

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010



Building Brighter Futures...

for people and communities



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 structure that was put in place for the Group last year has continued to evolve as we move forward on our journey to be great.

Orbit South has now developed a strong presence south of the Thames, and during the year we sought to capitalise on this strength by moving the management of our Orbit East General Needs homes to Orbit South. This has enabled us to combine the management of our homes both North and South of the Thames down the East of the country, whilst still maintaining our separate brands and regional focus. The management of the Supported Homes in Orbit East has moved to Orbit Heart of England, to utilise the unique skills and expertise of their Supported Housing and Older Persons (SHOPs) team.

In the summer of last year, the Group decided to expand the range of choices that we offer our customers by developing homes for outright sale, and as a result Orbit Homes (2020) Limited was formed (known as 'Orbit Homes'). Orbit Homes will provide a design and build service for all developing members of the Orbit Group, as well as building homes for outright sale. The management of Orbit First Step (OFS) and Orbit Private Retirement Leasehold homes (Orbit PRL) also transferred to Orbit Homes, although the ownership of the shared ownership retained equity remains with Orbit Group Limited.

Work is currently underway to transfer the leasehold management of the shared ownership homes from OFS to Orbit East, Orbit South and Orbit Heart of England, as we continue our journey to provide a good quality, consistent service to our customers, regardless of the tenure of their home.

This will mean that Orbit Homes will be able to focus on the development and sale of all new homes in the Group, across a variety of tenures and be well placed to be able to react swiftly to changes in the market place.

These changes embrace our ambitions around service delivery, value for money, greater customer engagement and local accountability. They also support 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	
Rosemary Hyde		April 2008	
Michael Marron		December 2003	
Kim Massey		January 2004	
Jackie Matthews		March 2007	
Steve Phillips		April 2008	31 July 2009
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 Associations, all of whom have served throughout the year unless otherwise shown:

Paul Tennant	Group Chief Executive
Anne Turner	Group Finance and Resources Director / Deputy Group Chief Executive
Afzal Ismail	Group Risk and Compliance Director
Tony Williams	Group Director of Organisational Development
Sue Coulson	Group Managing Director – OGL Housing (to 12/03/10)
Paul High	Managing Director – Orbit Homes
Vivien Knibbs	Managing Director – Orbit East & South
Stewart Fergusson	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)

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
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

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 Orbit East, Orbit First Step (OFS), one of the largest specialist low cost home ownership associations in the country, Orbit Private Retirement Leasehold (PRL) and also provides services to other members of the Orbit Group by means of its shared services division, Orbit Services. Within Orbit East, the General Needs homes are managed by Orbit East and South, and the Supported Housing is managed by Orbit Heart of England. OFS and Orbit PRL are managed by Orbit Homes.

Ambition for the Group

The Orbit Group is a federal structure. As such, all parts of the Group, whilst delivering their own plans, do so within the Group framework. All of our plans are linked and 'talk' to each other.

We seek to operate a golden thread in which all of us are able to see how what we do in our own teams and our own role is linked to the overall aims of our part of the organisation and the Orbit Group.

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

Objectives for the Group

The Orbit Group has a 5 year business plan which aims to go from good to great. By 2013 we wish to be great in all we do. To deliver this outcome we have three strategic objectives, and for each we have outcomes we would wish to achieve by 2013.

- **CUSTOMER**
Creating great customer services by becoming a top quartile performer in key indicators, being passionate about understanding our customers' needs, treating every customer as an individual and exceeding our customers' expectation. Measured by the quality of our engagement with our customers that enables them to shape service provision and delivery; demonstrating our accountability to customers and continually improving our performance; being assessed as providing excellent services.
- **PLACE**
Creating great places where people want to live through supporting successful neighbourhoods, offering a wide range of choice, and providing an innovative approach to the development of new neighbourhoods. Measured by the quality of the local environment; engagement with local residents and the community; the range of high quality sustainable homes meeting residents' needs; and the quality of our existing homes.
- **ORGANISATION**
Being a great organisation where we run things well, provide a great place to work, have sound finances, deliver value for money, and have a strong external reputation. Measured by our financial viability and demonstration of real value for money; the quality and ability of our staff team to deliver the aspirations of customers and live the values and culture of Orbit; and the quality of the tools and infrastructure to innovate and drive forward our services to our customers.

Since 2003 Orbit has progressively improved its position by being more focussed, better structured and increasingly more effective. We believe that we have created 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 EXCELLENCE PARTNERSHIP RESPECT

Our journey from good to great is broken down in steps each financial year through to 2013. Each of the business plans in the Group are linked and work towards this common purpose, creating 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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

Objectives for the Group (Continued)

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 Orbit 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.

We recognise the level of ongoing change in our sector, the continuing difficulties faced by the world's financial markets, and the changes to the political environment and the impacts these are likely to have on our proposals. We continually monitor our position and that of others, to ensure that we plan for and react quickly to the changing environment and minimise the risks that we face.

We continually review performance by organisation and the Group, and take appropriate action. We review overall how well we deliver our strategy and test, adapt and change as appropriate.

OPERATING REVIEW

Performance in the Year

During the year the Orbit Group Board has monitored all key areas of activity through performance reports and a suite of 11 business critical Performance Indicators, focusing on Customer, Development, Viability and Governance.

Throughout 2009/10, across Orbit we have continued to concentrate on and make progress with our key corporate objectives of Customer, Place and Organisation. Of particular note has been the focus on our residents, demonstrated in everyone's commitment to delivering our plans in our Customer First Strategy. This has been supported by investment in our staff to drive our service aspirations. Both are absolutely critical in responding to the changing environment within which we work.

The Orbit Group has responded well to the difficult economic climate. As a result of our strong financial position we have continued to build homes, invest in our existing stock and our communities and improve our infrastructure. The HCA has confirmed that the Orbit Group achieved top quartile performance in all five 2009/10 end of year development Performance Indicators.

Orbit First Step has continued to sell both first and subsequent tranches of its shared ownership properties. It has continued its popular option of 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, and has also introduced an intermediate market rent option, expanding the range of affordable housing options available to our customers. During the last year, OFS has continued to lead the Government's Mortgage Rescue Scheme, and assisted 117 families to stay in their homes – the most of any organisation in the country. By participating in this Government initiative, we have helped to tackle hardship and helped those experiencing it.

The Orbit HomeBuy Agency is the largest HomeBuy agent in the country, and has established a dedicated HomeBuy website. Orbit HomeBuy Agents completed on 947 HomeBuy Direct cases, and worked within 53 local authority areas promoting all options.

Orbit Group charged rents and service charges of £132 million in the year ended 31 March 2010, and spent 44% of this (£58 million) on property repairs and maintenance. Interest payable on loan funding cost the Group a further £26 million during the year. The Group spent £157 million on acquiring and developing new homes during the year, and its property portfolio increased from 34,498 at 31 March 2009 to 35,774 at 31 March 2010, due to both the acquisition of 594 homes from Chiltern Hundreds Charitable Housing Association (part of the Paradigm Housing Group) and new developments coming into management.

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

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

Performance in the Year (Continued)

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, 'Audit Matters', 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 £22 million in the year ended 31 March 2010 and made a surplus on sale of housing properties of £2 million, and spent 25% of this (£6 million) on property repairs and maintenance. Interest payable on loan funding cost the Association £5 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 3,202 at 31 March 2009 to 3,424 at 31 March 2010.

Looking forward, a revised Performance Management Framework (PMF) has been developed which supports the delivery of the business plan and is one of several improvement strands that will enable Orbit to move from Good to Great. The PMF is based on a Success Map which brings together all of Orbit's current strategies and frameworks to show how the organisation works to deliver its key objectives of Customer, Place and Organisation.

The PMF adopts a balanced business scorecard model in support of the Success Map. A Group Business Scorecard has been developed together with a revised set of Business Critical Performance Indicators for 2010/11. The Group Business Scorecard contains five segment measures, providing the Group Board with a 'health check' of the business. Three of the segments relate to the Group's core objectives, whilst the remaining two emphasise the importance of financial viability and organisational culture. In each segment there is a subset of Business Critical Performance Indicator measures.

CUSTOMER	PLACE	ORGANISATION
1. Resident satisfaction 2. Resident engagement 3. Equality of opportunity	4. Development: completions 5. Development: decent homes 6. Property Sales 7. Community Investment	8. Gas safety 9. TSA PI's 10. Staff satisfaction 11. Staff engagement
FINANCIAL		
12. Overheads 13. Growing reserves/surplus	14. Interest cover covenants 15. VFM	
CULTURE		
16. Values & Culture 17. Leadership		

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

Dynamics of the Social Landlord

The drive to improve delivery and efficiency has continued throughout the last year. The Orbit Group's ambition is to run a highly efficient and effective organisation; an organisation which is cost effective and which strives to drive down costs whilst improving the quality of service provision to our residents. Value for Money (VFM) means making the best use of resources available whilst recognising at all times that quality must not be diminished. 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. VFM maps have been established for the Group defining and delivering both efficiencies and savings.

The requirement to address Decent Homes Standard (DHS) by 2010 has emphasised the importance of investing in existing homes and ensuring the quality of asset management strategies, and we continue to be on target to achieve this within the required timescales. Work is ongoing to plan the next standard for our stock investment programme once the DHS programme has been completed. Rent restructuring has also 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.

We recognise the need to work more closely and in partnership with our residents, and during the last year new service standards have been agreed across the Group in consultation with our residents. Moment of Truth surveys were introduced for three key service areas, with feedback from residents being used to drive service improvements, and the Group Complaints and Compliments procedure has been revised to capture customer feedback more effectively and apply the learning.

All Associations within the Group for whom rent restructuring is applicable have Rent Plans that are fully compliant with the rent restructuring guidelines and timetable previously issued by the Tenant Services Authority (formerly the Housing Corporation).

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

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

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.

The Group has established Orbit Homes to manage all building programmes and the marketing of properties for sale across the Group, and is developing a broader range of new products to offer more choice to both existing and potential residents.

The Group has initiated an eco-housing approach and project to develop knowledge to be rolled out across the group. We have also been able to establish apprenticeships in asset management, and have a planned programme of pilots expanding across other key areas for 2011/12.

The Group is committed to being an employer of choice and continues to implement improvements in its terms and conditions to raise staff satisfaction. Staff satisfaction and culture surveys have been undertaken during the year to ensure that the culture of the Group supported the ambitions and objectives of the business plan.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

FINANCIAL REVIEW

Accounting Policies

The Statement of Recommended Practice for Registered Social Landlords (SORP) (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. The accounting policies are described in note 1 to the financial statements.

Capital structure and Treasury Policy

At 31 March 2010, the Group balance sheet shows housing properties of £1,377 million and other net assets of £22 million, financed by grants of £593 million (42%), loans of £604 million (43%), and internal funds of £202 million (15%). The Association balance sheet shows housing properties of £338 million and other net assets of £83 million, financed by grants of £169 million (40%), loans of £136 million (32%), and internal funds of £116 million (28%).

