housing Association Limited and Heart of England Housing Association Limited operate defined benefit funded pension schemes. The assets of the schemes are held separately from those of the companies in independently administered funds. The requirements of FRS17 Retirement Benefits are now fully reflected in the financial statements and associated notes. Note 37 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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Pension Costs (Continued)

For defined benefit schemes the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They 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.

Orbit South Housing Association Limited also participates in a closed local government defined benefit pension scheme for three members of staff. The Association has fully adopted accounting standard FRS17 'Retirements Benefits' during the year in relation to this scheme.

The difference between the fair value of the assets held in the 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 liability. Changes in the defined benefit pension scheme 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'.

For funding purposes, the actuary has accepted an undertaking from the Association that contributions to clear the deficit will be made over a period beyond the expected service lives of the remaining participating employees in line with other participating employees in the scheme.

Impairment

Reviews for impairment of housing properties are carried out on a twice-yearly 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.

Disposals of Housing Properties

Where properties built for sale are disposed of during the year, the disposal proceeds are included in turnover and the attributable costs included in cost of sales. The surplus or deficit on disposal of housing properties held as fixed assets, including second or subsequent tranches of shared ownership properties, is accounted for on the face of the Income and Expenditure Account.

Designated Reserves

The Group designates 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 Group.

Renewal Reserve

The Group only designates reserves relating to the renewal of furniture and equipment used communally within rented schemes, shared ownership and leasehold schemes for the elderly. Annual charges are made, based on a percentage of the original cost of the furniture and equipment. Actual expenditure is charged to the Income and Expenditure Account with the transfer to/from the reserve being the difference between expenditure and the charges due. Funds held on behalf of leaseholders are shown under lease maintenance in creditors due after more than one year.

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.

Disposal Proceeds Fund

Voluntary Purchase Grant net of disposal proceeds is credited to this fund, which appears as a creditor until spent.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Recycling of Capital Grant

Where Social Housing Grant (SHG) is recycled, as described above, the SHG is credited to a fund that appears as a creditor until spent.

Value Added Tax

Orbit Group Limited is party to a Group Registration for VAT. All amounts disclosed in the financial statements are inclusive of VAT with the exception of those relating to Orbit New Homes Ltd, which is separately registered for VAT outside the VAT group.

Service Charge Sinking Funds

Service charge sinking funds are dealt with as creditors.

Taxation

The charge for the year is based on surpluses arising on activities that are liable to tax. Taxable members of the Group have adopted the accounting standard for deferred tax (FRS 19). Deferred tax is provided in full on any timing differences, although deferred tax assets are only recognised to the extent it is regarded as more likely than not they will be recovered. Timing differences arising from the revaluation of fixed assets are only recognised where there is a binding agreement to sell the revalued assets. Deferred tax assets and liabilities are not discounted.

Loan Finance Issue Costs

These are written off evenly over the life of the related loan. Loans are stated in the Balance Sheet at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts written off.

Property Managed by Agents

Where an Association carries the majority of the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the Income and Expenditure Account. Where the agency carries the majority of the financial risk, the Income and Expenditure Account includes only that income and expenditure which relates solely to the risk carried by the Association. In both cases, where revenue grants are claimed by the Association, these are included in the Income and Expenditure Account.

Properties for Sale

Properties developed for outright sale are included in Turnover and Cost of Sales. Properties developed for shared ownership sale are divided into first tranche sales and other sales. First tranche sales are included in Turnover and Cost of Sales. Subsequent tranches are not included in Turnover and Cost of Sales, but are shown as a separate item after the operating surplus in the Income and Expenditure Account. All other sales of fixed asset properties are dealt with in this latter way.

Properties developed for outright sale and shared ownership first tranche proportions are included in current assets as they are intended to be sold. Shared ownership subsequent tranche proportions are included in fixed assets.

Loan Interest Costs

The full costs of deferred interest rate and indexation loans are shown in the Income and Expenditure Account.

Derivative Financial Instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes. For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts. If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Homebuy

The Association operates the Homebuy scheme lending a percentage of the cost to home purchasers, secured on the property. The loans are interest free and repayable only on the sale of the property. On a sale, the fixed percentage of the proceeds are repaid. The loans are financed by an equal amount of SHG. On repayment:

- a) The SHG is recycled,
- b) The SHG is written off, if a loss occurs,
- c) The Association keeps any surplus.

As there is no net cost to the Association, the fixed asset investments and related SHG are disclosed as a note.

Negative Goodwill

Negative goodwill is included in the balance sheet and is credited to the income and expenditure account in the period in which the acquired non-monetary assets are recovered through depreciation or 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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 March 2009
2 TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS BY CLASS OF BUSINESS

GROUP	2009			
	Turnover £'000	Operating Costs £'000	Cost of Sales £'000	Operating Surplus/ (Deficit) £'000
Social Housing Lettings	118,124	(95,441)	-	22,683
Other Social Housing Activities				
Managed Associations	198	(139)	-	59
Developments for Sale	1,823	-	(1,869)	(46)
Home Ownership Services	3,795	(4,527)	-	(732)
LCHO First Tranche Sales	9,692	(10,586)	-	(894)
Other	13,791	(13,277)	-	514
Supporting People - Contract Income	76	(26)	-	50
Supporting People - Contract Income (Block Gross)	2,540	(2,963)	-	(423)
Supporting People - Contract Income (Block Subsidy)	723	(644)	-	79
	<u>32,638</u>	<u>(32,162)</u>	<u>(1,869)</u>	<u>(1,393)</u>
Non-Social Housing Activities				
Lettings	2,411	(2,171)	-	240
Other	3,058	(2,818)	-	240
	<u>5,469</u>	<u>(4,989)</u>	<u>-</u>	<u>480</u>
	<u>156,231</u>	<u>(132,592)</u>	<u>(1,869)</u>	<u>21,770</u>

GROUP	2008 Restated			
	Turnover £'000	Operating Costs £'000	Cost of Sales £'000	Operating Surplus/ (Deficit) £'000
Social Housing Lettings	91,043	(69,596)	-	21,447
Other Social Housing Activities				
Managed Associations	40	(25)	-	15
Developments for Sale	-	-	(136)	(136)
Home Ownership Services	3,430	(3,804)	-	(374)
LCHO First Tranche Sales	13,419	(11,996)	-	1,423
Other	2,610	(5,773)	-	(3,163)
Supporting People - Contract Income	335	(224)	-	111
Supporting People - Contract Income (Block Gross)	1,461	(1,803)	-	(342)
Supporting People - Contract Income (Block Subsidy)	764	(921)	-	(157)
Supporting People - Other	163	(209)	-	(46)
	<u>22,222</u>	<u>(24,755)</u>	<u>(136)</u>	<u>(2,669)</u>
Non-Social Housing Activities				
Lettings	2,196	(2,003)	-	193
Other	1,735	(1,763)	-	(28)
	<u>3,931</u>	<u>(3,766)</u>	<u>-</u>	<u>165</u>
	<u>117,196</u>	<u>(98,117)</u>	<u>(136)</u>	<u>18,943</u>

The restatement of the 2008 figures relates to the first time adoption of the 2008 SORP (note 41), and the restatement of Orbit South figures to provide a greater level of analysis.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

2 TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS BY CLASS OF BUSINESS (CONTINUED)

ASSOCIATION

	2009			
	Turnover £'000	Operating Costs £'000	Cost of Sales £'000	Operating Surplus/ (Deficit) £'000
Social Housing Lettings	18,753	(14,545)	-	4,208
Other Social Housing Activities				
Developments for Sale	1,823	-	(1,823)	-
Home Ownership Services	2,912	(3,224)	-	(312)
LCHO First Tranche Sales	9,692	(10,586)	-	(894)
Group Recharges	19,164	(19,265)	-	(101)
Other	2,882	(3,642)	-	(760)
	<u>36,473</u>	<u>(36,717)</u>	<u>(1,823)</u>	<u>(2,067)</u>
Non-Social Housing Activities				
Lettings	2,214	(2,087)	-	127
Other	904	(790)	-	114
	<u>3,118</u>	<u>(2,877)</u>	<u>-</u>	<u>241</u>
	<u>58,344</u>	<u>(54,139)</u>	<u>(1,823)</u>	<u>2,382</u>

ASSOCIATION

	2008			
	Restated			
	Turnover £'000	Operating Costs £'000	Cost of Sales £'000	Operating Surplus/ (Deficit) £'000
Social Housing Lettings	4,489	(1,564)	-	2,925
Other Social Housing Activities				
Home Ownership Services	265	(378)	-	(113)
LCHO First Tranche Sales	12,350	(10,790)	-	1,560
Group Recharges	23,385	(23,227)	-	158
Development Services	135	(135)	-	-
Other	1,097	(3,935)	-	(2,838)
	<u>37,232</u>	<u>(38,465)</u>	<u>-</u>	<u>(1,233)</u>
Non-Social Housing Activities				
Lettings	338	(45)	-	293
Other	236	(230)	-	6
	<u>574</u>	<u>(275)</u>	<u>-</u>	<u>299</u>
	<u>42,295</u>	<u>(40,304)</u>	<u>-</u>	<u>1,991</u>

The restatement of the 2008 figures relates to the first time adoption of the 2008 SORP (note 41).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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

3a INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	GROUP					
	General Needs Housing £'000	Keyworker Accomm. £'000	Supported Housing and Housing for Older People £'000	Low Cost Home Ownership £'000	Total 2009 £'000	Total 2008 £'000
Rents Receivable net of identifiable service charges	94,292	404	8,471	5,644	108,811	82,562
Service Income	6,656	228	3,158	479	10,521	9,065
Gross Rental income	100,948	632	11,629	6,123	119,332	91,627
Voids	(1,247)	(39)	(330)	(300)	(1,916)	(1,282)
Net Rental income	99,701	593	11,299	5,823	117,416	90,345
Grants from Local Authorities and Other Agencies	-	-	-	-	-	27
Other Income from Lettings	441	-	11	256	708	671
Turnover from Social Housing Lettings	100,142	593	11,310	6,079	118,124	91,043
Services	(6,704)	(228)	(2,986)	(696)	(10,614)	(9,147)
Management	(18,415)	(176)	(2,033)	(1,431)	(22,055)	(16,214)
Routine Maintenance	(23,997)	(13)	(2,230)	-	(26,240)	(16,526)
Planned Maintenance	(25,370)	(11)	(1,608)	(17)	(27,006)	(11,652)
Major Repairs Expenditure	(3,362)	-	-	-	(3,362)	(10,165)
Rent Losses from Bad Debts	(634)	(1)	(62)	-	(697)	(797)
Lease Charges	(63)	-	-	-	(63)	(44)
Depreciation of Housing Properties	(4,711)	-	(133)	(511)	(5,355)	(4,963)
Provision for Impairment – Housing Properties	(808)	-	-	(289)	(1,097)	-
Amortisation of Negative Goodwill	1,057	-	19	-	1,076	253
Other Costs	(28)	-	-	-	(28)	(341)
Operating Costs on Social Housing Lettings	(83,035)	(429)	(9,033)	(2,944)	(95,441)	(69,596)
Operating Surplus on Social Housing Lettings	17,107	164	2,277	3,135	22,683	21,447

