

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2012**



Building Brighter Futures...

for people and communities



# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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**Industrial and Provident Society  
Number 27802R**

**Tenant Services Authority  
Number L4060**

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS

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#### BOARD MEMBERS

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

<b>Name</b>	<b>Role</b>	<b>Appointed</b>	<b>Left</b>
Fran Beckett (Chair)	Independent	1 April 2011	
Barbara Bilson	Independent	22 November 2007	31 July 2011
Simon Goding	Resident Member	1 October 2007	31 March 2012
Vic Hester	Independent	9 September 2003	15 November 2011
Roger Jennings	Independent	1 October 2007	2 September 2011
Glyn Kyle	Independent Member	11 February 2009	
Terence McGlone	Independent	23 February 2006	
Vanessa Nicholls	Resident Member	1 October 2007	
Trevor Willington	Independent Member	11 February 2009	16 November 2011
Jane Ball	Independent	19 November 2009	
Alan Squirrell	Independent	10 March 2010	
Russ Munton	Resident Member	10 March 2010	18 June 2011
Julie Hopes	Independent	18 April 2012	

#### EXECUTIVE OFFICERS

Vivien Knibbs	Managing Director
Jackie Andrews	Director of Neighbourhood Services
David Collick	Director of Property Services
Maggie McCann	Development Director
Selina Olah	Finance Director
Kathy Nash	Human Resources Business Partner
Bernadette Fry	Head of Service Excellence

The Executive Officers are employed by Orbit Group Limited and their services are provided to Orbit South Housing Association Limited via an Intra Group Agreement.

#### 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 & Hamblins  
Sceptre Court  
40 Tower Hill  
London, EC3N 4DX

#### REGISTERED OFFICE

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

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### OPERATING AND FINANCIAL REVIEW

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

The principal activity of the Association is to provide quality affordable homes and effective support services, all designed to meet customers' needs and to help build sustainable communities.

On 1 April 2011, Orbit South Housing Association Limited completed the transfer of ownership for the 3,515 Orbit East properties, which it formerly managed on behalf of Orbit Group Limited. Following the transfer of management arrangements for Orbit East in 2009/10, the Senior Management Team (SMT) and Board are known as the 'Orbit East & South' SMT and Board. This reflects the Association's commitment to maintaining local services for local communities in both regions.

Orbit South Housing Association Limited continues to evolve and change, and during the year the ownership of the Private Retirement Leasehold (PRL) properties was transferred from Orbit Group Limited to Orbit South Housing Association Limited and Heart of England Housing Association Limited. In addition to this, a further 361 properties in Rother and Hastings were purchased from Moat Housing Group on 20 February 2012.

At the end of the year the Association owned and/or managed 17,771 homes and commercial units situated in the east and south of England, predominantly in Kent, Surrey, Sussex, the London Borough of Bexley, Norfolk and Suffolk.

These 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.

The Association's strategic objective throughout the year was to make a significant contribution to the communities it served. The Association works within the overall strategic framework for the Orbit Group, which is developed by all members of the Group in a consultative process.

#### AMBITION

The enduring ambition and purpose of the Orbit Group 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 Service Centre
5. Developing our Business Strategy beyond 2013 to 2020 through Orbit 2020

#### The Journey So Far

We have made huge progress towards the tough targets we 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' expectation.

**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.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## OPERATING AND FINANCIAL REVIEW

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### AMBITION

#### The Journey So Far (continued)

**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 Value for Money 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.

### OUR FOCUS FOR 2012/13

Since 2003 Orbit has progressively improved its position by being more focussed, better structured and increasingly more effective. We believe that we have created an excellent platform for the 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 Service 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 £1million 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.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## OPERATING AND FINANCIAL REVIEW

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### OUR FOCUS FOR 2012/13 (Continued)

- **PLACE**

We will continue to build the homes people need, building 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.

### 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

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## OPERATING AND FINANCIAL REVIEW

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### RISKS AND UNCERTAINTIES (Continued)

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.

In line with the Orbit-wide strategic priorities, Orbit South Housing Association Limited continues with its relentless focus to become great by 2013. The Board has identified the following main priorities for 2012/13 to support this objective.

#### **Customer**

- Achieve top quartile performance for key service areas.
- Improve the quality of customer data in order to tailor services and inform service development.
- Increase the numbers of residents fully engaged at a strategic level and influencing decisions.
- Develop our homes and services to respond to local needs and priorities.

#### **Place**

- Continue to develop quality new homes, including the progression of the Larner Road regeneration.
- Develop effective local management structures to respond to the change in the external operating environment.
- Develop and implement our strategic approach to stock and portfolio investment.
- Roll out a programme of targeted Community Investment initiatives, focusing on worklessness, financial exclusion, youth engagement and empowerment of customers.

#### **Organisation**

- Ensure that strong and robust governance is in place, setting clear direction and challenging the organisation to develop.
- Deliver efficiencies and improve VFM, achieving or exceeding budgetary targets.
- Invest in staff engagement and training.
- Invest in the systems and tools that fully support the business both currently and for future activities.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## OPERATING AND FINANCIAL REVIEW

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### OPERATING REVIEW

#### Performance in the Year

Financial performance in the year has exceeded expectations, with a surplus for the year of £10.5 million compared with a budgeted surplus of £3.2 million. £5.4m of this variance is due to the adjustments made in the year for component accounting. Operating surpluses show a £2.1 million favourable variance to budget, mainly as a result of higher rental income and reductions in management costs.

The development programme has progressed well during the year with 336 new homes being transferred into management in the year. There are a further 669 homes under development at year end and it is anticipated that 394 of these homes will be completed and come into management during 2012/13.

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

- Worked towards the transfer of ownership of the sheltered homes in the east region from Orbit Group Limited on 1 April 12, to ensure more effective use of resources and deliver a more holistic joined up service to all residents in the east.
- Implemented a further stage of the office strategy, with the opening of the Sittingbourne office, shared with our maintenance contractor MITIE.
- Took over the management of the Private Retirement Leasehold properties in the east and south regions from Orbit Group Limited, creating efficiencies and increasing the localisation of services.
- Expanded our preventative work with young people to reduce the levels of anti-social behaviour by agreeing a new partnership with Norwich Football Club, in addition to partnerships with Charlton Athletic Football Club in Bexley, and Brighton & Hove Albion in Hastings.
- Expanded our initiatives to tackle unemployment amongst young adults by increasing apprenticeship opportunities with our repairs contractors, and developing a new program of office apprenticeships.
- Continued to develop our partnerships with regionally based Credit Unions to reduce the financial exclusion of our residents, covering the whole of the South region by the end of the year.
- Secured Homes and Communities Agency funding for the first phase of the regeneration of the Lerner Rd estate in Bexley.
- Improved performance in most areas of service, as evidenced by the Key Performance Indicators.
- Modernised the working of the organisation by providing staff with improved mobile technology and a Customer Relationship Management (CRM) system to deliver better and more responsive service to residents whilst also achieving efficiencies.
- Strengthened our governance through a full Board review, reducing the number of members from 12 to 8, and appointing one new independent member to strengthen Board skills.
- The residents' Scrutiny Panels have become established and undertaken their first reviews which have been presented to the Strategic Board.
- Increased the level of resident engagement and influence across the organisation, ensuring that as services are developed residents are fully involved in the outcomes.

#### 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 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 planned and responsive maintenance works and other major areas of expenditure with a view to achieving further efficiencies in this area. VFM maps are in place for Orbit defining and delivering both efficiencies and savings.