From 1 October 2007, the major loans of all the Group Members at that date were re-routed through a 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 six new swaps with four organisations. The notional value of these transactions is £96 million. Three of the swaps totalling £36 million relate to the acquisition of properties from Chiltern Hundreds Charitable Housing Association, and comprise swaps of £11 million and £13 million callable after 10 and 20 years respectively and a swap of £12 million which is fixed for a term of 23 years. The remaining 3 swaps comprise two 20-year £15 million forward fix swaps starting in April 2013 and 2014, and a £30 million forward fix starting in May 2012. 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 is a Group policy, and is enacted through Orbit Treasury Limited.

Cash flows

The Group's net cash inflow from operating activities during the year was £39 million, which was higher than 2009. 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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

Cash flows (Continued)

For Orbit Group Limited as an individual association, the net cash inflow from operating activities in 2009 was £20.4 million. During 2010, this has moved to become a net outflow of £15.2 million, primarily due to an increase in amounts due from subsidiary organisations as at the balance sheet date. 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.

Current Liquidity

At 31 March 2010 loan borrowings amounted to £604 million for the Group as a whole, and £136 million for the Association. The Group's working capital position at the start of the year was £38.2 million, and has moved to £24.9 million during the year. The Association's net current asset position at the start of the year was £71 million, and has moved to £78.7 million at 31 March 2010.

Post Balance Sheet Event

Heart of England Housing and Care Limited was sold to the Sanctuary Group on the 31 July 2010, three Registered Care Homes (2 owned by Orbit Group Limited and 1 by Orbit Heart of England) were also sold to the Sanctuary Group on the 31 August 2010.

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
8 September 2010

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

HOUSING ASSOCIATION GOVERNANCE

Governance

Orbit Group Ltd has been a Registered Social Landlord (now registered provider) 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 its Resident Involvement Strategy 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 Registered Provider 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 2009/10 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 Services Committee

The Group Services Committee was formed in September 2009 and replaced two former Committees, the Group Membership and Governance Committee and the Group Remuneration 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. It maintains a strategic overview of the total staffing establishment and considers the Group's policy on Group Executive Directors' remuneration, determining the specific remuneration packages for each of the Executive Directors and preparing an annual report to the Group Board. The Committee also nominates one of its members to conduct exit interviews with Directors, as appropriate.

The Committee's other principal role is to oversee and monitor the development and implementation of the strategic goals and priorities of Orbit Services within the strategic framework approved by the Group Board. It considers and recommends to Group Board the Orbit Services Business Plan and Budget and once approved, monitors performance against these and the services provided by Orbit Services. It also reports annually to OGB on the activity of Orbit Services, including evaluation of performance against targets and objectives, and customer satisfaction with services provided.

Membership comprises three Group Board Independent Members, one of which is its Chair, and up to four Operating Association representatives, who shall either be the Chairs or their nominated representatives. The Committee meets a minimum of four times per year.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

HOUSING ASSOCIATION GOVERNANCE

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 Group Board on the effectiveness of the Group's internal control arrangements and considers the financial statements before they are presented to the Board for approval. Its membership includes representation from the Operating Associations, plus three Members appointed by the Group Board.

OGL Housing Board

The OGL Housing Board was removed from the Group structure at the end of January 2010, with management of Orbit East moving to a new organisation, Orbit East & South.

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 and Orbit South Housing Association Limited Boards are reserved for residents.

Resident engagement and involvement strategies are in place across all Group Member Associations. Orbit East and South and Orbit Heart of England have extended their resident engagement strategies to create more opportunities to talk to residents. Moment of Truth surveys have been introduced for three key service areas, with feedback from residents being used to drive service improvements. In addition, the Group Complaints and Compliments procedure has been revised to capture customer feedback more effectively and apply the learning.

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 (as this approach fits with the Group's risk management strategy) and regulatory requirements.

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 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 framework.

The Orbit Group Board has delegated authority for the review of 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 approved by the Group's Executive Team and 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 and these form part of the Audit Report.
- **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 2009/10 to support the assurance work on internal controls. It should also be noted that the Group Risk and Compliance Director reports directly to the Group Chief Executive and has direct access to the Group Audit Committee. In addition, the Group Audit Committee reviews reports from management, internal auditors and external auditors to provide reasonable assurance that control procedures are being followed.
- **Governance** - The Orbit Group Board retains responsibility for a defined range of issues covering strategic, operational, 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 2010 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 2009/10 and the business has been formally documented in minutes of the meetings.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

HOUSING ASSOCIATION GOVERNANCE

- **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 four years, the fifth year (2009/10) of the IRF process was completed and received well by all Boards within the Orbit Group.
- **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.

The control environment to manage these 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 provide reports to their respective Boards. The adequacy of this implementation and reporting is monitored by the Group Audit Committee.

The OGB confirms that the Group's Strategic Risk Map is reviewed by GET and OGB on a regular basis throughout the year.

- **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:
 - 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.
 - 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.
 - Customer First Strategy rolled out and values embedded throughout the Group.

Fraud

The Group complies with the TSA's requirements on fraud. Relevant cases are reported to the TSA. The Group Standing Orders outline a policy on responding to suspected fraud and corruption. A fraud register is maintained and reviewed regularly by the Group Audit Committee and reported to the Orbit Group Board.

Data Protection Act

There has been one significant data protection breach during 2009/10 by Orbit Heart of England, the association carried out a signed undertaking with the Information Commissioner to ensure that relevant actions are implemented to enhance controls.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

HOUSING ASSOCIATION GOVERNANCE

Board's Conclusion

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 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.

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
8 September 2010

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 2010.

The Association and the Group

Orbit Group Limited is a not-for-profit organisation administered by the Orbit Group Board. The Association operates via Orbit First Step, Orbit PRL, Orbit East and Orbit Services, providing services to other members of the Orbit Group. Within Orbit East, the General Needs homes are managed by Orbit East and South, and the Supported Housing is managed by Orbit Heart of England. OFS and Orbit PRL are managed by Orbit Homes. 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 8,497 properties of accommodation (including 2,236 Leasehold properties and properties managed on behalf of others) at 31 March 2010. It has housing properties at cost of £338 million (net of depreciation and impairment) at 31 March 2010. 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 35,774 units of accommodation. It has housing properties of £1,377 million (net of depreciation and impairment). As at 31 March 2010 it employed 1,913 people of whom 1,051 work directly on housing schemes.

Principal Activities

The Association's principal activities throughout the year ended 31 March 2010 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 9.

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 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 '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 launched the 'Orbit Academy' as a 'Centre of Excellence' to enhance and support the learning and development of both residents and staff.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

REPORT OF THE ORBIT GROUP BOARD

Members of Staff (Continued)

Following the introduction of new leadership standards and a competency framework last year, we have now developed a new performance management framework, ensuring that every member of staff understands their role in achieving Orbit's ambitions. The Leadership and Management Development Programmes for the Group Executive Team, the Group Leadership Team and senior managers within the Group are proving to be both popular and successful, and form part of our fresh approach to developing our potential and growing our leaders.

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 £1,394k to other Group Members and received £278k from Group Members (2009: £1,494k).

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

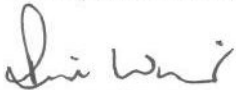
Annual General Meeting

The annual general meeting will be held on 8 September 2010 at the Russell Hotel, 1–8 Russell Square, Bloomsbury, London, WC1B 5BE.

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 8 September 2010 and signed on its behalf by:



Richard Wright
Secretary

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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 2010 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 2010 and of the Group's surplus 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.

M A McDonagh

22 September 2010

M A McDonagh for and on behalf of KPMG LLP, Statutory Auditor Chartered Accountants One Snowhill Snow Hill Queensway Birmingham B4 6GH

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED AND ASSOCIATION INCOME AND EXPENDITURE ACCOUNTS
For the Year Ended 31 March 2010

	NOTES	GROUP		ASSOCIATION	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
Turnover	2	164,215	156,231	59,295	58,344
Operating Costs	2	(134,487)	(132,592)	(56,161)	(54,139)
Cost of Sale of Properties	2	(222)	(1,869)	-	(1,823)
Operating Surplus	5	29,506	21,770	3,134	2,382
Surplus on Sale of Housing Properties	7	2,556	2,131	2,354	2,020
(Loss)/Surplus on Sale of Other Fixed Assets		(26)	6	(23)	-
Interest Receivable and Similar Income	8	209	746	162	266
Other Finance Costs	37	(579)	(262)	-	-
Interest Payable and Similar Charges	9	(26,154)	(25,637)	(4,892)	(3,342)
Surplus/(Deficit) on Ordinary Activities Before Gift Aid and Taxation		5,512	(1,246)	735	1,326
Donated (to) and received from other Group Members		-	-	(1,116)	(1,494)
Surplus/(Deficit) on Ordinary Activities Before Taxation		5,512	(1,246)	(381)	(168)
Tax on Surplus/(Deficit) on Ordinary Activities	10	2	(116)	-	-
Surplus/(Deficit) for the Financial Year		5,514	(1,362)	(381)	(168)
Transfer from Revaluation Reserve	26	-	-	46	45
Transfer (to)/from Designated Reserves	24	(683)	(183)	(201)	132
Surplus/(Deficit) for the Year after Transfer to Reserves		4,831	(1,545)	536	9
General Reserves at 1 April 2009	25	113,967	116,250	109,175	11,636
Actuarial (Loss) taken to reserves	37	(3,421)	(738)	-	-
Transfer of Undertakings from OHA		-	-	-	97,530
General Reserves at 31 March 2010	25	115,377	113,967	108,639	109,175

All amounts derive from continuing operations.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTE OF HISTORICAL COST SURPLUS AND DEFICIT For the Year Ended 31 March 2010

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Reported Surplus/(Deficit) on Ordinary Activities Before Taxation	5,512	(1,246)	(381)	(168)
Differences between Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year calculated on the Revalued Amount	-	-	46	45
Historical Cost Surplus/(Deficit) on Ordinary Activities Before Taxation	5,512	(1,246)	(335)	(123)
Historical Cost Surplus/(Deficit) on Ordinary Activities After Taxation	5,514	(1,362)	(335)	(123)

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS For the Year Ended 31 March 2010

	NOTES	GROUP		ASSOCIATION	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
Surplus/(Deficit) for the Financial Year		5,514	(1,362)	(381)	(168)
Actuarial Loss on Pension Fund Assets	37	(3,421)	(738)	-	-
Total Recognised Surplus/(Deficit) for the Financial Year		2,093	(2,100)	(381)	(168)

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

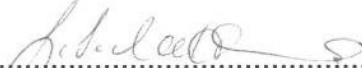
CONSOLIDATED AND ASSOCIATION BALANCE SHEETS

