building communities

Financial Statements

2014–15

For the Year Ended 31 March 2015

Cooperative and Community Benefit Society Number 28503R
Home and Communities Agency Number L4123

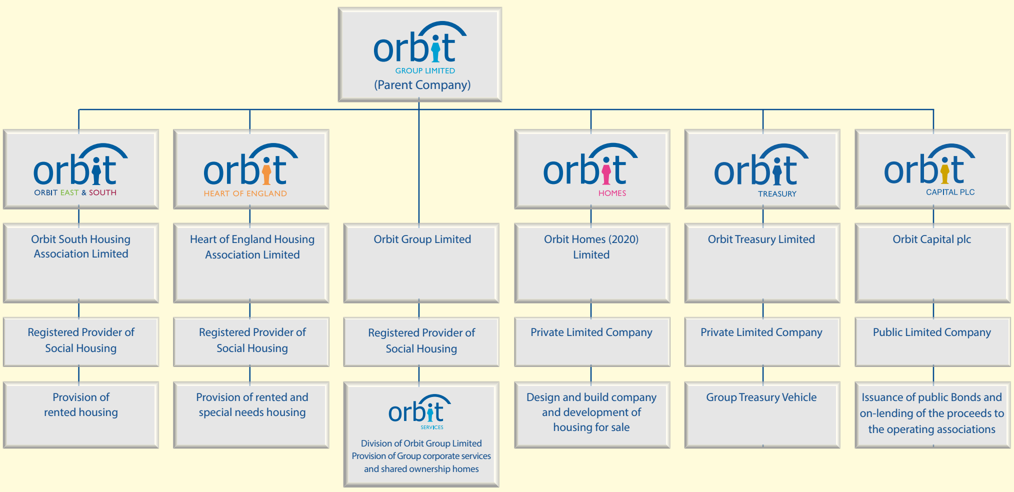
Orbit Group Limited

Contents

Operating and Financial Review

Group Structure & Overview

The Orbit Group manages 38,000 homes and serves around 100,000 customers across the Midlands, East and South East. We have been growing and thriving for almost 50 years. Orbit Living is our housing management business comprising Orbit Heart of England, Orbit East and Orbit South. Orbit Homes is our development and sales organisation, building around 1,500 new homes a year, including market sale. Orbit Treasury is our main funding vehicle, delivering more than 95% of our loan funding. Orbit Group Limited is the parent organisation of the Orbit Group - it includes Orbit Services which provides a range of professional and support services to both internal and external customers. Orbit Capital plc was set up during 2014-15 as a funding vehicle for the issue of our first bond.



What we do:

Orbit offers a wide range of services and housing options to our customers, as well as professional and support services to numerous other housing organisations. Our core services include:

- General needs rented;
- Older persons housing including sheltered and very-sheltered schemes, private retirement schemes and extra-care;
- Low cost home ownership;
- Homes for market sale;
- Help to Buy;
- Supported housing (including mother and baby, ex-offender, homeless, victims of domestic violence and mental health); and
- Care and Repair/Home Improvement Agencies.

Objectives and Strategy

Our purpose remains unchanged; to improve the social, economic and environmental prospects of people and communities. We break this down into three key areas:

Vision

Purpose (why we exist)	**Building Communities** By working together to improve the social, economic and environmental prospects of people and communities		
Passion (What we do)	**Housing Choice** Providing a wide range of homes to meet needs and aspirations	**Community Investment** Creating thriving and empowered communities	**Customer Offer** Enabling customers to make choices and take control
Resources (How we do it)	**People** Investing in our people, creating a dynamic culture of trust, enterprise and achievement	**Value** Maximising efficiency and resources through a commercial approach	**Futures** Harnessing insight, innovation and technology to create solutions
Principles	Live our Values Lead and influence Disciplined, open and accountable	Be 'One Team' Simplify and be consistent Make profits to re-invest	Innovate & change Learn from others Customer driven

This vision is delivered through the 2020 programme which sets out the long term strategy for Orbit, focused around the three key areas of housing choice, community investment and customer offer.

Our business planning cycle has been developed around three phases to achieve our objectives by 2020. 2014-15 was the final year of phase 1, creating the platform, and we are now looking forward to the next stage of our plan in 2015-16 – delivery and growth:

1. **Creating the platform 2013-2015:** Simplification and consistency and getting the basics right to create the platform we will need to deliver our 2020 targets. We have now completed this phase of the plan.
2. **Delivery and growth 2015-2017:** Driving forward our plans as we start to achieve the 2020 targets while continuing to evolve and develop to meet new challenges and opportunities.
3. **Achieving our vision 2017-2020:** Delivering our 2020 targets by maximising our organisational potential and performance to deliver the nine outcomes we set in 2013.

2014-15 Highlights

Despite a challenging operating environment, we have delivered strong performance during the year, meeting or exceeding 88% of the targets set within the 2014-15 Business Plan and exceeding target by delivering a surplus of £45.4m. We continued to make good progress towards our 2020 targets during the year.

We delivered a significant and successful transformation programme while completing the country's third largest Affordable Homes Programme pipeline, continuing to deliver good service levels to customers, and reducing management costs with efficiency savings of £1.8m.

We also delivered a £1.8m community investment programme, beating targets by helping over 200 people into employment, providing training and support to over 1,500 people and have now given energy and budgeting advice to almost 9,000 people.

Other highlights for the year include:

- Delivering 1,521 new homes - a 100% increase on last year
- Achieving a market sales surplus of £3.4m - surpassing our annual targets
- Maintaining strong arrears performance at 3%, despite welfare reforms
- Securing our first ever Bond of £250m to fund further homes
- Increasing online transactions to 11% from a base of below 5%

Our 2014-15 Business Plan committed to delivering a range of outcomes and targets around Housing Choice, Customer Offer, Community Investment and Organisation. These are summarised below.

Housing Choice

Orbit Homes enjoyed very strong performance during the year, exceeding its affordable homes target of 843 to deliver 1,031 homes. It also delivered 342 Shared Ownership homes against a target of 303 and achieved a surplus of £3.4m on market sale against a target of £2.9m.

Our first Private Rented site was acquired at St Anne's Wharf in Norwich and good progress was made on contracts and planning at the second in Stratford-upon-Avon. We also clarified our product range and completed market research on a new product, which we aim to implement in 2015-16.

Orbit also delivered a highly-successful campaign promoting Shared Ownership which resulted in a Government consultation - Shared Ownership 2.0 – Towards a Fourth Mainstream Tenure (available at http://www.cih.org)

Customer Offer

Performance on core services such as gas was exceptional with only 2 of our homes without a gas certificate at year end, both of which were completed in early April. Although we did not deliver our repairs service satisfaction target of 85%, within the context of declining satisfaction generally and contractor challenges, our year end performance of 80.3% was fair and is continuing to improve. This will remain a key focus for the business during 2015-16.

At 3% our arrears performance was strong given major structural changes in the teams and significant changes and pressures around welfare reform.

Delivery of a new website and innovations such as 'Live Chat' - a housing first - saw the number of online transactions rise to 11.3% by the end of the year, beating our target.

Community Investment

Our performance in this area was very strong with the majority of targets surpassed with a new team in place and a more strategic and ambitious approach. In total, Orbit invested £1.8m against the priorities identified in the new community profiles developed for the first time this year.

The team exceeded many of its targets, providing 1,530 employment and training places against a target of 850 and helping 224 people into work against a target of 135. Almost 1,000 people were given training on digital engagement. Orbit also secured almost £1.2m of external funding through the Home Improvement Agencies and negotiated an Energy Company Obligation funding deal worth up to £2m.

Organisation

Orbit completed an ambitious and wide-ranging two-year transformation programme, successfully delivering 97% of the projects identified in 2013 and implementing major structural changes within Orbit Living.

Our focus on efficiency saw procurement savings of £1.1m and other savings of almost £0.7m as management costs as a percentage of income fell again. We began to embed our 'profit for a purpose' culture and successfully launched refreshed value behaviours shaped by staff.

Finally, the successful launch of a £250m Bond was a real endorsement of our financial strength, track record of delivery, strong governance, growing reputation and clear future plans.

Priorities and targets – 2015-16

Our focus for the next two years will now move to 'Delivery and Growth'.
We will do this by focussing on four strategic priorities:

1. Providing **quality services** to our customers;
2. Delivering 3,600 affordable **new homes**;
3. Improving our efficiency to generate **increased profits** for investment into new homes and services; and
4. Continued development of our **people and organisation** so we can do more and better.

Our targets for 2015–16 as we move towards achieving our overall 2020 targets are:

	2015-16 targets	2020 outcome
Housing Choice: Providing a wide range of homes to meet needs and aspirations	917 general needs homes for rent 319 Shared ownership homes 250 Market sale homes Deliver private rented product Rethink housing product plan	Deliver 12,000 homes Provide a full range of home rental and ownership options Provide a flexible housing journey for customers
Community Investment: Creating thriving and empowered communities	1,150 capacity and training places 160 employment outcomes £1.9m Orbit investment £400k external and £1.5m ECO funding secured Increase number of homes at Band C by 1,119	Provide 10,000 training and capacity building activities to support empowerment, opportunities and jobs Deliver £30 million of investment into communities, including external funding Achieve a minimum energy rating of Band C in our homes (delivery date subject to Government funding)
Customer offer: Enabling customers to make choices and take control	79% rented customer satisfaction 20% of customer transactions online Financial and fuel poverty advice to 2,500 people	Ensure 75% of customer contacts are online Provide a range of tailored services which satisfy 90% of customers Provide financial and energy efficiency advice to 20,000 people

These priorities form the basis of the Group Business Plan, and drive the operating plans of each of the Group members. Each Board approves its own operating plan, and subsequently monitors progress against the detailed delivery plans via regular performance reports.

Delivery of our 2020 vision and outcomes will be achieved through a culture which is driven by 'Profit for a Purpose' – we have defined this as maximising efficiency and resources through a commercial approach; harnessing insight and innovation; and investing in our people to create a dynamic culture of trust, enterprise and achievement. By April 2017 we aim to deliver a staff engagement score of 74% by putting people at the heart of the business and we are developing an integrated engagement plan to ensure managers are equipped to engage their teams, as we know that enhancing staff engagement and driving a more dynamic and commercial culture will be critical to our success.

Underpinning our commercial approach of 'Profit for a Purpose' are our values of honesty, respect, excellence, partnership and innovation which are required of all staff across every part of the organisation.

Performance for the year – 2014-15

	2014-15 achievements	2020 outcome
Housing Choice: Providing a wide range of homes to meet needs and aspirations	We delivered over 1,500 new homes We started to develop schemes for private rented homes We are creating a product to enable people to move from renting to owning a share of their home	Deliver 12,000 homes Provide a full range of home rental and ownership options Provide a flexible housing journey for customers
Community Investment: Creating thriving and empowered communities	We provided over 1,500 employment related training and support opportunities and supported 224 people into jobs. We achieved our target of investing £1.8 million into our communities We started works on our programme to ensure all properties reach Band C.	Provide 10,000 training and capacity building activities to support empowerment, opportunities and jobs Deliver £30 million of investment into communities, including external funding Achieve a minimum energy rating of Band C in our homes (delivery date subject to Government funding)
Customer offer: Enabling customers to make choices and take control	We developed our online offer, achieving 11% of contacts online and supported customers through digital inclusion activities. We completed a major restructure to transform how we provide services and focused on improving satisfaction with our repairs service. We achieved our target of providing fuel poverty and financial inclusion advice to over 2,000 customers	Ensure 75% of customer contacts are online Provide a range of tailored services which satisfy 90% of customers Provide financial and energy efficiency advice to 20,000 people

Our performance against the key performance indicators (KPIs) agreed by the Group Board over the last three years is shown below:

		Target 2014-15	Actual 2014-15	Actual 2013-14	Actual 2012-13
	Homes				
1	Number of new homes completed	1,296	1,521	865	914
2	Outright sales profit	£2.9m	£3.4m	£2.8m	N/A
3	Satisfaction with new homes (sales – Net Promoter Score)	58	57	50	N/A
4	Satisfaction with new homes (rented)	90%	76%	71.4%	N/A
	Customer				
5	Customer satisfaction with repairs	85%	80.3%	78.5%	85.2%
6	Gas safety	100%	99.99%	100%	99.9%
	Finance				
7	Immediately available cash & loans against budget	100%	200%	142%	356%
8	Management costs as a % of rent	28%	25%	26%	26%
9	Surplus for the year	£29m	£45m	£67m	£41m
10	Net arrears	2.8%	3%	2.7%	2.8%
11	Staff turnover – voluntary (annualised)	12%	13%	16%	N/A

In 2014-15 we have achieved 5 of our 11 KPIs:

- The number of homes completed exceeded target, and was over double the number of completions in the previous year.
- Sales performance has been strong with both first tranche, void and outright sales exceeding targeted levels. Satisfaction levels with new homes were below target and we will seek to improve this in 2015-16.
- Customer satisfaction with repairs has improved during the year, with improvement plans put in place with all main contractors to focus on the key drivers of customer satisfaction. These will be further developed to sustain and further improve performance into 2015-16.
- Gas safety saw excellent performance with only two properties outstanding at 31st March, both of which were completed in early April.
- Arrears performance was slightly below target, and was impacted by a major restructure during the year. As new staff and processes were embedded, performance has improved over the final quarter.
- All key financial targets were exceeded for the year, with efficiencies made, achieving a reduction in management costs and outperformance of the budgeted profit.

In addition to these measures, our annual customer survey (STAR) rated customer satisfaction at 81.1% (2014: 76.6%). This is extremely positive, showing an increase across all our operating areas and reflecting the improvements implemented during the year.

Performance for the year - financial

Financial summary

Income & Expenditure Account	2014-15 £m	2013-14 £m	2012-13 £m	2011-12 £m	2010-11 £m
Turnover	**244**	222	193	177	165
Operating surplus	**66**	62	46	47	42
Operating margin	**27%**	**28%**	**24%**	**27%**	**25%**
Profit on sale of housing	**15**	36	23	11	1
Surplus as % turnover	**19%**	**30%**	**21%**	**19%**	**11%**
Surplus excluding interest as % of turnover	**33%**	**44%**	**36%**	**33%**	**26%**

Balance sheet	2014-15 £m	2013-14 £m	2012-13 £m	2011-12 £m	2010-11 £m
Tangible fixed assets	**1,219**	1,083	984	936	846
Net current assets	**113**	51	78	46	32
Total assets less current liabilities	**1,332**	**1,134**	**1,062**	**982**	**878**
Creditors due after more than one year	**905**	752	747	707	632
Designated reserves	**11**	9	9	8	7
Revenue reserves	**416**	373	306	267	239
	1,332	**1,134**	**1,062**	**982**	**877**

Key indicators	2014-15	2013-14	2012-13	2011-12	2010-11
Interest cover	**2.19**	2.46	1.86	1.87	1.83
Debt per unit (£k)	**27.9**	24.2	23.8	22.4	20.7
Headroom above loan covenants (£m)	**37.2**	36.0	23.5	21.4	17.6
Months cash /secured loans available	**18**	30	24	19	18
Months approved loans available	**24**	30	36	27	18
Void loss as % of rent	**1.8%**	1.8%	1.6%	1.7%	1.4%

2014-15 saw a continued growth in our strong financial position, delivering an overall surplus for the year of £45 million (2014: £67 million.) Operating surplus was £66 million (2014: £62 million). Turnover was £244 million, increasing £22 million from 2014. 47% of the overall surplus came from the sale of properties, primarily void and market sales. Our key financial performance indicators have all been achieved for the year and exceeded targeted levels.

The surplus generated will allow us to continue to reinvest; firstly in our existing properties through our annual component replacement programmes. We will also invest in improving services for our customers, in our communities, and to continue to develop new homes.

The balance sheet has also increased in strength with fixed assets increasing to £1,219 million (2014: £1,083 million) and reserves to £427 million (2014: £383 million), with a total of 38,000 homes in management.