Orbit South Housing Association Limited's Asset Management Strategy is linked to the Group's values and mission and covers all of its housing properties. The strategy takes account of both the future likely demand for the homes as well as the actual physical condition and lifecycle of the properties, enabling short, medium and long term planning. A proposal to undertake planned disposal of properties outside of core operating areas was agreed by the Board during the year and progress is being made to deliver them in 2012 and beyond.



# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## OPERATING AND FINANCIAL REVIEW

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### OPERATING REVIEW

#### Dynamics of the Social Landlord (Continued)

Additional properties were purchased in Hastings and Rother from Moat Housing Group during the year to increase the density and therefore the efficiency of managing homes in this area where we already have an office.

The Association works with a number of partners in carrying out reactive and planned maintenance to achieve effective and efficient delivery of works and VFM. During the year a new repairs and maintenance contract was implemented covering both the east and south regions. This will result in long term efficiency savings and introduce new partnership working which will deliver more responsive service to residents

We recognise the need to work more closely and in partnership with our residents, and have agreed Orbit-wide Customer Service Standards with them and also have local standards in place covering schemes or neighbourhoods. Moment of Truth surveys have continued to provide very valuable resident feedback, and resident scrutiny mechanisms are in place. Our new Tenant Information Portal (TIPS) was launched in April 2011, giving our residents secure on-line access to their information for the first time.

Funds from both within Orbit South Housing Association Limited and the Group have been used to support a number of community initiatives. We have continued the youth inclusion football programme with Charlton FC at the Lerner Road estate in Bexley. We have also supported a range of environmental projects, including the creation of allotments and a wildlife garden, funding the initiatives from the Orbit South Housing Association Limited Community Investment fund.

#### 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.

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 the group. 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 Heart of England and Orbit Homes 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 the Orbit Group have now achieved Investors in People (IIP) accreditation.

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 SOUTH HOUSING ASSOCIATION LIMITED

## OPERATING AND FINANCIAL REVIEW

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### 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 (CRM) system to make staff interactions with customers as well informed as possible and a new intranet to improve internal customer services.

Orbit South Housing Association Limited has undergone a significant restructure of its property services function, which completed this year; the changes have ensured the team has the necessary skills to effectively manage this activity in the future.

Orbit South Housing Association Limited is fully committed to releasing resources through greater efficiency and improving performance in order to invest in priority areas such as customer services and community investment. Continuous improvement underpins our work and our business plan reflects the priority areas where we are seeking change, these included income recovery and the turnaround of empty properties.

The Orbit group is committed to delivering great services for its customers and has been implementing a customer first strategy since 2008. During the year progress has been achieved in the rollout of CRM tools to all front line staff coupled with new mobile working technology.

Orbit continues to develop new homes, and has signed up to and adopted the principles of the 2012 Construction Commitments, and has submitted an offer to the HCA for the 2011-15 Affordable Homes Programme.

### FINANCIAL REVIEW

#### Accounting policies

The Statement of Recommended Practice for Registered Social Landlords (SORP) 2010 was mandatory for all accounting periods beginning on or after 1 April 2011. The key change related to our accounting policy for housing properties and the implementation of component accounting. Prior year 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 33 (respectively) to the financial statements, and have resulted in an increase in the reserves of the Association of £10.5 million represented by an increase in the net book value of housing properties of £10.5 million.

#### Capital structure and Treasury Policy

At 31 March 2012, the balance sheet shows housing properties of £754.2 million, other tangible fixed assets of £2.3 million and other net liabilities of £10.1 million are financed by grants £391.7 million (52.5%), loans and long term creditors of £317.5 million (42.5%), pension liability of £2.9 million (0.4%) and accumulated reserves of £34.2 million (4.6%).

The Association has reviewed its property portfolio to ensure there has been no impairment in the carrying value of individual schemes or offices. No impairment provisions have been deemed necessary this year, however £4k impairment provision was released to the Income and Expenditure Account in respect of a demolished property.

The Association has adopted FRS17 (accounting for pensions) in full (Note 7). The pension liability on the balance sheet at 31 March 2012 was £2.9 million (2011: £1.5 million).

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

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## OPERATING AND FINANCIAL REVIEW

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### FINANCIAL REVIEW

#### Capital structure and Treasury Policy (Continued)

The Orbit Group Board recognises that the fluctuations in the Association's debt requirement arising from sales and new developments in particular make it important to regularly review its treasury policy. The treasury function operates within a framework of clearly defined Board approved policies, procedures and delegated authorities. The fundamental principle underlying Orbit'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 Orbit and 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 Board is an Orbit-wide policy, and has been adopted and continued by Orbit Treasury Limited.

#### Cash flow and liquidity

The cash inflow from operating activities during the year was £27.0 million (2011: £23.9 million, restated).

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

#### Going concern

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

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



**Fran Beckett**

## **ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

### **HOUSING ASSOCIATION GOVERNANCE**

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#### **Governance**

Orbit South Housing Association Limited has been a registered social landlord since 1994. Orbit South Housing Association Limited is a subsidiary of Orbit Group Limited.

#### **NHF's 'Excellence in Governance' Code**

The Board have adopted the National Housing Federation's 'Excellence in Governance' Code as its Code of Governance. We confirm that the Board complies with the Code of Governance in all material aspects.

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

#### **Board of Management**

The Board Members of the Association during the year ended 31 March 2012 are listed on page 2.

The Board is responsible for governing the affairs of the Association and comprises a maximum of 12 and a minimum of 7 members, excluding co-optees. The Board Members are drawn from a range of backgrounds bringing together professional, commercial and local experience. The Chair also sits on the Orbit Board, the Governing Board of Orbit Group Limited. All Members of the Orbit Board are paid in relation to their responsibilities on that Board.

The Board has in place two Sub-Committees, which are the Service Boards in the east and the south, to allow the Board to focus on strategic matters.

The Association is represented on each of the following Orbit Committees of Orbit Group Limited: Orbit Audit Committee and Governance and Membership Committee.

The Board delegates the day to day management of the Association to the Executives and staff. Certain Executives and staff attend Board meetings. The Board and the Sub-Committees obtain external specialist advice from time to time as necessary.

#### **Resident Involvement**

The Orbit East and South Board is committed to involving residents in decisions affecting their homes and in enabling them to influence the services we deliver. There are allocated resident positions on the Strategic Board and on the regional Service Boards. In addition, regional scrutiny panels exist to further enhance the role of residents in the governance structure.

The Association has a number of area Residents Forums as well as functional panels, which support effective engagement and involvement on key issues. The area forums meet quarterly and are used to focus on local issues, local priorities and service delivery. The forums also play a key role in the business planning process reviewing priorities for the year ahead as well as monitoring progress against the current year's objectives.

#### **Performance Monitoring**

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

#### **Housing Ombudsman Service**

During the year one case was referred to the Ombudsman Service but had not concluded by 31 March 2012. The Ombudsman notified on 2 April 2012 that the case was not upheld. One case referred to the Ombudsman in 2010/11 concluded in April 2011. The case was not upheld.

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### HOUSING ASSOCIATION GOVERNANCE

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#### Responsibility for the System of Internal Control

The Board have responsibility to review the internal control environment within their business 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 South Housing Association 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. 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 is the Internal Regulatory Framework (IRF).

The Orbit Group 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 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 Group 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 Group 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 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 Group Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The Group Board also regularly reviews Key Performance Indicators to assess the progress towards the achievement of key business objectives, targets and outcomes.

In respect of Operating Associations, the Group Board also confirms that as part of the IRF the relevant Managing Director prepared reports on Internal Controls Assurance within their IRF Report and the Chief Executive presented a similar report on behalf of the Group to the August 2012 Orbit Audit Committee within the Consolidated IRF report.

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### HOUSING ASSOCIATION GOVERNANCE

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#### **Orbit Assurance Framework (Continued)**

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.