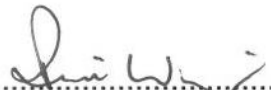
At 31 March 2010

	NOTES	GROUP		ASSOCIATION	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
Tangible Fixed Assets					
Housing Properties - Depreciated Cost	11	1,377,100	1,237,528	337,757	305,283
Less: Social Housing Grant	11	(578,206)	(524,964)	(168,495)	(150,822)
Other Public Grants	11	(14,689)	(4,436)	-	-
		<u>784,205</u>	<u>708,128</u>	<u>169,262</u>	<u>154,461</u>
Other Tangible Fixed Assets	12	13,506	14,694	7,807	9,053
Homebuy Loans	13	18,345	19,072	18,345	19,072
Less: Grant Received	13	(18,345)	(19,072)	(18,345)	(19,072)
Fixed Investments	14	800	800	-	-
		<u>798,511</u>	<u>723,622</u>	<u>177,069</u>	<u>163,514</u>
Current Assets					
Properties for Sale	15	18,006	26,170	18,006	26,170
Stocks	16	16,160	9,949	5,432	9,865
Debtors	17	18,783	22,456	68,717	43,263
Other Investments and Short Term Deposits	18	7,820	10,721	6,067	5,013
Cash at Bank		18,175	7,094	15,716	2,703
		<u>78,944</u>	<u>76,390</u>	<u>113,938</u>	<u>87,014</u>
Creditors: Amounts falling due within one year	19	<u>(54,009)</u>	<u>(38,236)</u>	<u>(35,201)</u>	<u>(15,990)</u>
NET CURRENT ASSETS		<u>24,935</u>	<u>38,154</u>	<u>78,737</u>	<u>71,024</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>823,446</u>	<u>761,776</u>	<u>255,806</u>	<u>234,538</u>
Creditors: Amounts falling due after more than one year					
Disposal Proceeds and Recycled Capital Grant Funds	20	3,341	2,997	2,709	1,857
Other Creditors	21	610,671	553,916	140,088	119,291
		<u>614,012</u>	<u>556,913</u>	<u>142,797</u>	<u>121,148</u>
Pension Liability	37	<u>10,416</u>	<u>6,748</u>	-	-
Capital and Reserves					
Called Up Share Capital	23	-	-	-	-
Designated Reserves	24	6,456	5,883	2,691	2,490
Negative Goodwill	38	77,185	78,265	-	-
Revaluation Reserve	26	-	-	1,679	1,725
General Reserves	25	115,377	113,967	108,639	109,175
GROUP'S FUNDS	27	<u>199,018</u>	<u>198,115</u>	<u>113,009</u>	<u>113,390</u>
		<u>823,446</u>	<u>761,776</u>	<u>255,806</u>	<u>234,538</u>

The financial statements on pages 19 to 70 were approved by the Orbit Group Board on 8 September 2010 and signed on its behalf by:


 Elizabeth Potter
 CHAIR


 Jackie Mathias
 BOARD MEMBER


 Richard Wright
 SECRETARY

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
For the Year Ended 31 March 2010

GROUP	2010		2009	
	£'000	£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 30)		39,239		35,946
Returns on Investments and Servicing of Finance				
Interest Received	220		702	
Interest Paid (includes Loan Refinancing Costs)	<u>(26,507)</u>		<u>(24,410)</u>	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(26,287)		(23,708)
Taxation Paid	<u>(2)</u>		<u>(4)</u>	
NET CASH (OUTFLOW) FROM TAXATION		(2)		(4)
Capital Expenditure and Financial Investment				
Acquisition and Construction of Housing Properties	(152,138)		(125,102)	
Acquisition of Land	(613)		(3,932)	
Sale of Housing Properties	14,573		5,005	
Grants Received	80,839		27,357	
Net Movement on Homebuy Grants	-		559	
Purchase of Other Fixed Assets	(1,445)		(2,456)	
Sale of Other Fixed Assets	<u>52</u>		<u>16</u>	
NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT ACTIVITIES		<u>(58,732)</u>		<u>(98,553)</u>
NET CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(45,782)		(86,319)
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>2,901</u>		<u>(9,852)</u>	
(ii) <u>Financing (Note 31)</u>				
Housing Loans Received	55,700		77,750	
Housing Loans Repaid	(440)		(399)	
Loan Arrangement Fees Paid	<u>(500)</u>		<u>30</u>	
	<u>54,760</u>		<u>77,381</u>	
NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING		<u>57,661</u>		<u>67,529</u>
INCREASE/(DECREASE) IN CASH (Note 32)		<u>11,879</u>		<u>(18,790)</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES
ASSOCIATION CASH FLOW STATEMENT
For the Year Ended 31 March 2010

ASSOCIATION	2010		2009	
	£'000	£'000	£'000	£'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES (Note 30)		(15,183)		20,421
Returns on Investments and Servicing of Finance				
Interest Received	162		266	
Interest Paid (includes Loan Refinancing Costs)	(4,680)		(3,809)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(4,518)		(3,543)
Donations to Group Members	(1,117)		(1,394)	
NET CASH OUTFLOW FROM DONATIONS		(1,117)		(1,394)
Capital Expenditure and Financial Investment				
Transfer of Engagements from OHA	-		28,423	
Acquisition and Construction of Housing Properties	(44,624)		(110,287)	
Acquisition of Land	(613)		(3,932)	
Sale of Housing Properties	13,823		4,049	
Grants Received	47,974		23,376	
Net movement on Homebuy Grant	-		559	
Grants Transferred within the Group	-		-	
Purchase of Other Fixed Assets	(771)		(1,116)	
Sale of Other Fixed Assets	-		2	
NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT ACTIVITIES		15,789		(58,926)
NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(5,029)		(43,442)
Management of Liquid Resources and Financing				
(i) <u>Liquid Resources</u>				
Increase in Bank Deposits (with a maturity in excess of 24 hours)	(1,054)		(4,144)	
(ii) <u>Financing (Note 31)</u>				
Housing Loans Received	133,718		116,500	
Housing Loans Repaid	(114,618)		(69,183)	
Loan Arrangement Fees Paid	-		(56)	
	19,100		47,261	
NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING		18,046		43,117
INCREASE/(DECREASE) IN CASH (Note 32)		13,017		(325)

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

1 PRINCIPAL ACCOUNTING POLICIES

Legal Status

Orbit Group Limited is incorporated under the Industrial and Provident Societies Act 1965 and is registered with Tenant Services Authority 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.

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 2010, 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, Orbit New Homes Limited and Orbit Homes (2020) Limited.

Turnover

Turnover represents rental income receivable, grants from local authorities and the Homes and Communities Agency (HCA), 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 2010

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 Homes & Communities Agency. 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 FRS17.

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 2010

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. 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 FRS17 '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 2010

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Recycling of Capital Grant

Where Social Housing Grant (SHG) is recycled 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 Homes (2020) Ltd, which is separately registered for VAT outside the VAT group and Orbit New Homes Limited, which is no longer registered for VAT.

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 (FRS19). 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 2010

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 2010
2 TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS BY CLASS OF BUSINESS

GROUP	2010			
	Turnover £'000	Operating Costs £'000	Cost of Sales £'000	Operating Surplus/ (Deficit) £'000
Social Housing Lettings	130,336	(97,575)	-	32,761
Other Social Housing Activities				
Managed Associations	221	(109)	-	112
Developments for Sale	-	-	(222)	(222)
Home Ownership Services	3,422	(4,294)	-	(872)
LCHO First Tranche Sales	5,109	(6,086)	-	(977)
Other	17,017	(15,028)	-	1,989
Impairment on land banking	-	(1,734)	-	(1,734)
Supporting People - Contract Income	539	(664)	-	(125)
Supporting People - Contract Income (Block Gross)	1,298	(1,342)	-	(44)
Supporting People - Contract Income (Block Subsidy)	793	(890)	-	(97)
	28,399	(30,147)	(222)	(1,970)
Non-Social Housing Activities				
Lettings	2,539	(2,032)	-	507
Other	2,941	(4,733)	-	(1,792)
	5,480	(6,765)	-	(1,285)
	164,215	(134,487)	(222)	29,506
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
	32,638	(32,162)	(1,869)	(1,393)
Non-Social Housing Activities				
Lettings	2,411	(2,171)	-	240
Other	3,058	(2,818)	-	240
	5,469	(4,989)	-	480
	156,231	(132,592)	(1,869)	21,770

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

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

ASSOCIATION

2010

	Turnover £'000	Operating Costs £'000	Cost of Sales £'000	Operating Surplus/ (Deficit) £'000
Social Housing Lettings	21,370	(14,875)	-	6,495
Other Social Housing Activities				
Home Ownership Services	2,590	(3,168)	-	(578)
LCHO First Tranche Sales	4,591	(5,598)	-	(1,007)
Group Recharges	21,779	(21,748)	-	31
Impairment on Land Banking	-	(1,734)	-	(1,734)
Other	5,291	(4,050)	-	1,241
	<u>34,251</u>	<u>(36,298)</u>	<u>-</u>	<u>(2,047)</u>
Non-Social Housing Activities				
Lettings	2,310	(1,998)	-	312
Other	1,364	(2,990)	-	(1,626)
	<u>3,674</u>	<u>(4,988)</u>	<u>-</u>	<u>(1,314)</u>
	<u>59,295</u>	<u>(56,161)</u>	<u>-</u>	<u>3,134</u>

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	2,275	(2,087)	-	188
Other	843	(790)	-	53
	<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>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 March 2010

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 2010 £'000	Total 2009 £'000
Rents Receivable net of identifiable service charges	104,619	425	9,155	6,690	120,889	108,811
Service Income	6,802	242	3,405	572	11,021	10,521
Gross Rental income	111,421	667	12,560	7,262	131,910	119,332
Voids	(1,452)	(64)	(477)	(207)	(2,200)	(1,916)
Net Rental income	109,969	603	12,083	7,055	129,710	117,416
Other Income from Lettings	383	-	25	218	626	708
Turnover from Social Housing Lettings	110,352	603	12,108	7,273	130,336	118,124
Services	(7,343)	(256)	(3,213)	(911)	(11,723)	(10,614)
Management	(16,919)	(10)	(2,474)	(1,607)	(21,010)	(22,055)
Routine Maintenance	(25,377)	(46)	(2,503)	(42)	(27,968)	(26,240)
Planned Maintenance	(24,054)	(15)	(1,697)	-	(25,766)	(27,006)
Major Repairs Expenditure	(4,204)	-	(472)	-	(4,676)	(3,362)
Rent Losses from Bad Debts	(1,198)	(1)	(41)	-	(1,240)	(697)
Lease Charges	(84)	-	-	-	(84)	(63)
Depreciation of Housing Properties	(5,333)	-	(261)	(551)	(6,145)	(5,355)
Provision for Impairment – Housing Properties	-	-	-	(69)	(69)	(1,097)
Amortisation of Negative Goodwill	1,080	-	-	-	1,080	1,076
Other Costs	26	-	-	-	26	(28)
Operating Costs on Social Housing Lettings	(83,406)	(328)	(10,661)	(3,180)	(97,575)	(95,441)
Operating Surplus on Social Housing Lettings	26,946	275	1,447	4,093	32,761	22,683