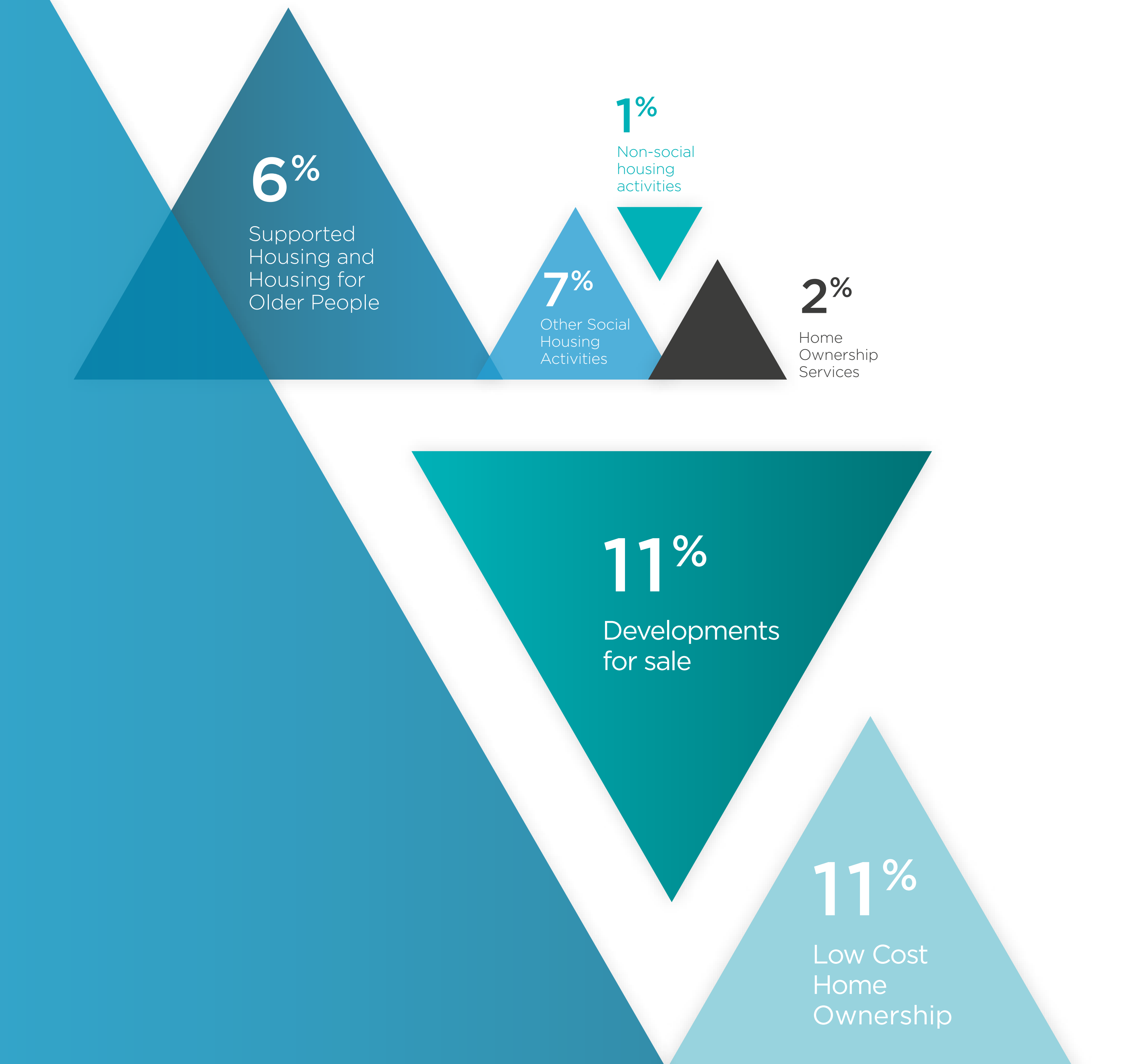
The principal accounting policies are set out in Note 1. The key policies which have the most significant impact and/or require judgement are housing property components, capitalisation of interest, grants and provisions.

Turnover
2014–15

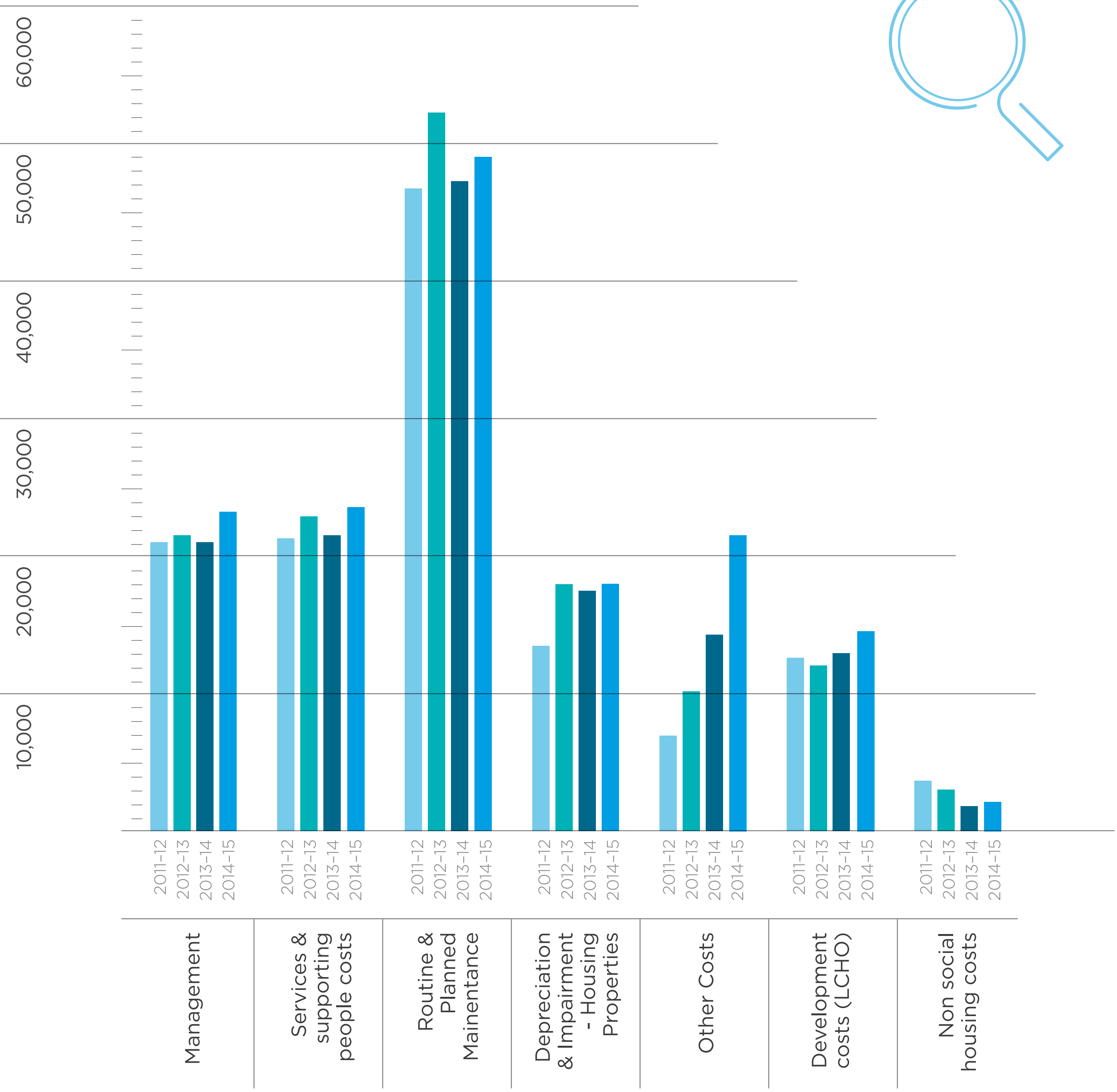
62%

General Needs Housing

The majority of our income continues to be generated from our core business – the rented portfolio of general needs housing and housing for older people.



Comparison of Costs



Our largest area of expenditure continues to be the maintenance of our properties, which was £50 million in 2014-15. This includes £4m as we commenced our programme to improve the energy efficiency of our properties, in line with our objective to bring all properties up to band C. A further £13.6m was spent on the replacement of components (including kitchens, bathrooms and boiler replacements) which has been capitalised. Management costs have increased year on year by £3m at £24m in 2014-15. This is partly due to our success in winning the governments HelptoBuy agency in the Midlands and East coupled with staff restructuring costs in certain parts of the business as we moved resources into increased community investment work. Other costs are also higher year on year reflecting additional properties developed on behalf of others. However, this is fully recovered by the income received.

External Environment

The external environment in 2015-16 will continue to provide a range of challenges and opportunities to Orbit, in particular, the further savings to be made from benefits expenditure and the potential impact this will have on our customers, who have already seen their household budgets squeezed over the last five years. We will therefore continue our work to address the key issues facing our customers, including financial hardship, improving access to training and jobs and awareness of fuel poverty as part of our commitment to investing in our communities.

The recovering housing market and on-going growth in the private rented sector provide both challenge and opportunity, as we seek to contribute to redressing the underlying shortfall in housing supply. There continues to be strong demand for housing reflected in increasing house prices and driven by the continuing annual shortfall in new homes, but many face continuing difficulties in accessing mortgage funding. We will seek to address these issues through delivery of our targeted number of new homes and developing alternative products for those unable to buy homes outright.

The changes announced in the July budget and proposed extension of the Right to Buy policy to a wider range of our customers present further challenges we need to understand and respond to in the forthcoming year. We will undertake work to model the impact of these policy changes on our plans once further details are available as well as working with others to understand and implement them in the context of our aspiration to develop as many affordable homes as possible.

Affordable Rents - Our development contract with the HCA means we are seeing increasing numbers of affordable (up to 80% market rent) homes within our portfolio. Not only are many of our new homes being let on affordable tenancies, but we are also converting some of our older homes to affordable. We now have over 2,000 affordable tenancies, making up around 7% of our rented stock.

While these are an increasing trend, it should be noted Orbit operates in a number of areas where affordable rents are less than or very similar to social rents. Conversely, in some areas where affordable is considerably more than social rents, we have taken a decision to apply 65% of market rents only, to ensure the properties remain affordable for our core customer base. We will continue to review the impact of affordability on our customers during 2015-16.

Welfare Reform Strategy – We have continued with our preparations and response to welfare reform, adapting our business plans in order to face the challenges. We are widely recognised as a leader in the field, have been nominated for numerous awards and had our communication materials adopted by many other organisations. Our efforts and achievements this year and into 2015-16 are focussed on:

- Prevention of arrears and early interventions, vetting all potential customers to ensure they can afford and sustain their tenancy. This leads to support referrals where we identify any risk factors. Where a customer cannot afford the tenancy, any offer is withdrawn;
- A relentless information campaign enabling customers to make informed choices and maximise their income, or downsize to ensure they can afford their home and prevent losses to the business;
- Maximising the potential of our IT systems, so that customers falling behind with their rent are contacted immediately and referred to an internal specialist advice team if necessary;
- Offering a broad range of innovative payment options.
- We have obtained trusted partner status with the Department for Work and Pensions
- We participated in, and helped shape, various Universal Credit trials in a number of different boroughs.
- We are continuing to monitor the external environment for future changes, compiling risk maps for areas such as the reduced benefit cap and withdrawal of benefit to those aged under 21.

Regulatory changes - The HCA is the regulatory body for registered providers (RPs) of social housing in England. With a statutory duty to minimise interference, it operates a system based on the principles of co-regulation. Under this system, RPs are required to meet both consumer and economic standards as set out in the Regulatory Framework, with the responsibility firmly lying with boards. The regulator may intervene where there is a breach or potential breach of a consumer standard, which leads to the risk of 'serious detriment' to tenants.

A more proactive role is taken with regards to the economic standards, with assurance sought that they are adhered to. Periodically published regulatory judgements ensure the confidence of lenders and the like is maintained. The regulator will also identify RPs at greater risk of failure and intervene accordingly. Tenants' role in the co-regulatory approach is to hold boards to account via scrutiny panels set up by their landlords. In recent times we have seen a diversification of the sector in terms of the services offered, with many RPs venturing into new business areas. This has prompted the HCA to revise its regulatory framework to ensure historic government subsidy is protected. The revised regulatory framework coming into effect for 2015-16 will mean adapting to changing requirements, specifically around how we maintain records of assets and liabilities and conduct stress testing of our financial plan to ensure we are aware of the impact of different scenarios on our business.

Risk Management

The Orbit Board maintains overall responsibility for strategic risk management. There are systems in place to ensure the Board and Executive Team can analyse, understand, manage and mitigate key strategic and business critical risks.

Our approach to risk management is based on good practice and the control environment to manage risk is continually reviewed and monitored by the Audit, Risk and Compliance Committee (ARAC) on behalf of the Orbit Board. All of our subsidiaries are required to implement the Orbit risk management framework and provide reports to their respective Boards.

We have identified four 'Business Critical Risks', which are actively managed, and a further five 'Strategic Risks' which are monitored.

Risk	Description and mitigation
Inability to keep Orbit's employees, customers and key stakeholders safe from harm	Following the re-organisation within Orbit Living and the bedding in of new roles and structures, the risk of failing to deliver statutory health and safety has increased. This is mitigated through assurance provided by the Health and Safety Team and Internal Audit that the Compliance service within Orbit Living is operating effectively.
House sales income variations due to the operating environment	It is increasingly important to deliver our targeted housing property sales in an environment of reducing grant levels. The risks around non-delivery of sales income are mitigated by management of the supply of units and weekly monitoring of performance.
Financial plans assumptions are representative of the current economic environment	Failure to meet key financial assumptions within the plan could impact on the viability of the Group and ability to deliver our targets. This is mitigated by regular financial monitoring, multi variate stress testing and maintaining £10m headroom against loan covenants.
Governance and leadership impacting on service delivery and regulatory involvement including succession planning for key Leadership Team members	The risks associated with poor governance and leadership has been raised as an issue as a result of risk changes e.g. gas inspections and maintenance performance. It is also as a result of Orbit increasing its own risk profile with the bond. In addition to this the Regulator has a new approach to regulation including In Depth Assessments and whilst we have mitigation in place including stress testing and monitoring, the impact of scenarios need to be closely monitored.

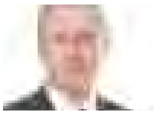
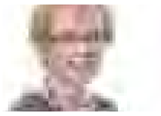
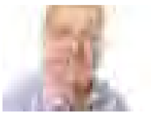
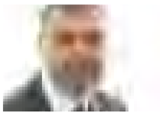
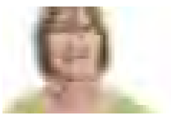
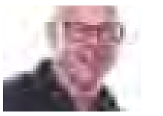
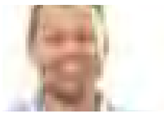
These are reviewed by ARAC and the Executive Team every quarter, along with the following 'Strategic Risks':

1. Inability to effectively adapt to welfare reform
2. Delivery of a poor repairs service following transition from a mixed in house and outsource model to full outsourced
3. Lack of skills within Orbit to deliver diversification in an effective manner
4. Unable to deliver government development contracts
5. Not being able to embed culture change in a sufficient manner so as to deliver 2020 aspirations

Board members, Executive Officers and Auditors

Board Members

Name	Position	Appointed	Retired
The Rt Hon Baroness Blackstone	Chair/Non Exec Director	1st February 2013	
Professor Tony Crook	Deputy Chair/Non Exec Director	1st October 2010	
Fran Beckett	Non Exec Director	1st April 2011	
Richard Berrett	Non Exec Director	10th July 2013	
Steve Brown	Non Exec Director	1st February 2013	
Chris Crook	Non Exec Director	6th December 2011	
Andrew Stanford	Non Exec Director	1st April 2014	
Paul Tennant	Executive Director	11th September 2012	
David Young	Non Exec Director	10th July 2103	

	Executive Director	Role
	Paul Tennant	Chief Executive
	Anne Turner	Chief Operating Officer
	Paul High	Executive Director – Orbit Homes
	Afzal Ismail	Executive Director – Orbit Services
	Vivien Knibbs	Executive Director – Orbit Living
	Tony Williams	Executive Director – People (retired April 2015)
	Boris Worrall	Executive Director – Futures

	Independent Auditors	Principal Solicitors	Registered Office
Address	PricewaterhouseCoopers LLP Cornwall Court 19 Cornwall Street Birmingham B3 2DT	Towers and Hamlins 3 Bunhill Row London EC1Y 8YZ	Garden Court Binley Business Park Harry Weston Road Binley Coventry CV3 2SU

Value for Money

Board Statement

As the Board, we have ultimate accountability for driving, embedding and delivering value for money (VFM) across Orbit.

Our Ambition

It is a part of our culture that is already paying dividends. We have set ambitious efficiency targets over the next two years and are on course to deliver these. The resources we generate will all be used to meet our 2020 strategic objectives – delivering new properties, improving the fuel efficiency of our homes, enhancing services to customers and investing in our communities.

Our Approach

VFM is at the heart of our business plans and Orbit Board will continue to challenge the business to demonstrate strong delivery and transparency to our key stakeholders in the year ahead, building on the solid foundations already in place. None of us - board, directors, managers or staff, can be complacent and we will continue to strive for improvement.

Our strong financial track record and plans for improving our financial position were met very positively by credit agencies and investors. Our March 2015 bond issue was over-subscribed at a rate which beat our expectations and will enable Orbit to fund our development programme for the next 18 months.

VFM is part of Orbit's management practices with each team in the organisation recording savings which may be small individually but accumulate to something significant. Our Making It Count! Group has a high profile and is chaired by the Chief Executive, demonstrating our commitment to delivering efficiencies and improving services. Our customers are becoming increasingly involved in driving VFM and training is provided to all customers who take part in customer involvement activities. We recognise we are here to serve our customers and therefore it is right they have a place in challenging Orbit at every level.

The Board receive regular reports demonstrating performance against targets and Key Performance Indicators (KPIs). We recognise room for improvement and all Board reports also include a specific section relating to VFM helping to ensure that VFM is a key consideration in our thinking and decision-making.

As a board, we are responsible for Orbit's assets and resources and setting our VFM strategy. We monitor progress against this through operational and financial performance, VFM actions plans and annual assessment. The Group Board oversees VFM with delegated authorities devolved to:

- Orbit Homes (build, development and sales);
- Orbit Living; a trading name for the activities of Heart of England HA Ltd and Orbit South HA Ltd (Landlord Services including housing management and repairs);
- Strategic Support Services and Orbit Services (Corporate support centre) for the Group and external housing providers;
- Orbit Treasury Limited (tasked with achieving funding needs to meet growth aspirations).

Taking into account the information in this self-assessment, we believe we comply with the current HCA VFM Standard. The VFM statement shows Orbit is embedding VFM through the organisation, not as a tick-box exercise for the HCA, but because we passionately believe it is the right thing to do. Right for our customers who want to see their rent being used wisely, right for our 2020 ambitions and right to help us to meet this country's housing crisis.