**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 and 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.

**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 Group Board. Orbit Audit Committee monitors the implementation of the Orbit Strategy and plan for Risk Management.

The overall responsibility for risk management across Orbit remains with the Orbit Group 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 Group Board confirms that the Group's Strategic Risk map is reviewed by the Executive Team and Orbit Group Board on a regular basis throughout the year.

The 2012/13 risk map has been formulated and takes account of the changed 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 into staff and the development of managers in their 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

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.

## **ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

### **HOUSING ASSOCIATION GOVERNANCE**

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#### **Orbit Assurance Framework (Continued)**

##### **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 Group 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 on-going and has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board. There is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year. No fundamental weaknesses were identified which required disclosure in the financial statements.

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



**Fran Beckett**  
**Chair**  
**16 August 2012**

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD

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

### **The Association**

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

The Association manages a number of housing schemes providing accommodation for rent. At 31 March 2012 it owned housing properties with a historic cost of £754.2 million (2011: £468.7 million restated). The Managing Director is employed by Orbit Group Limited. Services are provided to Orbit South Housing Association Limited via a Service Agreement. During the year a range of services were provided by the parent body Orbit Group Limited, as set out in the Intra-Group Agreement and individual Customer Supplier Agreements.

### **Principal Activities**

The principal activity of the Association is to provide quality affordable homes and effective support services, all designed to meet customers' needs and to help build sustainable communities. An operating and financial review of the year's activities appears on pages 3 to 10.

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

The present Board Members together with the dates of any changes are set out on page 2. All of the Board Members served throughout the year except as otherwise shown. 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**

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

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

We will ensure that employees have the skills, knowledge and motivation to deliver excellent services for our customers in line with our 'customer first' approach, and that we have confident, capable people managers who are able to work together to deliver results. Various recognition awards for staff have been introduced, including 'Customer Spotlight' awards, and Orbit 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 Orbit are proving to be both popular and successful, and form part of our approach to developing our potential and growing our leaders.



# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD

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### Creditors Payment Policy

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

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

### Health and Safety

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

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

### Donations

During the year the Association received charitable donations from Orbit Group Limited of £891,000. This relates to the increase in asset value of the East properties transferred on 1 April 2011, following the implementation of component accounting. The Association made charitable donations of £113,000 to Orbit Group Limited to contribute to a reserve to be used for future development schemes.

### Statement of the responsibilities of the Board

The Board is responsible for preparing the Operating and Financial review, the Report of the 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 RSL and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RSL 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 RSL and to enable it to ensure that the financial statements comply with the Friendly and Industrial and Provident Societies Act 1968, 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 RSL 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.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD

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### Disclosure of information to auditors

The Directors who held office at the date of approval of the financial statements confirm that, so far as they are each aware, there is no relevant audit information of which the Association's 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 Association's auditors are aware of that information.

### Annual General Meeting

The annual general meeting will be held on 16 August 2012 at Horizon House, Eclipse Park, Sittingbourne Road, Maidstone, Kent ME14 3EN.

### Auditors

During the year KPMG LLP resigned as auditors to the Association and the Board 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 16 August 2012 and signed on its behalf by:**



**Vivien Knibbs**  
Secretary

## **ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

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

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We have audited the financial statements (the "financial statements") of Orbit South Housing Association Limited for the year ended 31 March 2012 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Surpluses and Deficits, 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 Responsibilities of the Board set out on page 16, 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) 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 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 in the commentaries included at pages 2 – 17 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 association's affairs as at 31 March 2012 and of the association's income and expenditure and the association's 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, the Housing and Regeneration Act 2008 and The Accounting Requirements for Registered Social Landlords General Determination 2006.

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

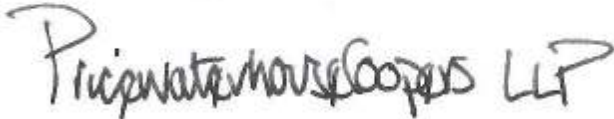
### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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#### 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  
Chartered Accountants and Statutory Auditors  
Birmingham  
B3 2DT

Dated:

21/09/2012

#### Notes:

- The financial statements of Orbit South Housing Association Limited are published on the Orbit Group website [www.orbit.org.uk](http://www.orbit.org.uk). The maintenance and integrity of the Orbit Group website is the responsibility of the Orbit Group 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 SOUTH HOUSING ASSOCIATION LIMITED

## INCOME AND EXPENDITURE ACCOUNT For the Year Ended 31 March 2012

	NOTES	2012 £'000	2011 £'000 Restated
Turnover	2/3	79,627	54,724
Operating Costs	2/3	(57,485)	(37,804)
<b>Operating Surplus</b>	4	<b>22,142</b>	<b>16,920</b>
Surplus on Sale of Housing Properties	5	274	147
<b>Surplus on Ordinary Activities before Interest</b>		<b>22,416</b>	<b>17,067</b>
Interest Receivable and Other Income	8	6	4
Interest Payable and Similar Charges	9	(12,729)	(7,869)
Other Income/(Expenditure)		25	(87)
Surplus on Ordinary Activities before Donations		9,718	9,115
Donations Received		891	-
Donations Paid		(113)	-
<b>Surplus on Ordinary Activities before Taxation</b>		<b>10,496</b>	<b>9,115</b>
Tax on Surplus on Ordinary Activities	10	-	-
Surplus for the Financial Year		10,496	9,115
Transfer to Designated Reserves		(488)	(316)
Revenue Reserves Brought Forward	22	21,125	4,172
Prior Year Adjustment		-	7,294
Pension Scheme Actuarial (Loss)/Gain	7	(1,457)	860
<b>Revenue Reserves at 31 March 2012</b>	22	<b>29,676</b>	<b>21,125</b>

All amounts derive from continuing operations. There is no material difference between the surplus on ordinary activities before taxation and the retained surplus for the year stated above and their historical cost equivalents. The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 33).

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

		2012 £'000	2011 £'000 Restated
<b>Surplus for the Financial Year</b>		<b>10,496</b>	<b>9,115</b>
Transfer to Designated Reserve	22	(488)	(316)
Pension Scheme actuarial (loss)/gain	7	(1,457)	860
<b>Total recognised Surplus for the year</b>		<b>8,551</b>	<b>9,659</b>
Prior year adjustment	33	7,294	
		<b>15,845</b>	<b>9,659</b>

There is no difference between historical cost and actual cost surpluses and deficits. Accordingly no note of historical cost surpluses and deficits is given. The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 33).


**ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET**  
At 31 March 2012

	NOTES	2012		2011	
		£'000	£'000	£'000 Restated	£'000 Restated
<b>Tangible Fixed Assets</b>					
Housing Properties at Cost	11	754,193		468,722	
Less: Social Housing Grants	11	(388,575)		(240,306)	
Other Public Grants	11	(3,110)		(1,859)	
			362,508		226,557
Other Tangible Fixed Assets	12		2,264		2,152
			<u>364,772</u>		<u>228,709</u>
<b>Current Assets</b>					
Stock	13	509		5	
Debtors	14	12,163		8,821	
Investments & Short Term Deposits		-		-	
Cash at Bank and in Hand		2,239		1,234	
		<u>14,911</u>		<u>10,060</u>	
<b>Creditors: Amounts falling due within one year</b>	15	<u>(25,027)</u>		<u>(23,293)</u>	
<b>NET CURRENT LIABILITIES</b>			(10,116)		(13,233)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u><b>354,656</b></u>		<u><b>215,476</b></u>
<b>Creditors: Amounts falling due after more than one year</b>					
RCGF and DPF	16		317,027		189,703
Pension Liability	17		521		523
	21		2,862		1,529
<b>Capital and Reserves</b>					
Called Up Share Capital	19	-		-	
Designated Reserves	20	4,570		2,596	
General Reserves	22	29,676		21,125	
<b>Association's Funds</b>			<u>34,246</u>		<u>23,721</u>
			<u><b>354,656</b></u>		<u><b>215,476</b></u>

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 33).