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 March 2010

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 2010 £'000	Total 2009 £'000
Rents Receivable net of identifiable service charges	10,030	2,619	6,690	19,339	16,865
Service Income	673	1,034	572	2,279	2,151
Gross Rental income	<u>10,703</u>	<u>3,653</u>	<u>7,262</u>	<u>21,618</u>	<u>19,016</u>
Voids	(136)	(123)	(207)	(466)	(519)
Net Rental income	<u>10,567</u>	<u>3,530</u>	<u>7,055</u>	<u>21,152</u>	<u>18,497</u>
Other Income from Lettings	-	-	218	218	256
Turnover from Social Housing Lettings	<u>10,567</u>	<u>3,530</u>	<u>7,273</u>	<u>21,370</u>	<u>18,753</u>
Services	(645)	(974)	(911)	(2,530)	(2,069)
Management	(1,985)	(880)	(1,607)	(4,472)	(4,420)
Routine Maintenance	(2,779)	(648)	(42)	(3,469)	(3,643)
Planned Maintenance	(2,191)	(749)	-	(2,940)	(2,038)
Rent Losses from Bad Debts	(96)	(11)	-	(107)	(180)
Lease Charges	(47)	-	-	(47)	(46)
Depreciation of Housing Properties	(581)	(109)	(551)	(1,241)	(1,082)
Provision for Impairment – Housing Properties	-	-	(69)	(69)	(1,039)
Other Costs	-	-	-	-	(28)
Operating Costs on Social Housing Lettings	<u>(8,324)</u>	<u>(3,371)</u>	<u>(3,180)</u>	<u>(14,875)</u>	<u>(14,545)</u>
Operating Surplus on Social Housing Lettings	<u>2,243</u>	<u>159</u>	<u>4,093</u>	<u>6,495</u>	<u>4,208</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

3b TURNOVER FROM NON-SOCIAL HOUSING ACTIVITIES

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Lettings				
Care Homes	1,962	1,988	1,962	1,988
Market Renting	-	75	-	-
Offices	520	77	237	226
Commercial Premises	57	271	111	61
	<u>2,539</u>	<u>2,411</u>	<u>2,310</u>	<u>2,275</u>
Other	<u>2,941</u>	<u>3,058</u>	<u>1,364</u>	<u>843</u>
	<u><u>5,480</u></u>	<u><u>5,469</u></u>	<u><u>3,674</u></u>	<u><u>3,118</u></u>

4 STAFF COSTS

	GROUP		ASSOCIATION	
	2010 Number	2009 Number	2010 Number	2009 Number
Average Number Employed				
Office Staff	803	746	598	594
Scheme Staff	1,051	1,043	381	420
Operatives	59	62	-	-
	<u>1,913</u>	<u>1,851</u>	<u>979</u>	<u>1,014</u>
Full-time	1,352	910	608	632
Part-time	561	941	371	382
	<u>1,913</u>	<u>1,851</u>	<u>979</u>	<u>1,014</u>
Full time Equivalents	<u>1,581</u>	<u>1,521</u>	<u>834</u>	<u>871</u>

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Staff Costs for the Above				
Wages and Salaries	34,284	32,265	20,503	20,640
Social Security Costs	2,831	2,525	1,782	1,673
Other Pension Costs	2,873	2,762	2,100	1,902
	<u>39,988</u>	<u>37,552</u>	<u>24,385</u>	<u>24,215</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

5 OPERATING SURPLUS

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Operating Surplus is stated after charging/(crediting)				
Housing Properties - Depreciation	6,698	5,930	1,155	1,108
- Impairment Provision	69	325	69	289
Land Banking - Impairment Provision	1,734	750	1,734	750
Other Fixed Assets:				
- Depreciation - Owned Assets	1,245	1,130	833	674
- Depreciation - Leased Assets	150	75	-	-
- Impairment Provision	1,161	22	1,081	-
- (Surplus)/Loss on Disposal	9	(28)	23	2
Operating Leases	353	248	83	68
Amortisation of Goodwill	(1,080)	(1,076)	-	-
Group Auditor's Remuneration:				
- In their Capacity as Auditors	133	146	23	23
- In Respect of Other Services	37	13	-	3
Other Auditor's Remuneration:				
- In their Capacity as Auditors	38	-	-	-
- In Respect of Other Services	-	28	35	28
FRS17: Retirement Benefits:				
- Actuarial valuation based net service costs/contribution	-	-	-	-
- Net (increase)/decrease to operating surplus	-	-	-	-

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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Aggregate emoluments paid to or received by Directors who are not executive staff members including salaries, honoraria and other benefits	<u>277</u>	<u>231</u>	<u>169</u>	<u>165</u>
Aggregate emoluments paid to or received by Directors who are executive staff members including salaries, honoraria and other benefits	<u>1,007</u>	<u>1,193</u>	<u>995</u>	<u>959</u>
Emoluments of the highest paid Director excluding Pension Contributions included in aggregate emoluments of Directors who are executive staff members	<u>159</u>	<u>155</u>	<u>159</u>	<u>155</u>

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 £120k (2009: £131k).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

7 SURPLUS ON SALE OF HOUSING PROPERTIES

	GROUP					
	2010			2009		
	Letting £'000	Shared Equity £'000	Total £'000	Letting £'000	Shared Equity £'000	Total £'000
Proceeds from disposal	3,306	5,528	8,834	2,352	2,540	4,892
Cost of disposals	(1,818)	(4,460)	(6,278)	(1,380)	(1,381)	(2,761)
Surplus	<u>1,488</u>	<u>1,068</u>	<u>2,556</u>	<u>972</u>	<u>1,159</u>	<u>2,131</u>

	ASSOCIATION					
	2010			2009		
	Letting £'000	Shared Equity £'000	Total £'000	Shared Equity £'000	Total £'000	Total £'000
Proceeds from disposal	2,595	5,528	8,123	3,830	3,830	3,830
Cost of disposals	(1,309)	(4,460)	(5,769)	(1,810)	(1,810)	(1,810)
Surplus	<u>1,286</u>	<u>1,068</u>	<u>2,354</u>	<u>2,020</u>	<u>2,020</u>	<u>2,020</u>

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Interest Receivable from Unlisted Investments	<u>209</u>	<u>746</u>	<u>162</u>	<u>266</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 March 2010

9 INTEREST PAYABLE AND SIMILAR CHARGES

	GROUP		ASSOCIATION	
	2010	Restated 2009	2010	2009
	£'000	£'000	£'000	£'000
On Bank Loans, Overdrafts and Other Loans				
Repayable within 5 years, by instalments	1,008	1,377	16	-
Repayable by instalments wholly or partly, in more than 5 years	23,809	23,682	4,952	4,117
Repayable, other than by instalments, in more than 5 years	1,546	1,533	-	-
Other Interest	326	313	212	285
	<u>26,689</u>	<u>26,905</u>	<u>5,180</u>	<u>4,402</u>
Capitalised Interest	(307)	(1,268)	(288)	(1,060)
Deferred Income Credit (See Note 22(b))	<u>(228)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>26,154</u>	<u>25,637</u>	<u>4,892</u>	<u>3,342</u>

The bank base rate average for the year (adjusted for margins) of 0.75% (2009: 3.8%) was used for the purpose of calculating capitalised interest.

The group figures for 2009 have been restated to reflect the final disclosure in the Orbit South financial statements.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

10 TAXATION

The only members of the Group subject to taxation throughout the year ended 31 March 2010 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 2009 or 31 March 2010. 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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
(i) Analysis of tax charge on ordinary activities				
United Kingdom Corporation Tax at 28% (2009: 28%)				
Current	(2)	(12)	-	-
Gift aid payment related back to prior year	2			
Deferred Tax				
Origination and reversal of timing differences	-	114	-	-
Adjustment in respect of prior years	(2)	14	-	-
	(2)	116	-	-

The tax assessed on the surplus for the year is lower than the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained below.

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
(ii) Factors affecting tax charge for current year				
Surplus/(Deficit) on ordinary activities before tax	5,512	(1,246)	1,335	(68)
Tax charge/(credit) at 28% (2009: 28%) thereon	1,543	(349)	374	(19)
Non taxable (surpluses)/deficits (primarily charitable exemptions)	(1,543)	337	(374)	19
Deferred tax asset written back	-	114	-	-
Adjustment in respect of prior years	(2)	14	-	-
Current tax (credit) / charge for year	(2)	116	-	-

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 March 2010

11 HOUSING PROPERTIES

	GROUP								
	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Other Social Housing		
	Complete	In Development	Complete	In Development	Complete	In Development	Complete	In Development	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
COST									
At 1 April 2009	981,772	82,810	39,024	5,748	117,612	16,937	28,312	5,730	1,277,945
Reclassifications	24,384	(24,775)	6,030	(3,925)	9,514	(11,228)	-	-	-
Additions	45,237	77,983	14	744	9,229	23,830	190	-	157,227
Transfer on Completion	58,422	(58,422)	2,567	(2,567)	16,343	(16,343)	-	-	-
Disposals	(547)	(82)	-	-	(8,640)	(1,712)	-	-	(10,981)
At 31 March 2010	1,109,268	77,514	47,635	-	144,058	11,484	28,502	5,730	1,424,191
LESS: GRANTS									
At 1 April 2009	(412,106)	(31,632)	(26,942)	(2,046)	(49,071)	(5,258)	(965)	(1,380)	(529,400)
Stock Acquisition	(9,544)	-	-	-	-	-	-	-	(9,544)
Reclassifications	(8,639)	7,528	(1,625)	1,758	(1,533)	2,511	-	-	-
Receivable	(2,832)	(43,073)	-	(192)	(3,711)	(4,630)	-	-	(54,438)
Transfer on Completion	(26,044)	26,044	(480)	480	(2,786)	2,786	-	-	-
Transfer to/(from) RCGF and DPF	445	(248)	-	-	998	(708)	-	-	487
At 31 March 2010	(458,720)	(41,381)	(29,047)	-	(56,103)	(5,299)	(965)	(1,380)	(592,895)

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 March 2010

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 2009	(33,142)	-	(2,128)	-	(2,582)	-	(1,114)	(263)	(39,229)	
Depreciation	(5,333)	-	(234)	-	(551)	-	(542)	(37)	(6,697)	
Eliminated on Disposals	19	-	-	-	73	-	-	-	92	
At 31 March 2010	(38,456)	-	(2,362)	-	(3,060)	-	(1,656)	(300)	(45,834)	
LESS: PROVISIONS FOR IMPAIRMENT										
At 1 April 2009	(298)	-	(93)	-	(325)	-	-	(472)	(1,188)	
Charge for the Year	-	-	-	-	(69)	-	-	-	(69)	
At 31 March 2010	(298)	-	(93)	-	(394)	-	-	(472)	(1,257)	
NET BOOK AMOUNT										
At 31 March 2010	611,794	36,133	16,133	-	84,501	6,185	25,881	3,578	784,205	
At 31 March 2009	536,226	51,178	9,861	3,702	65,634	11,679	26,233	3,615	708,128	

Additions to properties during the year include capitalised interest and finance costs of £0.3 million (2009: £1 million) and development administration costs of £1.8 million (2009: £2.4 million). The Group reviewed its properties for impairment and there was a charge of £69k to the Income and Expenditure Account for 2010 (2009: £325k).