Our VFM Governance Framework can be found on our website www.orbit.org.uk in the ABOUT section together with a full copy of our VFM Self Assessment.

Introduction

Delivering Value for Money (VFM) is an integral part of Orbit's corporate ethos and values; our ambition is to run an efficient and effective organisation whilst providing value for money services to our customers. Our Customer First framework makes the commitment to "fully satisfy agreed customer requirements, at the lowest internal cost". In the very simplest terms this means making the best use of the resources available for the provision of homes and services, whilst achieving quality standards agreed with our customers. We challenge ourselves to ensure the best use of our resources firstly by understanding the benefits and measuring them, thus enabling us to realise those benefits over the lifetime of the investment or project. Providing VFM will improve our services and release resources to provide more houses, improve our existing homes and enable us to invest in our products and services and the communities where we work.

Profit for a Purpose

Orbit achieved a surplus of £45m for the 2014–15 financial year. This was a great result, exceeding budget, partially as a result of the cost control exercised by our managers. It is also a result of the additional financial risk the Group has to undertake to deliver new social housing. Within the £45m surplus is £6.2m relating to Development Sales – properties which Orbit has built with the specific purpose of creating a profit to reinvest in social housing. Where Social Housing providers used to receive 40%+ in Government capital grant to enable the delivery of new homes, this subsidy, where available, is now around 10-15%. Orbit has therefore had to diversify its work and create our own funding to enable future development of social housing. This means Orbit having to generate our own subsidy and profits to reduce the need to take on even larger loan funding – however this does mean taking on greater risk.

This surplus should be celebrated as a sign of our financial strength and efficiency. A strong Orbit can continue to invest in our housing stock and in our communities as well as mitigating the risks within and external to the organisation. Every penny of the profit is re-invested in social housing and in Orbit's communities – none is distributed to shareholders. It is central to Orbit's ethos that we deliver a **profit for a purpose** which allows us to invest in the areas we believe make a difference to our customer's lives.

Our VFM Package

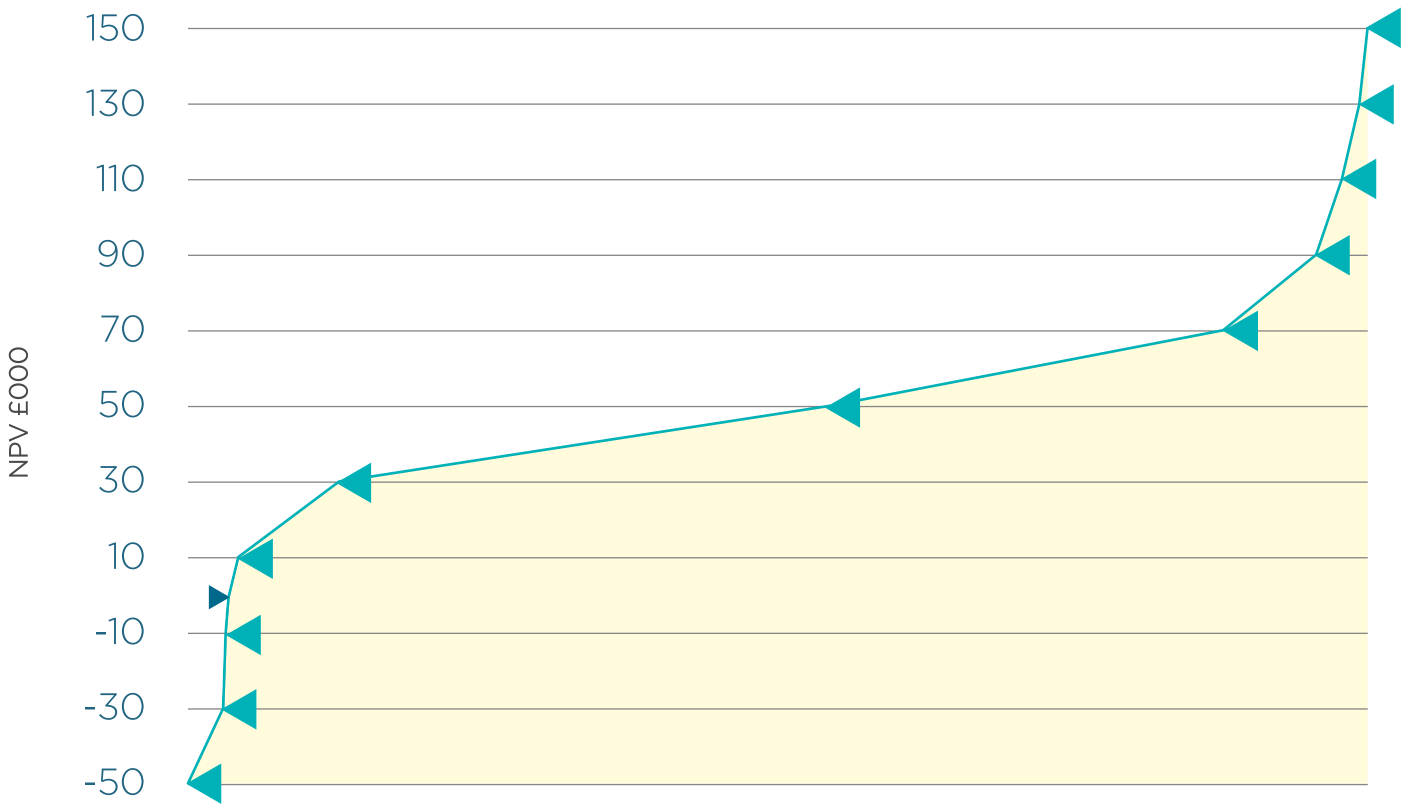
Orbit attacks VFM from a number of different fronts, led by Board, senior management, front line staff and our customers. We have worked hard to embed VFM within our culture throughout the organisation. Employees at all levels are encouraged to find efficiencies within their teams, whether they control a multi-million pound major works programme or a stationery budget. For every £25k saved in our operating costs Orbit can deliver a new home to house a family in need. This is a message that is easily communicated through the organisation and highlights the amount of internal subsidy required to cover reduced grant levels.

Return on our Asset Investment

Orbit has invested in a Portfolio Management Tool which analyses all existing properties using income and spend information including the future cost of maintaining the properties. This is updated on a quarterly basis to ensure decisions are made on accurate data. The data used relies on apportionment of some costs but this is continually being refined. This tool, aligned with our strategic priorities, feeds the Group's asset management plan.

An initial review highlighted 46 estates which were seen as poorly performing and in need of further investigation. Work is concluding on the more detailed investigation of these 46 estates, with recommendations ranging from selling properties on the open market, reconfiguring properties to meet local needs through to properties where no action is seen to be required. The following graph shows a bar for each of the 1,700+ estates which were analysed. The higher the bar, the better the expected financial performance. The bars under zero show poor financial performance, which are costing Orbit money over the long term. These properties became the first subjects of review.

30 Year Net Present Value of Orbit Estates



We will continue to improve our commerciality in managing our property portfolio to assess opportunities which exist within our portfolio.

Orbit has made a commitment through our stated 2020 objectives to ensure every property achieves a minimum C rating on energy efficiency. This is a project which will cost Orbit circa £80m over the next 5-10 years but is estimated to save our customer circa £3m each year in reduced fuel costs. There is some funding available from utility companies but the vast majority of the commitment will be funded through internal subsidy, another example of how efficiencies and profits are being re-invested on our key priorities.

Making it Count!

The Making it Count Group was established with the task of ensuring the achievement of the Group's efficiency targets. Orbit has a business plan which includes a total of £15m efficiencies over the next two years. These savings will come from a variety of sources including process reviews, procurement exercises and other projects which are currently underway. This will enable Orbit to meet its minimum 25% operating margin target, demonstrating financial strength and focusing resources on Group priorities. The Group consists of representatives from across the business including Orbit's Chief Executive, demonstrating his and Orbit's commitment to delivering efficiencies in a sustainable way.

Feeding in to the Group's target, the Business Improvement Team has led on a High Level Process Mapping exercise which identified those processes which would benefit most from being thoroughly reviewed end to end. This has helped to create a three year plan which is targeted to save the Group £6m by stripping out waste and non-value adding activity whilst ensuring that the customer experience is enhanced. Within the 2015-16 budget approved by Orbit's board, £4.9m has already been stripped from budgets – it is now the responsibility of relevant managers to deliver these savings. Future savings are also expected from the Procurement programme and realising the benefits of Orbit's digital strategy.

Procurement

Orbit has an established procurement team which works alongside the business to ensure compliance to relevant standards and to maintain VFM objectives when entering into new contracts. The team has been set a target of £9m savings by 2020, £3m of which had been identified by March 2015 – ahead of target. A forward plan of projects is regularly reviewed by the Executive Team and updated reflecting existing contracts coming to an end and new activities being undertaken.

Customers

Over the last year progress has been made in embedding the role of customers on VFM. A stated objective of last year's plan was to create a dedicated customer VFM group. However, following review of good practice within the sector and a major review of our approach to co-regulation and involvement, VFM has been incorporated into each activity. There is now a specific group which critically looks at how VFM is being achieved with our customer involvement offer which ensures that we are engaging with customers in the right way and on the right things. Customers are also now an integral part of the procurement process for services which directly affect them and during the last year their involvement has helped enable over £125k in saving (e.g new windows/doors and lift contracts).

Looking forward, a specific VFM customer training module has been developed which will provide customers with further confidence to question and challenge us about VFM.

Challenge

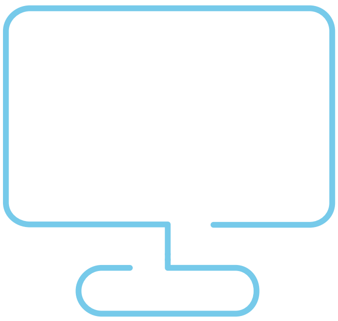
Benchmarking

Orbit undertakes a number of benchmarking exercises at a Group level and at a departmental level to assess performance against peers. The largest exercise is run with HouseMark, which is an organisation-wide application, specific to the housing sector. The following table shows high level results against other HouseMark users.

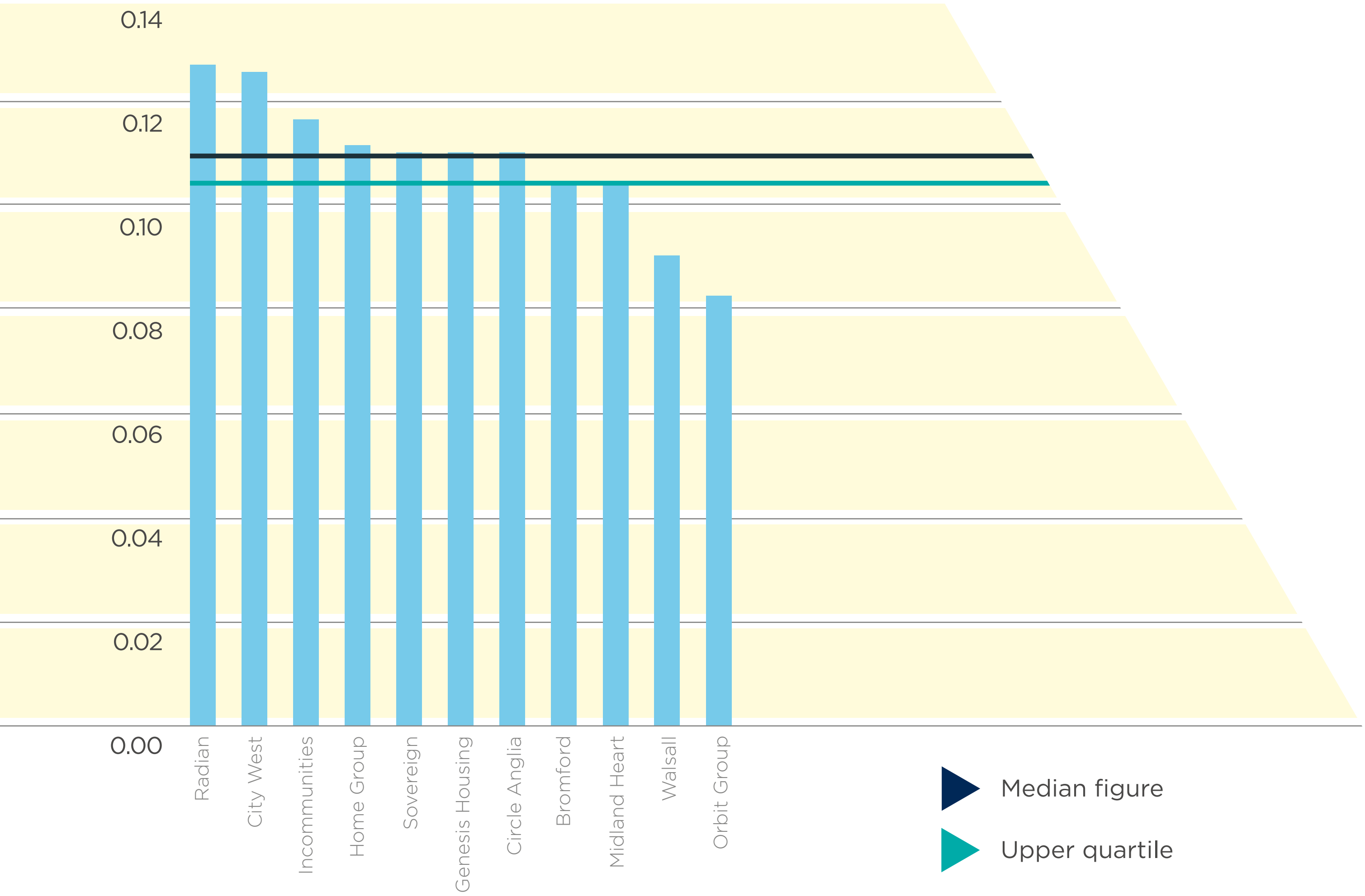
HouseMark VFM Scorecard (selected ratios)	2013-14	2012-13	Median
Rent collected as % of rent due	99.4%	99.3%	99.4%
Repairs completed at the first visit	78.0%	79.9%	91.0%
Satisfaction with Service Provided	76.6%	79.3%	86.0%
Satisfaction with Repairs and Maintenance	80.0%	85.2%	81.0%
Satisfaction that rent provides VFM	76.4%	81.0%	81.1%
Cost per property Housing Management	£453	£443	£426
Cost per property Major Works	£1,165	£1,177	£1,490
Cost per property Responsive Repairs	£925	£905	£806
Cost per property Overheads	£180	£163	£163

A report is prepared for Executive Team which analyses these figures and trends in much more detail. Senior management teams also see the results and discuss and agree actions to address issues. We are confident that actions taken during 2014-15 should see improvements in satisfaction levels and in some of the costs per property ratios when the 2014-15 figures are published. Benchmarking is an important exercise and one from which we can learn and drive VFM. However, it is important to recognise and understand some of the underlying factors such as quality of stock, disbursement of properties etc. rather than purely focusing on the final result.

Orbit has also carried out Back Office Benchmarking through Baker Tilly, which focuses on functions such as finance, HR and IT. The results show that Orbit Group is generally in the upper quartile of performance when compared against similar organisations undertaking this exercise.



Total Back Office Cost / Total Turnover



Internal Challenge

The Executive and Leadership Teams have a quarterly meeting to review and challenge all operating Key Performance Indicators (KPIs) and agree corporate actions to address issues. These KPIs are a good indication of efficiency and Orbit's rounded approach to VFM. Orbit has invested in a reporting tool to capture all KPIs which is updated daily and is visible to all staff within the organisation – enabling managers to easily spot and address emerging issues. The following table shows just four of the KPIs which Orbit uses to indicate how we are improving efficiency – a key outcome of VFM.

KPI	2014–15	2013–14	2012–13
Net Arrears	3.0%	2.7%	2.8%
Re-let Times (days)	22	23	24
Management costs as % of rental income	24.5%	25.5%	26.0%
Right First Time	56%	58%	n/a

ALL new projects and change activities are directed through the Change Approval & Prioritisation Group (CAP). CAP was established to ensure Orbit's resources are prioritised on activities which bring the most benefits to the Group – both financially and from a customer satisfaction perspective.

The CAP Group is responsible for:
• Approval of all change across the group;
• Prioritisation, scheduling and resourcing of change across the group;
• Monitoring of key change activities to ensure they are on track and delivering the agreed benefits;
• Ensuring all projects provide value for money and that benefits are realised.

This is part of the commercial culture being cultivated in Orbit ensuring that the business is delivering what is necessary and not wasting valuable resources.

Social and Environmental challenges

The Public Services Act passed on 31 January 2013, made it a legal obligation for all Public bodies to consider Social and Environmental value when procuring goods. Orbit's Procurement team in partnership with Wates, PricewaterhouseCoopers, The Chartered Institute of Housing and Social Enterprise UK published - **Communities Count: The four steps to unlocking social value**. The partnership has produced guidance for the sector on measuring social value but also in embedding social value into procurement activity.

Orbit's Sustainable Investment Team have been instrumental in Orbit improving the environmental performance of existing Orbit properties. This in many cases, not only meets Orbit's Green commitment but also has a cost saving for Orbit and our customers. Project funding has been sourced where possible and Orbit are involved in a number of pilots which help research in to energy efficiency.

Orbit has secured £2.2m EERP funding to support an internal investment of £16m to June 2016. Approximately 2,700 homes will benefit in this first phase of works, with each gaining an average £165 per annum saving on their energy bills.

