

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

**Industrial and Provident
Society Number 28503R**

**Tenant Services Authority
Number L4123**



ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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**Industrial and Provident
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ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS

BOARD MEMBERS

The following are Members of the Orbit Board (OB), all of whom served throughout the year unless otherwise stated:

Name		Appointed	End of Appointment
Elizabeth Potter	Chair (from Jan 2007)	January 2004	
Roy Brooks		April 2008	30 June 2011
Michael Marron		December 2003	
Kim Massey		January 2004	
Jackie Matthews		March 2007	
Richard Reynolds		April 2008	08 April 2011
Tony Crook		October 2010	
Fran Beckett		April 2011	
Robin Dahlberg		April 2011	
Chris Crook		December 2011	

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	Chief Executive
Anne Turner	Deputy Chief Executive / Executive Director Corporate Resources
Stewart Fergusson	Managing Director – Orbit Heart of England
Paul High	Managing Director – Orbit Homes (2020) Limited
Afzal Ismail	Managing Director – Orbit Services
Vivien Knibbs	Managing Director – Orbit East & South
Tony Williams	Director of Organisational Development

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

PRINCIPAL SOLICITORS

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

REGISTERED OFFICE

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

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

OPERATING AND FINANCIAL HIGHLIGHTS

The key operating and financial highlights for Orbit as a whole for the years ended 31 March 2011 to 31 March 2012 are summarised below. More detailed information about our performance is presented on pages 5 to 11 of the financial statements.

	2011/ 12	2010/11 Restated	2009/10
Financial Highlights			
Turnover	£177.0m	£165.4m	£164.2m
Operating Surplus	£47.3m	£41.6m	£29.5m
Operating Margin	26.7%	25.1%	18.0%
Surplus for the Year	£32.9m	£18.6m	£5.5m
Balance Sheet			
Housing Property Cost (before depreciation)	£1,725m	£1,581m	£1,424m
Loans Outstanding	£699m	£625m	£604m
Gearing (loans / grants & reserves)	72%	69%	76%
Operational Indicators			
No. of new rented homes into management	641	559	602
Routine repairs completed on time	87.2%	92.0%	94.4%
Customer satisfaction with repairs	85.7%	77.6%	79.6%
Gas servicing	99.7%	99.3%	99.1%
Decent Homes Compliance	98.7%	99.2%	92.8%
Average SAP rating (range)	68.1% to 69.4%	67.8% to 68.3%	64.7% to 67.2%
Financial Indicators			
Management costs as % of rent	26.1%	27.8%	26.1%
Current Tenant Arrears	4.8%	5.4%	5.9%
Average interest rates at year end	4.09%	4.21%	4.37%
Interest cover	1.87	1.83	1.42
Staffing			
Full time equivalent no. of staff employed at 31 March	1,261	1,356	1,581
Housing Stock (number of properties)			
General Needs	26,179	25,491	24,845
Supported	3,290	3,291	3,256
Shared Ownership	2,903	2,864	2,771
Other	618	441	854
Managed on behalf of others	4,127	4,058	4,048
Total properties	37,117	36,145	35,774

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

SOCIAL LANDLORD'S BUSINESS, OBJECTIVES AND STRATEGY

The Orbit Group comprises Orbit Group Limited and its subsidiary companies listed in note 34. It operates as a partnership where collaboration is key to our collective success.

The group continues to evolve and change, and this year the ownership of the Orbit East properties, formerly a division of Orbit Group Limited, was transferred to Orbit South Housing Association Limited (Orbit South) on 1 April 2011, and the ownership of the Private Retirement Leasehold (PRL) properties was transferred to Orbit South and Heart of England Housing Association Limited (Orbit Heart of England) in October 2011. None of these changes impact the results or net assets of the Group.

These restructuring changes embrace our ambitions around service delivery, value for money (VFM), 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.

AMBITION

The enduring ambition and purpose of Orbit continues to be:-

“Building Brighter Futures for People and Communities”

To achieve this ambition, we need the passion to make a difference, and to generate surpluses to create the necessary resources. Our journey from Good to Great by 2013 focuses on the three main outcomes of Customer, Place and Organisation.



The business critical issues for Orbit in the next 12 months include:-

1. Providing great customer services and achieving top-quartile performance.
2. Delivering against our Homes and Communities Agency development contract.
3. Engaging, motivating and developing our people.
4. Generating surpluses and investing in our IT and Customer Contact Centre.
5. Developing our Business Strategy beyond 2013 to 2020 through 'Orbit 2020', a major project for 2012/13.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

AMBITION

The Journey So Far

We have made huge progress towards the tough targets for 2013 that were set in 2008, despite huge changes in the world around us.

Target by 2013: Creating great **CUSTOMER** service 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' expectations.

Progress: Today our customers enjoy better services; response times are faster; there are more access options, and services are more tailored to their individual needs. The changes we have made have increased satisfaction year-on-year and are also helping us to become more effective and efficient as a business. We are engaging our customers in shaping services and our new scrutiny systems are helping to drive up standards.

Target by 2013: 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.

Progress: We have built 3,000 high-quality homes for people and families and also invested millions in the communities where we work. Orbit Homes (2020) Limited (Orbit Homes) was named Chartered Institute of Housing 'Development Team of the Year' in 2011. Our work on sustainability by retro-fitting existing homes with green technology is cutting fuel bills for residents. We have created scores of apprenticeships, jobs and training opportunities for people in the neighbourhoods where we work.

Target by 2013: Being a great **ORGANISATION** where we run things well, provide a great place to work, have sound finances, deliver VFM, and have a strong external reputation.

Progress: We have achieved Investors in People in all four Orbit businesses and made progress in developing the culture we need to fulfil our purpose. Our financial strength has continued to improve and VFM is embedded. Our reputation and influence locally, regionally and nationally has grown. We have a strong IT platform in place and are exploring how new tools such as social media can deliver excellence and efficiency. This was recognised recently when we were named Chartered Institute of Housing 'IT Team of the Year' and 'Procurement Team of the Year' in 2012.

ORBIT 2020

“Building Brighter Futures... together”

Orbit has been growing and evolving for more than 40 years. As our current five-year Business Plan enters its final 12 months, we are now looking to the future through a major collaborative project involving staff, managers, leaders, Boards, residents and key stakeholders, called 'Orbit 2020'. This will help us develop our 2013/16 Business Plans and 'direction of travel' towards 2020 so we can Build Brighter Futures for many years to come.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

OUR FOCUS FOR 2012/13

Since 2008 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 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 by 2013 focuses on the outcomes of Customer, Place and Organisation: -

- **CUSTOMER**

We will continue to drive up standards of customer service towards top quartile performance. We will expand choice and provide more personal services by improving our customer profiling and understanding our customers better. A key focus is transforming our Customer Contact Centre into a 'hub' to provide more customers with the service they want the first time they contact us and expanding the options customers have in accessing services. The economic climate will be tough for many people so we will invest around £1m in the communities where we work and create opportunities for jobs, training and education. We will fund this by reducing our management costs and making efficiency savings. We will continue to develop our 'Customer First' culture and leadership so that our people embrace their role in putting people first and feel able to challenge decisions and innovate.

- **PLACE**

We will continue to build the homes people need, building over 800 affordable homes and offering people a range of other housing options, including open market sale. Selling homes for profit will enable us to build more homes for people on lower incomes. Our focus will be on cementing our reputation as a 'trusted housing provider' and as a 'developer of choice' with partner organisations, while transforming communities together with local people. We will plan for the recommissioning of both our HomeBuy Agency and Mortgage Rescue contracts during 2012/13.

We will invest in making our existing homes more energy efficient and cheaper to run for residents, developing a new Warm Homes standard beyond Decent Homes and continuing to lead the sustainability agenda nationally. We also need to manage our assets as effectively as possible and develop a better understanding of our housing markets, the performance of our homes, our management costs and the impact of our community investment.

- **ORGANISATION**

We intend to create a talented, high-performing work force delivering great services. We will continue to focus on ensuring people have the knowledge and information they need at the right time. Talking with our people will be vital as we evolve to face the future. We will continue to invest in tools and technology with upgrades to our core IT systems and new equipment so that our people can operate as effectively and efficiently as possible. We will continue to innovate in using social media to communicate with customers, our people and stakeholders. We will improve our financial strength by reducing our costs, improving our procurement and business processes, and creating a culture where VFM drives our decisions. We will continue to generate external income and business opportunities, while retaining a focus on strong governance, audit and risk management. Our work in building a strong reputation will help to increase our influence and strengthen our market position in the changing environment. Orbit 2020 will enable us to transform for the future.

Each of the business plans of the members of the Orbit 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.

The various Boards approve all Business Plans and monitor progress and delivery against targets. In consultation with residents, and with the support of Orbit Services, our members will develop and monitor detailed delivery plans. All of our plans have clear milestones and measurable outcomes to guide and confirm progress.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

RISKS AND UNCERTAINTIES

We continue in an era of unprecedented change, and opportunity. It is imperative that, whilst we are ready for the challenge, we understand and adapt to the external environment and transform our business to deliver greater effectiveness and efficiency.

We have identified six key issues and challenges as critical in the current climate:-

- 1 Increasing financial pressure on our customers and growing inequality because of factors such as Welfare Reform and the economic climate.
- 2 Delivering even better VFM and efficiency while meeting growing demand as public services shrink during austerity.
- 3 Our response to Localism and Big Society within a new regulatory environment where we will co-create our offer to local communities.
- 4 The need for innovation and choice in a deepening housing crisis where public subsidy for development is declining.
- 5 The organisational and financial impact of major policy changes such as Supporting People funding and Welfare Reform.
- 6 Increasing risk profile driven by the need to diversify our business model and the need to deploy resources such as IT as effectively as possible.

These issues are reflected in our plans for 2012/13 and focus on our four on-going strategic initiatives to enable us to deliver our plans by 2013:-

- Customer First - engaging and working with residents.
- Infrastructure - investment in technology and tools to do the job.
- People - investing in developing our people and the Orbit culture.
- Finances - maximising our finances, VFM and growth of Orbit.

We continually review performance both collectively and by individual organisation, 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

Performance continued to improve during the year, with nine of the 15 Key Performance Indicators (KPIs) on target and of the rest, two were marginally below and the other four measures all had an improving trend. Our annual survey of customers (STAR) rated their overall satisfaction with service delivery at an all-time high of 82.5%. Satisfaction with neighbourhood, rent providing VFM, being kept informed and views being taken into account also improved. Longer-term, performance on the seven customer satisfaction scores we can compare back to 2004 has also improved in all except one. Our score for satisfaction with newly developed homes is 93%; this is an improvement of 3% on scores reported at 2010/11 and compares favourably to the Home Builders Federation survey of 90% satisfaction.

During the year we also made good progress in delivering the nine business plan priorities, including:

Customer

- Completion of Customer First Phase 1 to 'Change the Way we Work'
- Scrutiny Panels in place with initial reviews successfully completed
- IIP accreditations achieved across Orbit

Place

- 891 new homes completed and 188 Initial Tranche sales achieved
- First market led scheme developed in Bedford
- Sustainable Housing Framework adopted across Orbit

Organisation

- Orbit intranet ('The Orb') refreshed & re-launched
- Roll out of Customer Relationship Management and mobile working improving front line service delivery
- Orbit 2020 project launched with successful engagement programme

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

OPERATING REVIEW

Performance in the Year (Continued)

Our VFM Framework was agreed in 2010 and is based around our key objective “to *fully* satisfy agreed customer requirements, at the lowest internal cost”. The framework is supported by a more detailed document setting out how we will deliver this through a number of key actions which are monitored regularly by the Executive Team. All parts of the business have their own VFM action plans setting out how they will deliver increased business efficiency through a combination of procurement, lean business reviews and benchmarking. Our focus is to deliver improving outcomes across the group both at a business level and for our customers and the following table demonstrates this improvement:

	2011/12	2010/11	2009/10
CUSTOMER			
• Customer satisfaction with repairs	85.2%	82.8%	79.6%
• Customer satisfaction with communication & involvement	69.8%	68%	61%
• Satisfaction by Equality & Diversity strands	No variances	Key variance within BME group	Key variance within BME group
PLACE			
• Number of new rented homes built	641	559	602
• Property sales income achieved in the year	£12.3M	£13.2M	£8.4M
• Community Investment	£599.6K	£382.8K	N/A
ORGANISATION			
• % of gas safety inspections completed	99.7%	99.3%	99.1%
• Staff satisfaction	68.0%	70.0%	64.0%
• Staff engagement	53.0% av	53% av	44% av
FINANCIAL			
• Management costs as a % of rental income	26.1%	27.8%	26.1%
• Growing reserves/surplus	Achieved	Achieved	Achieved
• Interest cover covenants	Full compliance	Full compliance	Full compliance
• Procurement efficiencies identified	£1.0M	£5.5M	£1.2M
CULTURE			
• Values & Culture	47.0% av	49.5% av	41% av
• Leadership	67.5% av	60.5% av	53.0% av

Orbit 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.

During the year Orbit Homes has developed its first market led scheme. Our flagship site opened at Aspire in Bedford, and 19 market sales were completed during the year. Several other market sale schemes are now on site, and another showhome complex has opened at Great Blakenham in Suffolk since the end of the year.

We have continued to sell both first and subsequent tranches of our shared ownership properties. We have recognised that the current economic climate makes it difficult for some first time buyers to get mortgages, and so in addition to our popular Rent to HomeBuy and intermediate market rent products, we now provide a limited number of Orbit-funded mortgages. We have continued to lead the Government’s Mortgage Rescue Scheme, assisting families to stay in their homes. By participating in this Government initiative, we have helped to tackle hardship and helped those experiencing it.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

OPERATING REVIEW

Performance in the Year (Continued)

The Orbit HomeBuy Agency is the largest HomeBuy agent in the country, and has established a dedicated HomeBuy website. Orbit HomeBuy Agents completed on 777 HomeBuy Direct and FirstBuy cases, and worked within 55 local authority areas promoting all options.

As a whole, Orbit charged rents and service charges of £147 million in the year ended 31 March 2012, and spent 32% of this (£47 million) on property repairs and maintenance. Interest payable on loan funding cost a further £25 million during the year. Orbit spent £154 million on acquiring and developing new homes during the year, and its property portfolio increased from 36,145 at 31 March 2011 to 37,117 at 31 March 2012.

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 benefit from a 24-hour emergency repairs service. The Orbit Response Unit operates 24 hours a day, 7 days a week to support elderly or vulnerable residents. The Customer Service Centre has been restructured during the year, and new tools have been introduced to further enhance service delivery.

The Customer Service Centre has achieved external certification to Customer Contact Association Global Standard Version 5, and continues to provide services to Associations outside of Orbit, generating additional income for the Group and ensuring that resources are effectively utilised. The internal audit department, 'Audit Matters', the procurement department, 'Procurement Matters' and also the Information Governance department have also continued to expand the work that they do for other organisations under the over-arching brand of 'Service Matters'.

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

Our offer to our staff has been enhanced during the year, with the launch of our new on-line portal for our flexible benefits scheme, known as 'myBenefits'. Staff are now able to select benefits on-line, and view an individual Total Reward Statement showing the full value of working for the Orbit Group.