During the year the total expenditure on works to existing properties was £48.7million of which £0.2million has been capitalised.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 March 2010

11 HOUSING PROPERTIES (CONTINUED)

	ASSOCIATION							Total £'000
	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Non- Social Housing	
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	Complete £'000	In Development £'000	Complete £'000	
COST								
At 1 April 2009	123,360	29,807	16,859	3,877	118,496	16,937	4,129	313,465
Reclassifications	23,439	(24,823)	6,026	(3,877)	10,058	(10,823)	-	-
Additions	410	74,914	-	744	9,229	23,830	-	109,127
Transfer on Completion	9,726	(9,726)	-	-	16,343	(16,343)	-	-
Transfer to other Group members	-	(62,846)	-	(744)	(544)	(405)	-	(64,539)
Disposals	(455)	(82)	-	-	(8,640)	(1,712)	-	(10,889)
At 31 March 2010	156,480	7,244	22,885	-	144,942	11,484	4,129	347,164
LESS: GRANTS								
At 1 April 2009	(69,284)	(9,794)	(13,897)	(1,758)	(49,451)	(5,258)	(1,380)	(150,822)
Reclassifications	(8,738)	7,530	(1,475)	1,758	(1,586)	2,511	-	-
Receivable	(3,306)	(40,788)	-	(192)	(3,711)	(4,630)	-	(52,627)
Transfer on Completion	(3,172)	3,172	-	-	(2,786)	2,786	-	-
Transfer to/(from) RCGF and DPF	267	(308)	-	-	998	(708)	-	249
Transfer to other Group members	75	34,385	-	192	53	-	-	34,705
At 31 March 2010	(84,158)	(5,803)	(15,372)	-	(56,483)	(5,299)	(1,380)	(168,495)

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 March 2010

11 HOUSING PROPERTIES (CONTINUED)

	ASSOCIATION							Total £'000
	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Non- Social Housing	
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	Complete £'000	In Development £'000	Complete £'000	
LESS: DEPRECIATION								
At 1 April 2009	(3,800)	-	(766)	-	(2,567)	-	(252)	(7,385)
Reclassifications								
Depreciation	(581)	-	(82)	-	(551)	-	(27)	(1,241)
Eliminated on Disposals	12	-	-	-	73	-	-	85
At 31 March 2010	(4,369)	-	(848)	-	(3,045)	-	(279)	(8,541)
LESS: PROVISIONS FOR IMPAIRMENT								
At 1 April 2009	-	-	-	-	(325)	-	(472)	(797)
Charge for the Year					(69)		-	(69)
At 31 March 2010	-	-	-	-	(394)	-	(472)	(866)
NET BOOK AMOUNT								
At 31 March 2010	67,953	1,441	6,665	-	85,020	6,185	1,998	169,262
At 31 March 2009	50,276	20,013	2,196	2,119	66,153	11,679	2,025	154,461

Additions to properties during the year include capitalised interest and finance costs of £0.1 million (2009: £0.9 million) and development administration costs of £0.9 million (2009: £0.9 million). The Association reviewed its properties for impairment and there was a charge of £69k to the Income and Expenditure Account for 2010 (2009: £289k).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Within Housing Properties and Stocks	47,862	27,201	11,725	3,250
The Net Book Value of Housing and Other Properties (Note 12) Comprises:				
Freehold Land and Buildings	781,724	703,344	166,056	151,307
Long Leasehold Land and Buildings	12,061	15,642	8,473	9,635
Short Leasehold Land and Buildings	594	634	-	-
	<u>794,379</u>	<u>719,620</u>	<u>174,529</u>	<u>160,942</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.

12 OTHER TANGIBLE FIXED ASSETS

	GROUP					Total £'000
	Freehold Offices £'000	Leasehold Offices £'000	Commercial Premises £'000	Motor Vehicles £'000	Furniture Fixtures & Equipment £'000	
COST OR VALUATION						
At 1 April 2009	4,698	9,125	591	241	10,520	25,175
Reclassifications	-	27	(1)	(7)	(19)	-
Additions	85	60	-	-	1,300	1,445
Disposals	-	(5)	-	-	(761)	(766)
At 31 March 2010	<u>4,783</u>	<u>9,207</u>	<u>590</u>	<u>234</u>	<u>11,040</u>	<u>25,854</u>
LESS: DEPRECIATION						
At 1 April 2009	(1,008)	(1,821)	(71)	(223)	(7,336)	(10,459)
Charge for Year	(98)	(281)	(20)	(15)	(981)	(1,395)
Reclassifications	-	(5)	-	5	-	-
Eliminated on Disposal	-	2	-	-	687	689
At 31 March 2010	<u>(1,106)</u>	<u>(2,105)</u>	<u>(91)</u>	<u>(233)</u>	<u>(7,630)</u>	<u>(11,165)</u>
LESS: PROVISIONS FOR IMPAIRMENT						
At 1 April 2009	(22)	-	-	-	-	(22)
Charge for Year	(1)	(1,081)	-	-	(79)	(1,161)
At 31 March 2010	<u>(23)</u>	<u>(1,081)</u>	<u>-</u>	<u>-</u>	<u>(79)</u>	<u>(1,183)</u>
NET BOOK AMOUNT						
At 31 March 2010	<u>3,654</u>	<u>6,021</u>	<u>499</u>	<u>1</u>	<u>3,331</u>	<u>13,506</u>
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>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

12 OTHER TANGIBLE FIXED ASSETS (CONTINUED)

The net book value includes £Nil (2009: £Nil) of furniture, fixtures and equipment held under finance leases. Depreciation charged in the year on these assets amounted to £Nil (2009: £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 (2009: £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	2,041	203	2,244
Less: Revalued Amount	<u>(1,587)</u>	<u>(165)</u>	<u>(1,752)</u>
Difference as at 31 March 2010	<u>454</u>	<u>38</u>	<u>492</u>
Difference as at 31 March 2009	<u>547</u>	<u>43</u>	<u>590</u>

ASSOCIATION

	Freehold Offices £'000	Leasehold Offices £'000	Furniture Fixtures & Equipment £'000	Total £'000
COST				
At 1 April 2009	2,170	5,500	5,977	13,647
Additions	-	53	718	771
Disposals	-	(5)	(544)	(549)
At 31 March 2010	<u>2,170</u>	<u>5,548</u>	<u>6,151</u>	<u>13,869</u>
LESS: DEPRECIATION				
At 1 April 2009	(531)	(658)	(3,405)	(4,594)
Charge for Year	(52)	(131)	(650)	(833)
Eliminated on Disposal	-	2	523	525
At 31 March 2010	<u>(583)</u>	<u>(787)</u>	<u>(3,532)</u>	<u>(4,902)</u>
LESS: PROVISIONS FOR IMPAIRMENT				
At 1 April 2009	-	-	-	-
Charge for Year	-	(1,081)	(79)	(1,160)
At 31 March 2010	<u>-</u>	<u>(1,081)</u>	<u>(79)</u>	<u>(1,160)</u>
NET BOOK AMOUNT				
At 31 March 2010	<u>1,587</u>	<u>3,680</u>	<u>2,540</u>	<u>7,807</u>
At 31 March 2009	<u>1,639</u>	<u>4,842</u>	<u>2,572</u>	<u>9,053</u>

The net book value includes £Nil (2009: £Nil) of furniture, fixtures and equipment held under finance leases. Depreciation charged in the year on these assets amounted to £Nil (2009: £1k).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

13 HOMEBUY LOANS

	GROUP AND ASSOCIATION	
	2010	2009
	£'000	£'000
Loan Received from The Homes & Communities Agency	17,770	18,522
Loan Received from Recycled Capital Grant Fund	575	550
Loan Received Total	<u>18,345</u>	<u>19,072</u>
Loan Advanced to Borrower	<u>(18,345)</u>	<u>(19,072)</u>
	<u>-</u>	<u>-</u>

14 FIXED INVESTMENTS

	GROUP		ASSOCIATION	
	2010	2009	2010	2009
	£'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 Group raised loans totalling £16 million through the financial intermediary, Funding for Homes Limited. It is a condition of the funding that all members raising monies through this means must deposit 5% of the proceeds, which in the Orbit Group's case amounts to £800k as a common guarantee against default.

15 PROPERTIES FOR SALE

	GROUP AND ASSOCIATION	
	2010	2009
	£'000	£'000
Housing Properties for Sale	1,680	1,675
Shared Ownership – Completed Properties	8,670	7,558
Shared Ownership – Under Construction	<u>7,656</u>	<u>16,937</u>
	<u>18,006</u>	<u>26,170</u>

The above figures include capitalised interest of £77k (2009: £326k) for the Group and the Association.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

16 STOCKS

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Work in Progress	10,652	-	-	-
Land Banking	5,422	9,860	5,422	9,860
Consumable Stocks	86	89	10	5
	<u>16,160</u>	<u>9,949</u>	<u>5,432</u>	<u>9,865</u>

An impairment of £1,734k was made during the year on land banking (2009: £750k).

17 DEBTORS

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Rental Debtors	9,543	7,737	1,477	1,422
Less provision for doubtful debts	(2,087)	(1,560)	(287)	(235)
	<u>7,456</u>	<u>6,177</u>	<u>1,190</u>	<u>1,187</u>
Amounts Due from Subsidiaries	-	-	61,464	29,761
Prepayments and Accrued Income	1,739	491	1,297	286
SHG Receivable	2,395	10,212	2,395	9,402
Other Debtors	7,193	5,576	2,371	2,627
	<u>18,783</u>	<u>22,456</u>	<u>68,717</u>	<u>43,263</u>
Debtors after one year included in Other Debtors above	<u>554</u>	<u>839</u>	<u>14,870</u>	<u>9,304</u>

18 OTHER INVESTMENTS AND CASH - SHORT TERM DEPOSITS

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Other Investments and Cash - Short Term Deposits comprise:				
- Maturing in excess of 7 days	<u>7,820</u>	<u>10,721</u>	<u>6,067</u>	<u>5,013</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		ASSOCIATION	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Housing Loans (Net of loan arrangement fee) (Note 22)	272	242	2,054	1,622
Bank Overdraft	-	798	-	-
Trade Creditors	11,887	11,421	2,894	173
Other Creditors	13,566	9,403	11,482	7,034
Accruals and Deferred Income	9,716	7,436	2,772	189
Fees Received in Advance	125	235	-	-
Rents Received in Advance	2,047	1,456	199	343
Grants Received in Advance	15,025	6,371	15,025	6,371
RCGF and DPF Within One Year (Note 20)	1,371	874	775	258
	<u>54,009</u>	<u>38,236</u>	<u>35,201</u>	<u>15,990</u>

Housing loans shown above are net of £Nil loan arrangement fees carried forward (2009: £Nil).