The restatement of the 2008 figures relates to the first time adoption of the 2008 SORP (note 41), and the restatement of Orbit South figures to provide a greater level of analysis.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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

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

	ASSOCIATION				
	General Needs Housing £'000	Supported Housing and Housing for Older People £'000	Low Cost Home Ownership £'000	Total 2009 £'000	Total 2008 £'000
Rents Receivable net of identifiable service charges	8,833	2,404	5,628	16,865	4,105
Service Income	664	1,010	477	2,151	267
Gross Rental income	<u>9,497</u>	<u>3,414</u>	<u>6,105</u>	<u>19,016</u>	<u>4,372</u>
Voids	(113)	(106)	(300)	(519)	(48)
Net Rental income	<u>9,384</u>	<u>3,308</u>	<u>5,805</u>	<u>18,497</u>	<u>4,324</u>
Other Income from Lettings	-	-	256	256	165
Turnover from Social Housing Lettings	<u>9,384</u>	<u>3,308</u>	<u>6,061</u>	<u>18,753</u>	<u>4,489</u>
Services Management	(557)	(816)	(696)	(2,069)	(413)
Routine Maintenance	(2,124)	(866)	(1,430)	(4,420)	(851)
Planned Maintenance	(2,991)	(652)	-	(3,643)	-
Rent Losses from Bad Debts	(1,635)	(403)	-	(2,038)	-
Lease Charges	(167)	(13)	-	(180)	-
Depreciation of Housing Properties	(46)	-	-	(46)	-
Provision for Impairment – Housing Properties	(573)	-	(509)	(1,082)	(300)
Other Costs	(750)	-	(289)	(1,039)	-
	(28)	-	-	(28)	-
Operating Costs on Social Housing Lettings	<u>(8,871)</u>	<u>(2,750)</u>	<u>(2,924)</u>	<u>(14,545)</u>	<u>(1,564)</u>
Operating Surplus on Social Housing Lettings	<u>513</u>	<u>558</u>	<u>3,137</u>	<u>4,208</u>	<u>2,925</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

3b TURNOVER FROM NON-SOCIAL HOUSING ACTIVITIES

	GROUP		ASSOCIATION	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Lettings				
Care Homes	1,988	1,966	1,988	-
Market Renting	75	-	-	-
Offices	77	-	226	338
Commercial Premises	271	230	61	-
	<u>2,411</u>	<u>2,196</u>	<u>2,275</u>	<u>338</u>
Other	<u>3,058</u>	<u>1,735</u>	<u>843</u>	<u>236</u>
	<u><u>5,469</u></u>	<u><u>3,931</u></u>	<u><u>3,118</u></u>	<u><u>574</u></u>

4 STAFF COSTS

	GROUP		ASSOCIATION	
	2009 Number	2008 Number	2009 Number	2008 Number
Average Number Employed				
Office Staff	746	627	594	588
Scheme Staff	1,043	490	420	467
Operatives	62	-	-	-
	<u>1,851</u>	<u>1,117</u>	<u>1,014</u>	<u>1,055</u>
Full-time	910	684	632	634
Part-time	941	433	382	421
	<u>1,851</u>	<u>1,117</u>	<u>1,014</u>	<u>1,055</u>
Full time Equivalents	<u>1,521</u>	<u>939</u>	<u>871</u>	<u>879</u>

	GROUP		ASSOCIATION	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Staff Costs for the Above				
Wages and Salaries	32,265	21,278	20,640	19,470
Social Security Costs	2,525	1,620	1,673	1,482
Other Pension Costs	2,762	1,966	1,902	1,675
	<u>37,552</u>	<u>24,864</u>	<u>24,215</u>	<u>22,627</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

5 OPERATING SURPLUS

	GROUP		ASSOCIATION	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Operating Surplus is stated after charging/(crediting)				
Housing Properties - Depreciation	5,930	4,990	1,108	300
- Impairment Provision	325	-	289	-
Land Banking – Impairment Provision	750	-	750	-
Other Fixed Assets:				
- Depreciation - Owned Assets	1,130	2,860	674	2,605
- Depreciation - Leased Assets	75	-	-	-
- Impairment Provision	22	-	-	-
- (Surplus)/Loss on Disposal	(28)	(134)	2	1
Operating Leases	248	75	68	54
Amortisation of Goodwill	(1,076)	(253)	-	-
Group Auditor's Remuneration:				
- In their Capacity as Auditors	146	107	23	19
- In Respect of Other Services	13	5	3	5
Other Auditor's Remuneration:				
- In their Capacity as Auditors	-	-	-	-
- In Respect of Other Services	28	62	28	60
FRS17: Retirement Benefits:				
- Actuarial valuation based net service costs/contribution	-	(60)	-	-
- Net (increase)/decrease to operating surplus	-	(60)	-	-

6 DIRECTORS' EMOLUMENTS

The Directors of the Association are its Board Members and the Group Chief Executive. Board Members payments were introduced for the Group Chair, Operating Association Chair and OGB Board Members from September 2004 and for all other Board Members from April 2009.

	GROUP		ASSOCIATION	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Aggregate emoluments paid to or received by Directors who are not executive staff members including salaries, honoraria and other benefits	231	68	165	68
Aggregate emoluments paid to or received by Directors who are executive staff members including salaries, honoraria and other benefits	1,193	904	959	904
Emoluments of the highest paid Director excluding Pension Contributions included in aggregate emoluments of Directors who are executive staff members	155	140	155	140

The Group Chief Executive is a member of the Social Housing Pension Scheme on the same terms as all other staff who are also members; no enhanced or special terms apply. Expenses paid during the year to Board Members amounted to £168k (2008: £86k).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

7 SURPLUS ON SALE OF HOUSING PROPERTIES

	GROUP					
	2009			2008		
	Letting £'000	Shared Equity £'000	Total £'000	Letting £'000	Shared Equity £'000	Total £'000
Proceeds from disposal	2,352	2,540	4,892	54,407	5,004	59,411
Cost of disposals	(1,380)	(1,381)	(2,761)	(17,922)	(2,187)	(20,109)
Surplus	<u>972</u>	<u>1,159</u>	<u>2,131</u>	<u>36,485</u>	<u>2,817</u>	<u>39,302</u>

	ASSOCIATION	
	2009	2008
	£'000	Restated £'000
Shared Equity		
Proceeds from disposal	3,830	4,692
Cost of disposals	(1,810)	(1,943)
Surplus	<u>2,020</u>	<u>2,749</u>

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	GROUP		ASSOCIATION	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Interest Receivable from Other Fixed Asset Investments	-	348	-	348
Interest Receivable from Unlisted Investments	<u>746</u>	<u>633</u>	<u>266</u>	<u>102</u>
	<u>746</u>	<u>981</u>	<u>266</u>	<u>450</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

10 TAXATION

The only members of the Group subject to taxation throughout the year ended 31 March 2009 were Orbit New Homes Limited and Orbit Treasury Limited. Orbit Group Limited obtained charitable status with effect from 3 April 2006. From that point, its principal sources of income and gains have been exempt from corporation tax and accordingly, no deferred tax assets have been recognised in the balance sheet of the Association at either 31 March 2008 or 31 March 2009. Other Group members are all charities for tax purposes.

No deferred tax asset has been provided in respect of trading losses carried forward due to the uncertainty as to when the benefit of this asset would be obtained.

The charge for the year is based on the surpluses/deficits arising on activities that are liable to tax.

	GROUP		ASSOCIATION	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
(i) Analysis of tax charge on ordinary activities				
United Kingdom Corporation Tax at 28% (2008: 30%)				
Current	(12)	6	-	-
Deferred Tax				
Origination and reversal of timing differences	114	(6)	-	-
Adjustment in respect of prior years	14	2	-	-
	<u>116</u>	<u>2</u>	<u>-</u>	<u>-</u>

The tax assessed on the surplus for the year is lower than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained below.

	GROUP		ASSOCIATION	
	2009 £'000	2008 Restated £'000	2009 £'000	2008 Restated £'000
(ii) Factors affecting tax charge for current year				
Surplus/(Deficit) on ordinary activities before tax	<u>(1,246)</u>	<u>37,790</u>	<u>(68)</u>	<u>(921)</u>
Tax charge/(credit) at 28% (2008: 30%) thereon	(349)	11,337	(19)	(276)
Non taxable (surpluses)/deficits (primarily charitable exemptions)	337	(11,337)	19	276
Deferred tax asset written back	114	-	-	-
Adjustment in respect of prior years	14	2	-	-
Current tax charge for year	<u>116</u>	<u>2</u>	<u>-</u>	<u>-</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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

11 HOUSING PROPERTIES

	GROUP										
	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Other Social Housing		Non-Social Housing		Total
	Complete	In Development	Complete	In Development	Complete	In Development	Complete	In Development	Complete	In Development	Complete
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
COST											
At 1 April 2008 (Restated)	790,606	30,948	36,675	984	106,974	6,236	1,796	4,129	978,348		
Acquisition of HoE Group	157,158	9,358	-	-	1,842	5,653	25,205	1,601	200,817		
Reclassifications	(7,916)	13,408	(3,359)	1,505	(3,344)	-	(294)	-	-		
TfF to Other Fixed Assets	-	(305)	-	-	-	-	-	-	-		(305)
Additions	3,432	71,693	247	9,196	729	17,601	1,605	-	104,503		
Transfer on Completion	42,213	(42,213)	5,937	(5,937)	12,553	(12,553)	-	-	-		
Disposals	(3,721)	(79)	(476)	-	(1,142)	-	-	-	(5,418)		
At 31 March 2009	981,772	82,810	39,024	5,748	117,612	16,937	28,312	5,730	1,277,945		
LESS: GRANTS											
At 1 April 2008 (Restated)	(402,822)	(17,634)	(23,393)	-	(47,590)	(2,375)	(1,047)	(1,380)	(496,241)		
Acquisition of HoE Group	-	(2,807)	-	-	-	(275)	-	-	(3,082)		
Reclassifications	3,469	(3,131)	68	(1,265)	777	-	82	-	-		
Receivable	(846)	(22,052)	(400)	(3,981)	-	(4,581)	-	-	(31,860)		
Transfer on Completion	(13,789)	13,789	(3,350)	3,350	(2,805)	2,805	-	-	-		
Disposals	1,925	-	133	-	-	-	-	-	2,058		
Transfer to/(from) RCGF and DPF	(43)	203	-	(150)	547	(832)	-	-	(275)		
At 31 March 2009	(412,106)	(31,632)	(26,942)	(2,046)	(49,071)	(5,258)	(965)	(1,380)	(529,400)		