As an individual Association, Orbit Group Limited charged rents and service charges of £8.6 million in the year ended 31 March 2012 and made a surplus on sale of housing properties of £0.8 million. Interest payable on loan funding cost the Association £5.1 million during the year. Orbit Group Limited has maintained its increased low cost home ownership 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 3,632 at 31 March 2011 (adjusted after sales to other group members) to 3,801 at 31 March 2012.

Dynamics of the Social Landlord

The drive to improve delivery and efficiency has continued throughout the last year. Orbit'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. VFM means making the best use of resources available whilst recognising at all times that quality must not be diminished. Orbit has embraced the Government's efficiency agenda, and is continuing to review and refine the way in which it procures goods and services with a view to achieving further efficiencies in this area. This was recognised when the Orbit Procurement team were named as the Chartered Institute of Housing 'Procurement Team of the Year' in 2012. VFM maps are in place for Orbit defining and delivering both efficiencies and savings.

The requirement to address Decent Homes Standard (DHS) by 2010 emphasised the importance of investing in existing homes and ensuring the quality of asset management strategies, and we met the regulatory requirements for the Decent Homes Programme during that year. Work continues to plan the next standard for our stock investment programme, and a new Sustainable Housing Framework has been adopted across the Group. Rent restructuring has also had a significant effect on the sector, and Orbit 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 have agreed Orbit-wide Customer Service Standards with our residents and also have local standards in place within the Operating Associations. Local Resident scrutiny panels are in place, and initial reviews have been successfully completed.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

OPERATING REVIEW

Dynamics of the Social Landlord (Continued)

Our new Tenant Information Portal (TIPS) was launched in April 2011, to give our residents secure on-line access to their information for the first time.

All Associations within Orbit 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).

The Orbit Group continues to work well within and meet all loan covenants. On 3 April 2006, Orbit Group Limited was granted exempt charitable status for taxation purposes.

Investment for the Future

Orbit continues to develop new homes, and has signed up to and adopted the principles of the 2012 Construction Commitments, and has an agreed development programme as part of the HCA's 2011/15 Affordable Homes Programme.

In 2009 Homes was established to manage all building programmes and the marketing of properties for sale across Orbit. Our aim is to build high-quality housing for a wide range of people, from family homes to first time buyer apartments to 'extra care' developments for older people.

Orbit Homes is currently working on several large mixed tenure schemes (including homes for outright sale) in both Bedford and Suffolk, and sold their first 19 market homes outright during the year. Their achievements have been publicly acknowledged by the award of the 'Development Team of the Year' award at the national Chartered Institute of Housing 'Housing Heroes Awards' for 2011.

The Orbit Sustainability Strategy aims to embed sustainable living into the heart of our communities and our business. There are three cross cutting drivers of the strategy: -

- ✓ Improving the energy efficiency of our stock
- ✓ Reducing our carbon footprint as a business where it achieves financial saving
- ✓ Improving the financial circumstances of our customers

Orbit has initiated an eco-housing approach and continues to work to develop knowledge to be rolled out across Orbit. Initiatives currently being used include ground and air source heat pumps, solar photo-voltaic panels and the installation of sensors to provide an insight into building performance. Orbit Heart of England operates a Sustainable Investment Team to deliver low carbon solutions as part of the annual investment programmes to our homes.

Working in partnership, Orbit Homes and Orbit Heart of England have delivered the largest passivhaus development in the UK, which will be available under the affordable rent programme.

A 'Green Team' exists, so that staff can be involved in reducing the organisation's energy consumption and carbon footprint. Our Green Champions put forward suggestions for environmentally friendly policies and practices and encourage colleagues to think and act with the environment in mind.

All members of Orbit have now achieved Investors in People (IIP) accreditation, and Orbit Services (the shared service division of Orbit Group Limited) achieved IIP Silver accreditation during the year.

Phase 1 of our Customer First project to *'Change the Way we Work'* was completed during the year, and Phase 2 will be delivered during 2012/13. Orbit has received recognition for its first class approach to customer service after being named as the winner of the Pioneering Customer Service category at the Coventry Telegraph Business Awards 2011, and was recognised thanks to our 'Customer First' approach. This approach is all about improving the way staff and services work to give the customer the best possible service. This is achieved through staff training but also through major investment in customer-facing technology.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

OPERATING REVIEW

Investment for the Future (Continued)

This new technology is made up of four elements – a Customer First online secure area to allow residents to check their account details at the touch of a button; the introduction of sophisticated mobile working equipment to allow staff to manage customer requests quickly and effectively, even when out of the office; a customer relationship management system to make staff interactions with customers as well informed as possible and a new intranet to improve internal customer services.

FINANCIAL REVIEW

Accounting Policies

The Statement of Recommended Practice for Registered Social Landlords (2010) was mandatory for all accounting periods beginning on or after 1 April 2011 and has been adopted with effect from 1 April 2011. The key changes related to our accounting policy for housing properties and the implementation of component accounting, and the requirement to write out negative goodwill that was previously held on the balance sheet. Prior period balances have been adjusted to reflect the change in accounting policy. The revised accounting policies and the impact of the 2010 SORP are described in notes 1 and 38 (respectively) to the financial statements, and have resulted in an increase in the general reserves of the group of £108.5m, represented by an increase in the net book value of housing properties of £38.4m and the write off of negative goodwill of £70.1m.

Capital structure and Treasury Policy

At 31 March 2012, the consolidated balance sheet shows housing properties of £1,620 million and other net assets of £54 million, financed by grants of £700 million (42%), loans of £699 million (42%), and internal funds of £275 million (16%). The Association balance sheet shows housing properties of £184 million and other net assets of £65 million, financed by grants of £70 million (28%), loans of £55 million (22%), and internal funds of £124 million (50%).

From 1 October 2007, the major loans of all Orbit Members at that date were re-routed through a group treasury company, 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.

Two loans totalling £150m have been negotiated with new funders to the Orbit Group – Royal Bank of Scotland (£100m) and Clydesdale Bank (£50m), secured against Members of the Group's properties. These loans will assist in continuing the development programme agreed with the Homes & Communities Agency.

Orbit Board recognises that the fluctuations in Orbit'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 an Orbit-wide policy, and is enacted through Orbit Treasury Limited.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW

FINANCIAL REVIEW (Continued)

Cash flows

The consolidated Orbit net cash inflow from operating activities during the year was £65.8 million (2011: £63.1 million). The principal sources of cash inflow for Orbit remained that of income from the provision of housing accommodation and the sale of housing properties. The principal sources of cash outflow for Orbit were the costs associated with the provision of housing accommodation, the acquisition and construction of housing properties and interest payable on loan facilities.

For Orbit Group Limited as an individual association, the net cash inflow from operating activities in 2012 was £11.7 million (2011: £20.8 million) primarily due to a reduction in debtors and the transfer of designated reserves to other Group Members at the balance sheet date. The principal sources of cash inflow for the Association were the income from other Orbit members for support services, income from the provision of 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 2012 loan borrowings amounted to £699 million for Orbit as a whole, and £55 million for the Association. Orbit's consolidated working capital position at the start of the year was £31.9 million positive, and has moved to £46.2 million positive during the year. The Association's net current asset position at the start of the year was £46.9 million, and has moved to £59.9 million at 31 March 2012.

Post Balance Sheet Event

There are no post Balance Sheet events requiring adjustment to, or disclosure in, the financial statements.

Going concern

After making enquiries the Orbit Board has a reasonable expectation that the Group and Association have 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 Board



Elizabeth Potter
Chair
12 September 2012

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

HOUSING ASSOCIATION GOVERNANCE

Governance

Orbit Group Ltd has been a not-for-profit Registered Provider of social housing (previously a Registered Social Landlord) since 1997 and is the parent company of the Orbit Group.

NHF's 'Excellence in Governance' Code

The Orbit Board has adopted the National Housing Federation's 'Excellence in Governance' Code as its Code of Governance. As a Board we confirm that Orbit Group Limited complies with the Code of Governance in all material aspects.

The Orbit Board continues to work on its Resident Scrutiny and Engagement Structures in order to strengthen compliance with the Code.

NHF's 'Excellence in Standards of Conduct' Code

The Orbit Board has adopted the National Housing Federation's 'Excellence in Standards of Conduct' Code, and has developed an internal Probity and Severance policy to support this. We confirm that Orbit Group Limited complies with the Code of Standards of Conduct in all material aspects.

Orbit Board and Subsidiaries

The Board Members of Orbit Group Limited during the year are listed on page 1.

The Orbit Board is at the heart of the organisation and formulates strategy for the whole of the Orbit Group. Each subsidiary Registered Provider within Orbit is headed by a Strategic Board that oversees the work of that particular Association and monitors performance. All Members of the Orbit Board and Strategic Boards are paid for undertaking their responsibilities as Members of the 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 Board comprises up to twelve non-executive members, and one executive member from July 2012, and is responsible for governing the affairs of Orbit Group Limited and Orbit as a whole. Board Members are drawn from a wide background bringing together professional, commercial and local experience. The primary role of the Orbit Board is to focus on strategic and policy issues. The Board meets formally at least five times a year for regular business, and at other times to discuss strategic development and for Members' training.

The governing Boards delegate the day-to-day management of Orbit to the Group Chief Executive and the Executive Directors who form the Executive Team (ET). The ET met monthly throughout 2011/12 and the Directors attend meetings of the Orbit 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 was responsible for developing and maintaining Orbit's governance framework, which included arrangements for the recruitment, induction and appraisal of Board Members. The Group Services Committee comprised the Chairs of each Member Association Board, the Orbit Board Chair, and an independent Board member as Chair of the Committee. Individual Associations within Orbit followed this framework and made recommendations for appointments to their Boards directly to the Orbit Board. It maintained a strategic overview of the total staffing establishment and considered the Orbit policy on Executive Directors' remuneration, determining the specific remuneration packages for each of the Executive Directors and preparing an Annual Report to the Orbit Board. The Committee also nominated one of its members to conduct exit interviews with Directors, as appropriate.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

HOUSING ASSOCIATION GOVERNANCE

Group Services Committee (Continued)

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

The Committee met a number of times in the year. The final meeting of this Committee was held on 4 August 2011, when this Committee ceased and the functions were taken on by the Orbit Board and its Committees.

Governance and Membership Committee

The Governance and Membership Committee (GMC) was formed in December 2011 and is responsible for developing and maintaining Orbit's governance framework, which includes arrangements for the recruitment, induction, appraisal and development of Board Members. Other members of the Group follow this framework and make recommendations for appointments to their own Boards to the Orbit Board. The Committee also keeps under review the roles and responsibilities of Board Members, including the specific functions of the Chairs and Deputy Chairs, and makes recommendations for change to the Orbit Board.

The Committee meets a minimum of four times per year.

Remuneration Committee

The Remuneration Committee was formed in December 2011 and considers the Group's policy on remuneration, contracts of employment and conditions of service generally for Executive Directors and recommends the specific remuneration packages for each of the Executive Directors, including pension rights and any compensation/severance payments. It also approves and keeps under review the Orbit's Board Member Payment (Non-Executive Directors) structure and policies, including levels of payment, and recommend changes to the Orbit Board as necessary. The Committee seeks appropriate external advice, as necessary, to support and inform its functions, including legal and market intelligence.

Orbit Audit Committee

The Orbit 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 Orbit Risk Management Strategy and Internal Audit Plans. It reports to the Orbit Board on the effectiveness of the internal control arrangements and considers the financial statements before they are presented to the Board for approval.

The Committee meets three times a year.

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 Member Associations, and local resident scrutiny mechanisms have been put in place during the year. Moment of Truth surveys have been extended, with feedback from residents being used to drive service improvements. In addition, the Orbit Complaints and Compliments procedure is used to capture customer feedback more effectively and apply the learning.

Under the Association's Registered Rules, the Orbit 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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

HOUSING ASSOCIATION GOVERNANCE

Housing Ombudsman Service

The Ombudsman service dealt with a total of 3 cases for Orbit as a whole during the year, one of which was ongoing from last year. The Ombudsman did not uphold any of the complaints, all of which have now been concluded.

Responsibility for the System of Internal Control

The Orbit Board have responsibility to review the internal control environment within their businesses and for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

Scope of Assurance

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

Orbit Assurance Framework

The information pertaining to the effectiveness of the control environment comes from a number of sources from across Orbit.

At a high level, the assurance framework brings together information from all significant parts of Orbit's business, including the Subsidiary Associations. The framework comprises of different sources of assurance, the more significant ones being the Internal Audit Team, the Orbit Audit Committee, External Audit and the Executive Team.

In addition, a major component of this assessment the Internal Regulatory Framework (IRF). Orbit has an IRF process as a means to internally regulate itself. The IRF process is split into three stages; desktop review, visits to boards and reporting. The IRF broadly covers an assessment of financial viability, governance and performance. Following on from the previous six years, the seventh year (2011/12) of the IRF process was completed and received by all Boards within Orbit.

The Orbit Board has delegated authority for the review of internal controls to the Orbit Audit Committee. The IRF report incorporates Internal Controls Assurance mechanisms from across the Group and is therefore presented to the Executive Team and the Orbit 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 remains with the Orbit Board.

The Sources of Assurance are briefly outlined below:

Orbit Audit Team - An Internal Audit Plan approved by the Executive Team and the Orbit Audit Committee is in place and monitored by the Executive Team and Orbit Audit Committee.

This includes the provision of 'specialist audits' using experts in areas such as Treasury and IT audit. The plan covers financial and non financial areas and the Orbit Audit Team provides independent assurances in all of the significant areas of Orbit'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 Orbit 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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

HOUSING ASSOCIATION GOVERNANCE

Orbit Audit Committee - In accordance with good practice, the Orbit Audit Committee presented its annual report to each subsidiary Board which outline the extent of the Committee's work and the overview of the effectiveness of the control environment. To support good governance, the Managing Director, Orbit Services (responsible Executive for Risk and Compliance within Orbit) reports directly to the Chief Executive and has direct access to the Orbit Audit Committee. In addition, the Orbit Audit Committee reviews reports from management, internal auditors and external auditors to provide reasonable assurance that control procedures are being followed.

Governance - The Orbit Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The Orbit 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 Orbit Board also confirms that as part of the IRF the relevant Managing Director reported their Internal Controls Assurance within their IRF Report. The Chief Executive presented a similar report on behalf of the Group to the August 2012 Orbit Audit Committee within the Consolidated IRF report.

In addition the Executive Team (ET) forms a key part in the governance process. It is also confirmed that all Boards and the ET met on a regular basis to discuss and conduct their own individual affairs during 2011/12 and the business has been formally documented in minutes of the meetings.

Risk Management - Orbit has a Risk Management Strategy & Framework, which is based on good practice.

The control environment to manage these risks is continually evaluated and monitored by Orbit Audit Committee on behalf of the Orbit Board. Orbit Audit Committee also monitors the implementation of the Orbit Strategy and plan for Risk Management.

The overall responsibility for risk management across Orbit remains with the Orbit Board. The subsidiaries are required to implement the Orbit framework for risk management and provide reports to their respective Boards. The adequacy of this implementation and reporting is monitored by the Orbit Audit Committee.

The Orbit Board confirms that the Group's Strategic Risk map is reviewed by the ET and Orbit Board on a regular basis throughout the year.

The 2012/13 risk map has been formulated and takes account of the changing operating environment, Government policy and Orbit's ambitions.

Culture - Orbit recognises that the culture of an organisation is of significant importance to an effective control environment.