Orbit are working on a Corporate Responsibility Annual report, due for publication in July 2015 which will feature more around how the Group makes a social return to our communities.
This will be available on our website.

Conclusions

This statement has demonstrated that Orbit is committed to delivering VFM and has the culture and management structures in place to achieve its targets and more importantly to re-invest savings in our organisational objectives. Those objectives can be summarised in to three areas:

- To subsidise future development activities – to meet our ambitious 12,000 unit target to 2020, and to do our bit to meet the nation's housing crisis.
- To continue to invest in our properties – EERP is a long term project with the aim of getting all Orbit properties above a Band C eco rating.
- To continue to invest in our communities – to help give people the things they need to succeed.

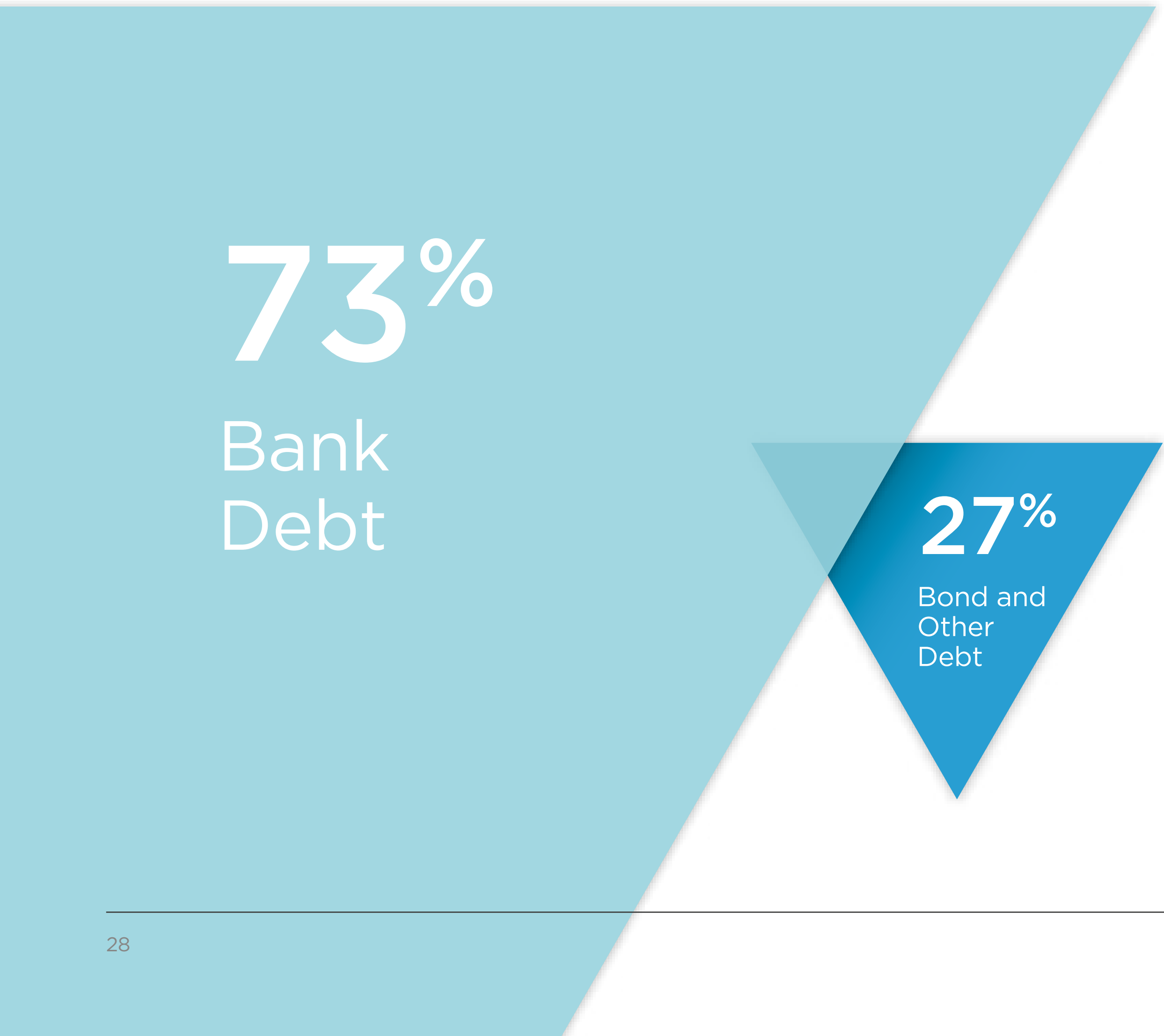
Orbit is not ashamed of making a profit for a purpose and the more efficient we become, the more our social purpose can be realised.

A full VFM statement will be produced on our website by 30 September 2015.

Capital Structure and Treasury policy

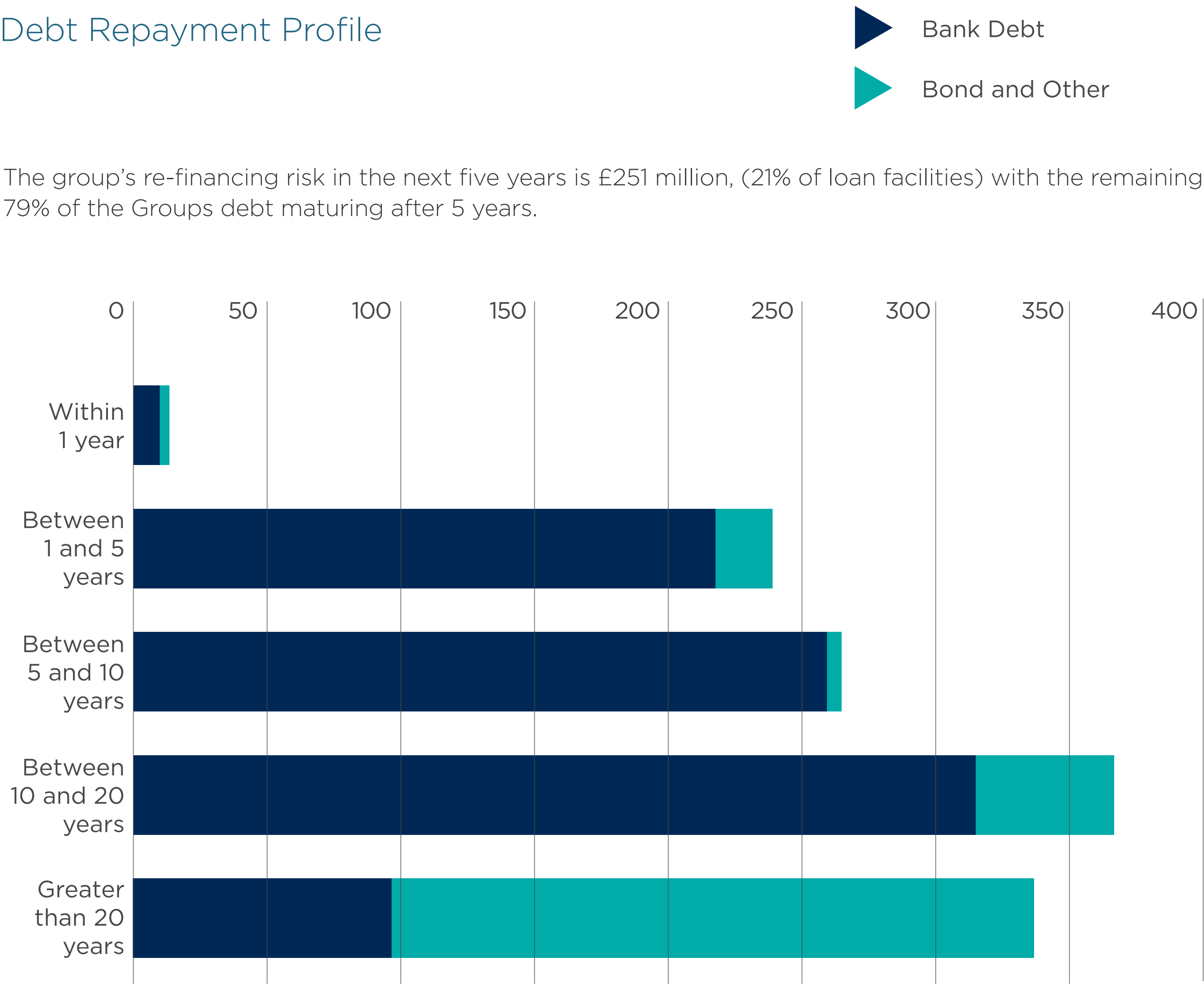
As at 31 March, the Group had £1,220 million of committed debt funding, including the £250m bond issue on 24th March. Drawn funding totalled £909 million, an increase from 2014 (£759 million). The Group seeks to maintain diversification in its funding sources with 73% coming from 8 banks and building societies and 27% from capital markets.

Bank and Other Debt



Debt Repayment Profile

The group's re-financing risk in the next five years is £251 million, (21% of loan facilities) with the remaining 79% of the Groups debt maturing after 5 years.



As at 31 March, the Group had available £312 million of committed undrawn facilities available for immediate drawing and £43 million of cash in hand, representing total available liquidity of £355 million. These resources are sufficient to fund over two years' worth of planned developments.

The adequacy of future funding and liquidity is controlled via policy limits as follows:

i. Sufficient cash to cover the next three months' forecast cash requirements;
ii. Sufficient cash and secured loan facilities to cover the next twelve months' forecast cash requirement; and
iii. Sufficient cash and committed loan facilities (secured and unsecured) to cover the higher of committed development spend and the next eighteen months' net forecast cash requirement.

All committed facilities are secured by fixed charges. At the year-end the Group held approximately 11,000 unencumbered properties available for use for new loans. These properties are conservatively estimated to provide potential security for a further £853 million of new loans. This ability to raise new loans will enable us to develop a significant number of new homes in the future.

Available Liquidity

£312M

Undrawn Commited

£42.5M

Cash

£909M Drawn Debt

Total Committed Funding

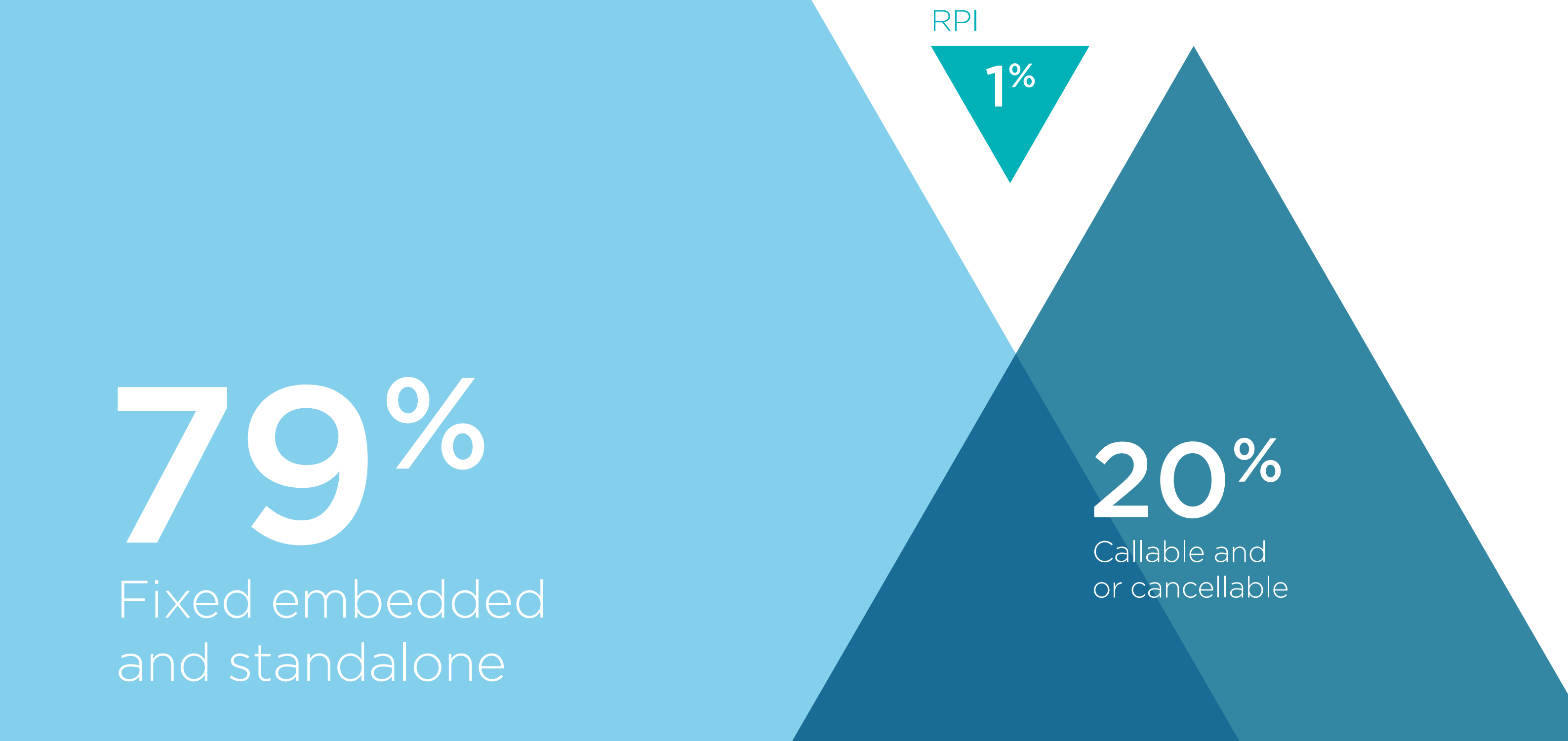
£312M Undrawn Debt

The Group continues to be risk averse in its approach to interest rate management. Borrowing related to cash in hand is held at floating rates of interest. The Group targets a flexible policy of hedging 55% to 90% of its debt with predominantly fixed rate instruments and a small proportion of index linked instruments, with flexibility to depart from these parameters if circumstances make this appropriate.

The Board regularly monitors interest rate risk and approved the bond issue in the knowledge that the level of fixed and hedged debt would exceed the policy limit for a temporary period. At the year end this resulted in a portfolio that was 98% fixed.

The Group's average interest cost for the year is 4.68% reflecting the fixed rate hedging noted above. The Group does not have any non-sterling or exchange rate exposures.

Hedging Mix %



The Group maintains a desired interest rate profile through a mixture of embedded instruments (including fixed rate bank loans and bonds) and stand-alone swaps (including fixed and index linked derivatives with bank counterparties). As at the year end, 79% of the Group's hedged activities were undertaken through embedded instruments and stand-alone swaps.

The Group's weighted average duration of standalone swaps is just over 16 years. This limits the impact of an increase in interest rates.

All of the Group's swap transactions allow social housing assets to be used as collateral to cover mark to market positions.

The Group maintains a formal counterparty policy in respect of those organisations from which it will borrow or with which it will enter into other finance arrangements and derivative transactions. Similarly, on investments, the Group regards the primary objective of its treasury management activity to be the security of the principal sums invested.

The Group's treasury strategy is reviewed and approved at least annually, to ensure it underpins the budget and longer term financial plan. Detailed cash flow forecasts, key ratios and limits are all monitored regularly by either Executive Team and/or OTL Board.

The Mark to Market value of all stand-alone derivative financial instruments at the year end was as follows:

	2015 £m	2014 £000
Mark to Market value	105.5	42.5
Notional Stand Alone Swap Principal	316.5	336.5*

* The comparative has been adjusted to reflect the swaps that have matured.

The increase in the Mark to Market value resulted from the reduction in long term interest rates. The Mark to Market exposure is monitored at least weekly, and more frequently where necessary in response to movements in market rates. Property is used as security against adverse movements in the Mark to Market exposure and the consequent risk of cash calls. Treasury policy requires sufficient security at any time to cover the risk of a 0.5% reduction in interest rates.

Cash Flows

The Group net cash inflow from operating activities during the year was £86.4 million (2014: £73.4 million). The principal sources of cash inflow remain rental income and proceeds from sale of housing properties. The principal sources of cash outflow for Orbit were the costs associated with the provision of housing accommodation, the acquisition and construction of housing properties and interest payable on loan facilities.

For Orbit Group Limited as an individual association, the net cash inflow from operating activities in 2015 was £27.0 million (2014: £3.8 million) primarily due to movements in debtors and creditor balances. The principal sources of cash inflow for the Association were the income from other Orbit members for support services, income from the provision of shared ownership housing accommodation and the sale of housing properties. The principal sources of cash outflow for the Association were the costs associated with the provision of support services and housing accommodation, the acquisition and construction of housing properties and interest payable on loan facilities.

Housing Association Governance

Orbit Group Board and its Subsidiaries

The Board Members of Orbit Group Limited during the year are listed on page 20.

The Orbit Group Board comprises up to twelve non-executive members and up to two executive members and is responsible for governing the affairs of Orbit Group Limited and Orbit as a whole. Board Members are drawn from a wide background bringing together professional, commercial and public sector experience. The primary role of the Group Board is to focus on strategic direction, growth and risk. The Board meets formally at least five times a year for regular business, and at other times to discuss strategic issues and for Members' personal development.

In addition to Orbit Group Limited, there are two further Registered Providers within Orbit – Heart of England Housing Association Limited (Orbit Heart of England) and Orbit South Housing Association Limited (Orbit South). From 1st April 2013, Orbit Heart of England and Orbit South were brought together under a single management structure with one Executive Director. At the same time, the Boards of these two legal entities were combined as a single shared Board arrangement to oversee the operational performance of the two legal entities.