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11 HOUSING PROPERTIES (CONTINUED)

	GROUP									
	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Other Social Housing		Non- Social Housing	
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	Complete £'000	In Development £'000	Complete £'000	In Development £'000	Complete £'000	In Development £'000
LESS: DEPRECIATION										
At 1 April 2008 (Restated)	(29,046)	-	(1,372)	-	(2,098)	-	(61)	(225)	(32,802)	-
Acquisition of HoE Group	-	-	-	-	-	-	(533)	-	(533)	-
Reclassifications	535	-	(553)	-	-	-	18	-	-	-
Depreciation	(4,641)	-	(203)	-	(510)	-	(538)	(38)	(5,930)	-
Eliminated on Disposals	10	-	-	-	26	-	-	-	36	-
At 31 March 2009	(33,142)	-	(2,128)	-	(2,582)	-	(1,114)	(263)	(39,229)	-
LESS: PROVISIONS FOR IMPAIRMENT										
At 1 April 2008	(262)	-	(93)	-	(36)	-	-	(472)	(863)	-
Charge for the Year	(36)	-	-	-	(289)	-	-	-	(325)	-
At 31 March 2009	(298)	-	(93)	-	(325)	-	-	(472)	(1,188)	-
NET BOOK AMOUNT										
At 31 March 2009	536,226	51,178	9,861	3,702	65,634	11,679	26,233	3,615	708,128	-
At 31 March 2008 (Restated)	358,476	13,314	11,817	984	57,250	3,861	688	2,052	448,442	-

Additions to properties during the year include capitalised interest and finance costs of £1.0 million (2008: £2.1 million) and development administration costs of £2.4 million (2008: £1.8 million). The Group reviewed its properties for impairment and there was a charge of £325k to the Income and Expenditure Account for 2009 (2008 £NIL).

During the year the total expenditure on works to existing properties was £50.9 million of which £1.5 million has been capitalised.

The restatement of the 2008 figures relates to the first time adoption of the 2008 SORP (note 41).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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

11 HOUSING PROPERTIES (CONTINUED)

	ASSOCIATION									
	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Care Estab.	Non- Social Housing	Total	
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	Complete £'000	In Development £'000	£'000	£'000	£'000	£'000
COST										
At 1 April 2008 (Restated)	-	-	-	-	92,903	6,134	-	-	-	99,037
Transfer of undertakings from OHA	124,662	11,183	22,592	-	13,921	102	294	4,129	-	176,883
Additions	1,450	62,727	-	3,877	3,605	23,254	-	-	-	94,913
Transfer on Completion	17,986	(17,986)	-	-	12,553	(12,553)	-	-	-	-
Transfer to other Group members	(20,573)	(26,117)	(5,551)	-	(3,344)	-	-	-	-	(55,585)
Disposals	(165)	-	(476)	-	(1,142)	-	-	-	-	(1,783)
Reclassifications	-	-	294	-	-	-	(294)	-	-	-
At 31 March 2009	123,360	29,807	16,859	3,877	118,496	16,937	-	4,129	-	313,465
LESS: GRANTS										
At 1 April 2008 (Restated)	-	-	-	-	(42,842)	(2,375)	-	-	-	(45,217)
Transfer of undertakings from OHA	(72,662)	(4,613)	(15,285)	-	(4,748)	-	(82)	(1,380)	-	(98,770)
Receivable	-	(19,633)	(400)	(1,608)	(380)	(4,856)	-	-	-	(26,877)
Reclassifications	-	-	(82)	-	-	-	82	-	-	-
Transfer on Completion	(4,088)	4,088	-	-	(2,805)	2,805	-	-	-	-
Transfer to I&E on Disposal	-	-	133	-	-	-	-	-	-	133
Transfer to/(from) RCGF and DPF	57	228	-	(150)	547	(832)	-	-	-	(150)
Transfer to other Group members	7,409	10,136	1,737	-	777	-	-	-	-	20,059
At 31 March 2009	(69,284)	(9,794)	(13,897)	(1,758)	(49,451)	(5,258)	-	(1,380)	-	(150,822)

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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

11 HOUSING PROPERTIES (CONTINUED)

ASSOCIATION

	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Care Estab.	Non- Social Housing	Total
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	Complete £'000	In Development £'000	£'000	£'000	£'000
LESS: DEPRECIATION									
At 1 April 2008 (Restated)	-	-	-	-	(1,952)	-	-	-	(1,952)
Transfer of undertakings from OHA	(3,297)	-	(678)	-	(133)	-	(18)	(225)	(4,351)
Reclassifications	-	-	(18)	-	-	-	18	-	-
Depreciation	(503)	-	(70)	-	(508)	-	-	(27)	(1,108)
Eliminated on Disposals	-	-	-	-	26	-	-	-	26
At 31 March 2009	(3,800)	-	(766)	-	(2,567)	-	-	(252)	(7,385)
LESS: PROVISIONS FOR IMPAIRMENT									
At 1 April 2008	-	-	-	-	(36)	-	-	-	(36)
Transfer of undertakings from OHA	-	-	-	-	-	-	-	(472)	(472)
Charge for the Year	-	-	-	-	(289)	-	-	-	(289)
At 31 March 2009	-	-	-	-	(325)	-	-	(472)	(797)
NET BOOK AMOUNT									
At 31 March 2009	50,276	20,013	2,196	2,119	66,153	11,679	-	2,025	154,461
At 31 March 2008 (Restated)	-	-	-	-	48,073	3,759	-	-	51,832

Additions to properties during the year include capitalised interest and finance costs of £0.9 million (2008: £0.6 million) and development administration costs of £0.9 million (2008: £0.8 million). The Association reviewed its properties for impairment and there was a charge of £1,039k to the Income and Expenditure Account for 2009 (2008 £NIL).

The restatement of the 2008 figures relates to the first time adoption of the 2008 SORP (note 41).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

11 HOUSING PROPERTIES (CONTINUED)

Grants stated in the note overleaf 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:

	GROUP		ASSOCIATION	
	2009 £'000	2008 Restated £'000	2009 £'000	2008 Restated £'000
Within Housing Properties and Stocks	27,201	23,939	3,250	1,670
The Net Book Value of Housing and Other Properties (Note 12) Comprises:				
Freehold Land and Buildings	703,344	433,130	151,307	50,556
Long Leasehold Land and Buildings	15,642	22,596	9,635	7,833
Short Leasehold Land and Buildings	634	1,206	-	-
	<u>719,620</u>	<u>456,932</u>	<u>160,942</u>	<u>58,389</u>

Housing Stocks are stated at the lower of cost and net realisable value. Cost includes land, build costs, applicable overheads and interest. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

The restatement of the 2008 figures relates to the first time adoption of the 2008 SORP (note 41).

12 OTHER TANGIBLE FIXED ASSETS

	GROUP					
	Freehold Offices £'000	Leasehold Offices £'000	Commercial Premises £'000	Motor Vehicles £'000	Furniture Fixtures & Equipment £'000	Total £'000
COST OR VALUATION						
At 1 April 2008	4,689	5,562	150	26	9,000	19,427
Acquisition of HoE Group	-	2,819	136	381	1,315	4,651
Additions	9	744	-	-	1,471	2,224
Trf from Housing Properties	-	-	305	-	-	305
Disposals	-	-	-	(166)	(1,266)	(1,432)
At 31 March 2008	<u>4,698</u>	<u>9,125</u>	<u>591</u>	<u>241</u>	<u>10,520</u>	<u>25,175</u>
LESS: DEPRECIATION						
At 1 April 2008	(919)	(959)	(33)	(25)	(6,749)	(8,685)
Acquisition of HoE Group	-	(655)	(30)	(300)	(1,006)	(1,991)
Charge for Year	(89)	(207)	(8)	(57)	(844)	(1,205)
Eliminated on Disposal	-	-	-	159	1,263	1,422
At 31 March 2009	<u>(1,008)</u>	<u>(1,821)</u>	<u>(71)</u>	<u>(223)</u>	<u>(7,336)</u>	<u>(10,459)</u>
LESS: PROVISIONS FOR IMPAIRMENT						
At 1 April 2008	-	-	-	-	-	-
Charge for Year	(22)	-	-	-	-	(22)
At 31 March 2008	<u>(22)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22)</u>
NET BOOK AMOUNT						
At 31 March 2009	<u>3,668</u>	<u>7,304</u>	<u>520</u>	<u>18</u>	<u>3,184</u>	<u>14,694</u>
At 31 March 2008	<u>3,770</u>	<u>4,603</u>	<u>117</u>	<u>1</u>	<u>2,251</u>	<u>10,742</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

12 OTHER TANGIBLE FIXED ASSETS (CONTINUED)

The net book value includes £Nil (2008: £Nil) of furniture, fixtures and equipment held under finance leases. Depreciation charged in the year on these assets amounted to £Nil (2008: £Nil).

Certain of the Orbit Group Limited offices were valued in February 1997 on the basis of their Open Market Value for existing use. The valuations were carried out by Messrs Shortland Horne, Chartered Surveyors.

On adoption of Financial Reporting Standard 15 "Tangible Fixed Assets", the Association has followed the transitional provisions to retain the book value of the offices which were revalued in 1997, but not to adopt a policy of revaluation in the future. These modified historical cost values are retained subject to the requirement to test assets for impairment.

If the offices had not been revalued they would have been included in Orbit Group Limited balance sheet at £Nil (2008: £Nil).