Consequently over the last few years, Orbit has invested significantly in staff and the development of managers in suitable leadership and management skills. The development has been centred on the Orbit vision and more importantly the values, which include excellence, integrity and honesty. In addition, a number of measures are in place to instil and encourage a suitable culture of effective internal control.

These mechanisms include the following:

- Orbit has adopted the NHF Code of Governance and new policies around probity to replace Schedule 1 of the Housing Act.
- Orbit Standing Orders, which include appropriate delegations of authority, signatories and mandates. A copy of the Orbit Standing Orders is available to all staff and compliance is an implied term of an employee's contract of employment.
- Annual appraisal procedures have been established and appropriate training and development opportunities are offered to all staff to maintain standards of performance.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

HOUSING ASSOCIATION GOVERNANCE

- Forecasts and budgets are prepared which allow the Orbit 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.
- Relevant policies and procedures cover the range of activity within Orbit from Finance, IT and HR through to housing-related functions.

Fraud

Orbit's approach on fraud is reflected in an approved Policy and Fraud Response Plan. Relevant cases are reported to the Regulator. The Orbit Standing Orders outline a policy on responding to suspected fraud and corruption. A fraud register is maintained and reviewed regularly by the Orbit Audit Committee and reported to the Orbit Board.

Board's Conclusion

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

The Board confirms that the process for identifying, evaluating and managing significant risks is ongoing and has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board. There is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year that where deficiencies in internal controls are identified suitable mitigating actions are taken. Furthermore there have been no fundamental weaknesses identified which required disclosure in the financial statements.

On behalf of the Orbit Board



Elizabeth Potter
Chair
12 September 2012

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

REPORT OF THE ORBIT BOARD

The Orbit Board present their report and the audited consolidated financial statements for the year ended 31 March 2012.

The Association and the Group

Orbit Group Limited (the 'Association') is a not-for-profit organisation administered by the Orbit Board. The Association incorporates Sales & Marketing and Homeownership, and also provides services to other members of the Orbit Group Limited group of companies (Orbit Group) by means of its shared services division, Orbit Services.

Within Homeownership, shared ownership leasehold homes are managed by Orbit South Housing Association Limited (Orbit South) and Heart of England Housing Association Limited (Orbit Heart of England), whilst Sales & Marketing, Mortgage Rescue and HomeBuy Agency services are managed by Orbit Homes (2020) Limited (Orbit Homes).

The ownership of the Orbit East properties, formerly a division of OGL, was transferred to Orbit South on 1 April 2011, and the ownership of the Private Retirement Leasehold (PRL) properties was transferred to Orbit South and Orbit Heart of England in October 2011.

The Association manages a number of schemes providing 3,801 properties of accommodation (including 715 Leasehold properties and properties managed on behalf of others) at 31 March 2012. It has housing properties at cost of £184 million (net of depreciation and impairment) at 31 March 2012. 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 37,117 units of accommodation. It has housing properties of £1,620 million (net of depreciation and impairment). In the year ended 31 March 2012 it employed an average of 1,363 people of whom 363 work directly on housing schemes.

Principal Activities

The Association's principal activities throughout the year ended 31 March 2012 are the development of Low Cost Home Ownership (LCHO) 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 2 to 11.

Board Members and Executive Officers

The present Board Members and Executive Officers of the Association are set out on page 1. All of the Board Members and Executive Officers served throughout the year except as otherwise shown. All Members of the Orbit 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 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 employer 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, a commitment to consider applications from people with disabilities, Equality and Diversity and our drive for continuous improvement.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

REPORT OF THE ORBIT BOARD

Members of Staff (Continued)

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 'Extra Mile' awards, and Orbit Group Customer First Awards. 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 year a programme of apprenticeships has been developed across the organisation, providing opportunities and experience for young people in our communities as we continue to tackle the worklessness in the areas that we operate in.

The Orbit Academy is the focal point for learning and development within Orbit. Its ambition is to become a 'Centre of Excellence' for both staff and, ultimately, residents helping to achieve our aim of Building Brighter Futures for People and Communities.

We have enhanced our recruitment process by the launch of an on-line e-Recruitment pilot to improve and streamline the recruitment process for both applicants and recruiting managers.

We have in place leadership and management standards, a competency framework and a 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 Executive Team, the Leadership Team and senior and first line managers within the Group are proving to be both popular and successful, and form part of our 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. 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.

Orbit Homes has registered with Safety Systems in Procurement (SSIP), an industry-wide forum set up in 2009, sponsored by the NHBC and other organisations, and has been awarded a Worksafe Contractor Membership Certificate as a Principal Contractor.

Donations

During the year Orbit Group Limited received charitable donations of £7,834k from Group Members (2011: £271k) and paid donations of £891k (2011: £Nil) to Group Members. Charitable donations of £50k (2011: £50k) were made to organisations that are not members of the Orbit Group.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

REPORT OF THE ORBIT BOARD

Statement of the responsibilities of the Orbit Group Limited Board for the financial statements

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

The Friendly and Industrial and Provident Societies Act 1968 and registered social housing legislation require the board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Parent company and of the surplus for that period. In preparing these financial statements, the board is required to:

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Parent company and Group and to enable it to ensure that the financial statements comply with the Friendly and Industrial and Provident Societies Act 1968 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords Determination 2006. It has general responsibility for taking reasonable steps to safeguard the assets of the Parent company and Group and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Annual General Meeting

The annual general meeting will be held on 12 September 2012 at the National Housing Federation, Lion Court, 25 Procter Street, London WC1V 6NY.

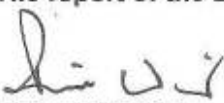
Disclosure of information to Auditors

The Directors who held office at the date of approval of this statement confirm that, so far as they are each aware, there is no relevant audit information of which the Group's independent auditors are unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Group's independent auditors are aware of that information.

Independent Auditors

During the year KPMG LLP resigned as auditors to the Association and the Orbit Group, and the Directors have appointed PricewaterhouseCoopers LLP. A resolution to re-appoint PricewaterhouseCoopers LLP as the Association's auditors for external audit services will be proposed at the Annual General Meeting.

The report of the Board was approved on 12 September 2012 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

Independent auditors' report to the members of Orbit Group Limited

We have audited the financial statements (the "financial statements") of Orbit Group Limited for the year ended 31 March 2012 which comprise the Consolidated and Association Income and Expenditure Accounts, Note of Historical Cost Surplus and Deficit, Statement of Total Recognised Surpluses and Deficits, Consolidated and Association Balance Sheets, Consolidated Cash Flow Statement, Association Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Board and auditors

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information presented on pages 1 to 19 of the Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and association's affairs as at 31 March 2012 and of the group's and association's income and expenditure and the group's and associations cash flows for the year then ended; and
- have been properly prepared in accordance with the Friendly and Industrial and Provident Societies Act 1968 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and The Accounting Requirements for Registered Social Landlords General Determination 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Friendly and Industrial and Provident Societies Act 1968 requires us to report to you if, in our opinion:

- the association has not kept proper books of account in accordance with Section 1(1)(a) of the Friendly and Industrial and Provident Societies Act 1968; or
- a satisfactory system of control over transactions has not been maintained in accordance with Section 1(1)(b) of the Friendly and Industrial and Provident Societies Act 1968; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
B3 2DT

Dated: 21/09/2012

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORBIT GROUP LIMITED

Notes:

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

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED AND ASSOCIATION INCOME AND EXPENDITURE ACCOUNTS
For the Year Ended 31 March 2012

	NOTES	GROUP		ASSOCIATION	
		2012 £'000	2011 £'000 Restated	2012 £'000	2011 £'000 Restated
Turnover	2	176,998	165,408	61,871	68,297
Operating Costs	2	(126,926)	(123,592)	(56,667)	(61,906)
Cost of Sale of Properties	2	(2,756)	(207)	-	-
Operating Surplus	5	47,316	41,609	5,204	6,391
Profit on Sale of Housing Properties	7	10,992	1,171	837	765
(Loss)/Profit on Sale of Other Fixed Assets		(80)	352	(77)	360
Interest Receivable and Similar Income	8	370	271	1,570	630
Interest Payable and Similar Charges	9	(25,420)	(24,448)	(5,052)	(4,606)
Other Financing Costs	37	(46)	(310)	-	-
Surplus on Ordinary Activities Before Gift Aid and Taxation		33,132	18,645	2,482	3,540
Donations received from other Group Members		-	-	7,834	271
Donations paid to other Group Members		-	-	(891)	-
Donations Paid		(50)	(50)	(50)	(50)
Surplus on Ordinary Activities Before Taxation		33,082	18,595	9,375	3,761
Tax on Surplus on Ordinary Activities	10	(181)	(6)	-	-
Surplus for the Year		32,901	18,589	9,375	3,761
Transfer from Revaluation Reserve	24	-	-	178	822
Transfer (to)/from Designated Reserves	25	(1,519)	(558)	-	115
Surplus for the Year after Transfer to Reserves		31,382	18,031	9,553	4,698
General Reserves at 1 April (restated)	26	238,524	218,023	113,856	109,158
Actuarial (Loss)/Gain taken to reserves	37	(2,858)	2,287	-	-
Release of reserves arising on disposal of subsidiary undertaking		-	183	-	-
General Reserves at 31 March 2012	26	267,048	238,524	123,409	113,856

Discontinued Activities

Heart of England Housing & Care Limited, a subsidiary of Orbit Group Limited, was sold to Sanctuary Housing Group on 31 July 2010, and ceased to be part of the Orbit Group from that date. This does not have a material effect on the nature and focus of the operations of the Orbit Group and has not been disclosed separately in the financial statements.

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (note 38).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTE OF HISTORICAL COST SURPLUS AND DEFICIT For the Year Ended 31 March 2012

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000 Restated	2012 £'000	2011 £'000 Restated
Reported Surplus on Ordinary Activities Before Taxation	33,082	18,595	9,375	3,761
Differences between Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year calculated on the Revalued Amount	-	-	24	822
Historical Cost Surplus on Ordinary Activities Before Taxation	33,082	18,595	9,399	4,583
Historical Cost Surplus on Ordinary Activities After Taxation	32,901	18,589	9,399	4,583

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS For the Year Ended 31 March 2012

	NOTES	GROUP		ASSOCIATION	
		2012 £'000	2011 £'000 Restated	2012 £'000	2011 £'000 Restated
Surplus for the Financial Year		32,901	18,589	9,375	3,761
Actuarial (Loss)/Gain on Pension Fund Assets	37	(2,858)	2,287	-	-
Total Recognised Surpluses for the Financial Year		30,043	20,876	9,375	3,761
Prior period adjustment (as explained in note 38)		108,525		898	
Total gains recognised since last financial statement		138,568		10,273	

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (note 38).


ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED AND ASSOCIATION BALANCE SHEETS

As at 31 March 2012

	NOTES	GROUP		ASSOCIATION	
		2012 £'000	2011 £'000 Restated	2012 £'000	2011 £'000 Restated
Fixed Assets					
Housing Properties - Depreciated Cost	11	1,619,603	1,486,608	183,643	363,197
Less: Social Housing Grant	11	(681,852)	(640,765)	(69,710)	(185,402)
Other Public Grants	11	(17,812)	(14,689)	-	-
		<u>919,939</u>	<u>831,154</u>	<u>113,933</u>	<u>177,795</u>
Investments	12	800	800	-	-
HomeBuy Loan	13	16,379	17,488	16,379	17,488
HomeBuy Grant	13	(16,379)	(17,488)	(16,379)	(17,488)
Other Fixed Assets	14	15,277	14,392	9,370	8,750
		<u>936,016</u>	<u>846,346</u>	<u>123,303</u>	<u>186,545</u>
Current Assets					
Properties for Sale	15	16,544	22,229	16,544	22,229
Stocks	16	25,977	21,439	525	1,826
Debtors	17	24,080	24,238	40,770	33,772
Investments	18	14,500	4,811	14,500	3,058
Cash at Bank and in Hand		9,697	9,463	4,962	6,082
		<u>90,798</u>	<u>82,180</u>	<u>77,301</u>	<u>66,967</u>
Creditors: Amounts falling due within one year	19	<u>(44,614)</u>	<u>(50,299)</u>	<u>(17,435)</u>	<u>(20,019)</u>
NET CURRENT ASSETS		<u>46,184</u>	<u>31,881</u>	<u>59,866</u>	<u>46,948</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>982,200</u>	<u>878,227</u>	<u>183,169</u>	<u>233,493</u>
Creditors: Amounts falling due after more than one year					
Disposal Proceeds and Recycled Capital Grant Funds	20	4,139	3,606	3,356	3,071
Other Creditors	21	695,183	624,439	54,803	113,133
		<u>699,322</u>	<u>628,045</u>	<u>58,159</u>	<u>116,204</u>
Pension Liability	37	<u>7,532</u>	<u>4,711</u>	-	-
Capital and Reserves					
Called Up Share Capital	23	-	-	-	-
Revaluation Reserve	24	-	-	679	857
Negative Goodwill	39	-	-	-	-
Designated Reserves	25	8,298	6,947	922	2,576
Revenue Reserves	26	267,048	238,524	123,409	113,856
GROUP'S FUNDS	27	<u>275,346</u>	<u>245,471</u>	<u>125,010</u>	<u>117,289</u>
		<u>982,200</u>	<u>878,227</u>	<u>183,169</u>	<u>233,493</u>

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (note 38). The financial statements on pages 22 to 75 were approved by the Orbit Board on 12 September 2012 and signed on its behalf by:


 Elizabeth Potter
 CHAIR


 Tony Crook
 BOARD MEMBER


 Richard Wright
 SECRETARY

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 March 2012

GROUP	2012		2011	
	£'000	£'000 Restated	£'000	£'000 Restated
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 30)		65,764		63,059
Returns on Investments and Servicing of Finance				
Interest Received	357		271	
Interest Paid	<u>(26,556)</u>		<u>(25,816)</u>	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(26,199)		(25,545)
Donations Paid	(50)		-	
Taxation Paid	<u>(5)</u>		<u>-</u>	
NET CASH (OUTFLOW) FROM DONATION & TAXATION		(55)		-
Capital Expenditure and Financial Investment				
Acquisition and Construction of Housing Properties	(147,465)		(139,770)	
Acquisition of Land	-		(835)	
Sale of Housing Properties	16,772		9,257	
Grants Received	31,734		53,916	
Purchase of Other Fixed Assets	<u>(3,197)</u>		<u>(3,203)</u>	
Sale of Other Fixed Assets	<u>300</u>		<u>1,250</u>	
NET CASH (OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT ACTIVITIES		(101,856)		(79,385)
NET CASH (OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(62,346)		(41,871)
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>(189)</u>		<u>3,009</u>	
(ii) <u>Financing (Note 31)</u>				
Housing Loans Received	88,793		43,951	
Housing Loans Repaid	(15,305)		(7,375)	
Loan Arrangement Fees Paid	<u>(1,219)</u>		<u>(6,426)</u>	
	<u>72,269</u>		<u>30,150</u>	
NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING		72,080		33,159
INCREASE / (DECREASE) IN CASH (Note 32)		9,734		(8,712)

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP a non-cash effect (note 38).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

ASSOCIATION CASH FLOW STATEMENT

For the Year Ended 31 March 2012

<u>ASSOCIATION</u>	2012		2011	
	£'000	£'000	£'000 Restated	£'000 Restated
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 30)		11,681		20,795
Returns on Investments and Servicing of Finance				
Interest Received	1,430		559	
Interest Paid	<u>(3,822)</u>		<u>(4,676)</u>	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(2,392)		(4,117)
Donations (to)/from Group Members & other bodies	(29)		200	
NET CASH OUTFLOW) / INFLOW FROM DONATIONS		(29)		200
Capital Expenditure and Financial Investment				
Acquisition and Construction of Housing Properties	(30,295)		10,046	
Acquisition of Land	-		(834)	
Housing and other fixed assets sold to other group members as part of restructure	84,444		-	
Sale of Housing Properties	2,820		13,946	
Grants Received	3,247		(25,531)	
Mortgages issued	(901)		-	
Purchase of Other Fixed Assets	(2,281)		(2,787)	
Sale of Other Fixed Assets	<u>300</u>		<u>1,250</u>	
NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT ACTIVITIES		57,334		(3,910)
NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		66,594		12,968
Management of Liquid Resources and Financing				
(i) <u>Liquid Resources</u>				
(Decrease) / Increase in Bank Deposits (with a maturity in excess of 24 hours)	<u>(1,942)</u>		<u>3,009</u>	
(ii) <u>Financing (Note 31)</u>				
Housing Loans Received	186,577		126,804	
Housing Loans Repaid	<u>(242,849)</u>		<u>(152,304)</u>	
	<u>(56,272)</u>		<u>(25,500)</u>	
NET CASH (OUTFLOW) FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(58,214)		(22,491)
INCREASE/(DECREASE) IN CASH (Note 32)		8,380		(9,523)

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP a non-cash effect (note 38).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

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 not-for-profit Registered Provider of social housing as defined by the Housing & Regeneration Act 2008.