The other three members of the Group are non-charitable wholly-owned subsidiaries of Orbit Group Limited. Orbit Treasury Limited (OTL) co-ordinates borrowing across the Group to enable more cost effective borrowing. Orbit Homes (2020) Limited builds houses for the Group's Registered Providers across a wide range of tenures as well as housing for market sale. Orbit Capital plc was established in March 2015 specifically for the Group's first bond issue.

All Members of the Group remunerate their board members for undertaking their duties and responsibilities. The boards delegate the day-to-day management of Orbit to the Group Chief Executive and the Executive Directors who form the Executive Team (ET). The ET met monthly throughout 2014-15 and the Directors attend meetings of the Group Board and subsidiary boards.

Code of Governance

The Group has adopted the National Housing Federation's (NHF) 'Excellence in Governance' Code as the Code of Governance for its Registered Providers. Whilst our non-charitable subsidiaries are not required to comply with the Code, they undertake to adhere to the spirit of the Code. Orbit Group Limited complies with the Code of Governance in all material aspects. In those areas where we do not comply fully with the Code, we have provided a Statement to our Regulator. The Group has developed its own Probity and Severance policy, which picks up the key principles of the NHF's 'Excellence in Standards of Conduct' Code. In addition to this policy, the Group has its own Code of Conduct for board members.

Shareholding Policy

Under the Association's Rules, the Group Board retains discretion over the issue of shares in the Association and current policy is Orbit will operate a closed membership, with shares only issued to individuals who are board members. This policy will be kept under review.

Committees of the Board

The Group Board is supported by two committees with specific responsibilities

Governance and Remuneration Committee - responsible for developing and maintaining Orbit's governance framework, which includes arrangements for the recruitment, induction, appraisal and development of Board Members and reviewing the roles and responsibilities of

Board Members. The Committee also considers the Group's policy on remuneration, contracts of employment and conditions of service generally for Executive Directors and recommends to Group Board the specific remuneration packages for each of the Directors, including pension rights and any compensation/severance payments. It also approves and keeps under review Orbit's Board Member Payment (Non-Executive Directors) structure and policies, including levels of payment, and recommends changes to the Group Board as necessary.

Audit and Risk Assurance Committee - considers the operations of internal audit and the appointment of external auditors, the scope of their work and their reports. The Committee monitors the implementation of the Group's Risk Management Strategy and internal audit plans. It reports to the Group Board on the effectiveness of the internal control arrangements and considers the financial statements before they are presented to the Board for approval.

Resident Involvement

Orbit is committed to involving customers in decisions affecting their homes. There is representation from customers on the Orbit Living Strategic Board/Operations Committees, and an independent customer scrutiny function has been developed as part of the co-regulation agenda. This ensures Orbit meets regulatory requirements and good practice in terms of governance and customer involvement.

While the Customer Scrutiny panel reviews areas of the business and reports directly to the Operations Committees, a wider customer involvement programme is also in place, providing customers with a range of opportunities to examine, challenge, feed back and get involved in shaping improvements within the organisation. Moment of Truth surveys are regularly undertaken, with feedback from customers being used to drive service improvements. In addition, the Orbit Complaints and Compliments procedure is used to capture customer feedback more effectively and apply the learning. We have also developed an innovative new approach to capturing real time feedback which will be implemented in 2015-16.

The key focus of the approach to involvement is making involvement activities easier to take part in, encouraging a wider range of customers to take part, making sure involvement leads to better services and improving Value For Money (VFM). An annual review of the impact of customer involvement activities is conducted to evaluate the cost, quality and outcomes of customer involvement activities. The annual report to customers summarises performance against the key regulatory standards.

Post Balance Sheet Events

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

Going Concern

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

On behalf of the Orbit Board

Professor Tony Crook
Deputy Chair

7th August 2015

Statement of Internal Control for Orbit Group

We have reviewed the sources of assurance provided to the Audit & Risk Assurance Committee and subsequently the Group Board as agreed within the Internal Regulatory Framework (IRF) for 2014–15. This report is solely in relation to those business areas agreed within the IRF and not for any other operations of the organisation. We discharge our role, as detailed within the IRF agreed with the Board for each assurance area by:

- Considering the assurance activities that have been identified by management across the organisation.
- Evaluating the assurance activities and identify the controls established by management to mitigate risk.
- Reviewing the performance data in key business areas for 2014–15.
- Assessing the unexpected incidents occurring during 2014–15.
- Reviewing the written levels of assurance provided by third parties and, where appropriate, holds discussions with these third parties.
- Perform compliance checks on key controls used to mitigate key risks and testing on the robustness and accuracy of performance reporting systems, through the delivery of the Internal Audit Service.

Report by Group Chief Executive

The Group Chief Executive provides the Group and the Audit & Risk Assurance Committee with an opinion on the scope and effectiveness of sources of assurance within Orbit Group.

I have reviewed (with support from my Executive Team) the sources of assurance provided to the Audit & Risk Assurance Committee and subsequently the Group Board as agreed within the Internal Regulatory Framework (IRF) for 2014/15. This report is solely in relation to those business areas agreed within the IRF and not for any other operations of the organisation. In giving my opinion it should be noted that assurance cannot be absolute and in assessing the level of assurance I have taken into account:

- Internal and external assurance from a number of sources.
- Conclusions from our independent review of the systems and processes, conclusions from the testing of key business controls.
- Conclusions from a review of the performance reporting systems.
- Any limitations which have been placed on our work.

I have discharged my role, as detailed within the IRF agreed with the Board for each assurance area by:

- Considering the assurance activities that have been identified by management across the organisation.
- Evaluating the assurance activities and identify the controls established by management to mitigate risk.
- Reviewing the performance data in key business areas for 2014–15.
- Assessing the unexpected incidents occurring during 2014–15.
- Reviewing the written levels of assurance provided by third parties and, where appropriate, holds discussions with these third parties.
- Performing compliance checks on key controls used to mitigate key risks and testing on the robustness and accuracy of performance reporting systems, through the delivery of the Internal Audit Service.

Overall Opinion

Based on the work undertaken in 2014-15, including corrective action, the overall opinion is that Orbit's internal control (financial and non-financial) environment together with risk management and governance arrangements is operating with sufficient effectiveness to provide reasonable assurance to the Board, Audit & Risk Assurance Committee and the Executive Team. Areas for improvement have been identified and will be actively managed by the Executive Team with oversight from the Audit & Risk Assurance Committee to ensure that the necessary improvements are delivered.

Report of the Board

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

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Association and of the surplus for that period. In preparing these financial statements, the board is required to:

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

The Board is responsible for keeping proper accounting records, that are sufficient to show and explain the Group's and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and to enable it to ensure the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Landlords in England from April 2012. It is also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Annual General Meeting

The annual general meeting will be held on 9th September 2015 at the Kingsway Hall Hotel, 66 Great Queens St, Covent Garden, London, WC2B 5BX

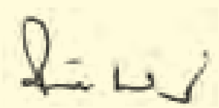
Disclosure of information to Auditors

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

Independent Auditors

A resolution to appoint the Association's auditors for external audit services will be proposed at the Annual General Meeting.

The report of the Board was approved on 7th August 2015 and signed on its behalf by:



Richard Wright
Secretary

Independent Auditors' Report to the Members of Orbit Group Limited

For the Year Ended 31 March 2015

Our opinion

In our opinion Orbit Group Limited's financial statements (the "financial statements"), defined below:

- give a true and fair view of the state of the group's and of the association's affairs as at 31st March 2015 and of the group's and the association's surplus and cash flows for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012.

What we have audited

The financial statements comprise:

- the group and association balance sheets as at 31st March 2015;
- the group and association income and expenditure accounts and statements of total recognised surpluses and deficits for the year then ended;
- the group and association statements of historical cost surpluses and deficits for the year then ended;
- the group and association cash flow statements for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the Board has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Other matters on which we are required to report by exception

Adequacy of accounting records, system of internal control and information and explanations received

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:
- a satisfactory system of control over transactions has not been maintained; or
- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the Association; or
- the Association financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the board

As explained more fully in the Statement of Board's Responsibilities set out on page 37, the Board is responsible for the preparation of the financial statements and for being satisfied that they 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 ISAs (UK & 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 87 (2) and Section 98(7) of the Co-operative and Community Benefit Societies Act 2014 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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and 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 Orbit Group Limited Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Richard Bacon

Richard Bacon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date: 18 August 2015

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

Consolidated and Association Income and Expenditure Accounts

For the year ended 31 March 2015

	Note	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Turnover	2	**243,729**	221,889	**73,412**	68,763
Operating Costs	2	**(153,170)**	(137,705)	**(65,260)**	(63,378)
Cost of Sale of Properties	2	**(24,332)**	(22,489)	**-**	-
Operating Surplus	5	**66,227**	61,695	**8,152**	5,385
Profit on sale of housing properties	7	**15,045**	35,774	**2,055**	4,625
Profit/(Loss) on sale of fixed assets		**(353)**	355	**(20)**	178
Income from shares in Group Undertakings		**-**	-	**1,361**	668
Interest Receivable and Other Income	8	**453**	524	**1,157**	1,624
Interest Payable and Similar Charges	9	**(36,050)**	(30,805)	**(3,815)**	(5,146)
Other Financing Costs	38	**82**	-	**-**	-
Surplus on Ordinary Activities before Gift Aid and Taxation		**45,404**	67,543	**8,890**	7,334
Donations received from other Group Members		**-**	-	**17,669**	15,773
Surplus on Ordinary Activities before Taxation		**45,404**	67,543	**26,559**	23,107
Tax on Surplus on Ordinary Activities	10	**11**	(304)	**(15)**	-
Surplus for the Year		**45,415**	67,239	**26,544**	23,107
Transfer from Revaluation Reserve	25	**-**	-	**195**	114
Transfer (to)/from Designated Reserves	26	**(1,484)**	(1,051)	**8**	-
Surplus for the Year after Transfer to Reserves		**43,931**	66,188	**26,747**	23,221
General Reserves at 1 April	27	**373,359**	306,375	**163,234**	140,013
Actuarial (Losses)/Gains taken to reserves	38	**(1,095)**	796	**-**	-
General reserves at 31 March		**416,195**	373,359	**189,981**	163,234

All amounts derive from continuing operations. There is no material difference between the surplus on ordinary activities before taxation and the surplus for the year stated above and their historical cost equivalent.

Statement of Total Recognised Surpluses and Deficits

For the Year Ended 31 March 2015

		Group		Association	
	Note	2015 £000	2014 £000	2015 £000	2014 £000
Surplus for the Year		**45,415**	67,239	**26,544**	23,107
Actuarial (Losses)/Gains on Pension Fund Assets	38	**(1,095)**	796	**-**	-
Total Recognised Surpluses for the Financial Year		**44,320**	68,035	**26,544**	23,107
Total gains recognised since last financial statement		**44,320**	68,035	**26,544**	23,107

Consolidated and Association Balance Sheets

As at 31 March 2015

	Note	Group 2015 £000	Group Restated 2014 £000	Association 2015 £000	Association Restated 2014 £000
Fixed Assets					
Housing Properties at Depreciated Cost	11	**1,975,246**	1,807,410	**235,051**	206,773
Less: Social Housing Grant	11	**(752,466)**	(722,010)	**(68,031)**	(69,062)
Other Capital Grants	11	**(18,208)**	(18,123)	**-**	-
		1,204,572	1,067,277	**167,020**	137,711
Fixed Asset Investments	12	**800**	800	**34,013**	22,000
HomeBuy and Other Equity Loans	13	**16,428**	17,446	**16,428**	17,446
HomeBuy and Other Equity Grants	13	**(15,476)**	(16,553)	**(15,476)**	(16,553)
Other Fixed Assets	14	**13,065**	13,680	**8,777**	8,650
		1,219,389	1,082,650	**210,762**	169,254
Current Assets					
Properties for Sale	15	**31,026**	19,715	**31,026**	19,715
Stocks	16	**75,613**	48,886	**-**	2
Debtors	17	**28,502**	22,805	**80,940**	51,884
Investments	18	**7,254**	-	**1,925**	-
Cash at Bank and in Hand		**43,385**	28,865	**38,528**	25,140
		185,780	120,271	**152,419**	96,741
Creditors: Amounts falling due within one year	19	**(72,462)**	(68,585)	**(48,916)**	(19,934)
Provisions for Liabilities and Charges	20	**(657)**	(400)	**-**	-
NET CURRENT ASSETS		**112,661**	51,286	**103,503**	76,807
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,332,050**	1,133,936	**314,265**	246,061
Creditors: Amounts falling due after more than one year					
Disposal Proceeds and Recycled Capital Grants Funds	21	**10,322**	8,799	**4,987**	3,872
Other Creditors	22	**890,108**	740,192	**118,009**	77,464
		900,430	748,991	**122,996**	81,336
Provisions for Liabilities and Charges	20	**1,412**	-	**-**	-
Pension Liability	38	**3,117**	2,174	**-**	-
Capital and Reserves					
Revaluation Reserve	25	**-**	-	**356**	551
Designated Reserves	26	**10,896**	9,412	**932**	940
Revenue Reserves	27	**416,195**	373,359	**189,981**	163,234
TOTAL RESERVES	28	**427,091**	382,771	**191,269**	164,725
		1,332,050	1,133,936	**314,265**	246,061

The financial statements on pages 41 to 99 were approved by the Orbit Board and signed on its behalf by:

Professor Tony Crook
DEPUTY CHAIR

Paul Tennant
BOARD MEMBER

Richard Wright
SECRETARY

7th August 2015

Consolidated and Association Cash Flow Statements

For the Year Ended 31 March 2015

		Group		Association	
		2015	2014	2015	2014
	Note	£000	£000	£000	£000
NET CASH INFLOW FROM OPERATING ACTIVITIES	31	**86,447**	73,370	**26,974**	3,816
Returns on Investments and Servicing of Finance					
Interest Received		**453**	557	**1,157**	1,624
Dividends Received		**-**	-	**1,361**	668
Interest Paid		**(36,021)**	(32,976)	**(4,125)**	(5,356)
Net Cash Outflow from Returns on Investments and Servicing of Finance		**(35,568)**	(32,419)	**(1,607)**	(3,064)
Donations Received		**-**	-	**1,889**	3,263
Taxation Paid		**(107)**	(223)	**(11)**	-
Net Cash (Outflow)/Inflow from Donation & Taxation		**(107)**	(223)	**1,878**	3,263
Capital Expenditure and Financial Investment					
Acquisition and Construction of Housing Properties		**(233,645)**	(174,089)	**(49,703)**	(24,042)
Housing and other fixed assets sold to other group members as part of restructure		**-**	-	**3,939**	3,758
Sale of Housing Properties		**26,590**	49,627	**5,281**	7,488
Grants Received		**35,310**	33,650	**2,061**	3,627
Mortgages (Repaid)/Issued		**(216)**	984	**(134)**	20
Net movement on Equity Loans and Grants		**156**	(236)	**157**	(238)
Purchase of Other Fixed Assets		**(1,781)**	(1,730)	**(1,653)**	(1,425)
Sale of Other Fixed Assets		**82**	1,578	**23**	576
Investment in Subsidiary Company		**-**	-	**(12,013)**	(12,000)
Net Cash Outflow from Capital Expenditure and Financial Investment Activities		**(173,504)**	(90,216)	**(52,042)**	(22,236)
Net Cash Outflow before Management of Liquid Resources and Financing		**(122,732)**	(49,488)	**(24,797)**	(18,221)
Management of Liquid Resources and Financing					
(i) Liquid Resources					
(Increase)/Decrease in Bank Deposits (with a maturity in excess of 24 hours)		**(7,254)**	26,104	**(1,925)**	20,000
(ii) Financing	32				
Housing Loans & Bond Finance Received		**196,062**	25,001	**258,239**	256,250
Housing Loans Repaid		**(50,476)**	(13,359)	**(218,129)**	(268,649)
Loan Arrangement Fees Paid		**(1,080)**	(383)	**-**	-
		144,506	11,259	**40,110**	(12,399)
Net Cash Inflow From Management of Liquid Resources and Financing		**137,252**	37,363	**38,185**	7,601
INCREASE/(DECREASE) IN CASH	33	**14,520**	(12,125)	**13,388**	(10,620)

Notes to the Consolidated and Association Financial Statements

For the Year Ended 31 March 2015

1. Principal Accounting Policies

Legal status

Orbit Group Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes & Communities Agency (HCA) as a not for profit Registered Provider of social housing as defined by the Housing and Regeneration Act 2008.

Basis of accounting

The financial statements have been prepared on a going concern basis, under the historical cost basis of accounting except as modified by the revaluation of freehold and leasehold offices, in accordance with United Kingdom applicable Accounting Standards including the Accounting for Registered Social Landlords Statement of Recommended Practice 2010. The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Accounting Direction for Social Landlords in England from April 2012, and the Statement of Recommended Practice (SORP) published by the National Housing Federation in 2010 "Accounting for Registered Social Landlords" (SORP 2010). The principal accounting policies, which have been consistently applied unless otherwise stated throughout the year, are set out below.

Basis of consolidation

The financial statements for Orbit Group Limited are the result of the consolidation of the financial statements of the Association and its subsidiaries during the year ended 31 March 2015. The subsidiaries consolidated are: Orbit South Housing Association Limited, Heart of England Housing Association Limited (Orbit Heart of England), Orbit Treasury Limited, Orbit New Homes Limited, Orbit Homes (2020) Limited and Orbit Capital plc. Uniform accounting policies have been adopted across the group, and profits/losses and balances on intra group transactions have been eliminated on consolidation.