The financial statements on pages 20 to 54 were approved by the Board on 16 August 2012 and signed on its behalf by:

  
 Fran Beckett  
 CHAIR

  
 Terence McGilone  
 BOARD MEMBER

  
 Vivien Knibbs  
 SECRETARY

**ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

**CASHFLOW STATEMENT**

**For the Year Ended 31 March 2012**

	2012		2011	
	£'000	£'000	£'000 Restated	£'000 Restated
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 25)</b>		27,035		23,876
<b>Returns on Investments and Servicing of Finance</b>				
Interest Received	6		87	
Interest Paid	(10,600)		(8,521)	
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		(10,594)		(8,434)
<b>Capital Expenditure and Financial Investment</b>				
Acquisition and Construction of Housing Properties	(84,499)		(59,372)	
Acquisition and Construction of Housing Properties on Restructure	(207,523)		-	
Sale of Housing Properties	1,023		342	
Grants received	34,799		26,917	
Grants transferred on restructure	113,724		-	
Grants repaid	(109)		-	
Purchase of Other Fixed Assets	(352)		(70)	
Sale of Other Fixed Assets	216		-	
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT ACTIVITIES</b>		(142,721)		(32,183)
<b>NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		(126,280)		(16,741)
<b>Management of Liquid Resources and Financing (Note 27 &amp; 28)</b>				
<u>(i) Liquid Resources</u>				
Decrease/ (Increase) in Bank Deposits (with a maturity in excess of 24 hours)	-		-	
<u>(ii) Financing</u>				
Housing Loans Received on Restructure from Group	77,588		59,892	
Intercompany Loans transferred on Restructure	-		-	
Housing Loans transferred on Restructure	81,990		-	
Housing Loans Repaid	(32,293)		(42,414)	
<b>NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		127,285		17,478
<b>DECREASE IN CASH AT BANK AND IN HAND (Note 28)</b>		<b>1,005</b>		<b>737</b>

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 33).

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

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### 1 PRINCIPAL ACCOUNTING POLICIES

#### **Legal Status**

Orbit South Housing Association Limited is incorporated under the Industrial & Provident Societies Act 1965 and is registered with Tenant Services Authority as a not-for-profit Registered Provider of social housing as defined by the Housing & Regeneration Act 2008. The Parent Body is Orbit Group Limited.

#### **Basis of Accounting**

The financial statements are prepared on the going concern basis, under the historical cost basis of accounting, in accordance with applicable Accounting Standards and Statements of Recommended Practice of the United Kingdom. The financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, 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". The principal accounting policies, which have been applied consistently throughout the year except for the changes that arise from the adoption of the new SORP, are set out below.

The Statement of Recommended Practice for Registered Social Landlords (2010) was mandatory for all accounting periods beginning on or after 1 April 2011. The key change related to our accounting policy for housing properties and the implementation of component accounting. Prior year 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 33 (respectively) to the financial statements.

#### **Group Services**

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

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

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

#### **Turnover**

Turnover represents rental income receivable, grants from local authorities and the Homes and Communities Agency (HCA) and income from shared ownership first tranche sales, all of which arise in the UK.

#### **Revenue Recognition**

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

#### **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.

#### **Housing properties**

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



# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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

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### 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

<b>Housing property components</b>	<b>Depreciation life</b>
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 associated 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 in the course of construction are stated at cost and not depreciated and are transferred to completed properties when they are ready for letting. When housing properties are to be transferred to another association, the net costs, after 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.

The change in accounting policy through the implementation of component accounting has resulted in a material prior year adjustment. The effect of the change is shown in note 33.

#### **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. SHG received for items of cost written off in the Income and Expenditure Account are matched against those costs as part of turnover.

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

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

Interest on loans financing development has been capitalised. 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.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

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### 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### Other tangible fixed assets and depreciation

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

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

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

#### Leased Assets

Where assets are financed by leasing agreements that give rights approximating to ownership, they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the Income and Expenditure Account using the annuity method. Rentals paid under operating leases are charged to the Income and Expenditure Account as incurred.

#### Pension Costs

The Association recognises two defined benefit schemes for staff, the assets of which are held in separately administered funds under the Local Government Pension Scheme by Kent County Council and The London Borough of Bexley. The requirements of FRS17 Retirement Benefits are fully reflected in the financial statements and associated notes. Note 7 provides a summary of the pension valuation report for the Local Government Pension Scheme, together with prior year statements which state last year's revenue and reserves. For funding purposes, surpluses or deficiencies are dealt with as advised by the actuary.

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

The Parent Body also participates in the Social Housing Pension Scheme and offers a Stakeholder pension scheme; further details of both can be found in the Group financial statements. The cost of providing retirement pensions and related benefits is charged to management expenses. The disclosures in the financial statements follow the requirements of FRS17.

#### 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. An income-generating unit is defined as a scheme. Impairment is written back on disposal.

#### Disposal of Housing Properties

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

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

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### 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### **Designated Reserves**

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

#### **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 are credited to this fund, which appears as a creditor until spent.

#### **Recycling of Capital Grant**

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

#### **Value Added Tax**

The Association is party to a Group Registration for VAT. All amounts disclosed in the financial statements are inclusive of non-recoverable VAT.

#### **Taxation**

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

#### **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.

#### **Loan Interest Costs**

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

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

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### 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### **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.

#### **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.

#### **Stocks**

Stocks are stated at value.

**ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

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

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

	<b>2012</b>		
	<b>Turnover £'000</b>	<b>Operating Costs £'000</b>	<b>Operating Surplus £'000</b>
<b>SOCIAL HOUSING LETTINGS (Note 3a)</b>	<u>72,974</u>	<u>(50,049)</u>	<u>22,925</u>
<b>Other Social Housing Activities</b>			
Managed Associations	1,588	(888)	700
Home Ownership Services	1,635	(2,568)	(933)
Supporting People	1,008	(1,523)	(515)
Other	1,190	(1,136)	54
<b>Non-Social Housing Activities (Note 3b)</b>			
Other	1,232	(1,321)	(89)
	<u>79,627</u>	<u>(57,485)</u>	<u>22,142</u>
	<b>2011 (Restated)</b>		
	<b>Turnover £'000</b>	<b>Operating Costs £'000</b>	<b>Operating Surplus £'000</b>
<b>SOCIAL HOUSING LETTINGS (Note 3a)</b>	<u>52,484</u>	<u>(35,749)</u>	<u>16,735</u>
<b>Other Social Housing Activities</b>			
Managed Associations	697	(544)	153
Home Ownership Services	626	(843)	(217)
Supporting People	643	(654)	(11)
<b>Non-Social Housing Activities (Note 3b)</b>			
Other	274	(14)	260
	<u>54,724</u>	<u>(37,804)</u>	<u>16,920</u>

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 33).