The difference between the revalued amounts of the offices and their depreciated historical costs are as follows:

	Freehold Offices £'000	Leasehold Offices £'000	Total £'000
Depreciated Historical Cost	2,105	212	2,317
Less: Revalued Amount	<u>(1,558)</u>	<u>(169)</u>	<u>(1,727)</u>
Difference as at 31 March 2009	<u>547</u>	<u>43</u>	<u>590</u>
Difference as at 31 March 2008	<u>570</u>	<u>46</u>	<u>616</u>

ASSOCIATION

	Freehold Offices £'000	Leasehold Offices £'000	Furniture Fixtures & Equipment £'000	Total £'000
COST				
At 1 April 2008	2,050	5,484	5,007	12,541
Transfer of undertakings from OHA	111	-	283	394
Additions	9	16	1,092	1,117
Disposals	-	-	(405)	(405)
At 31 March 2009	<u>2,170</u>	<u>5,500</u>	<u>5,977</u>	<u>13,647</u>
LESS: DEPRECIATION				
At 1 April 2008	(451)	(526)	(3,073)	(4,050)
Transfer of undertakings from OHA	(39)	-	(234)	(273)
Charge for Year	(41)	(132)	(501)	(674)
Eliminated on Disposal	-	-	403	403
At 31 March 2009	<u>(531)</u>	<u>(658)</u>	<u>(3,405)</u>	<u>(4,594)</u>
NET BOOK AMOUNT				
At 31 March 2009	<u>1,639</u>	<u>4,842</u>	<u>2,572</u>	<u>9,053</u>
At 31 March 2008	<u>1,599</u>	<u>4,958</u>	<u>1,934</u>	<u>8,491</u>

The net book value includes £Nil (2008: £Nil) of furniture, fixtures and equipment held under finance leases. Depreciation charged in the year on these assets amounted to £Nil (2008: £1k).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

13 HOMEBUY LOANS

	GROUP AND ASSOCIATION	
	2009	2008
	£'000	£'000
HomeBuy Loan Received from The Housing Corporation	18,522	16,970
HomeBuy Loan Received from Recycled Capital Grant Fund	550	550
HomeBuy Loan Received Total	<u>19,072</u>	<u>17,520</u>
HomeBuy Loan Advanced to Borrower	<u>(19,072)</u>	<u>(17,520)</u>
	<u>-</u>	<u>-</u>

14 FIXED INVESTMENTS

	GROUP		ASSOCIATION	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Monies deposited with Funding for Homes Ltd	<u>800</u>	<u>800</u>	<u>-</u>	<u>-</u>

In October 1993, the Association raised loans totalling £16 million through the financial intermediary, Funding for Homes Limited. It is a condition of the funding that all associations raising monies through this means must deposit 5% of the proceeds, which in the Association's case amounts to £800k as a common guarantee against default. The loan from Funding for Homes Limited was assigned to Heart of England Housing Association Limited on 1 April 2008 at the time of the sale of properties in the Midlands area from Orbit Housing Association to that Association.

15 PROPERTIES FOR SALE

	GROUP AND ASSOCIATION	
	2009	2008
	£'000	Restated £'000
Housing Properties for Sale	1,675	1,675
Shared Ownership – Completed Properties	7,558	5,896
Shared Ownership – Under Construction	16,937	6,124
	<u>26,170</u>	<u>13,695</u>

The above figures include capitalised interest of £326k (2008: £190k) for the Group and the Association.

The restatement of the 2008 figures relates to the first time adoption of the 2008 SORP (note 41).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

16 STOCKS

	GROUP		ASSOCIATION	
	2009 £'000	2008 Restated £'000	2009 £'000	2008 Restated £'000
Work in Progress	-	260	-	-
Land Banking	9,860	5,666	9,860	5,666
Consumable Stocks	89	14	5	1
	<u>9,949</u>	<u>5,940</u>	<u>9,865</u>	<u>5,667</u>

The restatement of the 2008 figures relates to the first time adoption of the 2008 SORP (note 41).
An impairment of £750k was made during the year on land banking.

17 DEBTORS

	GROUP		ASSOCIATION	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Rental Debtors	7,737	7,441	1,422	146
Less provision for doubtful debts	(1,560)	(1,532)	(235)	-
	<u>6,177</u>	<u>5,909</u>	<u>1,187</u>	<u>146</u>
Amounts Due from Subsidiaries	-	-	29,761	9,083
Prepayments and Accrued Income	491	958	286	332
SHG Receivable	10,212	6,659	9,402	3,717
Other Debtors	5,576	4,947	2,627	1,013
	<u>22,456</u>	<u>18,473</u>	<u>43,263</u>	<u>14,291</u>
Debtors after one year included in Other Debtors above	<u>839</u>	<u>452</u>	<u>9,304</u>	<u>2,868</u>

18 OTHER INVESTMENTS AND CASH - SHORT TERM DEPOSITS

	GROUP		ASSOCIATION	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Other Investments and Cash - Short Term Deposits comprise:				
- Maturing in less than 24 hours	-	22,174	-	2,947
- Maturing in excess of 24 hours, less than 7 days	-	-	-	-
- Maturing in excess of 7 days	10,721	869	5,013	869
	<u>10,721</u>	<u>23,043</u>	<u>5,013</u>	<u>3,816</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		ASSOCIATION	
	2009	2008 Restated	2009	2008
	£'000	£'000	£'000	£'000
Housing Loans (Net of loan arrangement fee) (Note 22)	242	216	1,622	1,622
Bank Overdraft	798	141	-	-
Trade Creditors	11,421	14,696	173	5,603
Amounts Due from Subsidiaries	-	-	-	945
Other Creditors	9,403	5,449	7,034	4,558
Accruals and Deferred Income	7,436	9,161	189	61
Fees Received in Advance	235	-	-	-
Rents Received in Advance	1,456	894	343	141
Grants Received in Advance	6,371	697	6,371	-
RCGF and DPF Within One Year (Note 20)	874	-	258	-
	<u>38,236</u>	<u>31,254</u>	<u>15,990</u>	<u>12,930</u>

The restatement of the 2008 figures relates to Orbit South figures to provide a greater level of analysis.

Housing loans shown above are net of £Nil loan arrangement fees carried forward (2008: £Nil).

20 DISPOSAL PROCEEDS AND RECYCLED CAPITAL GRANT FUNDS

	GROUP		
	RCGF £'000	DPF £'000	TOTAL £'000
At 1 April 2008 (Restated)	2,211	1,128	3,339
Acquisition of HoE Group	-	576	576
Grants recycled	1,153	424	1,577
Interest accrued	80	63	143
Transfers back into fund	961	-	961
New build	(1,112)	(390)	(1,502)
Downward staircasing	(1,223)	-	(1,223)
At 31 March 2009	<u>2,070</u>	<u>1,801</u>	<u>3,871</u>
Amount due for repayment to the Housing Corporation:			
Within one year	258	616	874
After more than one year	<u>1,812</u>	<u>1,185</u>	<u>2,997</u>
	<u>2,070</u>	<u>1,801</u>	<u>3,871</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

20 DISPOSAL PROCEEDS AND RECYCLED CAPITAL GRANT FUNDS (CONTINUED)

	ASSOCIATION		
	RCGF £'000	DPF £'000	TOTAL £'000
At 1 April 2008 (Restated)	1,300	-	1,300
Transfer of undertakings from OHA	857	160	1,017
Grants recycled	1,133	-	1,133
Interest accrued	79	3	82
Transfers (to)/from other group members	991	(98)	893
Downward staircasing	(1,198)	-	(1,198)
New build	(1,112)	-	(1,112)
At 31 March 2009	<u>2,050</u>	<u>65</u>	<u>2,115</u>
Amount due for repayment to the Housing Corporation:			
Within one year	258	-	258
After more than one year	<u>1,792</u>	<u>65</u>	<u>1,857</u>
	<u>2,050</u>	<u>65</u>	<u>2,115</u>

21 OTHER CREDITORS: FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		ASSOCIATION	
	2009 £'000	2008 Restated £'000	2009 £'000	2008 £'000
Housing Loans	547,241	343,407	115,543	68,282
Deferred Income Credit	-	1,134	-	-
Accruals and Deferred Income	1,228	69	-	-
Advanced Maintenance and Renewal Contributions	4,063	3,931	2,980	676
Other Creditors	<u>1,384</u>	<u>1,164</u>	<u>768</u>	<u>319</u>
	<u>553,916</u>	<u>349,705</u>	<u>119,291</u>	<u>69,277</u>

Housing loans shown above are net of £1,036k loan arrangement fees carried forward (restated 2008: £1,048k). (Orbit Group Limited – 2009: £56k, 2008: £Nil).

The group figures for 2008 have been restated to provide more analysis.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

22 HOUSING LOANS AND FINANCE LEASE OBLIGATIONS

	GROUP		ASSOCIATION	
	2009 £'000	2008 Restated £'000	2009 £'000	2008 £'000
Due Within One Year				
Orbit Treasury Limited	-	-	1,622	1,622
Orchardbrook Ltd	242	216	-	-
	<u>242</u>	<u>216</u>	<u>1,622</u>	<u>1,622</u>
Due After More than One Year				
Orbit Treasury Limited	-	-	103,349	68,282
Bank/Building Society Loans	518,830	314,766	12,250	-
Orchardbrook Ltd	13,447	13,689	-	-
Debenture Stock	16,000	16,000	-	-
	<u>548,277</u>	<u>344,455</u>	<u>115,599</u>	<u>68,282</u>
	<u>548,519</u>	<u>344,671</u>	<u>117,221</u>	<u>69,904</u>

The group figures have been restated by £986k to show bank loans gross of loan arrangement fees.

On 28 September 2007, all of the loans of Orbit Group Limited and the majority of loans in the Group were re-routed through a separate treasury vehicle, Orbit Treasury Limited. All members of the Group entered into a fully cross-collateralised structure. Orbit Treasury Limited borrows money on behalf of the Group and on-lends these to the individual operating associations as required. The anticipated benefits of setting up the treasury vehicle include streamlined and efficient treasury procedures and strategy.