20 DISPOSAL PROCEEDS AND RECYCLED CAPITAL GRANT FUNDS

	GROUP		
	RCGF	DPF	TOTAL
	£'000	£'000	£'000
At 1 April 2009	2,070	1,801	3,871
Grants recycled	2,095	108	2,203
Interest accrued	15	9	24
Transfers back into fund	250	-	250
New build	(916)	(693)	(1,609)
RTB buy-back	-	(27)	(27)
At 31 March 2010	<u>3,514</u>	<u>1,198</u>	<u>4,712</u>
Amount due for repayment to the Homes & Communities Agency:			
Within one year	775	596	1,371
After more than one year	2,739	602	3,341
	<u>3,514</u>	<u>1,198</u>	<u>4,712</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

20 DISPOSAL PROCEEDS AND RECYCLED CAPITAL GRANT FUNDS (CONTINUED)

	ASSOCIATION		
	RCGF £'000	DPF £'000	TOTAL £'000
At 1 April 2009	2,050	65	2,115
Grants recycled	2,086	-	2,086
Interest accrued	14	-	14
Transfers to other group members	(16)	(65)	(81)
New build	(650)	-	(650)
	<u>3,484</u>	<u>-</u>	<u>3,484</u>
At 31 March 2010	<u>3,484</u>	<u>-</u>	<u>3,484</u>
Amount due for repayment to the Homes & Communities Agency:			
Within one year	775	-	775
After more than one year	2,709	-	2,709
	<u>3,484</u>	<u>-</u>	<u>3,484</u>

21 OTHER CREDITORS: FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Housing Loans	602,030	547,241	134,217	115,543
Deferred Income Credit	906	-	-	-
Accruals and Deferred Income	-	1,228	-	-
Advanced Maintenance and Renewal Contributions	3,978	4,063	2,809	2,980
Other Creditors	3,757	1,384	3,062	768
	<u>610,671</u>	<u>553,916</u>	<u>140,088</u>	<u>119,291</u>

Housing loans shown above are net of £1,477k loan arrangement fees carried forward (2009: £1,036k). (Orbit Group Limited – 2010: £50k, 2009: £56k).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

22 HOUSING LOANS AND FINANCE LEASE OBLIGATIONS

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Due Within One Year				
Orbit Treasury Limited	-	-	1,054	1,622
Heart of England Housing and Care Limited	-	-	1,000	-
Greenwich Natwest	272	242	-	-
	<u>272</u>	<u>242</u>	<u>2,054</u>	<u>1,622</u>
Due After More than One Year				
Orbit Treasury Limited	-	-	122,017	103,349
Bank/Building Society Loans	574,332	518,830	12,250	12,250
Greenwich Natwest	13,175	13,447	-	-
Debenture Stock	16,000	16,000	-	-
	<u>603,507</u>	<u>548,277</u>	<u>134,267</u>	<u>115,599</u>
	<u>603,779</u>	<u>548,519</u>	<u>136,321</u>	<u>117,221</u>

All of the loans of Orbit Group Limited and the majority of loans in the Group are routed through a separate treasury vehicle, Orbit Treasury Limited. All members of the Group have 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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
In One Year or Less, or on Demand	272	242	2,054	1,622
Repayable by Instalments:				
- More than One Year but not more than Two Years	12,941	272	1,054	1,622
- In more than Two Years but not more than Five Years	29,162	1,030	3,163	3,243
- In more than Five Years	545,404	530,975	130,050	110,734
	<u>587,507</u>	<u>532,277</u>	<u>134,267</u>	<u>115,599</u>
Repayable Other than by Instalments:				
- In more than Five Years	16,000	16,000	-	-
	<u>603,779</u>	<u>548,519</u>	<u>136,321</u>	<u>117,221</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 0.41% to 11.9%. 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 £16 million through the financial intermediary Funding for Homes Ltd, the Association received an additional sum of £2.8 million representing a net discount on the market price of the stock on issue. 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 FRS13 where an interest rate Swap has been used to convert floating rate borrowing to fixed rate, the debt has been shown as fixed rate

The interest rate profile at 31 March 2010 was:

	GROUP				Weighted average term of fixing in years
	Total £m	Variable Rate £m	Fixed Rate £m	Weighted Average Rate %	
Instalment loans	575.5	232.3	343.2	4.19%	27
Non-instalment loans	28.3	-	28.3	10.56%	8
	<u>603.8</u>	<u>232.3</u>	<u>371.5</u>	<u>4.49%</u>	<u>16</u>
	ASSOCIATION				Weighted average term of fixing in years
	Total £m	Variable Rate £m	Fixed Rate £m	Weighted Average Rate %	
Instalment loans	124.1	89.5	34.6	3.17%	28
Non-instalment loans	12.2	-	12.2	11.2%	8
	<u>136.3</u>	<u>89.5</u>	<u>46.8</u>	<u>3.9%</u>	<u>23</u>

At 31 March 2010 the following borrowing facilities were available to be drawn from Orbit Treasury Limited:

	GROUP £m
Undrawn committed facilities	77.0
Undrawn facilities	57.3
	<u>134.3</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

23 CALLED UP SHARE CAPITAL

	GROUP AND ASSOCIATION	
	2010 £	2009 £
Issued and Fully Paid Shares of £1 Each		
At 1 April 2009	11	8
Issued	-	4
Surrendered	(1)	(1)
At 31 March 2010	10	11

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 From General Reserve £'000	Acquisition of HoE Group £'000	Release of provision during the year £'000	At End of the Year £'000
Neighbourhood Investment Fund	727	83	-	-	810
Renewal of Furniture and Equipment	4,666	600	-	(110)	5,156
Insurance Reserve	490	-	-	-	490
At 31 March 2010	5,883	683	-	(110)	6,456
At 31 March 2009	5,772	109	74	(72)	5,883

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

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For the Year Ended 31 March 2010

24 DESIGNATED RESERVES (CONTINUED)

	ASSOCIATION			At End of the Year £'000
	At Beginning Of the Year £'000	Transfers from OHA £'000	Transfer (to)/from I&E Account £'000	
Neighbourhood Investment Fund	727	-	83	810
Renewal of Furniture and Equipment	1,460	-	118	1,578
Insurance Reserve	303	-	-	303
At 31 March 2010	<u>2,490</u>	<u>-</u>	<u>201</u>	<u>2,691</u>
At 31 March 2009	<u>960</u>	<u>1,662</u>	<u>(132)</u>	<u>2,490</u>

25 GENERAL RESERVES

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Opening Balance	113,967	116,250	109,175	11,636
Transfer of undertakings from OHA	-	-	-	97,530
Surplus / (deficit) for the year	4,831	(1,545)	(536)	9
Actuarial loss on pension scheme	(3,421)	(738)	-	-
Closing Balance	<u>115,377</u>	<u>113,967</u>	<u>108,639</u>	<u>109,175</u>

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>1,725</u>	<u>(46)</u>	<u>1,679</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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For the Year Ended 31 March 2010

27 RECONCILIATION OF MOVEMENTS IN FUNDS

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Opening Funds	198,115	138,783	113,390	14,366
Acquisition of HoE Group	-	62,580	-	-
Transfer of undertakings from OHA	-	-	-	99,192
(Deficit) / Surplus for the Financial Year	5,514	(1,362)	(335)	(123)
Amortisation of Goodwill	(1,080)	(1,076)	-	-
Actuarial Loss on Pension Scheme	(3,421)	(738)	-	-
Transfer (from) Designated Reserves to Creditors	(110)	(72)	-	-
Transfer from Revaluation Reserve	-	-	(46)	(45)
Closing Funds	199,018	198,115	113,009	113,390

28 CAPITAL COMMITMENTS

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Capital Expenditure which has been contracted for but has not been provided for in the financial statements	98,396	47,765	25,932	16,079
Capital Expenditure which has been authorised under authority from the Orbit Group Board but has yet to be contracted for	104,273	46,053	37,708	15,190
	202,669	93,818	63,640	31,269
The RSL expects these commitments to be financed with:				
Social Housing Grant	66,333	43,260	13,789	12,878
Committed loan facilities	104,393	39,408	39,130	7,391
Proceeds from sale of properties	31,943	11,150	10,721	11,000
	202,669	93,818	63,640	31,269

29 CONTINGENT LIABILITIES

The Group had contingent liabilities of £1.5m at 31 March 2010 (2009: £262k). At 31 March 2010 Orbit Heart of England had contingent liabilities of £1.5m in relation to remedial costs on properties identified as having substandard acoustic construction.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

30 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Operating Surplus	29,506	21,770	3,134	2,382
Depreciation Charge on other fixed assets	1,395	1,205	833	674
Depreciation on Housing Properties	6,698	5,930	1,185	1,108
Provision for impairment on Housing Properties	69	325	69	289
Provision for impairment on other fixed assets	1,161	22	1,160	-
Provision for impairment on stocks	1,734	750	1,734	750
Movement in provisions	(57)	(38)	-	-
Provision for Bad Debts	527	(101)	(15)	238
(Surplus) on Sale of Other Fixed Assets	-	(4)	-	(4)
Decrease/(Increase) in Stocks	3,315	(30)	3,308	-
Adjustment for Pension Funding	(332)	(90)	-	-
(Increase)/Decrease in Debtors	(4,433)	39,314	(29,992)	285
Increase/(Decrease) in Creditors	846	(31,959)	3,401	14,771
Transfer to Advance Renewals Provision	-	(72)	-	(72)
Release of designated reserves	(110)	-	-	-
Negative Goodwill amortisation	(1,080)	(1,076)	-	-
Net Cash Inflow/(Outflow) from Operating Activities	39,239	35,946	(15,183)	20,421

31 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Increase/(Decrease) in Cash in the Year	11,879	(18,790)	13,013	(325)
Increase/(Decrease) in Bank Deposits (with a Maturity in Excess of 24 Hours)	(2,901)	9,852	1,054	4,144
Other changes	(59)	18	(6)	-
Loans Received	(55,700)	(77,750)	(133,718)	(116,500)
Acquisition of HoE Group Loans	-	(126,497)	-	-
Loans Repaid	440	399	114,618	69,183
Loan Arrangement Fees	500	(30)	-	56
Change in Net Debt	(45,841)	(212,798)	(5,039)	(43,442)
Net Debt at 1 April 2009	(530,466)	(317,668)	(109,449)	(66,007)
Net Debt at 31 March 2010	(576,307)	(530,466)	(114,488)	(109,449)

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

32 ANALYSIS OF CHANGES IN NET DEBT

	GROUP			
	At Beginning of the Year £'000	Cash Flows £'000	Other Changes £'000	At End of the Year £'000
Cash at Bank and in Hand	7,094	11,081	-	18,175
Bank Overdraft	(798)	798	-	-
	<u>6,296</u>	<u>11,879</u>	<u>-</u>	<u>18,175</u>
Bank Deposits – More than 24 Hours	10,721	(2,901)	-	7,820
Housing Loans Due Within One Year	(242)	(30)	-	(272)
Housing Loans Due After One Year	(548,277)	(55,230)	-	(603,507)
Loan Arrangement Fees	1,036	500	(59)	1,477
	<u>(530,466)</u>	<u>(45,782)</u>	<u>(59)</u>	<u>(576,307)</u>