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

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

	2012			
	General Needs Housing £'000	Supported Housing £'000	Key Worker Accom. £'000	Total £'000
<b>INCOME</b>				
Rents receivable net of identifiable service charges	61,725	3,415	439	65,579
Service Charges	6,479	1,404	272	8,155
<b>Gross Rent Receivable</b>	<b>68,204</b>	<b>4,819</b>	<b>711</b>	<b>73,734</b>
Less: Rent losses from voids	(1,078)	(127)	(68)	(1,273)
Net rents receivable	67,126	4,692	643	72,461
Other Income	461	52	-	513
<b>TOTAL INCOME</b>	<b>67,587</b>	<b>4,744</b>	<b>643</b>	<b>72,974</b>
<b>EXPENDITURE</b>				
Services	(6,009)	(2,115)	(256)	(8,380)
Management	(9,199)	(664)	(36)	(9,899)
Routine Maintenance	(12,121)	(636)	(20)	(12,777)
Planned Maintenance	(10,350)	(1,496)	(29)	(11,875)
Rent Losses from Bad Debts	(455)	(2)	(2)	(459)
Depreciation of Housing	(5,825)	(443)	(49)	(6,317)
Lease Charges	(107)	-	-	(107)
Other	(229)	(6)	-	(235)
<b>TOTAL EXPENDITURE</b>	<b>(44,295)</b>	<b>(5,362)</b>	<b>(392)</b>	<b>(50,049)</b>
<b>OPERATING SURPLUS/ (DEFICIT) ON LETTINGS</b>	<b>23,292</b>	<b>(618)</b>	<b>251</b>	<b>22,925</b>

Depreciation of housing properties includes £515k written off due to components being replaced earlier than the expected life of those components.

**ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2012**

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

	2011			
	General Needs Housing £'000 Restated	Supported Housing £'000 Restated	Key Worker Accom. £'000 Restated	Total £'000 Restated
<b>INCOME</b>				
Rents receivable net of identifiable service charges	45,370	1,540	437	47,348
Service Charges	4,672	496	252	5,420
<b>Gross Rent Receivable</b>	<b>50,042</b>	<b>2,036</b>	<b>689</b>	<b>52,767</b>
Less: Rent losses from voids	(619)	(46)	(59)	(724)
Net rents receivable	49,423	1,990	630	52,043
Other Income	398	42	-	440
<b>TOTAL INCOME</b>	<b>49,821</b>	<b>2,032</b>	<b>630</b>	<b>52,483</b>
<b>EXPENDITURE</b>				
Services	(4,974)	(732)	(196)	(5,902)
Management	(6,398)	(341)	(5)	(6,744)
Routine Maintenance	(10,979)	(409)	(36)	(11,424)
Planned Maintenance	(6,411)	(393)	(9)	(6,813)
Rent Losses from Bad Debts	(420)	(10)	-	(430)
Depreciation of Housing	(4,307)	(86)	-	(4,393)
Lease Charges	(43)	-	-	(43)
<b>TOTAL EXPENDITURE</b>	<b>(33,532)</b>	<b>(1,971)</b>	<b>(246)</b>	<b>(35,749)</b>
<b>OPERATING SURPLUS ON LETTINGS</b>	<b>16,289</b>	<b>61</b>	<b>384</b>	<b>16,734</b>

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 33).

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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

### 3b TURNOVER FROM NON-SOCIAL ACTIVITIES

	2012 £'000	2011 £'000
<b>Lettings</b>		
Commercial Premises	219	234
Home Improvement Agency	944	-
Other	69	40
	<u>1,232</u>	<u>274</u>

### 4 OPERATING SURPLUS

	Note	2012 £'000	2011 £'000 Restated
<b>Operating Surplus is Stated after Charging/(Crediting)</b>			
<b>On Fixed Assets Other than Housing Properties:</b>			
Depreciation on owned assets	12	141	120
Provision for Impairment	12	-	-
<b>On Housing Properties</b>			
Depreciation	11	5,802	4,393
Surplus on disposals	5	(274)	(147)
<b>Auditor's Remuneration:</b>			
In their capacity as Auditors		31	24
<b>Operating Leases</b>			
Plant and Machinery		140	140
Other		77	26

A donation of £113,000 was made to Orbit Group Limited in accordance with a Group wide agreement to support development funding. The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 33).

### 5 SURPLUS ON SALE OF HOUSING PROPERTIES

	2012 £'000	2011 £'000
Proceeds from disposal	605	698
Cost of sales	(331)	(506)
Right to Buy clawbacks	-	(45)
<b>Gain</b>	<u>274</u>	<u>147</u>

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



## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

#### 6 DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

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

The Directors of the Association are its Board Members. Emoluments totalling £36k were paid to Directors during the year (2011: £46k).

Expenses paid to, and on behalf of Board Members are shown below. These amounted to £26k (2011: £24k).

	2012	2011
	£'000	£'000
Travel Costs	13	10
Meeting Costs	10	8
Training	1	1
Accommodation and Hospitality	<u>2</u>	<u>5</u>
<b>Gain</b>	<u><u>26</u></u>	<u><u>24</u></u>

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

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

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

	2012	2011
	£'000	£'000
Emoluments including pension contributions and benefits in kind	<u>-</u>	<u>-</u>
Emoluments excluding pension contributions paid to the highest paid Senior Executive	<u>-</u>	<u>-</u>

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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

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

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

	<b>2012 Number</b>	<b>2011 Number</b>
£Nil - £70,000	12	20

	<b>2012 £</b>	<b>2011 £</b>
Total expenses reimbursed to the senior executives not chargeable to United Kingdom income tax	<u>-</u>	<u>-</u>

No compensation was paid to directors for loss of office.

The average weekly number of persons (including the senior executives) employed during the year was:

	<b>2012 Number</b>	<b>2011 Number</b>
Office Staff	19	20
Scheme Staff	<u>14</u>	<u>15</u>
	<u><u>33</u></u>	<u><u>35</u></u>

Full-time	26	28
Part-time	<u>7</u>	<u>7</u>
	<u><u>33</u></u>	<u><u>35</u></u>

#### Full Time Equivalentents

Office Staff	19	21
Scheme Staff	<u>10</u>	<u>12</u>
	<u><u>29</u></u>	<u><u>33</u></u>

	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Staff costs for the Above</b>		
Wages and salaries	801	805
Social security costs	71	66
Other pension costs	<u>135</u>	<u>174</u>
	<u><u>1,007</u></u>	<u><u>1,045</u></u>

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

### 7 PENSION COSTS

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

The Association participates in The Local Government Pension Scheme (LGPS defined benefit statutory scheme) which is administered by Kent County Council (KCC). The Association has adopted accounting standard 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.

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

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

### 7 PENSION COSTS (CONTINUED)

#### Scheme assets

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

	<b>Value at 31/03/12 £000</b>	<b>Value at 31/03/11 £000</b>	<b>Value at 31/03/10 £000</b>
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
<b>Total Scheme Assets</b>	<b>5,781</b>	<b>5,707</b>	<b>5,467</b>
Total Value of Scheme liabilities	(7,871)	(6,703)	(7,799)
Net pension liability	<u>(2,090)</u>	<u>(996)</u>	<u>(2,332)</u>

#### Scheme liabilities

	<b>Year to 31/03/12 £000</b>	<b>Year to 31/03/11 £000</b>
<b>Opening defined benefit obligation</b>	<b>6,703</b>	<b>7,799</b>
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)
<b>Closing defined benefit obligation</b>	<b><u>7,871</u></b>	<b><u>6,703</u></b>

#### Expected Return on Assets

	<b>Expected rate of return</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
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>

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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

### 7 PENSION COSTS (CONTINUED)

	2012 £'000	2011 £'000
<b>Reconciliation of opening and closing balances of fair value scheme assets</b>		
Opening fair value of Scheme assets	5,707	5,467
Expected return on Scheme assets	388	365
Actuarial 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 year	<u>5,781</u>	<u>5,707</u>

### Analysis of amounts charged to Income and Expenditure

	2012 £'000	2011 £'000
<b>Amount charged to operating costs</b>		
Service costs	105	166
Past service costs	-	(755)
Curtailments and settlements	-	13
	<u>105</u>	<u>(576)</u>
<b>Amount charged to other financing costs</b>		
Expected return on Employers Assets	388	365
Interest on Pension Scheme Liabilities	(365)	(423)
	<u>23</u>	<u>(58)</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%)	(20.0%)	(15.3%)	17.3%

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

### 7 PENSION COSTS (CONTINUED)

#### Movement in deficit during the year

	2012 £'000	2011 £'000
<b>Deficit in pension scheme at 1 April</b>	(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 (losses)/gains	(1,168)	621
<b>Deficit in pension scheme at 31 March</b>	<u>(2,090)</u>	<u>(996)</u>

#### (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 accounts.

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.