Note (a)

Housing loans are secured by fixed charges on the Association's housing properties and are repayable at varying rates of interest in instalments due as follows:

	GROUP		ASSOCIATION	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
In One Year or Less, or on Demand	242	216	1,622	1,622
Repayable by Instalments:				
- More than One Year but not more than Two Years	272	242	1,622	1,622
- In more than Two Years but not more than Five Years	1,030	918	3,243	3,243
- In more than Five Years	530,975	315,045	110,734	63,417
	<u>532,277</u>	<u>316,205</u>	<u>115,599</u>	<u>68,282</u>
Repayable Other than by Instalments:				
- In more than Five Years	16,000	28,250	-	-
	<u>548,519</u>	<u>344,671</u>	<u>117,221</u>	<u>69,904</u>

The Greenwich Natwest (formerly Orchardbrook Ltd), bank and certain other loans were secured by fixed charges on individual properties. The Funding for Homes Ltd bond is now secured by a fixed charge over certain assets of the Group and a cash deposit. The loans from Greenwich Natwest are paid in half yearly instalments. The interest rates are 10.7% and 11.9% and the final instalments fall to be repaid in 2026 and 2032. These loans were originally made to Orbit Group Limited, but were assigned to other group members as part of the group restructure.

The bank and other loans are repaid in instalments at fixed and variable rates of interest ranging from 1.24% to 11.5%. The final instalments fall to be repaid in the period 2017 to 2037.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22 HOUSING LOANS AND FINANCE LEASE OBLIGATIONS (CONTINUED)

Note (b)

As a result of the raising of loans totalling £26 million through the financial intermediaries, Funding for Homes Ltd and HALOS Limited, the Association received an additional sum of £2.7 million representing a net discount on the market price of the stock on issue. The HALOS loan was repaid during the year ended 31 March 2008, and the Funding for Homes Ltd loan was assigned to another group member as part of the group restructure, and the deferred income credit will be released to the Income and Expenditure Account to offset against loan interest charges over the life of the loans (25 years from October 1993).

Note (c)

In accordance with FRS 13 where an interest rate Swap has been used to convert floating rate borrowing to fixed rate, the debt has been shown as fixed rate

Note (d)

The Association has taken out a number of interest rate swaps to hedge the interest payable on the above housing loans and provide certainty over interest costs for the majority of the life of the loans. These were all assigned to Orbit Treasury Limited when the new group treasury vehicle was introduced, and therefore at the year-end there were no interest rate swaps held by the Association.

The interest rate profile at 31 March 2009 was:

	GROUP				Weighted average term of fixing in years
	Total £m	Variable Rate £m	Fixed Rate £m	Weighted Average Rate %	
Instalment loans	520.2	106.5	413.7	4.4%	7
Non-instalment loans	28.3	-	28.3	10.6%	9
	<u>548.5</u>	<u>106.5</u>	<u>442.0</u>	<u>4.7%</u>	<u>7</u>
	ASSOCIATION				Weighted average term of fixing in years
	Total £m	Variable Rate £m	Fixed Rate £m	Weighted Average Rate %	
Instalment loans	105.0	73.3	31.6	4.5%	9
Non-instalment loans	12.2	-	12.3	11.2%	9
	<u>117.2</u>	<u>73.3</u>	<u>43.9</u>	<u>5.2%</u>	<u>9</u>

At 31 March 2009 the following borrowing facilities were available to be drawn from Orbit Treasury Limited:

	GROUP £m
Undrawn committed facilities	35.5
Undrawn facilities	104.8
	<u>140.3</u>

In June 2009, our facility with Abbey National Treasury Services was extended by a further £50 million.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

23 CALLED UP SHARE CAPITAL

	GROUP AND ASSOCIATION	
	2009	2008
	£	£
Issued and Fully Paid Shares of £1 Each		
At 1 April 2008	8	8
Issued	4	-
Surrendered	(1)	-
	<u>11</u>	<u>8</u>
At 31 March 2009	<u>11</u>	<u>8</u>

The share capital of Orbit Group Limited, which was formed in April 2004, is raised by the issue of shares with a nominal value of £1 each. The Association's Industrial and Provident Society status means the maximum shareholding permitted per member is 1 share. There is no Authorised Share Capital and the Orbit Group Board may issue as many £1 shares as it wishes. However, the Board operate a restricted shareholding policy with all shares currently held by serving, or former Orbit Group Board Members only. 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.

24 DESIGNATED RESERVES

	GROUP				
	At Beginning of the Year £'000	Transfer (To)/From General Reserve £'000	Transfer to Creditors £'000	Acquisition of HoE Group £'000	At End of the Year £'000
Neighbourhood Investment Fund	960	(233)	-	-	727
Renewal of Furniture and Equipment	4,322	342	(72)	74	4,666
Insurance Reserve	490	-	-	-	490
2009	<u>5,772</u>	<u>109</u>	<u>(72)</u>	<u>74</u>	<u>5,883</u>
2008	<u>5,594</u>	<u>178</u>	<u>-</u>	<u>-</u>	<u>5,772</u>

Orbit Housing Association (OHA) was a member of Housing Association Property Mutual (HAPM). When HAPM reduced its insurance term in 2004/05 from 35 to 20 years, we received a refund of part of the premiums that we had previously paid. The monies returned have been set aside in an insurance reserve to cover future repairs arising from component or building failure. Following the restructure of the Group, membership of HAPM and the insurance reserves have been transferred to other associations in the Group.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24 DESIGNATED RESERVES (CONTINUED)

	ASSOCIATION			
	At Beginning Of the Year £'000	Transfers from OHA £'000	Transfer (to)/from I&E Account £'000	At End of the Year £'000
Neighbourhood Investment Fund	960	-	(233)	727
Renewal of Furniture and Equipment	-	1,359	101	1,460
Insurance Reserve	-	303	-	303
2009	<u>960</u>	<u>1,662</u>	<u>(132)</u>	<u>2,490</u>
2008	<u>1,100</u>	<u>-</u>	<u>(140)</u>	<u>960</u>

25 GENERAL RESERVES

	GROUP		ASSOCIATION	
	2009 £'000	2008 Restated £'000	2009 £'000	2008 Restated £'000
Opening Balance	109,728	72,886	6,698	8,898
Prior Year Adjustment (Note 41)	6,522	5,225	4,938	3,473
Opening Balance (restated)	116,250	78,111	11,636	12,371
Transfer of undertakings from OHA	-	-	97,530	-
Surplus / (deficit) for the year	(1,545)	37,610	9	(735)
Actuarial gain on pension scheme	(738)	529	-	-
Closing Balance	<u>113,967</u>	<u>116,250</u>	<u>109,175</u>	<u>11,636</u>

The restatement of the 2008 figures relates to the first time adoption of the 2008 SORP (note 41).

26 REVALUATION RESERVE

	ASSOCIATION		
	At Beginning Of the Year £'000	Transfer to I&E Account £'000	At End of the Year £'000
Revaluation of Offices	<u>1,770</u>	<u>(45)</u>	<u>1,725</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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For the Year Ended 31 March 2009

27 RECONCILIATION OF MOVEMENTS IN FUNDS

	GROUP		ASSOCIATION	
	2009 £'000	2008 Restated £'000	2009 £'000	2008 Restated £'000
Opening Funds	138,783	100,719	14,366	15,287
Acquisition of HoE Group	62,580	-	-	-
Transfer of undertakings from OHA	-	-	99,192	-
(Deficit) / Surplus for the Financial Year - original	(1,362)	37,788	(123)	(875)
Amortisation of Goodwill	(1,076)	(253)	-	-
Actuarial Gain on Pension Scheme	(738)	529	-	-
Transfer from Designated Reserves to Creditors	(72)	-	-	-
Transfer from Revaluation Reserve	-	-	(45)	(46)
Closing Funds	198,115	138,783	113,390	14,366

The restatement of the 2008 figures relates to the first time adoption of the 2008 SORP (note 41).

28 CAPITAL COMMITMENTS

	GROUP		ASSOCIATION	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Capital Expenditure which has been contracted for but has not been provided for in the financial statements	47,765	75,780	16,079	21,612
Capital Expenditure which has been authorised under authority from the Orbit Group Board but has yet to be contracted for	46,053	34,694	15,190	4,566
	93,818	110,474	31,269	26,178
The RSL expects these commitments to be financed with:				
Social Housing Grant	43,260	49,754	12,878	6,353
Committed loan facilities	39,408	32,206	7,391	9,714
Proceeds from sale of properties	11,150	28,514	11,000	10,111
	93,818	110,474	31,269	26,178

29 CONTINGENT LIABILITIES

The Group had contingent liabilities of £262k at 31 March 2009 (2008: £572k). At 31 March 2009, Orbit South had a contingent liability of £200k in respect of potential costs following the company reorganisation, Orbit Group Limited had contingent liabilities of £62k at 31 March 2009 relating to ongoing support to Orbit New Homes in respect of contract payments under dispute (2008: £62k). At 31 March 2008, there was potentially a liability that Orbit Group Limited may have to repay some of the initial Local Authority contributions (£306k), currently shown within Grants (note 11). There is no corresponding contingent liability at 31 March 2009. At 31 March 2008 there was a further contingent liability of £204k relating to contract payments in dispute on properties previously owned by Orbit Housing Association. This dispute has now been resolved.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

30 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	GROUP		ASSOCIATION	
	2009	2008	2009	2008
	£'000	Restated £'000	£'000	Restated £'000
Operating Surplus	21,770	18,943	2,382	1,991
Depreciation Charge on other fixed assets	1,205	2,860	674	2,605
Depreciation on Housing Properties	5,930	4,990	1,108	300
Provision for impairment on Housing Properties	325	-	289	-
Provision for impairment on other fixed assets	22	-	-	-
Provision for impairment on stocks	750	-	750	-
Movement in provisions	(38)	-	-	-
Provision for Bad Debts	(101)	334	238	-
(Surplus)/Deficit on Sale of Other Fixed Assets	(4)	8	(4)	1
Decrease/(Increase) in Stocks	(30)	(2)	-	-
Adjustment for Pension Funding	(90)	274	-	-
(Increase)/Decrease in Debtors	39,314	(2,559)	285	(601)
Increase/(Decrease) in Creditors	(31,959)	6,980	14,771	642
Housing Property costs written off	-	173	-	-
Transfer to Advance Renewals Provision	(72)	-	(72)	-
Negative Goodwill amortisation	(1,076)	(253)	-	-
Net Cash Inflow from Operating Activities	35,946	31,748	20,421	4,938

The restatement of the 2008 figures relates to the first time adoption of the 2008 SORP (note 41).