Basis of Accounting

The financial statements are prepared on a going concern basis, under the historical cost basis of accounting except as modified by the revaluation of freehold and leasehold offices, in accordance with United Kingdom applicable Accounting Standards including the Accounting for Registered Social Landlords Statement of Recommended Practice 2010. The financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Accounting Requirements for Registered Social Landlords General Determination 2006, and the Statement of Recommended Practice (SORP) published by the National Housing Federation in 2010 "Accounting for Registered Social Landlords" (SORP 2010). The principal accounting policies, which have been consistently applied unless otherwise stated throughout the year, are set out below.

The 2010 SORP was mandatory for all accounting periods beginning on or after 1 April 2011. The key change resulting from the adoption of the updated SORP is adjustments to reflect component accounting and the write off to revenue reserves of negative goodwill. Prior period balances have been adjusted to reflect the change in accounting policy. The revised accounting policies and the prior year adjustment impact of the 2010 SORP are described in notes 1 and 38 (respectively) to the financial statements.

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 2012, Orbit South Housing Association Limited, Heart of England Housing Association Limited (Orbit Heart of England), Heart of England Housing & Care Limited (up until the date of sale being 31/07/10), Heart of England Consultancy Limited (dissolved 22/03/11), Heart of England Commercial Limited (dissolved 22/03/11), Orbit Treasury Limited, Orbit New Homes Limited and Orbit Homes (2020) Limited. Uniform accounting policies have been adopted across the group, and profits/losses and balances on intra group transactions have been eliminated on consolidation.

Turnover

Turnover represents rental & service charge income receivable, grants from local authorities and the Homes and Communities Agency (HCA), income from shared ownership first tranche sales, income from properties developed for sale and other income, all of which arise in the UK.

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.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable net of Value Added Tax and customer discounts and incentives.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

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.

Liquid Resources

Liquid Resources comprise bank deposits that are readily convertible into cash and loans to fund the purchase housing properties.

Housing Properties

Housing properties are stated at cost, less accumulated depreciation and capital grants. Depreciation is charged by component on a straight line basis over the following expected economic useful lives: -

Housing property components	Depreciation life
Kitchens	20 years
Bathrooms	30 years
Windows & Doors	30 years
Boilers	15 years
PV panels	25 years
Roof	60 years
Structure (rehabilitated)	60 years
Structure (new stock)	100 years

Freehold land and the associated element of grant is not depreciated.

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

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 available for letting. When housing properties are to be transferred to another association, the net costs, after Social Housing Grant (SHG), are dealt with in current assets.

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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 in advance 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.

Other Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at historic purchase cost, less accumulated depreciation and capital grants.

Certain of the Orbit Group Limited offices were valued in February 1997 on the basis of their Open Market Value for existing use. 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

Depreciation is provided to write off cost on a straight line basis over the expected economic useful lives of the assets at the following annual rates:

Freehold offices and commercial premises	2% - 4%
Leasehold offices	Over the life of the lease
Motor vehicles	25%
Computer equipment	17%-33%
Fixtures, fittings and other equipment	15%-25%

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

Stock and Work in Progress

Stock and work in progress 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. Provision is made for obsolete, slow-moving or defective items where appropriate. Interest on borrowings incurred during the development period is capitalised.

Investment in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 SHPS 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.

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' 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 Operating Association's balance sheets 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 Operating Association's 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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended 31 March 2012

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

Recycling of Capital Grant

Where SHG is recycled the SHG is credited to a fund that appears as a creditor until spent.

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, at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, 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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended 31 March 2012

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

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; or
- b) The SHG is written off, if a loss occurs; or
- 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.

FirstBuy

The Association operates the FirstBuy 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 in part by SHG. On repayment:

- a) The proportion of the sale proceeds relating to the SHG funded equity share are returned to the HCA.
- b) The Association keeps any surplus arising on the proportion of the sale proceeds relating to the remaining retained equity share not funded by SHG.

The fixed asset investments not funded by SHG are shown within Housing Properties.

Negative Goodwill

For non-exchange transactions, the fair value of the gifted recognised assets and liabilities are recognised as a gain or loss in the income and expenditure account in the year of the transaction.

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 2012
2 TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS BY CLASS OF BUSINESS

GROUP	2012			
	Turnover £'000	Operating Costs £'000	Cost of Sales £'000	Operating Surplus/ (Deficit) £'000
Social Housing Lettings	145,664	(95,267)	-	50,397
Other Social Housing Activities:				
Managed Associations	599	(943)	-	(344)
Developments for Sale	3,069	-	(2,756)	313
Home Ownership Services	3,679	(4,712)	-	(1,033)
LCHO First Tranche Sales	12,219	(12,730)	-	(511)
Other	5,684	(5,559)	-	125
Impairment on land banking	-	(57)	-	(57)
Supporting People - Contract Income (Block Gross)	2,133	(2,724)	-	(591)
Supporting People - Contract Income (Block Subsidy)	777	(1,084)	-	(307)
	<u>28,160</u>	<u>(27,809)</u>	<u>(2,756)</u>	<u>(2,405)</u>
Non-Social Housing Activities:				
Lettings	500	(23)	-	477
Other	2,674	(3,827)	-	(1,153)
	<u>3,174</u>	<u>(3,850)</u>	<u>-</u>	<u>(676)</u>
	<u>176,998</u>	<u>(126,926)</u>	<u>(2,756)</u>	<u>47,316</u>

GROUP	2011			
	Turnover £'000	Operating Costs £'000	Cost of Sales £'000	Operating Surplus/ (Deficit) £'000
Social Housing Lettings	135,066	(90,274)	-	44,792
Other Social Housing Activities:				
Managed Associations	74	-	-	74
Developments for Sale	-	-	(207)	(207)
Home Ownership Services	3,565	(3,780)	-	(215)
LCHO First Tranche Sales	8,903	(9,043)	-	(140)
Other	9,917	(11,372)	-	(1,455)
Impairment on land banking	-	(550)	-	(550)
Supporting People - Contract Income	643	(654)	-	(11)
Supporting People - Contract Income (Block Gross)	1,181	(1,341)	-	(160)
Supporting People - Contract Income (Block Subsidy)	816	(922)	-	(106)
	<u>25,099</u>	<u>(27,662)</u>	<u>(207)</u>	<u>(2,770)</u>
Non-Social Housing Activities:				
Lettings	2,395	(2,076)	-	319
Other	2,848	(3,580)	-	(732)
	<u>5,243</u>	<u>(5,656)</u>	<u>-</u>	<u>(413)</u>
	<u>165,408</u>	<u>(123,592)</u>	<u>(207)</u>	<u>41,609</u>

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (note 38).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

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

ASSOCIATION

	2012			
	Turnover £'000	Operating Costs £'000	Cost of Sales £'000	Operating Surplus/ (Deficit) £'000
Social Housing Lettings	8,891	(3,100)	-	5,791
Other Social Housing Activities:				
Home Ownership Services	1,562	(1,517)	-	45
LCHO First Tranche Sales	11,980	(12,303)	-	(323)
Group Recharges	35,346	(35,208)	-	138
Impairment on Land Banking	-	(57)	-	(57)
Other	3,283	(3,321)	-	(38)
	<u>52,171</u>	<u>(52,406)</u>	<u>-</u>	<u>(235)</u>
Non-Social Housing Activities:				
Lettings	170	(23)	-	147
Other	639	(1,138)	-	(499)
	<u>809</u>	<u>(1,161)</u>	<u>-</u>	<u>(352)</u>
	<u>61,871</u>	<u>(56,667)</u>	<u>-</u>	<u>5,204</u>

ASSOCIATION

	2011			
	Turnover £'000	Operating Costs £'000 Restated	Cost of Sales £'000	Operating Surplus/ (Deficit) £'000 Restated
Social Housing Lettings	22,603	(14,737)	-	7,866
Other Social Housing Activities:				
Home Ownership Services	2,748	(2,880)	-	(132)
LCHO First Tranche Sales	7,519	(8,005)	-	(486)
Group Recharges	25,469	(25,599)	-	(130)
Impairment on Land Banking	-	(550)	-	(550)
Other	6,373	(6,635)	-	(262)
	<u>42,109</u>	<u>(43,669)</u>	<u>-</u>	<u>(1,560)</u>
Non-Social Housing Activities:				
Lettings	2,005	(2,076)	-	(71)
Other	1,580	(1,424)	-	156
	<u>3,585</u>	<u>(3,500)</u>	<u>-</u>	<u>85</u>
	<u>68,297</u>	<u>(61,906)</u>	<u>-</u>	<u>6,391</u>

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (note 38).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 March 2012

3a INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	GROUP					Total 2011 £'000 Restated
	General Needs Housing £'000	Keyworker Accomm. £'000	Supported Housing and Housing for Older People £'000	Low Cost Home Ownership £'000	Total 2012 £'000	
Rents Receivable net of identifiable service charges	117,072	439	8,985	7,512	134,008	124,459
Service Income	8,390	272	3,463	864	12,989	11,638
Gross Rental income	<u>125,462</u>	<u>711</u>	<u>12,448</u>	<u>8,376</u>	<u>146,997</u>	<u>136,097</u>
Voids	(1,725)	(68)	(358)	(73)	(2,224)	(1,728)
Net Rental income	<u>123,737</u>	<u>643</u>	<u>12,090</u>	<u>8,303</u>	<u>144,773</u>	<u>134,369</u>
Other Income from Lettings	461	-	51	379	891	697
Turnover from Social Housing Lettings	<u>124,198</u>	<u>643</u>	<u>12,141</u>	<u>8,682</u>	<u>145,664</u>	<u>135,066</u>
Services	(8,117)	(256)	(3,915)	(825)	(13,113)	(12,121)
Management	(16,246)	(36)	(2,701)	(1,309)	(20,292)	(17,852)
Routine Maintenance	(26,411)	(20)	(2,176)	(60)	(28,667)	(29,852)
Planned Maintenance	(16,021)	(29)	(2,160)	-	(18,210)	(16,323)
Rent Losses from Bad Debts	(841)	(2)	(15)	-	(858)	(1,085)
Lease Charges	(107)	-	-	-	(107)	(122)
Depreciation of Housing Properties	(12,344)	(49)	(993)	(763)	(14,149)	(12,963)
Provision for Impairment – Housing Properties	73	-	-	417	490	113
Other Costs	(355)	-	(6)	-	(361)	(69)
Operating Costs on Social Housing Lettings	<u>(80,369)</u>	<u>(392)</u>	<u>(11,966)</u>	<u>(2,540)</u>	<u>(95,267)</u>	<u>(90,274)</u>
Operating Surplus on Social Housing Lettings	<u>43,829</u>	<u>251</u>	<u>175</u>	<u>6,142</u>	<u>50,397</u>	<u>44,792</u>

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (note 38).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 March 2012

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 2012 £'000	Total 2011 £'000 Restated
Rents Receivable net of identifiable service charges	217	-	7,512	7,729	20,269
Service Income	-	-	864	864	2,426
Gross Rental income	<u>217</u>	<u>-</u>	<u>8,376</u>	<u>8,593</u>	<u>22,695</u>
Voids	(8)	-	(73)	(81)	(349)
Net Rental income	<u>209</u>	<u>-</u>	<u>8,303</u>	<u>8,512</u>	<u>22,346</u>
Other Income from Lettings	-	-	379	379	257
Turnover from Social Housing Lettings	<u>209</u>	<u>-</u>	<u>8,682</u>	<u>8,891</u>	<u>22,603</u>
Services	(1)	-	(825)	(826)	(2,482)
Management	(405)	-	(1,309)	(1,714)	(3,243)
Routine Maintenance	(9)	-	(60)	(69)	(3,986)
Planned Maintenance	-	-	-	-	(2,423)
Rent Losses from Bad Debts	(3)	-	-	(3)	(225)
Lease Charges	-	-	-	-	(79)
Depreciation of Housing Properties	(142)	-	(763)	(905)	(2,412)
Provision for Impairment – Housing Properties	-	-	417	417	113
Operating Costs on Social Housing Lettings	<u>(560)</u>	<u>-</u>	<u>(2,540)</u>	<u>(3,100)</u>	<u>(14,737)</u>
Operating Surplus/(Deficit) on Social Housing Lettings	<u>(351)</u>	<u>-</u>	<u>6,142</u>	<u>5,791</u>	<u>7,866</u>

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (note 38).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended 31 March 2012

3b TURNOVER FROM NON-SOCIAL HOUSING ACTIVITIES

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Lettings				
Care Homes	-	1,829	-	1,829
Offices	-	77	170	77
Commercial Premises	601	546	-	99
Miscellaneous supplies	69	40	-	-
	<u>670</u>	<u>2,492</u>	<u>170</u>	<u>2,005</u>
Other	<u>2,504</u>	<u>2,751</u>	<u>639</u>	<u>1,580</u>
	<u><u>3,174</u></u>	<u><u>5,243</u></u>	<u><u>809</u></u>	<u><u>3,585</u></u>

4 STAFF COSTS

	GROUP	
	2012 Number	2011 Number Restated
Average Number Employed		
Office Staff	848	817
Scheme Staff	363	693
Operatives	152	69
	<u>1,363</u>	<u>1,579</u>
Full-time	1,026	974
Part-time	337	605
	<u>1,363</u>	<u>1,579</u>
Full time Equivalents	<u>1,261</u>	<u>1,356</u>
	GROUP	
	2012 £'000	2011 £'000 Restated
Staff Costs for the Above		
Wages and Salaries	31,773	32,325
Social Security Costs	3,017	2,784
Other Pension Costs	2,634	2,869
	<u>37,424</u>	<u>37,978</u>
	GROUP	
	2012 Number	2011 Number Restated
Number Employed at 31 March		
Office Staff	866	776
Scheme Staff	334	333
Operatives	136	76
	<u>1,336</u>	<u>1,185</u>

The disclosures for Orbit Group Limited and Heart of England Housing Association Limited for the year ended 31 March 2011 have been restated following a review of employment contracts for the group.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 March 2012

5 OPERATING SURPLUS

	GROUP		ASSOCIATION	
	2012	2011 Restated	2012	2011 Restated
	£'000	£'000	£'000	£'000
Operating Surplus is stated after charging/(crediting)				
Housing Properties - Depreciation charge	13,118	13,202	905	2,437
- Impairment (credit)	(510)	(134)	(418)	(585)
Land Banking - Impairment Provision	57	550	57	550
Other Fixed Assets:				
- Depreciation - Owned Assets	1,745	1,269	1,372	935
- Depreciation - Leased Assets	166	155	-	-
- Impairment Provision / (credit)	-	(92)	-	(79)
- Loss/(Surplus) on Disposal	80	(352)	77	(360)
Operating Leases - Other	580	323	11	35
Group Auditor's Remuneration:				
- In their Capacity as Auditors	97	99	15	17
- In Respect of Other Services	39	78	39	-
Other Auditor's Remuneration:				
- In their Capacity as Auditors	30	-	19	-
- In Respect of Other Services	125	41	-	33
FRS17: Retirement Benefits:				
- Actuarial valuation based net service costs/contribution (net credit)	(83)	(72)	-	-
- Past service gain to operating surplus	-	(1,895)	-	-

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (note 38) and changes to the impairment provision disclosure to agree with note 30.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

6 DIRECTORS' EMOLUMENTS

The Directors of the Association are its Board Members and the Chief Executive.