<b>Life Expectancy from age 65 (years)</b>	<b>2012</b>	<b>2011</b>
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:

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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

### 7 PENSION COSTS (CONTINUED)

	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	<u>2,648</u>	<u>2,727</u>	<u>2,481</u>
Present value of scheme liabilities	<u>(3,420)</u>	<u>(3,260)</u>	<u>(3,492)</u>
Net pension liability	<u>(772)</u>	<u>(533)</u>	<u>(1,011)</u>

#### Scheme liabilities

	Year to 31/03/12 £000	Year to 31/03/11 £000
<b>Opening defined benefit obligation</b>	<b>3,260</b>	<b>3,492</b>
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
<b>Closing defined benefit obligation</b>	<b><u>3,420</u></b>	<b><u>3,260</u></b>

#### 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%

**ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

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

**7 PENSION COSTS (CONTINUED)**

**Reconciliation of opening and closing balances of fair value scheme assets**

	<b>2012</b> <b>£'000</b>	<b>2011</b> <b>£'000</b>
Opening fair value of Scheme assets	2,727	2,481
Expected return on Scheme assets	174	160
Actuarial (losses)/gains	(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:**

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

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

	<b>2012</b> <b>£'000</b>	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
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:**

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



## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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

#### 7 PENSION COSTS (CONTINUED)

##### 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	(8.5%)	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)
<b><u>Movement during the year:</u></b>			
Current service cost	(5)	(5)	(3)
Contributions paid	53	74	77
Past service gain	-	199	-
Other finance costs	2	(29)	(77)
Actuarial (loss)/gain	(289)	239	(72)
Deficit at the end of the year	<u>(772)</u>	<u>(533)</u>	<u>(1,011)</u>

#### (c) 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.

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

#### 7 PENSION COSTS (CONTINUED)

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.

#### (d) Social Housing Pension Scheme – Defined Contribution Scheme

From 1 October 2010, Orbit 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 nil active members of the Scheme employed by Orbit South Housing Association Limited.

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

#### (e) Orbit Group Personal Pension Scheme

Orbit operates a group personal pension scheme with Legal & General Assurance Society Limited, which is open to all existing and new members of staff. There was one Orbit South Housing Association Limited employee member at 31 March 2012.

Total employer contributions paid to the scheme for the year were £3k (2011: £5k). There were no outstanding or prepaid contributions at 31 March 2012.

#### 8 INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £'000	2011 £'000
Interest Receivable from Unlisted Investments	6	4

#### 9 INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £'000	2011 £'000
<b>On Bank Loans, Overdrafts and Other Loans</b>		
Redeemed in year	-	-
Repayable within 5 years, by instalments	806	864
Repayable by instalments wholly or partly, in more than 5 Years	11,539	6,726
Loan refinancing costs	-	-
Derivative interest	-	-
Other Interest	542	362
	12,887	7,952
Capitalised interest	(158)	(83)
	12,729	7,869

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

## **ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

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

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#### **10 TAX ON SURPLUS ON ORDINARY ACTIVITIES**

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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

11 HOUSING PROPERTIES

	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership	Care Estabs	Total
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	£'000	£'000	£'000
<b>COST</b>							
At 1 April 2011	419,139	49,106	13,012	-	-	858	482,115
Prior Year Adjustment	21,801	-	1,140	-	-	141	23,082
<b>Restated At 1 April 2011</b>	<b>440,940</b>	<b>49,106</b>	<b>14,152</b>	<b>-</b>	<b>-</b>	<b>999</b>	<b>505,197</b>
Reclassification	(204)	-	54	-	150	-	-
Additions from another RSL	31,785	-	698	-	1,090	-	33,573
Additions - construction costs	971	53,610	-	637	-	-	55,218
Additions - works to existing properties	6,878	-	689	-	-	-	7,567
Schemes completed	47,507	(47,507)	637	(637)	-	-	-
Additions from OGL	182,879	-	22,908	-	1,736	-	207,523
Disposals (including replaced components)	(1,512)	-	(131)	-	(2)	-	(1,645)
<b>At 31 March 2012</b>	<b>709,244</b>	<b>55,209</b>	<b>39,007</b>	<b>-</b>	<b>2,974</b>	<b>999</b>	<b>807,433</b>
<b>LESS: GRANTS</b>							
At 1 April 2011	(203,208)	(30,754)	(4,988)	-	-	(814)	(239,764)
Prior Year Adjustment	(2,401)	-	-	-	-	-	(2,401)
<b>Restated at 1 April 2011</b>	<b>(205,609)</b>	<b>(30,754)</b>	<b>(4,988)</b>	<b>-</b>	<b>-</b>	<b>(814)</b>	<b>(242,165)</b>
Reclassification	(96)	-	96	-	-	-	-
Additions from another RSL	(11,234)	-	(350)	-	(273)	-	(11,857)
Grants Receivable	(67)	(22,313)	-	(270)	-	-	(22,650)
Schemes completed	(25,408)	25,408	(360)	360	-	-	-
Transfer From Recycled Capital Grant Fund	-	(1,308)	-	(90)	-	-	(1,398)
Additions from OGL	(96,828)	-	(15,372)	-	(1,524)	-	(113,724)
Disposals	109	-	-	-	-	-	109
<b>At 31 March 2012</b>	<b>(339,133)</b>	<b>(28,967)</b>	<b>(20,974)</b>	<b>-</b>	<b>(1,797)</b>	<b>(814)</b>	<b>(391,685)</b>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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

11 HOUSING PROPERTIES (CONTINUED)

	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership	Care Estabs	Total
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	£'000	£'000	£'000
<b>ACCUMULATED DEPRECIATION ON HOUSING PROPERTIES</b>							
At 1 April 2011	(25,403)	-	(643)	-	-	-	(26,046)
Prior Year Adjustment	(9,601)	-	(470)	-	-	(61)	(10,132)
<b>Restated at 1 April 2011</b>	<b>(35,004)</b>	-	<b>(1,113)</b>	-	-	<b>(61)</b>	<b>(36,178)</b>
Reclassification	18	-	-	-	(18)	-	-
Additions from OGL	(10,829)	-	(922)	-	-	-	(11,751)
Charge for the Year	(5,214)	-	(588)	-	-	-	(5,802)
Eliminated in respect of Disposals	724	-	60	-	-	-	784
<b>At 31 March 2012</b>	<b>(50,305)</b>	-	<b>(2,563)</b>	-	<b>(18)</b>	<b>(61)</b>	<b>(52,947)</b>
<b>IMPAIRMENT ON HOUSING PROPERTIES</b>							
At 1 April 2011	(204)	-	(93)	-	-	-	(297)
Charge for the Year	4	-	-	-	-	-	4
At 31 March 2012	(200)	-	(93)	-	-	-	(293)
<b>NET BOOK AMOUNT</b>							
At 31 March 2012	319,606	26,242	15,377	-	1,159	124	362,508
At 31 March 2011 restated	200,123	18,352	7,958	-	-	124	226,557

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

### 11 HOUSING PROPERTIES (CONTINUED)

During the year total expenditure on works to existing properties excluding capitalised through Component Accounting was £8.9 million. None of this has been capitalised.