31 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	GROUP		ASSOCIATION	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Increase/(Decrease) in Cash in the Year	(18,790)	19,333	(325)	2,232
Increase/(Decrease) in Bank Deposits (with a Maturity in Excess of 24 Hours)	9,852	(3,431)	4,144	769
Other changes	18	-	-	-
Loans Received	(77,750)	(312,707)	(116,500)	(78,404)
Acquisition of HoE Group Loans	(126,497)	-	-	-
Loans Repaid	399	311,535	69,183	48,654
Loan Arrangement Fees	(30)	(995)	56	-
Capital Element of Finance Lease Rental Payments	-	7	-	-
Change in Net Debt	(212,798)	13,742	(43,442)	(26,749)
Net Debt at 1 April 2008	(317,668)	(331,410)	(66,007)	(39,258)
Net Debt at 31 March 2009	(530,466)	(317,668)	(109,449)	(66,007)

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

32 ANALYSIS OF CHANGES IN NET DEBT

	GROUP			
	At Beginning of the Year Restated	Cash Flows	Other Changes	At End of the Year
	£'000	£'000	£'000	£'000
Cash at Bank and in Hand	3,053	4,041	-	7,094
Bank Overdraft	(141)	(657)	-	(798)
Bank Deposits – Less than 24 Hours	22,174	(22,174)	-	-
	<u>25,086</u>	<u>(18,790)</u>	<u>-</u>	<u>6,296</u>
Bank Deposits – More than 24 Hours	869	9,852	-	10,721
Housing Loans Due Within One Year	(216)	(26)	-	(242)
Housing Loans Due After One Year	(344,455)	(77,325)	(126,497)	(548,277)
Loan Arrangement Fees	1,048	30	(42)	1,036
	<u>(317,668)</u>	<u>(86,259)</u>	<u>(126,539)</u>	<u>(530,466)</u>

The group figures for 2008 have been restated to include loan arrangement fees of £986k.

	ASSOCIATION			
	At Beginning of the Year	Cash Flows	Other Changes	At End of the Year
	£'000	£'000	£'000	£'000
Cash at Bank and in Hand	81	2,622	-	2,703
Bank Deposits – Less than 24 Hours	2,947	(2,947)	-	-
	<u>3,028</u>	<u>(325)</u>	<u>-</u>	<u>2,703</u>
Bank Deposits – More than 24 Hours	869	4,144	-	5,013
Housing Loans Due Within One Year	(1,622)	-	-	(1,622)
Housing Loans Due After One Year	(68,282)	(47,317)	-	(115,599)
Loan Arrangement Fees	-	-	56	56
	<u>(66,007)</u>	<u>(43,498)</u>	<u>56</u>	<u>(109,449)</u>

33 FINANCIAL COMMITMENTS

Operating Leases

At 31 March 2009 the Group was committed to making the following payments during the next year in respect of operating leases, primarily for motor vehicles:

	GROUP		ASSOCIATION	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Leases which Expire				
Within 1 year	4	108	2	90
Within 2 – 5 years	432	165	188	129
More than 5 years	73	-	-	-
	<u>509</u>	<u>273</u>	<u>190</u>	<u>219</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

34 SUBSIDIARY ORGANISATIONS

The following comprise the subsidiary organisations for incorporation into consolidated financial statements for the Group in accordance with the Industrial and Provident Acts and Financial Reporting Standard 2 – Accounting for Subsidiary Undertakings:

Organisation	Status	Principal Activity	Basis of Control by Parent Undertaking
Registered under the Industrial and Provident Societies Acts 1965 - 1978			
Orbit Housing Association (transfer of undertakings to Orbit Group Limited on 2 April 2008)	Registered Housing Association and Industrial and Provident Act Society	Provision of rented and special needs housing and Low Cost Home Ownership.	Control of membership of the Board plus nominal shareholding.
Orbit Bexley Housing Association Limited (transfer of undertakings to Orbit South Housing Association Limited on 1 October 2007)	Registered Housing Association and Industrial and Provident Act Society	Provision of rented and special needs housing	Control of membership of the Board plus nominal shareholding.
Orbit South Housing Association Limited (formerly Thanet Community Housing Association Limited)	Registered Housing Association and Industrial and Provident Act Society	Provision of rented housing	Control of membership of the Board plus nominal shareholding.
Heart of England Housing Association Limited (trading as Orbit Heart of England) joined the Orbit Group on 12 April 2008	Registered Housing Association and Industrial and Provident Act Society	Provision of rented and special needs housing	Control of membership of the Board plus nominal shareholding.
Registered under the Companies Act 1985			
Orbit Treasury Limited	Private Limited Company	Group Treasury Vehicle	Ownership of all issued share capital.
Orbit New Homes Limited	Private Limited Company	Development of housing for sale	Ownership of all issued share capital.
Heart of England Housing & Care Limited	Private Limited Company	Operation of Residential Care Homes for Elderly People	Ownership of all issued share capital.
Heart of England Consultancy Limited	Private Limited Company	Dormant	Ownership of all issued share capital.
Heart of England Commercial Limited	Private Limited Company	Dormant	Ownership of all issued share capital.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35 NUMBER OF UNITS UNDER DEVELOPMENT AT END OF YEAR

	2009					TOTAL
	ONH	OHA	OGL	OHE	OSHA	
General Needs	-	-	2	348	326	676
Supported Housing	-	-	-	12	-	12
Low Cost Home Ownership	-	-	184	-	-	184
Intermediate Rent	-	-	39	-	-	39
Total Social Housing Units	-	-	225	360	326	911

	2008					TOTAL
	ONH	OHA	OGL	OSHA	TOTAL	
General Needs	-	221	-	203	424	424
Supported Housing	-	16	-	40	56	56
Low Cost Home Ownership	-	-	267	-	267	267
Total Social Housing Units	-	237	267	243	747	747

The number of units in development year ended 31 March 2008 were previously overstated.

36 PROPERTY PORTFOLIO

	HoE Care	OHA	OGL	OHE	OSHA	TOTAL
General Needs	-	-	2,914	11,384	9,878	24,176
Intermediate Rent	-	-	51	-	-	51
Supported Housing	-	-	370	1,585	902	2,857
Key Worker	-	-	-	-	156	156
Registered Care Home	-	-	-	23	-	23
Total Owned by Orbit	-	-	3,335	12,992	10,936	27,263
Low Cost Home Ownership	-	-	2,683	-	8	2,691
Leasehold	-	-	863	399	819	2,081
Private Retirement Schemes	-	-	1,113	-	-	1,113
Managed on behalf of others	-	-	240	360	226	826
Leasehold and Other Managed	-	-	2,216	759	1,045	4,020
Total Social Housing Units	-	-	8,234	13,751	11,989	33,974
Nursing Homes	-	-	48	-	-	48
Registered Care Homes	449	-	-	-	-	449
Market Rent	-	-	-	10	-	10
Commercial Units	-	-	-	14	3	17
Total Non Social Housing Units	449	-	48	24	3	524
Total Units – 31 March 2009	449	-	8,282	13,775	11,992	34,498
Total Units – 31 March 2008	-	12,360	2,816	-	11,860	27,036

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

37 PENSION COSTS

Social Housing Pension Scheme

The Group participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme. SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

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

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

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The Group has elected to operate the final salary with a 1/60th accrual rate benefits structure for active members as at 31 March 2009.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate.

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

As at 31 March 2009, there were 519 active members of the Scheme employed by the Group. The annual pensionable payroll in respect of these members was £13.1 million. The Group closed the scheme to new employees on 1 October 2009 and to existing employees on 31 March 2009.

During 2008/09, the Group paid contributions at the rate of 14.1% of pensionable salaries up to 1 October 2009, and 17.1% for the remainder of the year. The contribution rate for members was a flat rate 7.9% of pensionable salaries.

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

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 70%.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

37 PENSION COSTS (CONTINUED)

Social Housing Pension Scheme (Continued)

The financial assumptions underlying the valuation as at September 2008 were as follows:

	% pa
Valuation Discount Rates	
Pre retirement	7.8
Non Pensioner Post retirement	6.2
Pensioner Post retirement	5.6
Pensionable earnings growth	4.7
Price inflation	3.2
Pension Increases	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess over GMP	3.0

Expenses for death in service insurance, administration and PPF levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

- Mortality pre retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1% pa.
- Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1% pa.

The long-term joint contribution rates that will apply from April 2010 required from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit Structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60 th accrual rate	17.8%
Final salary with a 1/70 th accrual rate	15.4%
Career average revalued earnings with a 1/60 th accrual rate	14.9%

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

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate). Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement. A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

Employers joining the Scheme after 1 October 2002 that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

37 PENSION COSTS (CONTINUED)

Social Housing Pension Scheme (Continued)

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SHPS Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004. A copy of the recovery plan in respect of the September 2008 valuation will be forwarded to the Regulator in due course.

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

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

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

The Pensions Trust – Standard Life Stakeholder Pension Plan

The Group offers the Standard Life Stakeholder Pension Plan (the Stakeholder Plan) to any employee who is not eligible to join the Social Housing Pension Scheme. There are currently no employee members.

Orbit Group Personal Pension Scheme

From 1 April 2009, Orbit Group Limited has operated a group personal pension scheme with Legal & General Assurance Society Limited, which is open to all existing and new members of staff.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

37 PENSION COSTS (CONTINUED)

Other Pension Schemes Operated by Orbit Group Members

Movement in Pension Liabilities during the year.

	GROUP	
	2009	2008
	£'000	£'000
Deficit in pension scheme at 1 April	(1,108)	(1,784)
Liability transferred on acquisition of HoE Group	(4,730)	-
Service Costs	(560)	(226)
Contributions	800	362
Past Service Gain	(150)	(3)
Net Return on Assets less interest on pension scheme liabilities	(262)	14
Actuarial Gain	(738)	529
Deficit in pension scheme at 31 March	<u>(6,748)</u>	<u>(1,108)</u>

Other Pension Schemes Operated by Orbit South Housing Association Limited

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 brought forward. The previous year's closing balance was restated from £908k deficit to £912k deficit as a result.

The disclosures made in these accounts are based on a full actuarial valuation at 31 March 2007, using the projected unit method and updated where necessary to 31 March 2009 by a qualified independent actuary.