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000 Restated	2012 £'000	2011 £'000 Restated
Aggregate emoluments paid to or received by Directors who are not executive staff members including salaries, honoraria and other benefits: -				
J Ball	4	4	-	-
F Beckett	13	-	13	-
B Bilson	1	4	-	-
R Brooks	3	13	3	13
A Crook	8	4	8	4
C Crook	4	-	3	-
M Culverwell	-	6	-	-
R Dahlberg	13	-	13	-
L Dennish	4	9	-	-
L Dexter	2	2	-	-
J Dickinson	4	4	-	-
B Fletcher	-	4	-	-
R Foster	-	13	-	13
D Ghandi	-	-	-	-
S Goding	4	4	-	-
V Hester	3	4	-	-
R Hyde	2	8	-	8
R Jennings	2	6	-	-
D Kelly	3	4	-	-
G Kyle	4	4	-	-
M Lawrence	4	4	-	-
M Marron	8	8	8	8
K Massey	8	11	8	11
J Matthews	8	8	8	8
T McGlone	4	4	-	-
R Munton	1	4	-	-
V Nicholls	4	4	-	-
T O'Reilly	-	6	-	6
E Potter	22	22	22	22
R Ratcliffe	-	1	-	-
R Reynolds	5	14	4	9
R Richmond	-	4	-	2
M Robertson-Smith	4	4	-	-
T Sawyer	5	7	-	-
V Simpson	-	4	-	4
A Squirell	4	4	-	-
C Thompson	-	1	-	-
I Tillotson	2	4	-	-
N Topping	5	5	-	-
G Viridi	3	4	-	-
T Vogel	-	2	-	-
M Wellington	4	4	-	-
D Wilkinson	3	4	-	-
V Williamson	4	4	-	-
T Willington	3	4	-	-
F Wright	-	1	-	-
	<u>175</u>	<u>235</u>	<u>90</u>	<u>108</u>

The restatement of the 2011 figures relates to a change in disclosure

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

6 DIRECTORS' EMOLUMENTS (CONTINUED)

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000 Restated	2012 £'000	2011 £'000
Aggregate emoluments (including pension contributions) paid to or received by Directors who are executive staff members including salaries, honoraria and other benefits	929	825	929	825
Emoluments (including pension contributions) of the highest paid Director excluding Pension Contributions included in aggregate emoluments of Directors who are executive staff members	182	159	182	159

The Group Chief Executive is a member of SHPS 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 £70k (2011: £101k).

The restatement of the 2011 figures relates to a change in disclosure.

7 PROFIT ON SALE OF HOUSING PROPERTIES

	GROUP					
	Letting £'000	2012 Shared Equity £'000	Total £'000	Letting £'000	2011 Shared Equity £'000	Total £'000
Proceeds from disposal	14,106	2,564	16,670	30,005	3,503	33,508
Cost of disposals	(3,862)	(1,816)	(5,678)	(29,743)	(2,594)	(32,337)
Profit on Disposal	10,244	748	10,992	262	909	1,171

	ASSOCIATION					
	Letting £'000	2012 Shared Equity £'000	Total £'000	Letting £'000	2011 Shared Equity £'000	Total £'000
Proceeds from disposal	84,898	2,564	87,462	2,581	3,503	6,084
Cost of disposals	(84,809)	(1,816)	(86,625)	(2,725)	(2,594)	(5,319)
Profit/(Loss) on Disposal	89	748	837	(144)	909	765

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	GROUP		ASSOCIATION	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Interest Receivable from Unlisted Investments	<u>370</u>	<u>271</u>	<u>1,570</u>	<u>630</u>

9 INTEREST PAYABLE AND SIMILAR CHARGES

	GROUP		ASSOCIATION	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
On Bank Loans, Overdrafts and Other Loans				
Repayable within 5 years, by instalments	906	871	-	7
Repayable by instalments wholly or partly, in more than 5 years	24,067	22,147	5,058	4,516
Repayable, other than by instalments, in more than 5 years	<u>1,550</u>	<u>1,550</u>	<u>-</u>	<u>-</u>
	<u>26,523</u>	<u>24,568</u>	<u>5,058</u>	<u>4,523</u>
Other Interest	619	538	180	306
Capitalised Interest	(1,608)	(544)	(186)	(223)
Deferred Income Credit (See Note 22(b))	<u>(114)</u>	<u>(114)</u>	<u>-</u>	<u>-</u>
	<u>25,420</u>	<u>24,448</u>	<u>5,052</u>	<u>4,606</u>

The bank base rate average for the year (adjusted for margins) of 0.75% (2011: 0.75%) was used for the purpose of calculating capitalised interest.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

10 TAXATION

The only members of the Group subject to taxation throughout the year ended 31 March 2012 were Orbit New Homes Limited, Orbit Homes (2020) 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 2011 or 31 March 2012. 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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
(a) Analysis of charge in year:				
Current tax:				
UK corporation tax on profits of the year	180	4	-	-
Adjustment in respect of previous year	1	2	-	-
	<u>181</u>	<u>6</u>	<u>-</u>	<u>-</u>

There is no deferred tax for the year, either recognised or unrecognised (2011: £Nil).

The current tax charge for the year is lower (2011: lower) than the standard rate of Corporation Tax in the UK of 24% (2011: small profits rate 21%). The differences are explained below:

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000 Restated	2012 £'000	2011 £'000 Restated
(b) Factors affecting tax charge for current year				
Surplus on ordinary activities before tax	<u>33,082</u>	<u>18,595</u>	<u>9,375</u>	<u>3,761</u>
Tax charge at 24% (2011: 26%) thereon	7,940	4,835	2,250	978
Non taxable (surpluses) (primarily charitable exemptions)	(7,737)	(4,781)	(2,250)	(978)
Capital allowances less than depreciation	(14)	3	-	-
Losses brought forward	(9)	(53)	-	-
Adjustment to tax charge in respect of previous year	1	2	-	-
Current tax charge for year	<u>181</u>	<u>6</u>	<u>-</u>	<u>-</u>

The figures for 2011 have been restated to reflect the corporation tax rate of 26% for that year and the first time adoption of the 2010 SORP (note 38).

(c) Factors that may affect future tax charges:

During the year, the relevant deferred tax balances have been re-measured as a result of the change in the UK main corporation tax rate to 25%, which was substantively enacted on 5 July 2011, effective from 1 April 2012.

Further reductions to the UK corporation tax rate were announced in the March 2012 Budget. The changes propose to reduce the rate by 1% per annum to 24% from 1 April 2012 and by a further 1% to 23% from 1 April 2013. The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 March 2012

11 HOUSING PROPERTIES

	GROUP								Total £'000
	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	Complete £'000	
COST									
At 1 April 2011	1,217,720	82,668	48,675	-	136,258	16,728	858	1,624	1,504,531
Prior Year Adjustment (Note 38)	70,708	-	5,945	-	-	-	141	-	76,794
	<u>1,288,428</u>	<u>82,668</u>	<u>54,620</u>	<u>-</u>	<u>136,258</u>	<u>16,728</u>	<u>999</u>	<u>1,624</u>	<u>1,581,325</u>
Reclassifications	(204)	-	54	-	2,928	(2,778)	-	-	-
Additions	54,174	74,660	1,987	637	1,959	32,520	-	-	165,937
Transfer on Completion	83,394	(83,394)	637	(637)	28,607	(28,607)	-	-	-
Transfer to Stock	-	-	-	-	(7,841)	(1,492)	-	-	(9,333)
Disposals	(10,908)	-	(286)	-	(1,837)	(18)	-	-	(13,049)
At 31 March 2012	<u>1,414,884</u>	<u>73,934</u>	<u>57,012</u>	<u>-</u>	<u>160,074</u>	<u>16,353</u>	<u>999</u>	<u>1,624</u>	<u>1,724,880</u>
LESS: GRANTS									
At 1 April 2011	(515,592)	(50,643)	(29,043)	-	(54,810)	(7,366)	(814)	(4)	(658,272)
Prior Year Adjustment (note 38)	2,707	-	111	-	-	-	-	-	2,818
	<u>(512,885)</u>	<u>(50,643)</u>	<u>(28,932)</u>	<u>-</u>	<u>(54,810)</u>	<u>(7,366)</u>	<u>(814)</u>	<u>(4)</u>	<u>(655,454)</u>
Reclassifications	(2,477)	2,381	96	-	-	-	-	-	-
Receivable	(16,208)	(26,668)	(350)	(270)	(273)	(4,017)	-	-	(47,786)
Transfer on Completion	(42,654)	42,654	(360)	360	(7,078)	7,078	-	-	-
Disposals	5,221	-	-	-	-	-	-	-	5,221
Transfer to/(from) RCGF and DPF	-	(2,020)	-	(90)	505	(40)	-	-	(1,645)
At 31 March 2012	<u>(569,003)</u>	<u>(34,296)</u>	<u>(29,546)</u>	<u>-</u>	<u>(61,656)</u>	<u>(4,345)</u>	<u>(814)</u>	<u>(4)</u>	<u>(699,664)</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 March 2012

11 HOUSING PROPERTIES (CONTINUED)

	GROUP								
	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Other Social Housing	Non- Social Housing	Total £'000
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	Complete £'000	In Development £'000	Complete £'000	Complete £'000	
LESS: ACCUMULATED DEPRECIATION									
At 1 April 2011	(44,136)	-	(2,613)	-	(3,645)	-	-	(31)	(50,425)
Prior Year Adjustment (Note 38)	(36,762)	-	(4,315)	-	-	-	(61)	(19)	(41,157)
	(80,898)	-	(6,928)	-	(3,645)	-	(61)	(50)	(91,582)
Depreciation	(11,220)	-	(1,125)	-	(763)	-	-	(10)	(13,118)
Reclassification	18	-	-	-	(18)	-	-	-	-
Eliminated on Disposals	1,821	-	155	-	87	-	-	-	2,063
At 31 March 2012	(90,279)	-	(7,898)	-	(4,339)	-	(61)	(60)	(102,637)
LESS: PROVISIONS FOR IMPAIRMENT									
At 1 April 2011	(277)	(1,402)	(93)	-	(281)	(1,082)	-	-	(3,135)
Transfer on completion	(1,402)	1,402	-	-	-	-	-	-	-
Eliminated on disposals	-	-	-	-	(15)	-	-	-	(15)
Credit for the year	77	-	-	-	193	240	-	-	510
At 31 March 2012	(1,602)	-	(93)	-	(103)	(842)	-	-	(2,640)
NET BOOK AMOUNT									
At 31 March 2012	754,000	39,638	19,475	-	93,976	11,166	124	1,560	919,939
At 31 March 2011 (Restated)	694,368	30,623	18,667	-	77,522	8,280	124	1,570	831,154

Additions to properties during the year include capitalised interest and finance costs of £0.3 million (2011: £0.4 million) and development administration costs of £4.1 million (2011: £4.5 million restated to reflect updated apportionments). The Group reviewed its properties for impairment and there was a credit of £510k released to the Income and Expenditure Account for 2012 (2011: £134k credit). During the year the total expenditure on works to existing properties was £50.1 million of which £14.6 million has been capitalised.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 March 2012

11 HOUSING PROPERTIES (CONTINUED)

	ASSOCIATION						Non-Social Housing	Total £'000
	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership			
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	Complete £'000	In Development £'000		
COST								
At 1 April 2011	190,455	7,983	22,885	-	137,142	16,728	23	375,216
Prior Year Adjustment (Note 38)	5,844	-	264	-	-	-	-	6,108
	<u>196,299</u>	<u>7,983</u>	<u>23,149</u>	<u>-</u>	<u>137,142</u>	<u>16,728</u>	<u>23</u>	<u>381,324</u>
Reclassifications	-	-	-	-	2,778	(2,778)	-	-
Additions	5,642	110	-	-	869	32,520	-	39,141
Transfer on Completion	-	-	-	-	28,607	(28,607)	-	-
Transfer to Stock	-	-	-	-	(7,841)	(1,492)	-	(9,333)
Transfer to Other Group Members	(184,171)	(7,983)	(23,149)	-	(4,223)	-	(23)	(219,549)
Disposals	(844)	-	-	-	(1,704)	(18)	-	(2,566)
At 31 March 2012	<u>16,926</u>	<u>110</u>	<u>-</u>	<u>-</u>	<u>155,628</u>	<u>16,353</u>	<u>-</u>	<u>189,017</u>
LESS: GRANTS								
At 1 April 2011	(102,470)	(5,585)	(15,368)	-	(55,190)	(7,366)	(4)	(185,983)
Prior Year Adjustment (Note 38)	581	-	-	-	-	-	-	581
	<u>(101,889)</u>	<u>(5,585)</u>	<u>(15,368)</u>	<u>-</u>	<u>(55,190)</u>	<u>(7,366)</u>	<u>(4)</u>	<u>(185,402)</u>
Receivable	(3,352)	-	-	-	-	(4,017)	-	(7,369)
Transfer on Completion	-	-	-	-	(7,078)	7,078	-	-
Transfer to/(from) RCGF and DPF	-	-	-	-	505	(40)	-	465
Transfer to Other Group Members	98,141	5,585	15,368	-	2,962	-	4	122,060
Disposals	536	-	-	-	-	-	-	536
At 31 March 2012	<u>(6,564)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,801)</u>	<u>(4,345)</u>	<u>-</u>	<u>(69,710)</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 March 2012