	ASSOCIATION			
	At Beginning of the Year £'000	Cash Flows £'000	Other Changes £'000	At End of the Year £'000
Cash at Bank and in Hand	2,703	13,017	-	15,720
Bank Deposits – More than 24 Hours	5,013	1,054	-	6,067
Housing Loans Due Within One Year	(1,622)	(1,000)	568	(2,054)
Housing Loans Due After One Year	(115,599)	(18,101)	(568)	(134,268)
Loan Arrangement Fees	56	-	(6)	50
	<u>(109,449)</u>	<u>(5,030)</u>	<u>(6)</u>	<u>(114,485)</u>

33 FINANCIAL COMMITMENTS

Operating Leases

At 31 March 2010 the Group was committed to making the following payments during the next year in respect of operating leases, primarily for motor vehicles:

	GROUP		ASSOCIATION	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Leases which Expire				
Within 1 year	43	4	12	2
Within 2 – 5 years	563	432	279	188
More than 5 years	-	73	-	-
	<u>606</u>	<u>509</u>	<u>291</u>	<u>190</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

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 South 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 1 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.
Heart of England Housing & Care Limited	Industrial and Provident Act Society	Operation of Residential Care Homes for Elderly People	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.
Orbit Homes (2020) Limited	Private Limited Company	Design and build company and 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

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35 NUMBER OF UNITS UNDER DEVELOPMENT AT END OF YEAR

	2010			
	OGL	OHE	OSHA	TOTAL
General Needs	91	217	410	718
Low Cost Home Ownership	142	-	-	142
Intermediate Rent	43	-	-	43
Total Social Housing Units	276	217	410	903

	2009			
	OGL	OHE	OSHA	TOTAL
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

36 PROPERTY PORTFOLIO

	HoE Care	OGL	OHE	OSHA	TOTAL
General Needs	-	2,581	12,233	10,031	24,845
Intermediate Rent	-	141	-	-	141
Supported Housing	-	720	1,634	902	3,256
Key Worker	-	-	-	156	156
Registered Care Home	-	-	23	-	23
Total Owned by Orbit	-	3,442	13,890	11,089	28,421
Low Cost Home Ownership	-	2,771	-	-	2,771
Leasehold	-	882	403	822	2,107
Private Retirement Schemes	-	1,114	-	-	1,114
Managed on behalf of others	-	240	360	227	827
Leasehold and Other Managed	-	2,236	763	1,049	4,048
Total Social Housing Units	-	8,449	14,653	12,138	35,240
Nursing Homes	-	48	-	-	48
Registered Care Homes	459	-	-	-	459
Market Rent	-	-	10	-	10
Commercial Units	-	-	14	3	17
Total Non Social Housing Units	459	48	24	3	534
Total Units – 31 March 2010	459	8,497	14,677	12,141	35,774
Total Units – 31 March 2009	449	8,282	13,775	11,992	34,498

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37 PENSION COSTS

Social Housing Pension Scheme

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

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, until 31 March 2007. From April 2007 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 (CARE) with a 1/60th accrual rate

From April 2010 there are a further two benefit structures available, namely:

- Final salary with a 1/80th accrual rate
- Career average revalued earnings (CARE) with a 1/80th accrual rate

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

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open 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 2010. This does not reflect any benefit structure changes made from April 2010.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

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

During the accounting period ended 31 March 2010, the Group paid contributions at the rate of 9.6% plus a 3% surcharge to reflect the closed nature of the scheme and a 4.5% deficit contribution, and member contributions at the rate of 7.9%.

As at 31 March 2010, there were 468 active members of the Scheme employed by the Group. The annual pensionable payroll in respect of these members was £12.6 million. The Group closed the scheme to new employees on 1 October 2009 and to existing employees on 31 March 2009.

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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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37 PENSION COSTS (CONTINUED)

Social Housing Pension Scheme (Continued)

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 69.7%.

The financial assumptions underlying the valuation as at 30 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 Pension Protection Fund (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 (CARE) with a 1/60 th accrual rate	14.9%
Final salary with a 1/80 th accrual rate	13.5%
Career average revalued earnings (CARE) with a 1/80 th accrual rate	11.9%

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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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37 PENSION COSTS (CONTINUED)

Social Housing Pension Scheme (Continued)

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.

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 is currently in the process of reviewing the recovery plan for SHPS in respect of the September 2008 actuarial valuation. A response from the Regulator is expected in due course.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the scheme as at 30 September 2009. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,723 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £738 million, equivalent to a past service funding level of 70.0%

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.

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. There are currently 48 employee members.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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For the Year Ended 31 March 2010

37 PENSION COSTS (CONTINUED)

Other Pension Schemes Operated by Orbit Group Members

Movement in Pension Liabilities during the year.

	GROUP	
	2010	2009
	£'000	£'000
Deficit in pension scheme at 1 April	(6,748)	(1,108)
Liability transferred on acquisition of HoE Group	-	(4,730)
Service Costs	(538)	(560)
Contributions	1,091	800
Past Service Gain	(221)	(150)
Net Return on Assets less interest on pension scheme liabilities	(579)	(262)
Actuarial Loss	<u>(3,421)</u>	<u>(738)</u>
Deficit in pension scheme at 31 March	<u>(10,416)</u>	<u>(6,748)</u>

Other Pension Schemes Operated by Orbit South Housing Association Limited

(a) Local Government Pension Scheme - KCC

Orbit South Housing Association Limited 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 FRS17 'Retirement Benefits' since March 2007. The impact of this standard has been reflected throughout the financial statements. Prior year comparatives have been restated where appropriate.

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

Total employer contributions paid to the scheme for the year were £518k (2009: £260k).

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 2010, with the next formal valuation due for the year ended 31 March 2013.

The major financial assumptions used by the actuary in the FRS17 valuation are:

	2010	2009	2008
Rate of increase in salaries	5.4%	4.6%	5.1%
Rate of increase in pensions in payment and deferred pensions	3.9%	3.1%	3.6%
Discount rate applied to scheme liabilities	5.5%	6.9%	6.9%
Inflation assumption	3.9%	3.1%	3.6%

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 2010.

Salary increases are assumed to be 1.5% (2009: 1.5%, 2008: 1.5%) more than assumed inflation, in line with the assumption used in the latest formal valuation of the Fund.

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37 PENSION COSTS (CONTINUED)

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 2010 £'000	Value at 2009 £'000	Value at 2008 £'000
Equities	4,045	2,690	3,360
Bonds	765	690	680
Gilts	55	-	-
Other – Property	383	370	520
Cash	219	330	280
Total Scheme Assets	<u>5,467</u>	<u>4,080</u>	<u>4,840</u>
Total Value of Scheme liabilities	(7,799)	(4,990)	(5,040)
Net pension liability	<u>(2,332)</u>	<u>(910)</u>	<u>(200)</u>

	Expected rate of return		
	2010	2009	2008
Equities	7.5%	7.0%	7.7%
Bonds	5.5%	5.4%	5.7%
Gilts	4.5%	-	-
Other – Property	5.5%	4.9%	5.7%
Cash	3.0%	4.0%	4.8%
Total Expected Returns	<u>6.9%</u>	<u>6.3%</u>	<u>7.0%</u>

Analysis of amounts charged to Income and Expenditure

	2010 £'000	2009 £'000
Amount charged to operating costs		
Service Costs	89	140
Past Costs	-	60
Curtailments and settlements	222	10
	<u>311</u>	<u>210</u>
Expected return on Employers Assets	(256)	(350)
Interest on Pension Scheme Liabilities	329	350
	<u>73</u>	<u>-</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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For the Year Ended 31 March 2010

37 PENSION COSTS (CONTINUED)

History of experience gains and losses at end of year

	2010	2009	2008	2007	2006
Difference between the expected and actual return on scheme assets (£'000)	1,154	(1,320)	(640)	(30)	653
% of scheme assets	21.1%	(32.3%)	(13.2%)	(0.6%)	14.5%
Experience Gains and (Losses) arising on the scheme liabilities (£'000)	(5)	-	340	(15)	3
% of scheme liabilities	0.0%	-	6.7%	(0.2%)	0.0%
Actuarial (Loss)/Gain recognised in the statement of recognised surpluses/(deficits) (£'000)	(1,557)	(760)	870	385	(137)
% of scheme liabilities	(19.9%)	(15.3%)	17.3%	6.2%	(2.3%)

Movement in surplus/deficit during the year

	2010 £'000	2009 £'000
(Deficit) in pension scheme at 1 April	(910)	(200)
Service Costs	(311)	(210)
Contributions	519	260
Net Return on Assets less interest on pension scheme liabilities	(73)	-
Actuarial (Losses)	(1,557)	(760)
Deficit in pension scheme at 31 March	(2,332)	(910)

(b) Local Government Pension Scheme – Bexley London Borough

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

The next triennial valuation is for the year ending March 2013.

	12 months to 31/03/10	12 months to 31/03/09	12 months to 31/03/08	6 months to 30/09/07
Rate of increase in salaries	4.95%	5.05%	5.35%	4.85%
Rate of increase in pensions in payment and deferred pensions	3.20%	3.30%	3.60%	3.10%
Discount rate applied to scheme liabilities	5.50%	7.10%	6.10%	5.40%
Inflation assumption	3.20%	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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

37 PENSION COSTS (CONTINUED)

Pension Liability

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

	Value at 31/03/10 £'000	Value at 31/03/09 £'000	Value at 30/09/08 £'000
Equities	1,849	1,224	1,599
Government Bonds	156	183	208
Other Bonds	285	255	333
Other – Cash	37	44	58
Other	154	142	113
Total fair value of assets	<u>2,481</u>	<u>1,848</u>	<u>2,311</u>
Present value of scheme liabilities	<u>(3,492)</u>	<u>(2,784)</u>	<u>(3,219)</u>
Net pension liability	<u>(1,011)</u>	<u>(936)</u>	<u>(908)</u>

	Long Term Expected Rates of Return 31/03/10	31/03/09	30/09/08
Equities	7.5%	7.5%	7.5%
Government Bonds	4.5%	4.0%	4.6%
Other Bonds	5.2%	6.0%	6.1%
Other - Property	N/A	6.5%	6.5%
Other - Cash	0.5%	0.5%	5.3%
Other	7.5%	7.5%	7.5%

Movement in deficit during the year:

	31/03/10 £'000	31/03/09 £'000	30/09/08 £'000
Deficit in scheme at beginning of year	(936)	(908)	(611)
Movement during the year:			
Current service cost	(3)	(9)	(6)
Contributions paid	77	77	59
Past service cost	-	-	(3)
Other finance costs	(77)	(43)	(6)
Actuarial loss	<u>(72)</u>	<u>(53)</u>	<u>(341)</u>
Deficit at the end of the year	<u>(1,011)</u>	<u>(936)</u>	<u>(908)</u>