Additions to properties include capitalised interest costs of £158k (2011: £83k) and development administration costs of £1,678k (2011: £1,516k).

The Association reviewed its assets for impairment and £4k of provision was released to the Income and Expenditure Account. (2011: £Nil).

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

	<b>2012</b> <b>£'000</b>	<b>2011</b> <b>£'000</b> <b>Restated</b>
Within housing properties and work in progress	<u>23,981</u>	<u>24,052</u>
<b>The Net Book Value of Housing and Other Properties (note 12) comprises:</b>		
Freehold Land and Buildings	364,349	228,401
Long Leasehold Land and Buildings	<u>105</u>	<u>108</u>
	<u>364,454</u>	<u>228,509</u>
Housing properties	362,508	226,557
Other – freehold offices	1,841	1,844
Other – Commercial premises	<u>105</u>	<u>108</u>
	<u>364,454</u>	<u>228,509</u>

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

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 33).

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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

### 12 OTHER FIXED ASSETS

	Freehold Offices £'000	Commercial Premises £'000	Motor Vehicles £'000	Equipment & Fixtures £'000	Total £'000
<b>COST</b>					
At 1 April 2011	2,395	150	19	1,510	4,074
Additions	208	-	-	144	352
Disposals	(253)	-	-	(126)	(379)
Transfers from other group members	90	-	-	309	399
<b>At 31 March 2012</b>	<b>2,440</b>	<b>150</b>	<b>19</b>	<b>1,837</b>	<b>4,446</b>
<b>LESS: ACCUMULATED DEPRECIATION</b>					
At 1 April 2011	(542)	(42)	(19)	(1,310)	(1,913)
Charge for the Year	(43)	(3)	-	(95)	(141)
Depreciation on disposals	37	-	-	126	163
Transfers from other group members	(42)	-	-	(240)	(282)
<b>At 31 March 2012</b>	<b>(590)</b>	<b>(45)</b>	<b>(19)</b>	<b>(1,519)</b>	<b>(2,173)</b>
<b>LESS: IMPAIRMENT</b>					
At 1 April 2011	(9)	-	-	-	(9)
Charge for Year	-	-	-	-	-
At 31 March 2012	(9)	-	-	-	(9)
<b>NET BOOK AMOUNT</b>					
At 31 March 2012	<u>1,841</u>	<u>105</u>	<u>-</u>	<u>318</u>	<u>2,264</u>
At 31 March 2011	<u>1,844</u>	<u>108</u>	<u>-</u>	<u>200</u>	<u>2,152</u>

### 13 STOCKS

	2012 £'000	2011 £'000
Consumable Stocks	9	5
Housing Property Stocks	<u>500</u>	<u>-</u>
	<u>509</u>	<u>5</u>

Housing Property Stock consists of one development for Croydon Churches which is to be sold back to them on completion.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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

### 14 DEBTORS

	<b>2012</b> <b>£'000</b>	<b>2011</b> <b>£'000</b>
Rents and Service charges	4,986	4,076
Provision for Bad Debts	(944)	(750)
Net Rental Debtors	<u>4,042</u>	<u>3,326</u>
Service Charges due from Leaseholders	267	26
Prepayments and Accrued Income	752	273
SHG Receivable	5,194	4,388
Debtors due in more than one year	1,043	350
Provision – bad debts	(65)	(49)
Other Debtors	<u>930</u>	<u>507</u>
	<u>12,163</u>	<u>8,821</u>
Debtors after one year included above	<u>1,043</u>	<u>350</u>

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

	<b>2012</b> <b>£'000</b>	<b>2011</b> <b>£'000</b>
Trade Creditors	3,148	3,888
Rents Received in Advance	1,485	1,210
Amounts due to other Group Members	10,011	5,498
Loans from Group Companies	3,006	3,058
Housing Loans (Note 18)	342	305
Other Creditors	811	3,600
Disposal Proceeds Fund (Note 17)	114	288
Grants Received in Advance	3,670	4,270
Accruals and Deferred Income	2,440	1,176
Other taxation and social security payable	<u>-</u>	<u>-</u>
	<u>25,027</u>	<u>23,293</u>

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

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

	<b>2012</b> <b>£'000</b>	<b>2011</b> <b>£'000</b>
Leaseholder Maintenance and Renewal Provisions	1,950	1,197
Intra Group Loan	302,169	174,527
Bank Loans	12,529	12,871
Amounts due to other Group Members	-	366
Other Creditors	379	394
Accruals and Deferred Income	<u>-</u>	<u>348</u>
	<u>317,027</u>	<u>189,703</u>



## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

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

	RCGF £000	DPF £000	TOTAL £000
<b>At 1 April 2011</b>	-	811	811
Purchase of Rented Units	(197)	(288)	(485)
Grants Recycled	189	-	189
Interest Accrued	-	3	3
Transfers to other Group Members	117	-	117
	<u>109</u>	<u>526</u>	<u>635</u>
<b>At 31 March 2012</b>			
Due within one year	-	114	114
Due after more than one year	109	412	521
	<u>109</u>	<u>526</u>	<u>635</u>

#### 18 HOUSING LOANS AND FINANCE LEASE OBLIGATIONS

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

The Loan from Orbit Treasury Limited is secured by fixed charges on individual properties. The interest rates ranged between 4.10% and 5.15% for the year ended 31 March 2012.

The Greenwich NatWest loan is secured by fixed charges on individual properties. The loan is repayable half yearly in instalments. The interest rates are between 10.7% and 11.9% and the final instalments fall to be repaid in 2026 and 2032.

	2012 £'000	2011 £'000
<b>Due Within One Year:</b>		
Orbit Treasury Limited	3,006	3,058
Greenwich NatWest Limited	342	305
	<u>3,348</u>	<u>3,363</u>
<b>Due After More Than One Year:</b>		
Orbit Treasury Limited	302,170	174,527
Greenwich NatWest Limited	12,529	12,871
	<u>314,699</u>	<u>187,398</u>
<b>Total Housing Loans</b>	<u>318,047</u>	<u>190,761</u>

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

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

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

	2012 £'000	2011 £'000
<b>In one year or less:</b>	<u>3,348</u>	<u>3,363</u>
<b>Repayable in instalments:</b>		
In more than one year but not less than two years	3,733	6,763
In more than two years but not more than five years	10,473	10,471
In more than five years	300,493	170,164
	<u>314,699</u>	<u>187,398</u>

None of the loans are repayable other than in instalments.

The interest rate profile of Orbit South Housing Association Limited at 31 March 2012 was:

	Total £'000	Variable £'000	Fixed rate £'000	Weighted average Rate %	Weighted Average term of fixing in years
Instalment loans	<u>318,047</u>	<u>215,732</u>	<u>102,315</u>	<u>4.70%</u>	<u>23</u>

#### 19 CALLED UP SHARE CAPITAL

	2012 £	2011 £
<b>Shares of £1 Each, allotted, issued and fully paid</b>		
At 1 April 2011	20	20
Issued	1	1
Cancelled during the year	(9)	(1)
	<u>12</u>	<u>20</u>
<b>At 31 March 2012</b>	<u>12</u>	<u>20</u>

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

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

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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

### 20 DESIGNATED RESERVES

	At the Beginning of the year £'000	Transfer to reserves £'000	Release of reserve during the year £'000	At 31 March 2012 £'000
Renewal of Furniture and equipment	2,409	2,285	(311)	4,383
Insurance	187	-	-	187
	<u>2,596</u>	<u>2,285</u>	<u>(311)</u>	<u>4,570</u>

Transfer to reserves includes £1,655k that came across with Orbit East properties which were purchased on 1 April 2011.