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	£'000	
LESS: ACCUMULATED DEPRECIATION								
At 1 April 2011	(5,021)	-	(920)	-	(3,630)	-	-	(9,571)
Prior Year Adjustment (Note 38)	(4,974)	-	(798)	-	-	-	(19)	(5,791)
	<u>(9,995)</u>	<u>-</u>	<u>(1,718)</u>	<u>-</u>	<u>(3,630)</u>	<u>-</u>	<u>(19)</u>	<u>(15,362)</u>
Depreciation	(142)	-	-	-	(763)	-	-	(905)
Transfer to Other Group Members	10,014	-	1,718	-	-	-	19	11,751
Eliminated on Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87</u>	<u>-</u>	<u>-</u>	<u>87</u>
At 31 March 2012	<u>(123)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,306)</u>	<u>-</u>	<u>-</u>	<u>(4,429)</u>
LESS: PROVISIONS FOR IMPAIRMENT								
At 1 April 2011	-	(1,402)	-	-	(281)	(1,082)	-	(2,765)
Transfer to Other Group Members	-	1,402	-	-	-	-	-	1,402
Credit for the Year	-	-	-	-	193	240	-	433
Eliminated on Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15)</u>	<u>-</u>	<u>-</u>	<u>(15)</u>
At 31 March 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103)</u>	<u>(842)</u>	<u>-</u>	<u>(945)</u>
NET BOOK AMOUNT								
At 31 March 2012	<u>10,239</u>	<u>110</u>	<u>-</u>	<u>-</u>	<u>92,418</u>	<u>11,166</u>	<u>-</u>	<u>113,933</u>
At 31 March 2011 (Restated)	<u>84,415</u>	<u>996</u>	<u>6,063</u>	<u>-</u>	<u>78,041</u>	<u>8,280</u>	<u>-</u>	<u>177,795</u>

Additions to properties during the year include capitalised interest and finance costs of £0.1 million (2011: £0.1 million) and development administration costs/project management fees of £1.2 million (2011: £1.2 million). The Association reviewed its properties for impairment and there was a credit of £433k to the Income and Expenditure Account for 2012 (2011: credit of £113k). The restatement of the opening balances at 1 April 2011 relates to the first time adoption of the 2010 SORP (note 38).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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	
	2012 £'000	2011 £'000 Restated	2012 £'000	2011 £'000 Restated
Within Housing Properties and Stocks	<u>44,043</u>	<u>65,027</u>	<u>7,334</u>	<u>18,542</u>
The Net Book Value of Housing and Other Properties (Note 14) Comprises:				
Freehold Land and Buildings	916,902	827,935	110,140	173,827
Long Leasehold Land and Buildings	12,638	12,571	9,139	9,147
Short Leasehold Land and Buildings	<u>452</u>	<u>519</u>	<u>-</u>	<u>-</u>
	<u>929,992</u>	<u>841,025</u>	<u>119,279</u>	<u>182,974</u>

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

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (note 38).

12 INVESTMENTS

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'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.

13 HOMEBUY LOAN / HOMEBUY GRANT

	GROUP AND ASSOCIATION	
	2012 £'000	2011 £'000
Loan Received from the Homes & Communities Agency	15,750	16,882
Loan Received from Recycled Capital Grant Fund	<u>629</u>	<u>606</u>
Loan Received Total	<u>16,379</u>	<u>17,488</u>
Loan Advanced to Borrower	<u>(16,379)</u>	<u>(17,488)</u>
	<u>-</u>	<u>-</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

14 OTHER 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 2011	3,703	10,100	590	229	11,410	26,032
Additions	208	1,102	-	-	1,887	3,197
Reclassifications	-	(217)	-	-	217	-
Disposals	(495)	(9)	-	(6)	(210)	(720)
At 31 March 2012	3,416	10,976	590	223	13,304	28,509
LESS: ACCUMULATED DEPRECIATION						
At 1 April 2011	(888)	(2,433)	(110)	(229)	(6,889)	(10,549)
Charge for Year	(81)	(424)	(20)	-	(1,386)	(1,911)
Reclassifications	-	9	-	-	(9)	-
Eliminated on Disposal	107	1	-	6	205	319
At 31 March 2012	(862)	(2,847)	(130)	(223)	(8,079)	(12,141)
LESS: PROVISIONS FOR IMPAIRMENT						
At 1 April 2011	(10)	(1,081)	-	-	-	(1,091)
Charge for Year	-	-	-	-	-	-
At 31 March 2012	(10)	(1,081)	-	-	-	(1,091)
NET BOOK AMOUNT						
At 31 March 2012	<u>2,544</u>	<u>7,048</u>	<u>460</u>	<u>-</u>	<u>5,225</u>	<u>15,277</u>
At 31 March 2011	<u>2,805</u>	<u>6,586</u>	<u>480</u>	<u>-</u>	<u>4,521</u>	<u>14,392</u>

The net book value includes £Nil (2011: £Nil) of furniture, fixtures and equipment held under finance leases. Depreciation charged in the year on these assets amounted to £Nil (2011: £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 (2011: £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	-	-	-
Revalued Amount	<u>679</u>	<u>-</u>	<u>679</u>
Difference as at 31 March 2012	<u>679</u>	<u>-</u>	<u>679</u>
Difference as at 31 March 2011	<u>80</u>	<u>22</u>	<u>102</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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For the Year Ended 31 March 2012

14 OTHER FIXED ASSETS (CONTINUED)

	ASSOCIATION			Total £'000
	Freehold Offices £'000	Leasehold Offices £'000	Furniture Fixtures & Equipment £'000	
COST				
At 1 April 2011	1,090	6,441	6,416	13,947
Additions	-	899	1,382	2,281
Reclassifications	-	(217)	217	-
Disposals	(242)	(9)	(1)	(252)
Transfers to other group members	(90)	-	(332)	(422)
At 31 March 2012	<u>758</u>	<u>7,114</u>	<u>7,682</u>	<u>15,554</u>
LESS: ACCUMULATED DEPRECIATION				
At 1 April 2011	(311)	(960)	(2,845)	(4,116)
Charge for Year	(39)	(258)	(1,075)	(1,372)
Reclassifications	-	9	(9)	-
Eliminated on Disposal	70	1	-	71
Transfers to other group members	43	-	271	314
At 31 March 2012	<u>(237)</u>	<u>(1,208)</u>	<u>(3,658)</u>	<u>(5,103)</u>
LESS: PROVISIONS FOR IMPAIRMENT				
At 31 March 2011 and 31 March 2012	<u>-</u>	<u>(1,081)</u>	<u>-</u>	<u>(1,081)</u>
NET BOOK AMOUNT				
At 31 March 2012	<u>521</u>	<u>4,825</u>	<u>4,024</u>	<u>9,370</u>
At 31 March 2011	<u>779</u>	<u>4,400</u>	<u>3,571</u>	<u>8,750</u>

The net book value includes £Nil (2011: £Nil) of furniture, fixtures and equipment held under finance leases. Depreciation charged in the year on these assets amounted to £Nil (2011: £Nil).

15 PROPERTIES FOR SALE

	GROUP AND ASSOCIATION	
	2012 £'000	2011 £'000
Housing Properties for Sale	1,708	1,681
Shared Ownership – Completed Properties	7,185	8,617
Shared Ownership – Under Construction	7,651	11,931
	<u>16,544</u>	<u>22,229</u>

The above figures include capitalised interest of £78k (2011: £116k) for the Group and the Association.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

16 STOCKS

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Work in Progress	25,379	19,547	-	-
Land Banking	524	1,823	524	1,823
Consumable Stocks	74	69	1	3
	<u>25,977</u>	<u>21,439</u>	<u>525</u>	<u>1,826</u>

An impairment of £57k was made during the year on land banking (2011: £550k).

17 DEBTORS

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Rental Debtors	9,066	9,351	348	1,744
Less provision for doubtful debts	(2,325)	(2,261)	(1)	(306)
	<u>6,741</u>	<u>7,090</u>	<u>347</u>	<u>1,438</u>
Amounts Due from Subsidiaries	-	-	36,033	25,860
Prepayments and Accrued Income	2,096	2,471	714	1,826
SHG Receivable	9,445	5,848	2,137	538
Other Debtors	5,798	8,829	1,539	4,110
	<u>24,080</u>	<u>24,238</u>	<u>40,770</u>	<u>33,772</u>
Debtors after one year included in Other Debtors above	<u>2,228</u>	<u>680</u>	<u>981</u>	<u>93</u>

18 INVESTMENTS

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Other Investments and Cash - Short Term Deposits comprise:				
- Maturing in less than 24 hours	9,500	-	9,500	-
- Maturing in excess of 7 days	5,000	4,811	5,000	3,058
	<u>14,500</u>	<u>4,811</u>	<u>14,500</u>	<u>3,058</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000 Restated
Housing Loans (Net of loan arrangement fee) (Note 22)	342	305	944	977
Trade Creditors	23,563	16,093	5,567	4,555
Amounts due to Group Undertakings	-	-	7,566	-
Other Creditors including Taxation and Social Security	4,060	13,735	1,502	8,350
Corporation Tax	179	4	-	-
Accruals and Deferred Income	8,540	8,901	334	1,833
Rents Received in Advance	2,624	2,860	-	461
Grants Received in Advance	3,800	7,146	130	2,876
RCGF and DPF Within One Year (Note 20)	1,506	1,255	1,392	967
	<u>44,614</u>	<u>50,299</u>	<u>17,435</u>	<u>20,019</u>

Housing loans shown above are net of £Nil loan arrangement fees carried forward (2011: £Nil).

The restatement of the 2011 figures relates to rounding differences.

20 DISPOSAL PROCEEDS AND RECYCLED CAPITAL GRANT FUNDS

	GROUP		
	RCGF £'000	DPF £'000	TOTAL £'000
At 1 April 2011	4,050	811	4,861
Grants recycled	2,206	-	2,206
Interest accrued	23	3	26
New build	(1,160)	(288)	(1,448)
At 31 March 2012	<u>5,119</u>	<u>526</u>	<u>5,645</u>
Amount due for repayment to the Homes & Communities Agency:			
Within one year	1,392	114	1,506
After more than one year	3,727	412	4,139
	<u>5,119</u>	<u>526</u>	<u>5,645</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

20 DISPOSAL PROCEEDS AND RECYCLED CAPITAL GRANT FUNDS (CONTINUED)

	ASSOCIATION		
	RCGF £'000	DPF £'000	TOTAL £'000
At 1 April 2011	4,038	-	4,038
Grants recycled	1,733	-	1,733
Interest accrued	23	-	23
Transfers to other group members	(368)	-	(368)
Utilised in the year	(678)	-	(678)
	<u>4,748</u>	<u>-</u>	<u>4,748</u>
At 31 March 2012	<u>4,748</u>	<u>-</u>	<u>4,748</u>
Amount due for repayment to the Homes & Communities Agency:			
Within one year	1,392	-	1,392
After more than one year	3,356	-	3,356
	<u>4,748</u>	<u>-</u>	<u>4,748</u>

21 OTHER CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Housing Loans	689,551	617,130	53,605	109,800
Deferred Income Credit	678	896	-	-
Accruals and Deferred Income	-	348	-	-
Advanced Maintenance and Renewal Contributions	3,921	4,192	1,198	2,791
Other Creditors	1,033	1,873	-	542
	<u>695,183</u>	<u>624,439</u>	<u>54,803</u>	<u>113,133</u>

Housing loans shown above are net of £2,685k loan arrangement fees carried forward (2011: £1,418k) and Swap buy-out cancellation fees of £5,952k (2011: £6,189k). The Association loans shown above are net of £Nil loan arrangement fees carried forward (2011: £44k).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

22 HOUSING LOANS AND FINANCE LEASE OBLIGATIONS

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Due Within One Year				
Orbit Treasury Limited	-	-	944	977
Greenwich NatWest	342	305	-	-
	<u>342</u>	<u>305</u>	<u>944</u>	<u>977</u>
Due After More than One Year				
Orbit Treasury Limited	-	-	53,605	97,594
Bank/Building Society Loans	666,234	592,916	-	12,250
Homes & Community Agency	3,425	2,950	-	-
Greenwich NatWest	12,529	12,871	-	-
Debenture Stock	16,000	16,000	-	-
	<u>698,188</u>	<u>624,737</u>	<u>53,605</u>	<u>109,844</u>
	<u>698,530</u>	<u>625,042</u>	<u>54,549</u>	<u>110,821</u>

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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
In One Year or Less, or on Demand	342	305	944	977
Repayable by Instalments:				
- More than One Year but not more than Two Years	384	342	944	976
- In more than Two Years but not more than Five Years	19,055	18,897	2,833	2,930
- In more than Five Years	647,074	574,298	49,828	93,688
	<u>666,513</u>	<u>593,537</u>	<u>53,605</u>	<u>97,594</u>
Repayable Other than by Instalments:				
- In more than Five Years	31,675	31,200	-	12,250
	<u>698,530</u>	<u>625,042</u>	<u>54,549</u>	<u>110,821</u>

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

The bank and other loans are repaid in instalments at fixed and variable rates of interest ranging from 1.08% to 11.9%. The final instalments fall to be repaid in the period 2017 to 2037.

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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 2012 was:

	GROUP				Weighted average term of fixing in years
	Total £m	Variable Rate £m	Fixed Rate £m	Weighted Average Rate %	
Instalment loans	666.8	166.8	500.0	4.11%	26
Non-instalment loans	31.7	3.4	28.3	9.42%	5
	<u>698.5</u>	<u>170.2</u>	<u>528.3</u>	<u>4.35%</u>	<u>25</u>
	ASSOCIATION				Weighted average term of fixing in years
	Total £m	Variable Rate £m	Fixed Rate £m	Weighted Average Rate %	
Instalment loans	<u>54.5</u>	<u>23.0</u>	<u>31.6</u>	<u>4.7%</u>	<u>26</u>

At 31 March 2012 the following borrowing facilities were available to be drawn from Orbit Treasury Limited:

	GROUP £m
Undrawn committed facilities	177.0
Undrawn facilities	-
	<u>177.0</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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23 CALLED UP SHARE CAPITAL

	GROUP AND ASSOCIATION	
	2012	2011
	£	£
Issued and Fully Paid Shares of £1 Each		
At 1 April 2011	9	10
Issued	1	1
Surrendered	(2)	(2)
At 31 March 2012	<u>8</u>	<u>9</u>

The share capital of Orbit Group Limited, which was formed in 1997, 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 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 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 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>857</u>	<u>(178)</u>	<u>679</u>

25 DESIGNATED RESERVES

	GROUP				
	At Beginning of the Year £'000	Transfer From I & E Account £'000	Transfer to I & E Account £'000	Release of provision during the year £'000	At End of the Year £'000
Neighbourhood Investment Fund	615	-	-	-	615
Renewal of Furniture and Equipment	5,842	795	-	(168)	6,469
Community Energy Savings Fund	-	724	-	-	724
Insurance Reserve	<u>490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>490</u>
Year ended 31 March 2012	<u>6,947</u>	<u>1,519</u>	<u>-</u>	<u>(168)</u>	<u>8,298</u>
Year ended 31 March 2011	<u>6,456</u>	<u>753</u>	<u>(195)</u>	<u>(67)</u>	<u>6,947</u>

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

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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25 DESIGNATED RESERVES (CONTINUED)

	ASSOCIATION			
	At Beginning Of the Year £'000	Transfers to/from I&E Account £'000	Transfer to other Group Members £'000	At End of the Year £'000
Neighbourhood Investment Fund	615	-	-	615
Renewal of Furniture and Equipment	1,658	-	(1,654)	4
Insurance Reserve	303	-	-	303
At 31 March 2012	<u>2,576</u>	<u>-</u>	<u>(1,654)</u>	<u>922</u>
At 31 March 2011	<u>2,691</u>	<u>326</u>	<u>(441)</u>	<u>2,576</u>

26 REVENUE RESERVES

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000 Restated	2012 £'000	2011 £'000 Restated
Opening Balance	238,524	115,377	113,856	108,639
Prior Year Adjustment (Note 38)	-	102,646	-	519
	<u>238,524</u>	<u>218,023</u>	<u>113,856</u>	<u>109,158</u>
Surplus for the year (after transfer to reserves)	31,382	18,031	9,553	4,698
Actuarial (loss) gain / on pension scheme	(2,858)	2,287	-	-
Release of general reserves on disposal of subsidiary undertaking	-	183	-	-
Closing Balance	<u>267,048</u>	<u>238,524</u>	<u>123,409</u>	<u>113,856</u>

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (note 38).