Turnover

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

Properties for sale

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

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

Revenue recognition

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

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.

1. Principal Accounting Policies (continued)

Value Added Tax

Orbit Group Limited is party to a Group Registration for VAT. All amounts disclosed in the financial statements are inclusive of VAT with the exception of those relating to Orbit Homes (2020) Limited, which is separately registered for VAT outside the VAT group and Orbit New Homes Limited, which is no longer registered for VAT.

Liquid resources

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

Housing properties

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

Housing property components	Depreciation life
Kitchens	20 years
Bathrooms	30 years
Windows & Doors	30 years
Boilers	15 years
PV panels	25 years
Roof	60 years
External Wall Insulation	36 years
Rewiring	30 years
Structure (rehabilitated)	60 years
Structure (new stock)	100 years

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

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

Donated land is included in cost at its valuation on donation, with the donation treated as a capital grant.

Housing properties in the course of construction are stated at cost and not depreciated and are transferred to completed properties when they are ready for letting. When housing properties are to be transferred to another association, the net costs, after SHG, are dealt with in current assets.

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

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

Social housing and other grants

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

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

1. Principal Accounting Policies (continued)

Capitalisation of Interest and Administration Costs

Interest on loans financing development is 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 its intended use.

Other Tangible Fixed Assets and Depreciation

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

Certain Orbit Group Limited offices were valued in February 1997 on the basis of their Open Market Value for existing use. On adoption of Financial Reporting Standard 15 "Tangible Fixed Assets", the Association has followed the transitional provisions to retain the book value of the offices which were revalued in 1997, but not to adopt a policy of revaluation in the future.

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

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

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

Stock and Work in Progress

Stock and work in progress are stated at the lower of cost and net realisable value. Cost includes land, build costs, applicable overheads and interest. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate. Interest on borrowings incurred during the development period is capitalised.

Investment in subsidiary undertakings

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

Leased assets

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

Pension costs

Orbit Group Limited participates in the Social Housing Pension Scheme (SHPS), the full details are given in note 38 to the financial statements. For the purposes of the financial statements this scheme is accounted for on a defined contribution basis. Orbit Group Limited also offered a Stakeholder pension scheme for employees who were not eligible to join SHPS because of the nature of their contract of employment.

1. Principal Accounting Policies (continued)

The scheme available is The Pensions Trust - Standard Life Stakeholder Pension Plan. Employees were able to join the scheme if they met the earnings criteria at which point the Association matched the employee's contribution, up to a maximum of 5%.

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services. The disclosures in the financial statements follow the requirements of FRS17.

Orbit South Housing Association Limited operates defined benefit funded pension schemes. The assets of the schemes are held separately from those of the association in independently administered funds. The requirements of FRS17 Retirement Benefits are fully reflected in the financial statements and associated notes. Note 38 provides a summary of the pension valuation report, together with prior year statements which state last year's revenue and reserves. For funding purposes, surpluses or deficiencies are dealt with as advised by the actuary.

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

The difference between the fair value of the assets held in the defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Operating Association's balance sheets as a pension scheme liability. Changes in the defined benefit pension scheme liability arising from factors other than cash contribution by the Association are charged to the Income and Expenditure Account or the statement of total recognised surpluses and deficits in accordance with FRS17 'Retirement Benefits'.

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

Impairment

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

Disposals of housing properties

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

Designated reserves

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

1. Principal Accounting Policies (continued)

Renewal Reserve

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

Works to existing housing properties

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

Disposal proceeds fund

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

Recycling of capital grant

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

Service charge sinking funds

Service charge sinking funds are dealt with as creditors.

1. Principal Accounting Policies (continued)

Taxation

The charge for the year is based on surpluses arising on activities that are liable to tax. Taxable members of the Group have adopted the accounting standard for deferred tax (FRS19). Deferred Tax is provided in full, at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, on any timing differences, although deferred tax assets are only recognised to the extent it is regarded as more likely than not they will be recovered. Timing differences arising from the revaluation of fixed assets are only recognised where there is a binding agreement to sell the revalued assets. Deferred tax assets and liabilities are not discounted.

Loan finance issue costs

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

Property managed by agents

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

Loan interest costs

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

Derivative financial instruments

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

Bond Finance

Bonds are shown at their redemption value net of discount and issue costs. The discount on issue of the bonds and is written off through the Income and Expenditure account on an actuarial basis over the life of the bond.

HomeBuy

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

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

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

1. Principal Accounting Policies (continued)

FirstBuy

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

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

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

Mortgage rescue

The Association operates the Mortgage Rescue equity loan scheme whereby, in a mortgage rescue case, if the occupier has sufficient equity in the product to not require a full mortgage rescue option, the Association can offer an interest only loan for between 25% and 75% of the outstanding mortgage secured on the property, with interest payable at 1.75% on the loan, increasing by RPI + 0.5%. The loan period will be up to 25 years, usually linked to the remaining period on the mortgage.

The equity loans that are financed in part by grants of 73% received from the HCA, which are recycled on repayment of the loan.

The loans and associated grants are disclosed as 'Other Equity Loans and Grants' in note 13 to the financial statements.

Negative goodwill

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

Supporting people income and costs

Supporting People charges are levied as a separate charge and not as part of rent. The income and related costs are therefore shown within other social housing activities.

Provisions

Provisions are recognised where the Group and/ or Association has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Details of provisions are shown in note 20 to the financial statements.

2. Turnover, Cost of Sales, Operating Costs and Operating Surplus by Class of Business

Group – Current Year	Turnover £000	Operating costs £000	Cost of Sales £000	Operating Surplus/ (Deficit) £000
Social Housing Lettings	**175,000**	**(107,461)**	**-**	**67,539**
Other Social Housing Activities				
Managed associations	**75**	**(32)**	**-**	**43**
Developments for sale	**27,759**	**-**	**(24,332)**	**3,427**
Properties for sale	**5,649**	**(5,649)**	**-**	**-**
Home Ownership services	**4,462**	**(5,323)**	**-**	**(861)**
LCHO First Tranche sales	**16,984**	**(14,224)**	**-**	**2,760**
Other	**9,739**	**(14,710)**	**-**	**(4,971)**
Charges for support services	**1,976**	**(3,473)**	**-**	**(1,497)**
	66,644	**(43,411)**	**(24,332)**	**(1,099)**
	241,644	**(150,872)**	**(24,332)**	**66,440**
Non-social housing activities	**2,085**	**(2,298)**	**-**	**(213)**

Group – Prior Year	Turnover £000	Operating costs £000	Cost of Sales £000	Operating Surplus/ (Deficit) £000
Social Housing Lettings	165,600	(101,994)	-	63,606
Other Social Housing Activities				
Managed associations	83	(27)	-	56
Developments for sale	25,286	-	(22,489)	2,797
Properties for sale	1,231	(1,231)	-	-
Home Ownership services	4,326	(4,365)	-	(39)
LCHO First Tranche Sales	14,300	(13,131)	-	1,169
Surplus arising on settlement of pension liabilities	-	699	-	699
Other	6,480	(12,098)	-	(5,618)
Charges for support services	2,090	(3,386)	-	(1,296)
	53,796	(33,539)	(22,489)	(2,232)
	219,396	(135,533)	(22,489)	61,374
Non-social housing activities	2,493	(2,172)	-	321

2. Turnover, Cost of Sales, Operating Costs and Operating Surplus by Class of Business (continued)

Association – Current Year	Turnover £000	Operating costs £000	Cost of Sales £000	Operating Surplus/ (Deficit) £000
Social Housing Lettings	**10,605**	**(3,549)**	**-**	**7,056**
Other Social Housing Activities				
Home Ownership services	**730**	**(592)**	**-**	**138**
LCHO First Tranche Sales	**16,984**	**(14,224)**	**-**	**2,760**
Group Recharges	**39,029**	**(39,024)**	**-**	**5**
Other	**1,269**	**(3,144)**	**-**	**(1,875)**
Properties for Sale	**4,588**	**(4,588)**	**-**	**-**
	62,600	**(61,572)**	**-**	**1,028**
	73,205	**(65,121)**	**-**	**8,084**
Non-social housing activities	**207**	**(139)**	**-**	**68**

Association – Prior Year	Turnover £000	Operating costs £000	Cost of Sales £000	Operating Surplus/ (Deficit) £000
Social Housing Lettings	10,103	(3,138)	-	6,965
Other Social Housing Activities				
Home Ownership services	598	(517)	-	81
LCHO First Tranche Sales	14,300	(13,131)	-	1,169
Group Recharges	40,793	(40,950)	-	(157)
Other	1,472	(4,320)	-	(2,848)
Properties for Sale restated	1,231	(1,231)	-	-
	58,394	(60,149)	-	(1,755)
	68,497	(63,287)	-	5,210
Non-social housing activities	266	(91)	-	175

3 Income and Expenditure from Social Housing Lettings

Group	General Needs Housing £000	Supported Housing and Housing for Older People £000	Low Cost Home Ownership £000	2015 £000	2014 £000
Rent receivable net of identifiable service charges	140,170	10,806	8,441	**159,417**	**151,216**
Service charge Income	9,024	4,472	1,101	**14,597**	**13,442**
Other income from lettings	437	22	527	**986**	**942**
Turnover from social housing lettings	149,631	15,300	10,069	**175,000**	**165,600**
Expenditure					
Management	(18,418)	(3,361)	(1,775)	**(23,554)**	**(21,234)**
Service charge costs	(9,114)	(4,514)	(1,274)	**(14,902)**	**(14,048)**
Routine maintenance	(27,454)	(1,287)	(21)	**(28,762)**	**(29,999)**
Planned maintenance	(18,972)	(1,865)	(10)	**(20,847)**	**(17,112)**
Bad debts	(1,180)	(95)	(11)	**(1,286)**	**(1,206)**
Depreciation of housing properties	(16,519)	(1,257)	(852)	**(18,628)**	**(17,757)**
Reversal of impairment of other fixed assets	517	-	42	**559**	**(197)**
Other costs	(41)	-	-	**(41)**	**(441)**
Operating costs on social housing lettings	(91,181)	(12,379)	(3,901)	**(107,461)**	**(101,994)**
Operating surplus on social housing lettings	58,450	2,921	6,168	**67,539**	**63,606**
Void losses	2,199	594	41	**2,834**	**2,651**

3 Income and Expenditure from Social Housing Lettings (continued)

Association	General Needs Housing £000	Supported Housing and Housing for Older People £000	Low Cost Home Ownership £000	2015 £000	2014 £000
Rent receivable net of identifiable service charges	536	-	8,441	**8,977**	**8,510**
Service charge Income	-	-	1,101	**1,101**	**1,093**
Other income from lettings	-	-	527	**527**	**500**
Turnover from social housing lettings	536	-	10,069	**10,605**	**10,103**
Expenditure					
Management	-	-	(1,775)	**(1,775)**	**(1,500)**
Service charge costs	-	-	(1,274)	**(1,274)**	**(1,069)**
Routine maintenance	(9)	-	(21)	**(30)**	**(38)**
Planned maintenance	-	-	(10)	**(10)**	**(12)**
Bad debts	(16)	-	(11)	**(27)**	**(16)**
Depreciation of housing properties	(140)	-	(852)	**(992)**	**(990)**
Reversal of impairment of other fixed assets	517	-	42	**559**	**22**
Other costs	-	-	-	**-**	**465**
Operating costs on social housing lettings	352	-	(3,901)	**(3,549)**	**(3,138)**
Operating surplus on social housing lettings	888	-	6,168	**7,056**	**6,965**
Void losses	-	-	41	**41**	**25**

4 Staff Costs

	Group 2015 Number	Group 2014 Number	Association 2015 Number	Association 2014 Number
Average Number Employed				
Office Staff	910	924	**877**	890
Scheme Staff	346	346	**334**	330
Operatives	-	95	**-**	94
	1,256	1,365	**1,211**	1,314
Full-time	927	1,025	**893**	986
Part-time	329	340	**318**	328
	1,256	1,365	**1,211**	1,314
Full time Equivalents	1,148	1,272	**1,107**	1,224

A full time equivalent would be 35 hours per week.

	Group 2015 Number	Group 2014 Number	Association 2015 Number	Association 2014 Number
Staff Costs for the Above				
Wages and Salaries	**33,337**	33,529	**32,162**	32,281
Social Security Costs	**3,057**	3,299	**2,943**	3,179
Other Pension Costs	**1,734**	1,778	**1,581**	1,662
	33,128	38,606	**36,686**	37,122

	Group 2015 Number	Group 2014 Number	Association 2015 Number	Association 2014 Number
Number employed at 31 March				
Office staff	897	931	**870**	898
Scheme staff	318	340	**305**	324
Operatives	-	87	**-**	86
	1,215	1,358	**1,175**	1,308

4 Staff Costs (continued)

Directors and Senior Staff emoluments - FTE

The full time equivalent number of staff whose remunerations paid in the year was in excess of £60k:

Band	Group	
	2015 Number	2014 Number
Over £190k	1	1
Over £140k	-	2
Over £130k	1	2
Over £120k	2	-
Over £110k	3	1
Over £100k	7	5
Over £90k	2	4
Over £80k	8	8
Over £70k	11	11
Over £60k	24	17
Total	**59**	**51**

5 Operating surplus

	Group		Association	
	2015 £000	2014 £000	2015 £000	2014 £000
Operating Surplus is stated after charging/(crediting)				
Housing Properties:				
- Depreciation Charge	17,151	16,058	992	990
- Impairment (Credit)/Charge	(42)	863	(42)	121
Other Fixed Assets:				
- Depreciation - Owned Assets	2,358	2,181	2,002	1,841
- Depreciation - Leased Assets	120	177	-	-
- Impairment (credit)	(517)	(9)	(517)	-
- (Profit)/Loss on Disposal	353	(201)	20	5
Operating Leases - Other	610	602	213	214
Group Auditors' Remuneration:				
- In their Capacity as Auditors	131	82	25	12
- In Respect of Other Services	-	5	-	2
Other Auditors' Remuneration:				
- In their Capacity as Auditors	17	13	10	5
- In Respect of Other Services	45	59	45	59

6 Directors emoluments

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

Aggregate emoluments paid to or received by Directors who are not executive staff members including salaries, honoraria and other benefits:

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
J Ball	**2**	4	**-**	-
F Beckett	**16**	16	**16**	16
R Berrett	**8**	6	**8**	6
The Rt Hon Baroness Blackstone	**22**	22	**22**	22
S Brown	**9**	9	**9**	9
A Crook	**13**	10	**13**	10
C Crook	**13**	13	**13**	13
R Dahlberg	**-**	-	**-**	-
L Dennish	**-**	2	**-**	-
L Dexter	**-**	2	**-**	-
H Devy	**-**	5	**-**	-
J Dickinson	**2**	4	**-**	-
D Ghandi	**-**	5	**-**	-
R Hyde	**-**	2	**-**	-
J Hopes	**1**	4	**-**	-
D Kelly	**-**	-	**-**	-
G Kyle	**1**	4	**-**	-
M Lawrence	**-**	-	**-**	-
S Margrave	**2**	3	**-**	-
M Marron	**-**	-	**-**	-
K Massey	**-**	-	**-**	-
J Matthews	**-**	8	**-**	8
T McGlone	**-**	4	**-**	-
V Nicholls	**1**	4	**-**	-
E Potter	**-**	-	**-**	-

6 Directors emoluments (continued)

	Group		Association	
	2015 £000	2014 £000	2015 £000	2014 £000
M Robertson Smith	**-**	4	**-**	-
G Richardson	**2**	5	**-**	-
T Sawyer	**-**	-	**-**	-
S Shubhankar	**1**	-	**-**	-
A Squirrell	**1**	4	**-**	-
A Stanford	**8**	-	**8**	-
K Strong	**1**	3	**-**	-
N Topping	**-**	5	**-**	-
M Wellington	**-**	-	**-**	-
V Williamson	**-**	-	**-**	-
L Williams	**-**	-	**-**	-
W Yardley	**2**	-	**-**	-
D Young	**10**	6	**10**	6
Total	**115**	154	**99**	90

	Group		Association	
	2015 £000	2014 £000	2015 £000	2014 £000
Aggregate emoluments (including pension contributions) paid to or received by Directors who are executive staff members including salaries, honoraria and other benefits	**1,000**	975	**1,000**	975
Aggregate emoluments of the highest paid Director excluding pension contributions included in aggregate emoluments of Directors who are executive staff members	**207**	191	**207**	191

The Group Chief Executive is a member of SHPS on the same terms as all other staff who are also members; no enhanced or special terms apply. Expenses paid during the year to Board Members amounted to £36k (2014: £46k).