The assumptions used by the actuary in this valuation are:

	2009	2008	2007
Rate of increase in salaries	5.05%	5.35%	4.85%
Rate of increase in pensions in payment and deferred pensions	3.30%	3.60%	3.10%
Discount rate applied to scheme liabilities	7.10%	6.10%	5.40%
Inflation assumption	3.30%	3.60%	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:

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

37 PENSION COSTS (CONTINUED)

Other Pension Schemes Operated by Orbit South Housing Association Limited (Continued)

	Value at 31/03/09 £'000	Value at 31/03/08 £'000	Value at 31/03/07 £'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	<u>1,848</u>	<u>2,311</u>	<u>2,451</u>
Present value of scheme liabilities	<u>(2,784)</u>	<u>(3,219)</u>	<u>(3,085)</u>
Net Pension Liability	<u>(936)</u>	<u>(908)</u>	<u>(634)</u>

Long Term Expected Rates of Return at 31 March

	2009	2008	2007
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%	-
Other - Cash	0.5%	5.3%	5.3%
Other	7.5%	7.5%	7.5%

Movement in deficit during the year:

	2009 £'000	2008 £'000
Deficit in scheme at beginning of year	(908)	(634)
<u>Movement during the year:</u>		
Current service cost	(9)	(6)
Contributions paid	77	82
Past service gain	-	(3)
Other finance costs	(43)	(6)
Actuarial loss	<u>(53)</u>	<u>(341)</u>
Deficit at the end of the year	<u>(936)</u>	<u>(908)</u>

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

	2009 £'000	2008 £'000
Current service cost	(9)	(6)
Past service gain	<u>-</u>	<u>(3)</u>
Total charge to operating surplus	<u>(9)</u>	<u>(9)</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

37 PENSION COSTS (CONTINUED)

Other Pension Schemes Operated by Orbit South Housing Association Limited (Continued)

Analysis of amounts charged to other financing costs:

	2009 £'000	2008 £'000
Expected return on pension scheme assets	150	157
Interest on pension scheme liabilities	(193)	(163)
Net finance charge	(43)	(6)

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

	2009 £'000	2008 £'000
Actual return less expected return on pension scheme assets	(596)	(231)
Actuarial (gains)/losses on liabilities	543	(110)
Total recognised actuarial loss	(53)	(341)

History of experience gains and losses:

	2009 £'000	2008 £'000
Actual return less expected return on scheme assets	(596)	(231)
% of scheme assets at year end	(32.2%)	(10.0%)
Experience gain/(loss) loss arising on scheme liabilities	(543)	110
% of scheme liabilities at year end	(19.5%)	3.4%
Total actuarial loss recognised in statement of total recognised surpluses and deficits	(53)	(341)
% of scheme assets at year end	(2.9%)	(14.8%)

Orbit South Housing Association Limited also 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' in preparing these accounts.

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).

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 GROUP LIMITED AND ITS SUBSIDIARIES

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For the Year Ended 31 March 2009

37 PENSION COSTS (CONTINUED)

Other Pension Schemes Operated by Orbit South Housing Association Limited (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 fair value of assets	<u>4,080</u>	<u>4,840</u>	<u>5,030</u>
Present value of scheme liabilities	<u>(4,990)</u>	<u>(5,040)</u>	<u>(6,180)</u>
Net pension liability	<u>(910)</u>	<u>(200)</u>	<u>(1,150)</u>
	Expected rate of return		
	2009	2008	2007
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>

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 March 2008 for the year to 31 March 2009). The assumed returns are net of administration and investment costs.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

37 PENSION COSTS (CONTINUED)

Other Pension Schemes Operated by Orbit South Housing Association Limited (Continued)

Analysis of amounts charged to Income and Expenditure

	2009	2008
	£'000	£'000
Amount charged to operating costs		
Service Costs	140	220
Past Costs	60	-
Curtailments and Settlements	10	-
Total	<u>210</u>	<u>220</u>
Amount charged to other finance income/(costs)		
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)	620	(80)	(30)	653	113
% of scheme assets	15.2%	16.5%	0.06%	14.5%	3.6%
Experience gains and losses arising on the scheme liabilities (£000)	(1,320)	(300)	(15)	3	(296)
% of scheme liabilities	(26.5%)	(6.0%)	(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	(15.2%)	17.3%	6.2%	(2.3%)	(5.7%)

Movement in surplus/deficit during the year

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

Based on the actuarial assumptions, Orbit South Housing Association Limited's pension contributions for the next 3 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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

37 PENSION COSTS (CONTINUED)

Other Pension Schemes Operated by Heart of England Housing Association Limited

Local Government (Warwickshire County Council) Scheme

The latest actuarial valuation was at 31 March 2007 when the Scheme's assets were valued at £1,001 million. Employer contributions made by the Association to the scheme for the year were £212k (2008: £366k) in respect of ordinary contributions. The cost is assessed in accordance with advice from a qualified actuary. Employer contributions to the scheme of £1k (2008: £10k) were included in creditors and paid after the year end. Additionally, £212k was due in respect of 5 former employees.

The following information in respect of the Warwickshire County Pension Fund is provided for Heart of England Housing Association Limited.

The Warwickshire County Council Scheme is a multi-employer defined benefit scheme. The full actuarial valuation carried out at 31 March 2007 was updated to 31 March 2009, using suitable approximate methods, by a qualified independent actuary.

The financial assumptions underlying the valuation were as follows:

Per Annum	2009	Restated 2008	Restated 2007
Retail Price Inflation	3.3%	3.6%	3.1%
Wage Inflation	5.05%	5.35%	4.85%
Discount rate	7.1%	6.1%	5.4%
Allowance for future pension increases	3.3%	3.6%	3.1%

The Association's share of fair values of each class of assets held by the Fund as at 31 March and the expected rates of return for the ensuing year are set out the following table:

	Value at 31/03/09 £'000	Restated Value at 31/03/08 £'000	Restated Value at 31/03/07 £'000
Equities	4,825	6,220	7,603
Government Bonds	766	862	1,162
Other Bonds	1,149	1,373	768
Property	383	398	-
Cash/Liquidity	153	133	67
Other	383	483	-
Total	<u>7,659</u>	<u>9,469</u>	<u>9,600</u>

Expected Rates of Return at 31 March

	2009	Restated 2008	Restated 2007
Equities	7.5%	7.5%	7.5%
Government Bonds	4.0%	4.6%	4.7%
Other Bonds	6.0%	6.1%	5.4%
Property	6.5%	6.5%	6.5%
Cash/Liquidity	0.5%	5.25%	5.25%
Other	7.5%	7.5%	N/A
Total	<u>7.2%</u>	<u>7.0%</u>	<u>7.0%</u>

Under the Local Government Pension Scheme, it is not possible separately to identify each main class of assets with a particular member of the Scheme. The above assets as a whole are allocated to participating bodies on the consistent and reasonable basis. The actuary has amended the classification of assets and the fair values shown above have been amended to reflect this.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

37 PENSION COSTS (CONTINUED)

Other Pension Schemes Operated by Heart of England Housing Association Limited (Continued)

Local Government (Warwickshire County Council) Scheme (Continued)

The Association's share of the net assets and liabilities of the Warwickshire County Council Fund is set out below:

	2009	Restated	Restated
	£'000	2008	2007
		£'000	£'000
Share of assets in the Fund	7,659	9,469	9,600
Estimated liabilities in the Fund	<u>(11,236)</u>	<u>(13,196)</u>	<u>(12,190)</u>
Share of deficit in the Fund	<u><u>(3,577)</u></u>	<u><u>(3,727)</u></u>	<u><u>(2,590)</u></u>

The movement in the net deficit of the Association for the year to 31 March is as follows:

	2009	Restated
	£'000	2008
		£'000
Net deficit at 1 April	(3,727)	(2,590)
Movement in the year:		
Operating charge - Current service cost	(252)	(262)
Operating charge – Past service gain	(150)	(505)
Contributions	370	581
Finance Income:		
Expected return on Pension Fund assets	622	638
Interest on Pension scheme liabilities	(803)	(655)
Actuarial gain/(loss)	<u>363</u>	<u>(934)</u>
Net deficit at 31 March	<u><u>(3,577)</u></u>	<u><u>(3,727)</u></u>

The actuarial gain/(loss) is further analysed as follows:

	2009	Restated
	£'000	2008
		£'000
Actuarial loss on pension scheme assets	(2,481)	(991)
Experience gains and losses arising on scheme liabilities	<u>2,844</u>	<u>57</u>
	<u><u>363</u></u>	<u><u>(934)</u></u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

37 PENSION COSTS (CONTINUED)

Other Pension Schemes Operated by Heart of England Housing Association Limited (Continued)

Local Government (Warwickshire County Council) Scheme (Continued)

Reconciliation to the balance sheet at 31 March

	2009 £'000	Restated 2008 £'000
Net Liabilities		
Net liabilities excluding pension liability	(20,775)	(21,003)
Pension liability	<u>(3,577)</u>	<u>(3,727)</u>
Net liabilities including pension liability	<u><u>(24,352)</u></u>	<u><u>(24,730)</u></u>
	2009 £'000	Restated 2008 £'000
Reserves		
Income and expenditure reserve excluding pension liability	(22,004)	(21,077)
Pension liability	<u>(3,577)</u>	<u>(3,727)</u>
Income and expenditure reserve including pension liability	<u><u>(25,581)</u></u>	<u><u>(24,804)</u></u>

History of experience gains and losses at end of year

	2009	Restated 2008	Restated 2007	Restated 2006	Restated 2005
Difference between the expected and actual return on scheme assets:					
Amount £000	(2,481)	(991)	(74)	1,244	177
Percentage of scheme assets	(32.4)	(10.5)	(0.77)	13.94	3.43
Experience gains and losses arising on the scheme liabilities:					
Amount £000	2,844	57	0	(301)	222
Percentage of scheme liabilities	(25.3)	(0.4)	0	2.52	(3.26)
Total amount recognised gains and losses:					
Amount £000	363	(934)	603	(85)	(245)
Percentage of scheme liabilities	(3.2)	7.1	(4.95)	0.71	3.6

Pension Prior Year Adjustment

The actuarial valuation undertaken during the year has resulted in a prior year adjustment

	£'000
Adjustment to opening reserve at 1 April 2007	(29)
Adjustment to surplus for year ended 31 March 2008	2
Total prior year adjustment	<u><u>(27)</u></u>

The net adjustment of £27k is disclosed on the face of the statement of total recognised surpluses & deficits.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

37 PENSION COSTS (CONTINUED)

Other Pension Schemes Operated by Heart of England Housing and Care Limited

Contributory

Heart of England Housing and Care Limited participates in a defined pension scheme as an "Admitted Body" to the Local Government Pension Scheme administered by Warwickshire County Council.

The latest actuarial valuation was as at 31 March 2007 when the Scheme's assets were valued at £1,001 million.

Employer contributions made by the Company to the Scheme for the year were £90k (2008: £81k) in respect of ordinary contributions. The cost is assessed in accordance with advice from a qualified actuary. Employer contributions to the Scheme of £7k (2008: £7k) were included in creditors and paid after the year end.