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

27 RECONCILIATION OF MOVEMENTS IN FUNDS

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000 Restated	2012 £'000	2011 £'000 Restated
Opening Funds	245,471	199,018	117,289	113,009
Prior Year Adjustment (Note 38)	-	25,461	-	519
	<u>245,471</u>	<u>224,479</u>	<u>117,289</u>	<u>113,528</u>
Surplus for the Financial Year	32,901	12,710	9,375	3,382
Prior Year Adjustment (Note 38)	-	5,879	-	379
Surplus for the Financial Year restated	<u>32,901</u>	<u>18,589</u>	<u>9,375</u>	<u>3,761</u>
Designated reserves transferred to other group member	-	-	(1,654)	-
Actuarial (Loss) / Gain on Pension Scheme	(2,858)	2,287	-	-
Transfer (from) Designated Reserves to Creditors	-	(67)	-	-
Release of designated reserves to I&E	(168)	-	-	-
Release of general reserves on disposal of subsidiary undertaking	-	183	-	-
Closing Funds	<u>275,346</u>	<u>245,471</u>	<u>125,010</u>	<u>117,289</u>

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (note 38).

28 CAPITAL COMMITMENTS

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Capital Expenditure which has been contracted for but has not been provided for in the financial statements	134,957	172,705	23,847	54,102
Capital Expenditure which has been authorised under authority from the Orbit Board but has yet to be contracted for	<u>167,661</u>	<u>34,929</u>	<u>39,917</u>	<u>18,259</u>
	<u>302,618</u>	<u>207,634</u>	<u>63,764</u>	<u>72,361</u>
The RSL expects these commitments to be financed with:				
Social Housing Grant	54,299	56,950	4,839	13,428
Committed loan facilities	108,701	95,643	24,573	27,310
Proceeds from sale of properties	<u>139,618</u>	<u>55,041</u>	<u>34,352</u>	<u>31,623</u>
	<u>302,618</u>	<u>207,634</u>	<u>63,764</u>	<u>72,361</u>

29 CONTINGENT LIABILITIES

The Group had contingent liabilities of £1.5 million at 31 March 2012 (2011: £1.5 million). At 31 March 2012 Orbit Heart of England had contingent liabilities of £1.5 million 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 2012

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

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000 Restated	2012 £'000	2011 £'000 Restated
Operating Surplus	47,316	41,609	5,204	6,391
Depreciation charge on other fixed assets	1,911	1,424	1,372	935
Depreciation charge on Housing Properties	13,118	13,202	905	2,437
Provision for impairment on Housing Properties	(510)	(134)	(433)	(585)
Provision for impairment on other fixed assets	-	(92)	-	(79)
Provision for impairment on stocks	57	550	57	550
Movement in provisions	48	51	-	113
Provision for Bad Debts	64	174	(305)	(5)
(Increase) / Decrease in Stocks	(5)	6,356	16	6,373
Adjustment for Pension Funding	(83)	(1,967)	-	-
Decrease / (Increase) in Debtors	3,657	(2,754)	7,491	8,092
(Decrease) / Increase in Creditors	359	4,757	(972)	(3,427)
Release of designated reserves	(168)	(67)	(1,654)	-
Donation	-	(50)	-	-
Net Cash Inflow from Operating Activities	65,764	63,059	11,681	20,795

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (note 38) and amendments to changes in disclosure.

31 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000 Restated
Increase / (Decrease) in Cash in the Year	9,734	(8,712)	8,380	(9,523)
Increase / (Decrease) in Bank Deposits (with a Maturity in Excess of 24 Hours)	189	(3,009)	1,942	(3,009)
Other changes	(189)	(296)	(44)	(117)
Loans Received	(88,793)	(43,951)	(186,577)	(126,804)
Assignment of loan to Sanctuary Housing Group from disposal of subsidiary undertaking	-	15,313	-	-
Loans Repaid	15,305	7,375	242,849	152,304
Loan Arrangement Fees	1,219	6,426	-	-
Change in Net Debt	(62,535)	(26,854)	66,550	12,851
Net Debt at 1 April 2011	(603,161)	(576,307)	(101,637)	(114,488)
Net Debt at 31 March 2012	(665,696)	(603,161)	(35,087)	(101,637)

The restatement of the 2011 figures relates to corrections for rounding's.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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For the Year Ended 31 March 2012

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	9,463	234	-	9,697
Bank Deposits – less than 24 hours	-	9,500	-	9,500
	<u>9,463</u>	<u>9,734</u>	<u>-</u>	<u>19,197</u>
Bank Deposits – in excess of 7 days	4,811	189	-	5,000
Housing Loans Due Within One Year	(305)	(37)	-	(342)
Housing Loans Due After One Year	(624,737)	(73,451)	-	(698,188)
Loan Arrangement Fees	7,607	1,219	(189)	8,637
	<u>(603,161)</u>	<u>(62,346)</u>	<u>(189)</u>	<u>(665,696)</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	6,082	(1,120)	-	4,962
Bank Deposits – less than 24 hours	-	9,500	-	9,500
	<u>6,082</u>	<u>8,380</u>	<u>-</u>	<u>14,462</u>
Bank Deposits –in excess of 7 days	3,058	1,942	-	5,000
Housing Loans Due Within One Year	(977)	-	33	(944)
Housing Loans Due After One Year	(109,844)	56,272	(33)	(53,605)
Loan Arrangement Fees	44	-	(44)	-
	<u>(101,637)</u>	<u>66,594</u>	<u>(44)</u>	<u>(35,087)</u>

33 FINANCIAL COMMITMENTS

Operating Leases

At 31 March 2012 the Group was committed to making the following payments during the next year in respect of operating leases other than land and buildings, primarily for motor vehicles:

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Leases which Expire				
Within 1 year	411	13	167	8
Within 2 – 5 years	701	764	175	252
	<u>1,112</u>	<u>777</u>	<u>342</u>	<u>260</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

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	Country of Incorporation	Basis of Control by Parent Undertaking
Registered under the Industrial and Provident Societies Acts 1965 - 1978				
Orbit South Housing Association Limited	Registered Housing Association and Industrial and Provident Act Society	Provision of rented housing	England & Wales	Control of membership of the Board plus nominal shareholding.
Heart of England Housing Association Limited (trading as Orbit Heart of England)	Registered Housing Association and Industrial and Provident Act Society	Provision of rented and special needs housing	England & Wales	Control of membership of the Board plus nominal shareholding.
Heart of England Housing & Care Limited (left the Orbit Group 31 July 2010)	Industrial and Provident Act Society	Operation of Residential Care Homes for Elderly People	England & Wales	Control of membership of the Board plus nominal shareholding.
Registered under the Companies Act 2006				
Orbit Treasury Limited	Private Limited Company	Group Treasury Vehicle	England & Wales	Ownership of all issued share capital.
Orbit New Homes Limited	Private Limited Company	Development of housing for sale	England & Wales	Ownership of all issued share capital.
Orbit Homes (2020) Limited	Private Limited Company	Design and build company and development of housing for sale	England & Wales	Ownership of all issued share capital.
Heart of England Consultancy Limited (dissolved 22/03/11)	Private Limited Company	Dormant	England & Wales	Ownership of all issued share capital.
Heart of England Commercial Limited (dissolved 22/03/11)	Private Limited Company	Dormant	England & Wales	Ownership of all issued share capital.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

35 NUMBER OF UNITS UNDER DEVELOPMENT AT END OF YEAR

	2012				TOTAL
	OHL	OGL	OHE	OSHA	
General Needs	-	-	188	669	857
Low Cost Home Ownership	-	316	-	-	316
Intermediate Rent	-	-	-	-	-
Properties for Market Sale	232	-	-	-	232
Total Social Housing Units	232	316	188	669	1,405

	2011				TOTAL
	OHL	OGL	OHE	OSHA	
General Needs	-	103	425	700	1,228
Low Cost Home Ownership	-	467	-	-	467
Intermediate Rent	-	70	-	-	70
Properties for Market Sale	228	-	-	-	228
Total Social Housing Units	228	640	425	700	1,993

36 PROPERTY PORTFOLIO

	OGL	OHE	OSHA	TOTAL
General Needs	-	12,503	13,676	26,179
Intermediate Rent	183	102	150	435
Supported Housing	-	1,668	1,622	3,290
Key Worker	-	-	156	156
Total Owned by Orbit	183	14,273	15,604	30,060
Low Cost Home Ownership	2,903	-	-	2,903
Leasehold	613	466	1,032	2,111
Private Retirement Schemes	-	458	656	1,114
Managed on behalf of others	102	324	476	902
Leasehold and Other Managed	715	1,248	2,164	4,127
Total Social Housing Units	3,801	15,521	17,768	37,090
Market Rent	-	10	-	10
Commercial Units	-	14	3	17
Total Non Social Housing Units	-	24	3	27
Total Units – 31 March 2012	3,801	15,545	17,771	37,117
Total Units – 31 March 2011	8,866	14,919	12,360	36,145

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

37 PENSION COSTS

Social Housing Pension Scheme – Defined Benefit Scheme

Orbit participates in SHPS (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

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

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

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 Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. 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 £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service funding level of 80.0%.

The Scheme's 30 September 2011 valuation is currently in progress and will be finalised by 31 December 2012. The results of the 2011 valuation will be included in next year's disclosure note.

Social Housing Pension Scheme – Defined Contribution Scheme

From 1 October 2010, Orbit Group Limited has operated a defined contribution scheme with SHPS, which is open to existing and new members of staff. As at 31 March 2012, there were 81 active members of the Scheme employed by the Group.

Total employer contributions paid to the scheme for the year were £220k (2011: £11k). There were no outstanding or prepaid contributions at 31 March 2012. Employer contributions to the scheme of £nil (2011: £nil) were included in creditors and paid after the year end.

Orbit Group Personal Pension Scheme

Orbit Group Limited operates 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 49 employee members.

Total employer contributions paid to the scheme for the year were £150k (2011: £173k). There were no outstanding or prepaid contributions at 31 March 2012.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

37 PENSION COSTS (CONTINUED)

Other Pension Schemes Operated by Orbit Group Members

Movement in Pension Liabilities during the year.

	GROUP	
	2012 £'000	2011 £'000
Deficit in pension scheme at 1 April	(4,711)	(10,416)
Disposal of Heart of England Housing & Care Limited	-	1,761
Service Costs	(272)	(410)
Contributions	355	482
Past Service Gain	-	1,895
Net Return on Assets less interest on pension scheme liabilities	(46)	(310)
Actuarial (Loss)/Gain	<u>(2,858)</u>	<u>2,287</u>
Deficit in pension scheme at 31 March	<u><u>(7,532)</u></u>	<u><u>(4,711)</u></u>

Other Pension Schemes Operated by Orbit South Housing Association Limited

(a) Local Government Pension Scheme - KCC

The Association participates in The Local Government Pension Scheme (LGPS defined benefit statutory scheme) which is administered by Kent County Council (KCC). The Association has adopted accounting standard FRS17 'Retirement Benefits' since March 2007. The impact of this standard has been reflected throughout the financial statements.

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 FRS17 'Retirement Benefits'.

Total employer contributions paid to the scheme for the year were £154k (2011: £196k).

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.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

37 PENSION COSTS (CONTINUED)

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

	2012	2011	2010
Rate of increase in salaries	4.7%	5.0%	5.4%
Rate of increase in pensions in payment and deferred pensions	2.5%	2.7%	3.9%
Discount rate applied to scheme liabilities	4.6%	5.5%	5.5%
Inflation assumption – CPI	2.5%	2.7%	N/A
Inflation assumption – RPI	3.3%	3.5%	3.9%

The RPI 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 2012. This measure has traditionally over-estimated future increases in RPI, so a further deduction 0.25% was applied to get the RPI assumption of 3.3%. As future pension increases are expected to be based on CPI a further assumption has been made that CPI will be 0.8% below RPI at 2.5%.

Salary increases are assumed to be 1.4% (2011 1.5%, 2010: 1.5%) more than assumed inflation, in line with the assumption used in the latest formal valuation of the Fund.

Life Expectancy from age 65 (years)	2012	2011
Retiring today		
Males	20.0	19.8
Females	24.0	23.9
Retiring in 20 years		
Males	22.0	21.9
Females	25.9	25.8

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 31/03/12 £000	Value at 31/03/11 £000	Value at 31/03/10 £000
Equities	4,278	4,280	4,045
Bonds	578	742	765
Gilts	58	57	55
Other – Property	578	514	383
Target Return Portfolio	116	-	-
Cash	173	114	219
Total Scheme Assets	5,781	5,707	5,467
Total Value of Scheme liabilities	(7,871)	(6,703)	(7,799)
Net pension liability	(2,090)	(996)	(2,332)

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

37 PENSION COSTS (CONTINUED)

Scheme liabilities

	Year to 31/03/12 £000	Year to 31/03/11 £000
Opening defined benefit obligation	6,703	7,799
Service cost	105	166
Interest cost	365	423
Actuarial loss/(gain)	939	(814)
Loss on curtailments	-	13
Estimated benefits paid net of transfers in	(274)	(172)
Past service cost	-	(755)
Contributions by Scheme participants	35	44
Unfunded pension payments	(2)	(1)
Closing defined benefit obligation	<u>7,871</u>	<u>6,703</u>

Expected Return on Assets

	Expected rate of return		
	2012	2011	2010
Equities	6.3%	7.4%	7.5%
Bonds	4.6%	5.5%	5.5%
Gilts	3.3%	4.4%	4.5%
Other – Property	4.3%	5.4%	5.5%
Target Return Portfolio	4.7%	N/A	N/A
Cash	3.0%	3.0%	3.0%
Total Expected Returns	<u>5.8%</u>	<u>6.9%</u>	<u>6.9%</u>

	2012 £'000	2011 £'000
Reconciliation of opening and closing balances of fair value scheme assets		
Opening fair value of Scheme assets	5,707	5,467
Expected return on Scheme assets	388	365
Actuarial gains/(losses)	(229)	(193)
Contributions by employer including unfunded	156	197
Contributions by Scheme participants	35	44
Estimated benefits paid net of transfers in and including unfunded	(276)	(173)
Fair value of Scheme assets at the end of period	<u>5,781</u>	<u>5,707</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

37 PENSION COSTS (CONTINUED)

Analysis of amounts charged to Income and Expenditure

	2012 £'000	2011 £'000
Amount charged to operating costs		
Service Costs	105	166
Past Costs	-	(755)
Curtailments and settlements	-	13
	<u>105</u>	<u>(576)</u>
Expected return on Employers Assets	(388)	(365)
Interest on Pension Scheme Liabilities	<u>365</u>	<u>423</u>
	<u>82</u>	<u>(518)</u>

History of experience gains and losses at end of year

	2012	2011	2010	2009	2008
Difference between the expected and actual return on scheme assets (£000)	(229)	(193)	1,154	(1,320)	(800)
% of scheme assets	(4.0%)	(3.4%)	21.1%	(32.3%)	(16.6%)
Experience Gains and (Losses) arising on the scheme liabilities (£000)	-	(167)	(5)	-	500
% of scheme liabilities	-	(2.5%)	(0.1%)	-	9.9%
Actuarial (Loss)/Gain recognised in the statement of recognised surpluses/(deficits) £(000)	(1,168)	621	(1,557)	(760)	870
% of scheme liabilities	(14.8%)	(9.3%)	(19.9%)	(15.3%)	17.3%

Movement in surplus during the year

	2012 £'000	2011 £'000
(Deficit) in pension scheme at 1 April	(996)	(2,332)
Service Costs	(105)	(179)
Contributions	156	197
Past Service Gain	-	755
Net Return on Assets less interest on pension scheme liabilities	23	(58)
Actuarial Gains/(Losses)	<u>(1,168)</u>	<u>621</u>
Deficit in pension scheme at 31 March	<u>(2,090)</u>	<u>(996)</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

37 PENSION COSTS (CONTINUED)

(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 FRS17 'Retirement benefits' in preparing these Financial Statements.