7 Profit or loss on Sale of Housing Properties

Group	2015 Letting £000	2015 Shared Equity £000	2015 Total £000	2014 Letting £000	2014 Shared Equity £000	2014 Total £000
Proceeds from disposal	**20,513**	**6,645**	**27,158**	42,085	10,502	52,587
Cost of disposals	**(7,576)**	**(4,537)**	**(12,113)**	(10,958)	(5,855)	(16,813)
Profit on Disposal	**12,937**	**2,108**	**15,045**	31,127	4,647	35,774

Association	2015 Letting £000	2015 Shared Equity £000	2015 Total £000	2014 Letting £000	2014 Shared Equity £000	2014 Total £000
Proceeds from disposal	**370**	**6,645**	**7,015**	214	10,502	10,716
Cost of disposals	**(423)**	**(4,537)**	**(4,960)**	(206)	(5,885)	(6,091)
Profit on Disposal	**(53)**	**2,108**	**2,055**	8	4,617	4,625

8 Interest Receivable and other income

	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Interest receivable from unlisted investments	**453**	524	**1,157**	1,624

9 Interest Payable and Similar Charges

	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
On Bank Loans, Overdrafts and Other Loans				
Repayable within 5 years, by instalments	**2,662**	2,291	**-**	-
Repayable within 5 years, other than by instalments	**591**	191	**-**	-
Repayable by instalments wholly or partly, in more than 5 years	**31,913**	27,530	**3,837**	5,025
Repayable, other than by instalments, in more than 5 years	**1,612**	1,550	**-**	-
	36,778	31,562	**3,837**	5,025
Other Interest	**1,115**	1,212	**289**	331
Capitalised Interest	**(1,729)**	(1,855)	**(311)**	(210)
Deferred income credit (See Note 23b)	**(114)**	(114)	**-**	-
Total	**36,050**	30,805	**3,815**	5,146

The bank base rate average for the year (adjusted for margins) of 0.75% (2014: 0.75%) was used for the purpose of calculating capitalised interest.

10 Tax on surplus on ordinary activities

The only members of the Group liable to a tax charge or credit throughout the year ended 31 March 2015 were Orbit Group Limited, Orbit Homes (2020) Limited, Heart of England Housing Association Limited, Orbit Treasury Limited and Orbit Capital plc. Orbit Group Limited obtained charitable status with effect from 3 April 2006. From that point, its principal sources of income and gains have been exempt from corporation tax and accordingly, no deferred tax assets have been recognised in the balance sheet of the Association at either 31 March 2015 or 31 March 2014.

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

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

10 Tax on surplus on ordinary activities (continued)

	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
(a) Analysis of (credit)/charge in year:				
Current tax:				
UK corporation tax on profits of the year	**3**	329	**3**	-
Adjustment in respect of previous year	**(14)**	(25)	**12**	-
	(11)	304	**15**	-

There is no deferred tax for the year, either recognised or unrecognised (2014: £Nil).

The current tax charge for the year is lower (2014: lower) than the standard rate of Corporation Tax in the UK of 21% (2014: 23%). The differences are explained below:

	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
(b) Factors affecting tax charge for current year				
Surplus on ordinary activities before taxation	**45,404**	67,543	**26,559**	23,107
Tax Charge at 21% (2014: 23%) thereon	**9,535**	15,535	**5,578**	5,315
Non taxable (surpluses) (primarily charitable exemptions)	**(9,532)**	(15,367)	**(5,575)**	(5,315)
Capital allowances less than depreciation	**-**	161	**-**	-
Adjustment in respect of previous year	**(14)**	(25)	**12**	-
Current tax charge for the year	**(11)**	304	**15**	-

(c) Factors that may affect future tax charges:

Reductions to the UK corporation tax rate were announced in the March 2012 Budget. The changes propose to reduce the rate by 1% per annum to 24% from 1 April 2012, by a further 1% to 23% from 1 April 2013 and by an additional 2% to 21% from 1 April 2014. The changes were substantively enacted on 3 July 2012.

11 Housing Properties

Group	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Non-social Housing	
	Complete	In Development	Complete	In Development	Complete	In Development	Complete	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost								
At 1 April 2014	1,569,016	108,496	53,224	-	173,506	30,187	2,600	1,937,029
Reclassifications	-	-	-	-	882	15,062	-	15,944
Additions	20,550	142,083	1,402	-	43,848	1,573	-	209,456
Transfer on completion	100,492	(100,492)	-	-	-	-	-	-
Transfer to stock	-	-	-	-	(15,435)	(11,298)	-	(26,733)
Disposals	(11,120)	(1,061)	(431)	-	(4,537)	-	-	(17,149)
At 31 March 2015	1,678,938	149,026	54,195	-	198,264	35,524	2,600	2,118,547
Less: Grants								
At 1 April 2014	(612,571)	(32,630)	(25,370)	-	(65,699)	(3,049)	(814)	(740,133)
Reclassifications	-	-	-	-	-	-	-	-
Receivable	(7,030)	(26,084)	(21)	-	(136)	(1,506)	-	(34,777)
Disposals	(11,664)	12,424	-	-	1,417	-	-	2,177
Transfer on completion	(10,648)	10,648	-	-	(3,011)	3,011	-	-
Transfer (from)/to RCGF and DPF	2,398	(1,238)	250	-	(101)	-	-	1,309
Transfer to stock	-	-	-	-	99	497	-	596
Grant abated to the I&E	-	-	154	-	-	-	-	154
At 31 March 2015	(639,515)	(36,880)	(24,987)	-	(67,431)	(1,047)	(814)	(770,674)

11 Housing Properties (continued)

Less: Accumulated Depreciation	Housing Properties for Letting Complete	Housing Properties for Letting In Development	Supported Housing Complete	Supported Housing In Development	Low Cost Home Ownership Complete	Low Cost Home Ownership In Development	Non-social Housing Complete	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2014	(109,797)	-	(8,397)	-	(5,882)	-	(121)	(124,197)
Eliminated on disposals	3,153	-	116	-	158	-	-	3,427
Depreciation	(15,169)	-	(1,109)	-	(863)	-	(10)	(17,151)
At 31 March 2015	(121,813)	-	(9,390)	-	(6,587)	-	(131)	(137,921)
Less: Provisions for impairment								
At 1 April 2014	(3,783)	(465)	(93)	-	(96)	(985)	-	(5,422)
Reclassification	(246)	246	-	-	-	-	-	-
(Charge)/credit for the year	-	-	-	-	42	-	-	42
At 31 March 2015	(4,029)	(219)	(93)	-	(54)	(985)	-	(5,380)
Net Book Amount								
At 31 March 2015	913,581	111,927	19,725	-	124,192	33,492	1,655	1,204,572
At 31 March 2014	842,865	75,401	19,364	-	101,829	26,153	1,665	1,067,277

Additions to properties during the year include capitalised interest and finance costs of £1.1 million (2014: £0.5 million) and development administration costs / project management fees of £5.3 million (2014: £3.2million). The Group reviewed its properties for impairment and there was a charge of £42k (2014: £1.9 million credit) to the Income and Expenditure Account. During the year the total expenditure on works to existing properties was £55.1 million of which £13.7 million has been capitalised.

11 Housing Properties (continued)

Association	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Other Social Housing	Non-social Housing	
	Complete £000	In Development £000	Complete £000	In Development £000	Complete £000	In Development £000	Complete £000	Complete £000	Total £000
Cost									
At 1 April 2014	14,780	-	-	-	169,077	30,187	-	-	214,044
Additions	-	-	-	-	882	15,062	-	-	15,944
Transfer on completion	-	-	-	-	43,848	1,573	-	-	45,421
Transfer to stock	-	-	-	-	(15,435)	(11,298)	-	-	(26,733)
Disposals	(1,200)	-	-	-	(4,413)	-	-	-	(5,613)
At 31 March 2015	13,580	-	-	-	193,959	35,524	-	-	243,063
Less: Grants									
At 1 April 2014	(3,111)	-	-	-	(62,901)	(3,049)	-	-	(69,061)
Receivable	-	-	-	-	(136)	(1,506)	-	-	(1,642)
Disposals	760	-	-	-	1,417	-	-	-	2,177
Transfer on completion	-	-	-	-	(3,011)	3,011	-	-	-
Transfer (from)/to RCGF and DPF	-	-	-	-	(101)	-	-	-	(101)
Transfer to stock	-	-	-	-	99	497	-	-	596
At 31 March 2015	(2,351)	-	-	-	(64,633)	(1,047)	-	-	(68,031)

11 Housing Properties (continued)

	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Other Social Housing	Non-social Housing	
Less: Accumulated Depreciation	**Complete**	**In Development**	**Complete**	**In Development**	**Complete**	**In Development**	**Complete**	**Complete**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2014	(361)	-	-	-	(5,830)	-	-	-	(6,191)
Eliminated on disposals	52	-	-	-	158	-	-	-	210
Depreciation	(140)	-	-	-	(852)	-	-	-	(992)
At 31 March 2015	(449)	-	-	-	(6,524)	-	-	-	(6,973)
Less: Provisions for impairment									
At 1 April 2014	-	-	-	-	(96)	(985)	-	-	(1,081)
(Charge)/credit for the year	-	-	-	-	42	-	-	-	42
At 31 March 2015	-	-	-	-	(54)	(985)	-	-	(1,039)
Net Book Amount									
At 31 March 2015	10,780	-	-	-	122,748	33,492	-	-	167,020
At 31 March 2014	11,308	-	-	-	100,250	26,153	-	-	137,711

Additions to properties during the year include capitalised interest and finance costs of £0.3 million (2014: £0.2 million) and development administration costs/project management fees of £1.3 million (2014: £0.9 million). The Association reviewed its properties for impairment and there was a charge of £Nil to the Income and Expenditure Account for 2015 (2014: charge of £121k).

11 Housing Properties (continued)

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

	Group		Association	
	2015 £000	2014 £000	2015 £000	2014 £000
Within Housing Properties and Stocks	**31,768**	34,228	**1,506**	2,318
The Net Book Value of Housing and Other Properties (Note 14) comprises:				
Freehold Land and Buildings	**1,201,642**	1,061,637	**163,766**	133,835
Long Leasehold Land and Buildings	**12,053**	11,835	**8,944**	8,603
Short Leasehold Land and Buildings	**2**	343	**-**	-
	1,213,697	1,073,815	**172,710**	142,438

12 Investments

	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Monies deposited with Funding for Homes Ltd	**800**	800	**-**	-
Investment in Preference Shares of Orbit Homes (2020) Limited	**-**	-	**34,000**	22,000
Investment in Ordinary Shares of Orbit Capital plc	**-**	-	**13**	-
Total	**800**	800	**34,013**	22,000

In October 1993, the Group raised loans totalling £16 million through the financial intermediary, Funding for Homes Limited. It is a condition of the funding that all members raising monies through this means must deposit 5% of the proceeds, which in the Orbit Group's case amounts to £800k as a common guarantee against default.

During the year ended 31 March 2015, Orbit Group Limited invested £12m (2014: £12m) in 5% Redeemable Preference Shares in Orbit Homes (2020) Limited, a wholly owned subsidiary company.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

13 HomeBuy and Other Equity Loans and Grants

Group and Association	2015 HomeBuy Loans/Grants £000	2015 Other Equity Loans/ Grants £000	2015 Total £000	2014 HomeBuy Loans/Grants £000	2014 Other Equity Loans/ Grants £000	2014 Total £000
Grants received from the Homes & Communities Agency	**(12,437)**	**(2,410)**	**(14,847)**	(13,671)	(2,253)	(15,924)
Grants received from Recycled Capital Grant Fund	**(629)**	**-**	**(629)**	(629)	-	(629)
Grants Received Total	**(13,066)**	**(2,410)**	**(15,476)**	(14,300)	(2,253)	(16,553)
Loans Advanced to Borrowers	**13,066**	**3,362**	**16,428**	14,300	3,146	17,446
	-	**952**	**952**	-	893	893

14 Other Fixed Assets

Group	Freehold Offices £000	Leasehold Offices £000	Commercial Premises £000	Motor Vehicles £000	Furniture, Fixtures & Equipment £000	Total £000
Cost or Valuation						
At 1 April 2014	3,280	10,881	543	19	14,448	29,171
Additions	-	158	-	-	1,623	1,781
Reclassifications	-	9	-	-	(9)	-
Disposals	-	(560)	-	-	(196)	(756)
At 31 March 2015	3,280	10,488	543	19	15,866	30,196
Less: Accumulated Depreciation						
At 1 April 2014	(879)	(3,614)	(146)	(19)	(9,794)	(14,452)
Charge for Year	(94)	(447)	(18)	-	(1,919)	(2,478)
Reclassifications	-	-	-	-	-	-
Eliminated on Disposal	-	236	-	-	85	321
At 31 March 2015	(973)	(3,825)	(164)	(19)	(11,628)	(16,609)
Less: Provisions for impairment						
At 1 April 2014	(1)	(1,038)	-	-	-	(1,039)
Charge/(credit) for year	-	517	-	-	-	517
At 31 March 2015	(1)	(521)	-	-	-	(522)
NET BOOK AMOUNT						
At 31 March 2015	2,306	6,142	379	-	4,238	13,065
At 31 March 2014	2,400	6,229	397	-	4,654	13,680

The net book value includes £Nil (2014 £Nil) of furniture, fixtures and equipment held under finance leases. Depreciation charged in the year on these assets amounted to £Nil (2014: £Nil).

14 Other Fixed Assets (continued)

Certain of the Orbit Group Limited offices were revalued in February 1997 on the basis of their Open Market Value for existing use. The valuations were carried out by Messrs Shortland Horne, Chartered Surveyors. On adoption of Financial Reporting Standard 15 "Tangible Fixed Assets", the Association has followed the transitional provisions to retain the book value of the offices which were revalued in 1997, but not to adopt a policy of revaluation in the future. These modified historical cost values are retained subject to the requirement to test assets for impairment. If the offices had not been revalued they would have been included in Orbit Group Limited balance sheet at £Nil (2014: £Nil). The difference between the revalued amounts of the offices and their depreciated costs are as follows:

	Freehold Offices £000	Leasehold Offices £000	Total £000
Depreciated Historical Cost	**-**	**-**	**-**
Revalued Amount	**356**	**-**	**356**
Difference as at 31 March 2015	**356**	**-**	**356**
Difference as at 31 March 2014	551	-	551

Association	Freehold Offices £000	Leasehold Offices £000	Commercial Premises £000	Motor Vehicles £000	Furniture, Fixtures & Equipment £000	Total £000
Cost or valuation						
At 1 April 2014	758	6,945	-	-	9,398	17,101
Additions	-	147	-	-	1,506	1,653
Disposals	-	-	-	-	(59)	(59)
At 31 March 2015	758	7,092	-	-	10,845	18,695
Less: Accumulated Depreciation						
At 1 April 2014	(321)	(1,619)	-	-	(5,473)	(7,413)
Charge for Year	(11)	(325)	-	-	(1,666)	(2,002)
Eliminated on Disposal	-	2	-	-	16	18
At 31 March 2015	(332)	(1,942)	-	-	(7,123)	(9,397)
Less: Provisions for impairment						
At 1 April 2014	-	(1,038)	-	-	-	(1,038)
Credit for Year	-	517	-	-	-	517
At 31 March 2015	-	(521)	-	-	-	(521)
NET BOOK AMOUNT						
At 31 March 2015	426	4,629	-	-	3,722	8,777
At 31 March 2014	437	4,288	-	-	3,925	8,650

The net book value includes £Nil (2014: £Nil) of furniture, fixtures and equipment held under finance leases. Depreciation charged in the year on these assets amounted to £Nil (2014: £Nil).

15 Properties For Sale

	Group		Association	
	2015 £000	2014 £000	2015 £000	2014 £000
Housing properties for Sale	**3,735**	3,939	**3,735**	3,939
Shared Ownership - Completed Properties	**3,339**	2,948	**3,339**	2,948
Shared Ownership - Under Construction	**23,952**	12,828	**23,952**	12,828
	31,026	19,715	**31,026**	19,715

The above figures include capitalised interest of £311k (2014: £210k) for the Group and the Association.

16 Stocks

	Group		Association	
	2015 £000	2014 £000	2015 £000	2014 £000
Work in Progress	**75,612**	48,872	-	-
Consumable Stocks	**1**	14	-	2
	75,613	48,886	-	2

Included within Work in Progress is capitalised interest of £3,865k (2014: £1,727k).