### 21 PENSION LIABILITY

	At the Beginning of the year £'000	Transfer to reserve £'000	Transfer to General Reserves £'000	At 31 March 2012 £'000
Retirement Benefit Obligation				
KCC scheme	996	1,168	(74)	2,090
Bexley scheme	533	289	(50)	772
	<u>1,529</u>	<u>1,457</u>	<u>124</u>	<u>2,862</u>

### 22 REVENUE RESERVES

	2012 General Reserve £'000	2011 General Reserve £'000 Restated
<b>Opening Balance</b>	21,125	4,172
Surplus for year	10,496	9,115
Prior Year Adjustment – Component Accounting	-	7,294
Designated Reserves	(488)	(316)
FRS17 Actuarial loss	(1,457)	860
<b>Closing Balance</b>	<u>29,676</u>	<u>21,125</u>

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

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 33).

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

#### 23 CAPITAL COMMITMENTS

	2012 £'000	2011 £'000
Capital Expenditure which has been contracted for but has not been provided for in the financial statements	72,202	70,145
Capital Expenditure which will be delivered through the planned maintenance programme and capitalised through component accounting	3,831	-
Capital Expenditure which has been authorised under authority from the Board but has yet to be contracted for	<u>49,843</u>	<u>6,354</u>
	<u>125,876</u>	<u>76,499</u>
The Association expects these commitments to be financed with:		
Social Housing Grant	37,549	27,756
Committed Loan Facilities (Orbit Treasury Limited)	<u>88,327</u>	<u>48,743</u>
	<u>125,876</u>	<u>76,499</u>

#### 24 CONTINGENT LIABILITIES

There were contingent liabilities as at 31 March 2012 of £Nil (2011: £Nil).

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

	2012 £'000	2011 £'000 <b>Restated</b>
Operating Surplus	22,142	16,920
Bad Debt Provision Increase/(Decrease)	210	(9)
Release of provision for impairment	(4)	(35)
Depreciation	5,943	2,128
Increase in stocks	1	-
Decrease in pension scheme liability	(99)	(1,041)
Decrease in Debtors	675	1,122
Increase/(decrease) in Creditors	(1,475)	4,791
Intercompany transactions	<u>(358)</u>	<u>-</u>
Net Cash Inflow from Operating Activities	<u>27,035</u>	<u>23,876</u>

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 33).

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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

### 26 ANALYSIS OF MOVEMENTS IN GRANTS

	Social Housing Grant £'000	Other Capital Grants £'000	Total £'000
<b>At 1 April 2010</b>	215,385	327	215,712
Cash received	13,518	-	13,518
Transferred from Group in Work in Progress	10,477	-	10,477
Movement in Net Current Assets	(67)	-	(67)
Released from RCGF and DPF	124	-	124
<b>At 1 April 2011</b>	<u>239,437</u>	<u>327</u>	<u>239,764</u>
Prior year adjustment	2,401	-	2,401
<b>Restated opening balance at 1 April 2011</b>	<u>241,838</u>	<u>327</u>	<u>242,165</u>
Cash received	24,583	1,252	25,835
Transferred in on Group reorganisation	113,724	-	113,724
Transferred from Group in Work in Progress	(2,272)	-	(2,272)
Movement in Net Current Assets	(109)	-	(109)
Released from RCGF and DPF	485	-	485
<b>At 31 March 2012</b>	<u>378,249</u>	<u>1,579</u>	<u>379,828</u>

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

	2012 £'000	2011 £'000
Increase in cash in the year	1,005	737
Decrease in Bank Deposits (with a Maturity in Excess of 24 Hours)	-	-
Loans received	(159,578)	(59,892)
Loans redeemed	32,293	42,413
Increase in Net Debt	<u>(126,280)</u>	<u>(16,742)</u>
Net Debt at 1 April 2011	<u>(189,528)</u>	<u>(172,786)</u>
<b>Net Debt at 31 March 2012</b>	<u>(315,808)</u>	<u>(189,528)</u>

### 28 ANALYSIS OF CHANGES IN NET DEBT

	1 April 2011 £'000	Cash Flows £'000	Other Changes £'000	31 March 2012 £'000
Cash at Bank and in Hand	1,234	1,005	-	2,239
Housing Loans due within One Year	(3,362)	305	(291)	(3,348)
Housing Loans Due After One Year	<u>(187,400)</u>	<u>(127,590)</u>	291	<u>(314,699)</u>
	<u>(189,528)</u>	<u>(126,280)</u>	<u>-</u>	<u>(315,808)</u>

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

#### 29 FINANCIAL COMMITMENTS

##### Operating Leases

As at 31 March 2012 Orbit South Housing Association Limited was committed to making the following payments during the year in respect of operating leases other than land and buildings.

	2012 £'000	2011 £'000
Leases which expire within one year	7	5
Leases which expire within 2-5 years	194	155
	<u>201</u>	<u>160</u>

#### 30 PROPERTY PORTFOLIO - OWNED AND MANAGED STOCK

	2012 No.	2011 No.
General Needs	13,676	10,250
Intermediate Rent	150	-
Supported Housing	1,622	902
Key Worker	156	156
<b>Total Owned by Orbit South Housing Association Limited</b>	<u>15,604</u>	<u>11,308</u>
Leasehold	1,032	822
Private Retirement Schemes	656	-
Managed on behalf of others	476	227
<b>Leasehold and Other Managed</b>	<u>2,164</u>	<u>1,049</u>
<b>Total Social Housing Units</b>	<u>17,768</u>	<u>12,357</u>
Commercial Units	<u>3</u>	<u>3</u>
<b>Total Non-Social Housing Units</b>	<u>3</u>	<u>3</u>
<b>Stock in Development as at 31 March 2012</b>		
General Needs	<u>669</u>	<u>700</u>

#### 31 ULTIMATE PARENT ENTITY

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

Orbit Group Limited is the parent undertaking of the only group of undertakings to consolidate these financial statements at 31 March 2012.

A list of the members of Orbit Group ("Orbit") is contained within the consolidated financial statements of Orbit Group Limited.

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

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2012

#### 32 RELATED PARTY TRANSACTIONS

Orbit South Housing Association Limited is a subsidiary of Orbit Group Limited (the parent). Shares are held by the Board members and the parent. Under the Association's rules the parent has the right at any time to appoint or remove any or all of the members of the Board. On this basis the Association considers itself to be wholly owned and has chosen to take advantage of the exemption not to disclose transactions with group entities as defined by paragraph 3(c) FRS8 (Related Party Disclosures). There were no other related party transactions to disclose under FRS8.

#### 33 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 amendments to be made to reflect the first-time implementation of component accounting. The revised housing policies are detailed in Note 1.

The impact of implementing component accounting for Orbit South Housing Association Limited has been to increase both housing property net cost and reserves by £10.5 million. There is no impact for changes in respect of negative goodwill.

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

	<b>2011</b> <b>£'000</b>
<b>BALANCE SHEET</b>	
<b>Tangible Fixed Assets – Housing Properties</b>	
Cost	23,082
Depreciation	(10,132)
Depreciated Cost	12,950
Grant	2,401
Net Book Value	<u>10,549</u>
<b>Negative Goodwill</b>	<u>-</u>
<b>General Reserves</b>	<u>(10,549)</u>
	<u>-</u>
<b>INCOME AND EXPENDITURE ACCOUNT</b>	
<b>Operating Costs – Social Housing Lettings</b>	(3,255)
<b>Operating Surplus</b>	<u>(3,255)</u>
<b>Surplus after Transfer to Reserves</b>	<u>(3,255)</u>
<b>Restatement of Opening Balance</b>	<u>(7,294)</u>
	<u><u>(10,549)</u></u>