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

	31/03/10 £'000	31/03/09 £'000	30/09/08 £'000
Current service cost	(3)	(9)	(6)
Past service (loss)	<u>-</u>	<u>-</u>	<u>(3)</u>
Total charge to operating surplus	<u>(3)</u>	<u>(9)</u>	<u>(9)</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

37 PENSION COSTS (CONTINUED)

Analysis of amounts charged to other financing costs:

	12 months to 31/03/10 £'000	12 months to 31/03/09 £'000	12 months to 31/03/08 £'000
Expected return on pension scheme assets	116	150	157
Interest on pension scheme liabilities	<u>(193)</u>	<u>(193)</u>	<u>(163)</u>
Net finance charge	<u>(77)</u>	<u>(43)</u>	<u>(6)</u>

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

	12 months to 31/03/10 £'000	12 months to 31/03/09 £'000	12 months to 31/03/08 £'000
Actual return less expected return on pension scheme assets	567	(574)	(231)
Liability Gain	-	-	110
Gain/(Loss) on change of assumptions underlying the present value of the scheme liabilities	(639)	525	(220)
Revaluation of balance sheet	<u>-</u>	<u>(4)</u>	<u>-</u>
	<u>(72)</u>	<u>(53)</u>	<u>(341)</u>

History of experience gains and losses:

	12 Months to 31/03/10 £'000	12 months to 31/03/09 £'000	12 months to 31/03/08 £'000
Actual return less expected return on scheme assets	567	(574)	(231)
% of scheme assets at year end	22.9%	(31.1%)	(10.0%)
Experience loss arising on scheme liabilities	(639)	525	-
% of scheme liabilities at year end	(18.3%)	18.9%	-
Total actuarial loss recognised in statement of total recognised surpluses and deficits	(72)	(53)	(341)
% of scheme liabilities	(2.1%)	(1.9%)	(10.6%)

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

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 £1,000 million. Employer contributions made by the Association to the scheme for the year were £217k (2009: £212k) in respect of ordinary contributions. The cost is assessed in accordance with advice from a qualified actuary. Employer contributions to the scheme of £17k (2009: £1k) were included in creditors and paid after the year end.

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 2010, using suitable approximate methods, by a qualified independent actuary.

The financial assumptions underlying the valuation were as follows:

Per Annum	2010	2009	2008
Retail Price Inflation	3.3%	3.3%	3.6%
Wage Inflation	5.05%	5.05%	5.35%
Discount rate	5.6%	7.1%	6.1%
Allowance for future pension increases	3.3%	3.3%	3.6%

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 31/03/10 £'000	Value at 31/03/09 £'000	Value at 31/03/08 £'000
Equities	6,837	4,825	6,220
Government Bonds	918	766	862
Other Bonds	1,327	1,149	1,373
Property	408	383	398
Cash/Liquidity	204	153	133
Other	510	383	483
Total	10,204	7,659	9,469

	Expected Rates of Return at 31 March		
	2010	2009	2008
Equities	7.5%	7.5%	7.5%
Government Bonds	4.5%	4.0%	4.6%
Other Bonds	5.2%	6.0%	6.1%
Property	6.5%	6.5%	6.5%
Cash/Liquidity	0.5%	0.5%	5.25%
Other	7.5%	7.5%	7.5%
Total	6.8%	7.2%	7.0%

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

37 PENSION COSTS (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 Association's share of the net assets and liabilities of the Warwickshire County Council Fund is set out below:

	2010 £'000	2009 £'000	2008 £'000
Share of assets in the Fund	10,204	7,659	9,469
Estimated liabilities in the Fund	<u>(15,516)</u>	<u>(11,236)</u>	<u>(13,196)</u>
Share of deficit in the Fund	<u><u>(5,312)</u></u>	<u><u>(3,577)</u></u>	<u><u>(3,727)</u></u>

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

	2010 £'000	2009 £'000
Net deficit at 1 April	(3,577)	(3,727)
Movement in the year:		
Operating charge – Current service cost	(167)	(252)
Operating charge – Past service gain	(221)	(150)
Contributions	411	370
Finance Income:		
Expected return on Pension Fund assets	482	622
Interest on Pension scheme liabilities	<u>(786)</u>	<u>(803)</u>
Total Finance Income	<u>(304)</u>	<u>(181)</u>
Actuarial (loss)/gain	<u>(1,454)</u>	<u>363</u>
Net deficit at 31 March	<u><u>(5,312)</u></u>	<u><u>(3,577)</u></u>

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

	2010 £'000	2009 £'000
Actuarial gain / (loss) on pension scheme assets	2,140	(2,481)
Experience gains and losses arising on scheme liabilities	<u>(3,594)</u>	<u>2,844</u>
	<u><u>(1,454)</u></u>	<u><u>363</u></u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

37 PENSION COSTS (CONTINUED)

Reconciliation to the balance sheet at 31 March

	2010 £'000	2009 £'000
Net Liabilities		
Net liabilities excluding pension liability	(17,920)	(20,775)
Pension liability	<u>(5,312)</u>	<u>(3,577)</u>
Net liabilities including pension liability	<u>(23,232)</u>	<u>(24,352)</u>
Reserves		
Income and expenditure reserve excluding pension liability	(19,338)	(22,004)
Pension liability	<u>(5,312)</u>	<u>(3,577)</u>
Income and expenditure reserve including pension liability	<u>(24,650)</u>	<u>(25,581)</u>

History of experience gains and losses at end of year

	2010	2009	2008	2007	2006
Difference between the expected and actual return on scheme assets:					
Amount £'000	2,140	(2,481)	(991)	(74)	1,244
Percentage of scheme assets	21.0	(32.4)	(10.5)	(0.77)	13.94
Experience gains and losses arising on the scheme liabilities:					
Amount £'000	(3,594)	2,844	57	0	(301)
Percentage of scheme liabilities	23.2	(25.3)	(0.4)	0	2.52
Total amount recognised gains and losses:					
Amount £'000	(1,454)	363	(934)	603	(85)
Percentage of scheme liabilities	9.4	(3.2)	7.1	(4.95)	0.71

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

Contributory

The Company 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 £1,000 million.

Employer contributions made by the Company to the Scheme for the year were £84k (2009: £90k) in respect of ordinary contributions. The cost is assessed in accordance with advice from a qualified actuary. Employer contributions to the Scheme of £6k (2009: £7k) were included in creditors and paid after the year end.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

37 PENSION COSTS (CONTINUED)

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 2010, using suitable approximate methods, by a qualified independent actuary. The financial assumptions underlying the valuation were as follows:

Per Annum	2010	2009	2008
Retail Price Inflation	3.3%	3.3%	3.6%
Wage Inflation	5.05%	5.05%	5.35%
Discount rate	5.6%	7.1%	6.1%
Allowance for future pension increases	3.3%	3.3%	3.6%

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 31/03/10 £'000	Value at 31/03/09 £'000	Value at 31/03/08 £'000
Equities	3,662	2,598	3,340
Government Bonds	492	413	463
Other Bonds	710	619	737
Property	219	206	214
Cash/Liquidity	109	83	71
Other	273	206	259
Total	<u>5,465</u>	<u>4,125</u>	<u>5,084</u>

	Expected Rates of Return at 31 March		
	2010	2009	2008
Equities	7.5%	7.5%	7.5%
Government Bonds	4.5%	4.0%	4.6%
Other Bonds	5.2%	6.0%	6.1%
Property	6.5%	6.5%	6.5%
Cash/Liquidity	0.5%	0.5%	5.25%
Other	7.5%	7.5%	7.5%
Total	<u>6.8%</u>	<u>6.7%</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.

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

	2010 £'000	2009 £'000	2008 £'000
Share of assets in the Fund	5,465	4,125	5,084
Estimated liabilities in the Fund	<u>(7,226)</u>	<u>(5,450)</u>	<u>(6,087)</u>
Share of deficit in the Fund	<u>(1,761)</u>	<u>(1,325)</u>	<u>(1,003)</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

37 PENSION COSTS (CONTINUED)

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

	2010 £'000	2009 £'000
Net deficit at 1 April	(1,325)	(1,003)
Movement in the year:		
Operating charge - Current service cost	(57)	(89)
Contributions	84	93
Finance Income:		
Expected return on Pension Fund assets	259	334
Interest on Pension scheme liabilities	(384)	(372)
Total Finance Income	<u>(125)</u>	<u>(38)</u>
Actuarial loss	<u>(338)</u>	<u>(288)</u>
Net deficit at 31 March	<u><u>(1,761)</u></u>	<u><u>(1,325)</u></u>

The actuarial loss is further analysed as follows:

	2010 £'000	2009 £'000
Actuarial loss on pension scheme assets	1,149	(1,333)
Experience gains and losses arising on scheme liabilities	(1,487)	1,045
	<u><u>(338)</u></u>	<u><u>(288)</u></u>

Reconciliation to the balance sheet at 31 March

	2010 £'000	2009 £'000
Net Assets		
Net assets excluding pension liability	8,473	9,139
Pension liability	<u>(1,761)</u>	<u>(1,325)</u>
Net assets including pension liability	<u>6,712</u>	<u>7,814</u>
Reserves		
Income and expenditure reserve excluding pension liability	985	785
Pension liability	<u>(1,761)</u>	<u>(1,325)</u>
Income and expenditure reserve including pension liability	<u><u>(776)</u></u>	<u><u>(540)</u></u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

37 PENSION COSTS (CONTINUED)

History of experience gains and losses at end of year

	2010	2009	2008	2007	2006
Difference between the expected and actual return on scheme assets:					
Amount £000	1,149	(1,333)	(1,028)	(45)	744
Percentage of scheme assets	21.0	(32.3)	(20.2)	(0.8)	13.5
Experience gains and losses arising on the scheme liabilities:					
Amount £000	(1,487)	1,045	737	0	(81)
Percentage of scheme liabilities	20.6	(19.2)	(12.1)	0	1.2
Total amount recognised gains and losses:					
Amount £000	(338)	(288)	(291)	263	178
Percentage of scheme liabilities	4.7	5.3	4.8	(4.0)	(2.7)

38 NEGATIVE GOODWILL

	GROUP	
	2010 £'000	2009 £'000
COST		
At 1 April 2009	80,499	17,919
Acquisition in the year	-	62,580
At 31 March 2010	80,499	80,499
LESS:		
AMORTISATION		
At 1 April 2009	2,234	1,158
Credit for year	1,080	1,076
At 31 March 2010	3,314	2,234
NET BOOK AMOUNT		
At 31 March 2010	77,185	78,265

Negative goodwill on 1 April 2009 arose following a transfer of engagement with Thanet Community Housing Association Ltd (now Orbit South Housing Association Limited) on 1 April 2004, and from the transfer of Heart of England Housing Group into the Orbit Group on the 1 April 2009.

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

39 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.