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

	2012	2011	2010
Rate of increase in salaries	3.8%	4.30%	4.95%
Rate of increase in pensions in payment and deferred pensions	2.3%	2.80%	3.20%
Discount rate applied to scheme liabilities	4.6%	5.40%	5.50%
Inflation assumption – CPI	2.3%	2.80%	N/A
Inflation assumption - RPI	N/A	3.30%	3.20%

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.

Life Expectancy from age 65 (years)	2012	2011
Retiring today		
Males	21.9	21.8
Females	24.5	24.4
Retiring in 20 years		
Males	23.3	23.3
Females	26.0	26.0

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, are:

	Value at 31/03/12 £000	Value at 31/03/11 £000	Value at 30/09/10 £000
Equities	1,610	1,974	1,849
Government Bonds	82	202	156
Other Bonds	207	297	285
Property	180	90	-
Other - Cash	34	25	37
Other	535	139	154
Total fair value of assets	2,648	2,727	2,481
Present value of scheme liabilities	(3,420)	(3,260)	(3,492)
Net pension liability	(772)	(533)	(1,011)

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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For the Year Ended 31 March 2012

37 PENSION COSTS (CONTINUED)

Scheme liabilities

	Year to 31/03/12 £000	Year to 31/03/11 £000
Opening defined benefit obligation	3,260	3,492
Service cost	5	5
Interest cost	172	189
Actuarial loss/(gain)	134	(100)
Estimated benefits paid net of transfers in	(152)	(128)
Past service cost	-	(199)
Contributions by Scheme participants	1	1
Closing defined benefit obligation	<u>3,420</u>	<u>3,260</u>

Expected Return on Assets

	Long Term Expected Rates of Return		
	2012	2011	2010
Equities	7.0%	7.5%	7.5%
Government Bonds	3.1%	4.4%	4.5%
Other Bonds	4.1%	5.1%	5.2%
Other - Property	6.0%	6.5%	N/A
Other - Cash	0.5%	0.5%	0.5%
Other	7.0%	7.5%	7.5%

	2012 £'000	2011 £'000
Reconciliation of opening and closing balances of fair value scheme assets		
Opening fair value of Scheme assets	2,727	2,481
Expected return on Scheme assets	174	160
Actuarial gains/(losses)	(155)	139
Contributions by employer including unfunded	53	74
Contributions by Scheme participants	1	1
Estimated benefits paid net of transfers in and including unfunded	(152)	(128)
Fair value of Scheme assets at the end of period	<u>2,648</u>	<u>2,727</u>

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

	2012 £'000	2011 £'000	2010 £'000
Current service cost	(5)	(5)	(3)
Past service Gain	-	199	-
Total credit/(charge) to operating surplus	<u>(5)</u>	<u>194</u>	<u>(3)</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

37 PENSION COSTS (CONTINUED)

Analysis of amounts charged to other financing costs:

	2012 £'000	2011 £'000	2010 £'000
Expected return on pension scheme assets	174	160	116
Interest on pension scheme liabilities	<u>(172)</u>	<u>(189)</u>	<u>(193)</u>
Net finance charge	<u>2</u>	<u>(29)</u>	<u>(77)</u>

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

	2012 £'000	2011 £'000	2010 £'000
Actual return less expected return on pension scheme assets	(155)	139	567
Gain/(Loss) on change of assumptions underlying the present value of the scheme liabilities	<u>(134)</u>	<u>100</u>	<u>(639)</u>
	<u>(289)</u>	<u>239</u>	<u>(72)</u>

History of experience gains and losses:

	2012 £'000	2011 £'000	2010 £'000
Actual return less expected return on scheme assets	(155)	139	567
% of scheme assets at year end	(5.9%)	5.1%	22.9%
Experience (loss)/gain arising on scheme liabilities	(134)	100	(639)
% of scheme liabilities at year end	(3.9%)	3.1%	(18.3%)
Total actuarial (loss)/gain recognised in statement of total recognised surpluses and deficits	(289)	239	(72)
% of scheme liabilities	(8.4%)	7.3%	(2.1%)

Movement in deficit during the year:

	2012 £'000	2011 £'000	2010 £'000
Deficit in scheme at beginning of year	(533)	(1,011)	(936)
<u>Movement during the year:</u>			
Current service cost	(5)	(5)	(3)
Contributions paid	53	74	77
Past service gain	-	199	-
Other finance costs	2	(29)	(77)
Actuarial (loss)/gain	<u>(289)</u>	<u>239</u>	<u>(72)</u>
Deficit at the end of the year	<u>(772)</u>	<u>(533)</u>	<u>(1,011)</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

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For the Year Ended 31 March 2012

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 2010 when the Scheme's assets were valued at £1,099m. Employer contributions made by the Association to the scheme for the year were £146,000 (2011: £211,000) in respect of ordinary contributions. The cost is assessed in accordance with advice from a qualified actuary. Employer contributions to the scheme of £nil (2011: £nil) 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 2010 was updated to 31 March 2012, using suitable approximate methods, by a qualified independent actuary.

The financial assumptions underlying the valuation were as follows:

Per Annum	2012	2011	2010
Pension Increase Rate	2.5%	2.9%	3.3%
Salary Increase Rate	4.8%	4.9%	5.05%
Expected Return on Assets	5.5%	6.5%	-
Discount Rate	4.8%	5.5%	5.6%
Retail Price Inflation	-	3.4%	3.3%

Mortality

Life expectancy is based on the SAPS year of birth tables with member category specific adjustments. Improvements are based on the CMI 2009 model methodology with a 1% p.a. long term trend. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.9 years	23.6 years
Future pensioners*	22.8 years	25.9 years

* Figures assume members aged 45 as at the last formal valuation date.

Historical Mortality

Life expectancies for the prior year end are based on the SAPS tables. The allowance for future life expectancies are shown below:

Year end	Prospective pensioners	Pensioners
31 March 2011	Year of birth, medium cohort and 1% pa minimum improvements from 2007	Year of birth, medium cohort and 1% pa minimum improvements from 2007

Mortality loadings were applied to the SAPS tables based on membership class. The mortality assumptions are identical to those used in the previous accounting period.

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For the Year Ended 31 March 2012

37 PENSION COSTS (CONTINUED)

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 in the following table:

	Value at 31/03/12 £000	Value at 31/03/11 £000	Value at 31/03/10 £000
Equities	7,620	7,941	7,347
Bonds	2,039	2,013	2,245
Property	1,073	1,118	408
Cash/Liquidity	-	112	204
Total	<u>10,732</u>	<u>11,184</u>	<u>10,204</u>

Expected Rates of Return at 31 March

	2012	2011	2010
Equities	6.3%	7.5%	7.5%
Bonds	3.9%	4.9%	4.9%
Property	4.4%	6.5%	6.5%
Cash/Liquidity	3.5%	0.5%	0.5%
Total	<u>5.7%</u>	<u>6.9%</u>	<u>6.8%</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 Association's share of the net assets and liabilities of the Warwickshire County Council Fund is set out below:

	2012 £000	2011 £000	2010 £000
Share of assets in the Fund	10,732	11,184	10,204
Estimated liabilities in the Fund	<u>(15,402)</u>	<u>(14,366)</u>	<u>(15,516)</u>
Share of deficit in the Fund	<u>(4,670)</u>	<u>(3,182)</u>	<u>(5,312)</u>

Reconciliation of fair value of assets is shown below:

	2012 £000	2011 £000
Opening fair value of assets	11,184	10,204
Expected return on assets	711	641
Contributions from members	56	80
Contributions by employer	146	211
Actuarial (losses)/gains	(843)	514
Estimated benefits paid	<u>(522)</u>	<u>(466)</u>
Closing fair value of assets	<u>10,732</u>	<u>11,184</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

37 PENSION COSTS (CONTINUED)

Reconciliation of present value of scheme liabilities is shown below:

	2012 £000	2011 £000
Opening defined benefit obligation	14,366	15,516
Current service cost	162	226
Interest on obligation	782	864
Contributions by members	56	80
Actuarial losses/(gains)	558	(913)
Past service costs/(gains)	-	(941)
Estimated benefits paid	<u>(522)</u>	<u>(466)</u>
Closing defined benefit obligation	<u>15,402</u>	<u>14,366</u>

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

	2012 £000	2011 £000
Net deficit at 1 April	(3,182)	(5,312)
Movement in the year:		
Operating charge - Current service cost	(162)	(226)
Operating charge - Past service gain	-	941
Contributions	146	211
Finance Income:		
Expected return on Pension Fund assets	711	641
Interest on Pension scheme liabilities	<u>(782)</u>	<u>(864)</u>
Total Finance Income	<u>(71)</u>	<u>(223)</u>
Actuarial (loss)/gain	<u>(1,401)</u>	<u>1,427</u>
Net deficit at 31 March	<u>(4,670)</u>	<u>(3,182)</u>

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

	2012 £000	2011 £000
Actuarial gain on pension scheme assets	(843)	514
Experience gains and (losses) arising on scheme liabilities	<u>(558)</u>	<u>913</u>
	<u>(1,401)</u>	<u>1,427</u>

Reconciliation to the balance sheet at 31 March

	2012 £000	Restated 2011 £000
Net Assets		
Net Assets excluding pension liability	25,271	11,117
Pension liability	<u>(4,670)</u>	<u>(3,182)</u>
Net Assets including pension liability	<u>20,601</u>	<u>7,935</u>

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

37 PENSION COSTS (CONTINUED)

Reconciliation to the balance sheet at 31 March (continued)

Reserves	2012 £000	Restated 2011 £000
Income and expenditure reserve excluding pension liability	22,465	9,342
Pension liability	<u>(4,670)</u>	<u>(3,182)</u>
Income and expenditure reserve including pension liability	<u>17,795</u>	<u>6,160</u>

History of experience gains and losses at end of year

	2012	2011	2010	2009	2008
Difference between the expected and actual return on scheme assets:					
Amount £000	(843)	514	2,140	(2,481)	(991)
Percentage of scheme assets	(7.9)	4.6	21.0	(32.4)	(10.5)
Experience gains and losses arising on the scheme liabilities:					
Amount £000	(558)	913	(3,594)	2,844	57
Percentage of scheme liabilities	3.6	(6.4)	23.2	(25.3)	(0.4)
Total amount recognised gains and losses:					
Amount £000	(1,401)	1,427	(1,454)	363	(934)
Percentage of scheme liabilities	9.1	(9.9)	9.4	(3.2)	7.1

38 PRIOR YEAR ADJUSTMENT

The prior year adjustment reflects the change in accounting policies as a result of the implementation of the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010. The changes in accounting policy have required negative goodwill on consolidation to be written back to reserves, and amendments to be made to reflect the first-time implementation of component accounting. The revised accounting policies are detailed in note 1.

The changes resulting from adopting this updated SORP are that:

- a) Negative goodwill which arises on consolidation is now immediately eliminated to reserves;
- b) All assets should be split into component groupings and amortised over appropriate useful economic lives which reflect expected replacement cycles.

The impact of implementing component accounting for the Association has been to increase both housing property net cost and reserves by £0.9m, a non cash effect.

The impact of implementing component accounting for the Group has been to increase both housing property net cost and reserves by £38.4m, a non cash effect.

The eliminated negative goodwill has released £70.1m to general reserve (a non-cash effect), with a corresponding reduction in negative goodwill, an overall net impact of £nil on the Group's funds. The negative goodwill had previously arisen primarily when Thanet Community Housing Association Ltd joined the group on 1 April 2004 and the Heart of England Housing Group on 1 April 2009.

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

38 PRIOR YEAR ADJUSTMENT (Continued)

During 2010/11, Heart of England Housing and Care Limited was sold, which required the negative goodwill on acquisition £6,275k and the subsequent amortisation of that negative goodwill £195k to be written off on disposal, and this is shown separately on the workings below.

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

	GROUP		ASSOCIATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
BALANCE SHEET				
Tangible Fixed Assets – Housing Properties				
Cost	76,794	76,794	6,108	6,108
Depreciation	(41,157)	(41,157)	(5,791)	(5,791)
Depreciated Cost	35,637	35,637	317	317
Grant	2,818	2,818	581	581
Net Book Value	38,455	38,455	898	898
Negative Goodwill				
Disposal taken to general reserves	(6,275)	(6,275)	-	-
Amortisation written off on disposal	195	195	-	-
Amortisation	(1,035)	(1,035)	-	-
	70,070	70,070	-	-
General Reserves	(108,525)	(108,525)	(898)	(898)
	-	-	-	-
INCOME AND EXPENDITURE ACCOUNT				
Operating Costs – Social Housing Lettings	-	(5,869)	-	(379)
Operating Surplus	-	(5,869)	-	(379)
Surplus on Sale of Housing Properties	-	(10)	-	-
Surplus after Transfer to Reserves	-	(5,879)	-	(379)
Restatement of Opening Balance	(108,525)	(102,646)	(898)	(519)
	(108,525)	(108,525)	(898)	(898)

ORBIT GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

39 NEGATIVE GOODWILL

	GROUP	
	2012 £'000	2011 £'000 Restated
COST		
At 1 April 2011	-	74,224
Prior Year Adjustment (Note 38)	-	(74,224)
	<hr/>	<hr/>
At 1 April 2011 (restated) and 31 March 2012	-	-
	<hr/>	<hr/>
LESS:		
AMORTISATION		
At 1 April 2011	-	4,154
Prior Year Adjustment (Note 38)	-	(4,154)
	<hr/>	<hr/>
At 1 April 2011 (restated) and 31 March 2012	-	-
	<hr/>	<hr/>
NET BOOK AMOUNT		
At 31 March 2012	-	-
	<hr/>	<hr/>
At 31 March 2011	-	-
	<hr/>	<hr/>

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (note 38). In line with the requirements of the SORP, the negative goodwill meets the relevant criteria of a gift and is therefore credited to the opening revenue reserves by means of a prior year adjustment.

40 NON-CONSOLIDATED MANAGEMENT ARRANGEMENTS

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