The following information in respect of the Warwickshire County Council Pension Fund is provided for Heart of England Housing and Care Limited.

The Warwickshire County Council Scheme is a multi-employer defined benefit scheme. The full actuarial valuation carried out at 31 March 2007 was updated to 31 March 2009, using suitable approximate methods, by a qualified independent actuary.

The financial assumptions underlying the valuation were as follows:

Per Annum	2009	2008	2007
Retail Price Inflation	3.3%	3.6%	3.1%
Wage Inflation	5.05%	5.35%	4.85%
Discount rate	7.1%	6.1%	5.4%
Allowance for future pension increases	3.3%	3.6%	3.1%

The Company's share of fair values of each class of assets held by the Fund as at 31 March and the expected rates of return for the ensuing year are set out the following table:

	Value at 31/03/09 £'000	Value at 31/03/08 £'000	Value at 31/03/07 £'000
Equities	2,598	3,340	4,580
Government Bonds	413	463	700
Other Bonds	619	737	463
Property	206	214	-
Cash/Liquidity	83	71	40
Other	206	259	-
Total	4,125	5,084	5,783
	Expected Rates of Return at 31 March		
	2009	2008	2007
Equities	7.5%	7.5%	7.5%
Government Bonds	4.0%	4.6%	4.7%
Other Bonds	6.0%	6.1%	5.4%
Property	6.5%	6.5%	6.5%
Cash/Liquidity	0.5%	5.25%	5.25%
Other	7.5%	7.5%	N/A
Total	6.7%	7.0%	7.0%

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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For the Year Ended 31 March 2009

37 PENSION COSTS (CONTINUED)

Other Pension Schemes Operated by Heart of England Housing and Care Limited (Continued)

Under the Local Government Pension Scheme, it is not possible separately to identify each main class of assets with a particular member of the Scheme. The above assets as a whole are allocated to participating bodies on the consistent and reasonable basis. The actuary has amended the classification of assets and the fair values shown above have been amended to reflect this.

The Company's share of the net assets and liabilities of the Warwickshire County Council Fund is set out below:

	2009 £'000	2008 £'000	2007 £'000
Share of assets in the Fund	4,125	5,084	5,783
Estimated liabilities in the Fund	<u>(5,450)</u>	<u>(6,087)</u>	<u>(6,508)</u>
Share of deficit in the Fund	<u>(1,325)</u>	<u>(1,003)</u>	<u>(725)</u>

The movement in the net deficit of the Company for the year to 31 March is as follows:

	2009 £'000	2008 £'000
Net deficit at 1 April	(1,003)	(725)
Movement in the year:		
Operating charge - Current service cost	(89)	(77)
Operating charge – Past service gain	-	(19)
Contributions	93	81
Finance Income:		
Expected return on Pension Fund assets	334	378
Interest on Pension scheme liabilities	(372)	(350)
Actuarial loss	<u>(288)</u>	<u>(291)</u>
Net deficit at 31 March	<u>(1,325)</u>	<u>(1,003)</u>

The actuarial loss is further analysed as follows:

	2009 £'000	2008 £'000
Actuarial loss on pension scheme assets	(1,333)	(1,028)
Experience gains and losses arising on scheme liabilities	<u>1,045</u>	<u>737</u>
	<u>(288)</u>	<u>(291)</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

37 PENSION COSTS (CONTINUED)

Other Pension Schemes Operated by Heart of England Housing and Care Limited (Continued)

Reconciliation to the balance sheet at 31 March

	2009 £'000	2008 £'000
Net Assets		
Net assets excluding pension liability	9,139	8,653
Pension liability	<u>(1,325)</u>	<u>(1,003)</u>
Net assets including pension liability	<u>7,814</u>	<u>7,650</u>
	2009	2008
	£'000	£'000
Income and expenditure reserve excluding pension liability	785	299
Pension liability	<u>(1,325)</u>	<u>(1,003)</u>
Income and expenditure reserve including pension liability	<u>(540)</u>	<u>(704)</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:					
Amount £000	(1,333)	(1,028)	(45)	744	106
Percentage of scheme assets	(32.3)	(20.2)	(0.8)	13.5	2.5
Experience gains and losses arising on the scheme liabilities:					
Amount £000	1,045	737	0	(81)	510
Percentage of scheme liabilities	(19.2)	(12.1)	0	1.2	(9.2)
Total amount recognised gains and losses:					
Amount £000	(288)	(291)	263	178	311
Percentage of scheme liabilities	5.3	4.8	(4.0)	(2.7)	(5.6)

Non Contributory

The Company participates in a stakeholder pension scheme operated by Standard Life. The scheme meets the government's requirement for access to pensions by low paid employees. The Company does not contribute to the scheme.

Pension Prior Year Adjustment

The actuarial valuation undertaken during the year has resulted in a prior year adjustment

	£'000
Adjustment to opening reserve at 1 April 2007	(17)
Adjustment to surplus for year ended 31 March 2008	2
Total prior year adjustment	<u>(15)</u>

The net adjustment of £15k is disclosed on the face of the statement of total recognised surpluses & deficits.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

38 ACQUISITIONS

On 1 April 2008, the Heart of England Housing Group joined the Orbit Group by means of a transfer of engagements. There was no consideration. The acquisition has been accounted for by the acquisition method of accounting.

The deficit after taxation of the Heart of England Housing Group was as follows:

	£'000
Results Prior to Acquisition	
Preceding financial year ended 31 March 2008	(12)

The following table provides the book value of the major categories of assets and liabilities, which is adjusted for contracted capital commitments to become the provisional fair value to the Orbit Group.

	Book Value £'000
Housing properties net of grants, impairment and depreciation	198,577
Tangible Fixed Assets	2,661
Fixed Asset Investments	1
Current assets	(5,472)
Creditors > 1 Year	(127,073)
Pension Liability	(4,729)
Funds held in Trust	(10)
Contracted Capital Commitments	(1,375)
Negative goodwill	<u>(62,580)</u>
	<u>-</u>

39 NEGATIVE GOODWILL

	GROUP	
	2009	2008
	£'000	£'000
COST		
At 1 April 2008	17,919	17,919
Acquisition in the year (Note 38)	<u>62,580</u>	<u>-</u>
At 31 March 2009	<u>80,499</u>	<u>17,919</u>
LESS:		
AMORTISATION		
At 1 April 2008	1,158	905
Credit for year	<u>1,076</u>	<u>253</u>
At 31 March 2009	<u>2,234</u>	<u>1,158</u>
NET BOOK AMOUNT		
At 31 March 2009	<u>78,265</u>	<u>16,761</u>

Negative goodwill on 1 April 2008 arose following a transfer of engagement with Thanet Community Housing Association Ltd (now Orbit South Housing Association Limited) on 1 April 2004.

The negative goodwill in the year arises on the transfer of Heart of England Housing Group into the Orbit Group.

Negative goodwill is being amortised over the remaining expected useful life of the properties.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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For the Year Ended 31 March 2009

40 NON-CONSOLIDATED MANAGEMENT ARRANGEMENTS

Across the Group Associations have entered into arrangements with a number of other organisations in connection with the management of some of the property. The financial transactions affecting those managing agents are not consolidated where the risk rests with these agents.

41 PRIOR YEAR ADJUSTMENT

The prior year adjustment reflects the change in accounting for shared ownership first tranche sales in accordance with the 2008 SORP. The previous SORP issued in 2005 recommended that the first tranche sales proceeds should be credited against shared ownership housing properties classified as fixed assets.

The 2008 SORP treatment requires an appropriate proportion of development costs representing first tranche development to be accounted for as current assets and the related sales proceeds shown in turnover. The remaining proportion of property development costs are accounted for as fixed assets with any subsequent sale treated as a disposal of the fixed asset.

As a result of this change in accounting policy, the comparative figures have been restated as follows:

	GROUP		ASSOCIATION	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
BALANCE SHEET				
Tangible Fixed Assets – Housing Properties				
Cost	(5,477)	(5,477)	(7,077)	(7,077)
Depreciation	(28)	(28)	(5)	(5)
Depreciated Cost	(5,505)	(5,505)	(7,082)	(7,082)
Grant	(19)	(19)	(19)	(19)
Net Book Value	(5,524)	(5,524)	(7,101)	(7,101)
Current Assets – Properties for Sale	12,020	12,020	12,020	12,020
RCGF	26	26	19	19
General Reserves	(6,522)	(6,522)	(4,938)	(4,938)
	-	-	-	-
INCOME AND EXPENDITURE ACCOUNT				
Turnover – Other Social Housing	-	(13,419)	-	(12,350)
Cost of Sales – Other Social Housing	-	11,996	-	10,790
Operating Surplus	-	(1,423)	-	(1,560)
Surplus on Sale of Housing Properties	-	126	-	95
Surplus after Transfer to Reserves	-	(1,297)	-	(1,465)
Restatement of Opening Balance	(6,522)	(5,225)	(4,938)	(3,473)
	(6,522)	(6,522)	(4,938)	(4,938)

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

42 TRANSFER OF ENGAGEMENTS FROM ORBIT HOUSING ASSOCIATION

On 2 April 2008, Orbit Housing Association, a subsidiary of Orbit Group Limited, transferred its engagements to Orbit Group Limited.

The assets and liabilities of Orbit Housing Association that were transferred to Orbit Group Limited are shown below:

	ASSOCIATION		
	Transfer from OHA	2008 SORP PYA	Transfer from OHA Restated
	£'000	£'000	£'000
Housing Property	71,713	1,577	73,290
Other Fixed Assets	121	-	121
Stocks	263	-	263
Debtors	5,651	-	5,651
Creditors	(7,467)	-	(7,467)
RCGF	(1,024)	7	(1,017)
Advance Maintenance and Renewal Contributions	(72)	-	(72)
Designated Reserves	(1,662)	-	(1,662)
General Reserves	(95,946)	(1,584)	(97,530)
	<u>(28,423)</u>	<u>-</u>	<u>(28,423)</u>
Investments transferred	2,561	-	2,561
Cash at Bank and in Hand transferred	8	-	8
Bank Overdraft transferred	(141)	-	(141)
Loans transferred	(12,188)	-	(12,188)
Loans Repaid	38,183	-	38,183
Net Inflow of Cash and Cash Equivalents in respect of Transfer of Engagements from OHA	<u>28,423</u>	<u>-</u>	<u>28,423</u>

The transfer of engagements has been restated by means of a prior year adjustment to reflect the change in accounting for shared ownership first tranche sales in accordance with the 2008 SORP.