17 Debtors

	Group		Association	
	2015 £000	2014 £000	2015 £000	2014 £000
Rental Debtors	**9,549**	7,745	**484**	472
Less: provision for doubtful debts	**(2,260)**	(2,274)	**(20)**	(22)
	7,289	5,471	**464**	450
Amounts due from Subsidiaries	**-**	-	**74,160**	46,504
Prepayments and Accrued Income	**4,693**	2,348	**2,729**	722
SHG Receivable	**5,767**	5,136	**1,188**	274
Other Debtors	**10,753**	9,850	**2,399**	3,934
	28,502	22,805	**80,940**	51,884
Debtors after one year included in Debtors above:				
Other Debtors	**1,920**	1,835	**997**	1,102
Amounts due from Subsidiaries	**-**	-	**37,200**	16,050
	1,920	1,835	**38,197**	17,152

18 Current Asset Investments

	Group		Association	
	2015 £000	2014 £000	2015 £000	2014 £000
Other Investments and Cash - Short Term Deposits comprise:				
- Maturing in excess of 7 days	**7,254**	-	**1,925**	-
	7,254	-	**1,925**	-

19 Creditors: Amounts Falling Due Within One Year

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Housing Loans	**12,320**	16,613	**3,075**	2,612
Trade Creditors	**20,660**	17,455	**3,046**	3,038
Amounts due to Group Undertakings	**-**	-	**34,610**	6,865
Other Creditors including Taxation and Social Security	**7,946**	8,686	**4,351**	4,635
Accruals & Deferred income	**19,696**	17,278	**19**	33
Deposits Received in Advance	**635**	350	**635**	350
Rents Received in Advance	**4,519**	3,214	**225**	251
Grants Received in Advance	**2,951**	2,651	**1,696**	471
RCGF and DPF Within One Year (Note 21)	**3,735**	2,338	**1,259**	1,679
Total	**72,462**	68,585	**48,916**	19,934

20 Provisions for Liabilities and Charges

	Group		Association	
	2015 £000	2014 £000	2015 £000	2014 £000
Restructuring	**286**	400	-	-
Stratford Sound Insulation	**1,783**	-	-	-
Total	**2,069**	400	-	-
Analysed As:				
Within one year	**657**	400	-	-
Greater than one year	**1,412**	-	-	-
Total	**2,069**	400	-	-

21 Disposal Proceeds and Recycled Capital Grant Funds

Group	RCGF £000	DPF £000	Total £000
At 1 April 2014	10,665	472	11,137
Grants recycled	5,123	470	5,593
Interest accrued	62	3	65
Utilised in the year	(2,735)	(3)	(2,738)
At 31 March 2015	13,115	942	14,057

Amount due for repayment to the Homes & Communities Agency

Group	RCGF £000	DPF £000	Total £000
Within one year	**3,557**	**178**	**3,735**
After more than one year	**9,558**	**764**	**10,322**
At 31 March 2015	**13,115**	**942**	**14,057**

Disposal Proceeds and Recycled Capital Grant Funds

Association	RCGF £000	DPF £000	Total £000
At 1 April 2014	**5,551**	**-**	**5,551**
Grants recycled	2,743	-	2,743
Interest accrued	31	-	31
Utilised in the year	(2,079)	-	(2,079)
At 31 March 2015	**6,246**	**-**	**6,246**

Amount due for repayment to the Homes & Communities Agency

Association	RCGF £000	DPF £000	Total £000
Within one year	1,259	-	1,259
After more than one year	4,987	-	4,987
At 31 March 2015	**6,246**	**-**	**6,246**

The amount utilised in the year related to new developments and one off purchase of housing assets.

22 Other Creditors: Amounts Falling Due After More Than One Year

	Group		Association	
	2015 £000	2014 £000	2015 £000	2014 £000
Housing Loans	**688,203**	733,661	**115,862**	75,753
Bond finance	**194,456**	-	**-**	-
Deferred Income Credit	**336**	450	**-**	-
Advanced Maintenance and Renewal Contributions	**5,886**	5,036	**2,147**	1,711
Other Creditors	**1,227**	1,045	**-**	-
Total	**890,108**	740,192	**118,009**	77,464

Housing loans shown above are net of £2,060k loan arrangement fees carried forward (2014: £2,477k) and Swap buy-out cancellation fees of £6,119k (2014: £6,426k).

Bond finance shown above is net of £1,606k arrangement fees carried forward (2014: £nil) and discount costs of £3,938k (2014: £nil).

23 Housing loans and Bond Finance

	Group		Association	
	2015 £000	2014 £000	2015 £000	2014 £000
Due within one year				
Orbit Treasury Limited	**-**	-	**3,075**	2,612
Greenwich NatWest	**483**	431	**-**	-
Bank/Building Society Loans	**9,200**	9,200	**-**	-
Homes & Community Agency	**2,637**	6,982	**-**	-
	12,320	16,613	**3,075**	2,612
Due after more than one year				
Orbit Treasury Limited	**-**	-	**89,173**	75,753
Orbit Capital plc	**-**	-	**26,689**	-
Bond finance	**200,000**	-	**-**	-
Bank/Building society loans	**669,150**	714,850	**-**	-
Homes and Community Agency	**-**	-	**-**	-
Greenwich NatWest	**11,232**	11,715	**-**	-
Debenture stock	**16,000**	16,000	**-**	-
	896,382	742,565	**115,862**	75,753
	908,702	759,178	**118,937**	78,365

All loans are in sterling. The majority of loans in the Group are routed through a separate treasury vehicle, Orbit Treasury Limited. All members of the Group have entered into a fully cross-collateralised structure. Orbit Treasury Limited borrows money on behalf of the Group and on-lends these to the individual Operating Associations as required. The benefits of setting up the treasury vehicle include streamlined and efficient treasury procedures and strategy.

Orbit Capital plc was set up during 2014-15 as a funding vehicle for the issue of £250m bond financing, of which £200m has been drawn, and on-lends to the individual Operating Associations as required.

23 Housing loans and Bond Finance (continued)

Note (a)

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

	Group		Association	
	2015 £000	2014 £000	2015 £000	2014 £000
In one year or less, on demand	**12,320**	16,613	**3,075**	2,612
Repayable by instalments:				
- more than one year but not more than two years	**13,282**	10,113	**3,075**	2,612
- In more than two years but not more than five years	**81,176**	69,827	**9,225**	7,836
- In more than 5 years	**455,174**	569,375	**103,562**	65,305
	549,632	649,315	**115,862**	75,753
Repayable other than by instalments:				
- In more than two years but not more than five years	**31,750**	28,250	**-**	-
- In more than 5 years	**315,000**	65,000	**-**	-
	346,750	93,250	**-**	-
	908,702	759,178	**118,937**	78,365

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

The bank and other loans are repaid in instalments at fixed and variable rates of interest ranging from 0.75% to 11.9%. The final instalments fall to be repaid in the period 2016 to 2037.

Note (b)

As a result of raising loans totalling £16 million through the financial intermediary Funding for Homes Ltd, the Association received an additional sum of £2.8 million, representing a net discount on the market price of the stock on issue. The Funding for Homes Ltd loan was assigned to another group member as part of the group restructure, and the deferred income credit will be released to the Income and Expenditure Account to offset against loan interest charges over the life of the loans (25 years from October 1993).

Note (c)

In accordance with FRS13 where an interest rate Swap has been used to convert floating rate borrowing to fixed rate, the debt has been shown as fixed rate.

23 Housing loans and Bond Finance (continued)

The interest rate profile at 31 March 2015 was:

	Total £m	Variable Rate £m	Fixed Rate £m	Weighted Average Rate %	Weighted Average Term until Maturity Years
Group					
Instalment loans	**762.8**	**10.8**	**752.0**	**4.47**	**25**
Non-instalment loans	**145.9**	**22.6**	**123.3**	**4.98**	**21**
	908.7	**33.4**	**875.3**	**4.55**	**23**
Association					
Instalment loans	**118.9**	**62.5**	**56.4**	**6.92**	**26**

The Group has various undrawn committed borrowing facilities. The facilities available at 31 March were as follows:

	Group 2015 £m
Expiring in more than one year but not more than two years	50
Expiring in more than two years	262
Undrawn committed facilities	**312**

Note (d)

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities as at 31 March 2015:

	Book value £000	**Fair value £000**
Primary financial instruments held or issued to finance the Group's operations:		
Borrowings maturing with 1 year	12,320	12,563
Borrowings maturing greater than 1 year	896,382	910,043
Total Borrowings	908,702	922,606
Derivative financial instruments held to manage the interest rate profile:		
Interest rate swaps	-	(105,500)

The fair value of short term assets and liabilities is approximately equivalent to the book value and therefore is not materially different.

23 Housing loans and Bond Finance (continued)

The group uses interest rate swaps to manage its interest rate profile. Changes in fair value of instruments used as hedges are not recognised in the financial statements until the hedge position matures. An analysis of these unrecognised gains and losses is as follows:

	Gains £000	Losses £000	Total net gains/ (losses) £000
Unrecognised gains and losses on hedges at 1st April 2014	147	(45,221)	(45,074)
(Gains)/losses arising in previous years that were recognised in the year from interest (received)/paid	(147)	10,116	9,969
Gains and losses arising before 1st April that were not recognised in the year	-	(35,105)	(35,105)
Gains and losses arising in the year that were not recognised	-	(70,395)	(70,395)
Unrecognised gains and losses on hedges at 31st March 2015	-	(105,500)	(105,500)
Of which:			
Gains and losses expected to be recognised in the year to 31st March 2016	-	(10,115)	(10,115)
Gains and losses expected to be recognised in the year to 31st March 2017	-	(95,385)	(95,385)

The fair values of the interest rate swaps and sterling denominated long-term fixed debt with a carrying value of £200 million have been determined by reference to prices available from the markets on which the instruments involved are traded. All the other fair values above have been calculated by discounting cash flows at prevailing interest rates.

24 Called up share capital

	Group		Association	
	2015 £000	**2014 £000**	**2015 £000**	**2014 £000**
Issued and Fully Paid Shares of £1 each				
At 1 April 2014	**8**	8	**8**	8
Issued	**-**	2	**-**	2
Surrendered	**-**	(2)	**-**	(2)
At 31 March 2015	**8**	8	**8**	8

The share capital of Orbit Group Limited, which was formed in 1997, is raised by the issue of shares with a nominal value of £1 each. The Association's Co-operative and Community Benefit Society status means the maximum shareholding permitted per member is 1 share. There is no Authorised Share Capital and the Orbit Board may issue as many £1 shares as it wishes. However, the Board operates a restricted shareholding policy with all shares currently held by serving, or former Orbit Board Members only.
The Association's shares carry no right to interest, dividend or bonus. Shares are not capable of being withdrawn or transferred and cannot be held jointly. Shareholders have the right to attend (or to vote by proxy) at any general, special general or extraordinary general meeting of the Association.

25 Revaluation Reserve

Association	At beginning of the year £000	Transfer to I&E account £000	At end of year £000
Revaluation of Offices	551	(195)	356

26 Designated reserves

Group	At beginning of the year £000	Transfer to /(from) I&E account £000	Release of provision during the year £000	At end of year £000
Neighbourhood Investment Fund	637	(8)	-	629
Renewal of furniture and equipment	6,898	580	-	7,478
Insurance Reserve	490	-	-	490
Community Investment Fund	1,387	912	-	2,299
At 31 March 2015	9,412	1,484	-	10,896
At 31 March 2014	8,997	1,051	(636)	9,412

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

26 Designated reserves (continued)

Association	At beginning of the year £000	Transfer to /(from) I&E account £000	Release of Provision during the year £000	At end of year £000
Neighbourhood Investment Fund	637	(8)	-	629
Insurance Reserve	303	-	-	303
At 31 March 2015	940	(8)	-	932
At 31 March 2014	982	-	(42)	940

27 Revenue Reserve

	Group		Association	
	2015 £000	**2014 £000**	**2015 £000**	**2014 £000**
Opening Balance	**373,359**	306,375	**163,234**	140,013
Surplus for the year (after transfer to reserves)	**43,931**	66,188	**26,747**	23,221
Actuarial (loss)/gain on pension scheme	**(1,095)**	796	**-**	-
Closing Balance	**416,195**	373,359	**189,981**	163,234

28 Reconciliation in Movements in reserves

	Group		Association	
	2015 £000	**2014 £000**	**2015 £000**	**2014 £000**
Opening Funds	**382,771**	315,372	**164,725**	141,660
Surplus for the Financial Year	**43,931**	67,239	**26,544**	23,107
Designated reserves transferred to other Group Members & released to I & E	**1,484**	(636)	**-**	(42)
Actuarial (loss)/gain on pension scheme	**(1,095)**	796	**-**	-
Closing Funds	**427,091**	**382,771**	**191,269**	**164,725**

29 Capital commitments

	Group		Association	
	2015 £000	2014 £000	2015 £000	2014 £000
Capital Expenditure which has been contracted for but has not been provided for in the financial statements	**307,444**	234,532	**72,254**	45,201
Capital Expenditure which has been authorised under authority from the Orbit Board but has yet to be contracted for	**504,730**	218,326	**91,439**	44,386
	812,174	452,858	**163,693**	89,587

The company expects these commitments to be financed with:

	Group		Association	
	2015 £000	2014 £000	2015 £000	2014 £000
Social Housing Grant	**59,258**	46,686	**5,319**	5,788
Committed loan facilities and reserves	**383,727**	206,752	**24,560**	15,203
Proceeds from sale of properties	**369,189**	199,420	**133,814**	68,596
	812,174	452,858	**163,693**	89,587

30 Contingent Liabilities

As at 31 March 2015, there were no contingent liabilities within either the Group or the Association (2014: £Nil).

31 Reconciliation of operating surplus to net cash inflow from operating activities

	Group		Association	
	2015 £000	**2014 £000**	**2015 £000**	**2014 £000**
Operating Surplus	**66,227**	61,695	**8,152**	5,385
Depreciation charge on other fixed assets	**2,478**	2,187	**2,002**	1,840
Depreciation charge on Housing Properties	**17,151**	16,058	**992**	990
Provision for impairment on Housing Properties	**(42)**	863	**(42)**	121
Provision for impairment on other fixed assets	**(517)**	(9)	**(517)**	-
Provision for impairment on stocks	**-**	(57)	**-**	-
Movement in other provisions	**1,669**	(400)	**7**	(14)
(Decrease) in Bad Debt Provision	**(14)**	75	**(2)**	5
Decrease/(Increase) in Stocks	**13**	506	**2**	2
Adjustment for Pension Funding	**-**	(5,793)	**-**	-
(Increase)/Decrease in Debtors	**(5,056)**	(51)	**(12,450)**	6,913
Increase/(Decrease) in Creditors	**4,603**	(1,068)	**28,830**	(11,384)
Release of designated reserves	**-**	(636)	**-**	(42)
Net Cash Inflow from Operating Activities	**86,447**	73,370	**26,974**	3,816

32 Reconciliation of net cash flow to movement in net debt

	Group		Association	
	2015 £000	**2014 £000**	**2015 £000**	**2014 £000**
Increase/(Decrease) in Cash in the year	**14,520**	(12,125)	**13,388**	(10,620)
Increase/(Decrease) in Bank Deposits (with a maturity in excess of 24 hours)	**7,254**	(26,104)	**1,925**	(20,000)
Other changes	**(199)**	(695)	**(462)**	-
Loans & Bond finance received	**(196,062)**	(25,001)	**(258,239)**	(256,250)
Loans repaid	**50,476**	13,359	**218,129**	266,950
Loan arrangement fees	**1,080**	383	**-**	-
Change in Net Debt	**(122,931)**	(50,183)	**(25,259)**	(19,920)
Net Debt at 1 April	**(721,409)**	(671,226)	**(53,225)**	(33,305)
Net Debt at 31 March	**(844,430)**	(721,409)	**(78,484)**	(53,225)

33 Analysis of changes in net debt

Group	At beginning of the year £000	Cash Flows £000	Other Changes £000	At end of year £000
Cash at Bank and in Hand	7,365	20	-	**7,385**
Bank deposits – less than 24 hours	21,500	14,500	-	**36,000**
	28,865	14,520	-	**43,385**
Bank deposits in excess of 7 days	-	7,254	-	**7,254**
Housing Loans due within one year	(16,612)	4,292	-	**(12,320)**
Housing Loans due after one year	(742,566)	46,184	-	**(696,382)**
Bond finance	-	(196,062)	-	**(196,062)**
Loan & Bond arrangement fees	8,904	1,080	(199)	**9,785**
	(721,409)	(122,732)	(199)	**(844,340)**

Association	At beginning of the year £000	Cash Flows £000	Other Changes £000	At end of year £000
Cash at Bank and in Hand	3,640	(1,112)	-	**2,528**
Bank deposits less than 24 hours	21,500	14,500	-	**36,000**
	25,140	13,388	-	**38,528**
Bank deposits in excess of 7 days	-	1,925	-	**1,925**
Housing Loans due within one year	(2,612)	-	(463)	**(3,075)**
Housing Loans due after one year	(75,753)	(40,572)	463	**(115,862)**
	(53,225)	(25,259)	-	**(78,484)**

34 Financial commitments

Operating Leases

At 31 March 2015 the Group was committed to making the following payments during the next year in respect of operating leases other than land and buildings:

	Group		Association	
	2015 £000	2014 £000	2015 £000	2014 £000
Leases which Expire				
Within 1 year	**146**	122	**122**	105
Within 2 - 5 years	**594**	724	**221**	350
Total	**740**	846	**343**	455

35 Subsidiary organisations

The following comprise the subsidiary organisations for incorporation into consolidated financial statements for the Group in accordance with the Co-operative and Community Benefit Societies Act 2014 and Financial Reporting Standard 2 – Accounting for Subsidiary Undertakings:

Organisation	Status	Principal Activity	Country of Incorporation	Basis of Control by Parent Undertaking
Registered under the Co-operative and Community Benefit Societies Act 2014				
Orbit South Housing Association Limited (trading as Orbit East & South)	Registered Housing Association and a Registered Society under the Co-operative and Community Benefit Societies Act 2014	Provision of rented housing	England & Wales	Control of membership of the Board plus nominal shareholding.
Heart of England Housing Association Limited (trading as Orbit Heart of England)	Registered Housing Association and a Registered Society under the Co-operative and Community Benefit Societies Act 2014	Provision of rented and special needs housing	England & Wales	Control of membership of the Board plus nominal shareholding.
Registered under the Companies Act 2006				
Orbit Treasury Limited	Private Limited Company	Group Treasury Vehicle	England & Wales	Ownership of all issued share capital.
Orbit New Homes Limited	Private Limited Company	Development of housing for sale	England & Wales	Ownership of all issued share capital.
Orbit Homes (2020) Limited	Private Limited Company	Design and build company and development of housing for sale	England & Wales	Ownership of all issued share capital.
Orbit Capital plc	Public Limited Company	Group Bond Finance Vehicle	England & Wales	Ownership of all issued share capital.

Transactions with non-regulated group members

During the year the Association has transacted with three fellow group subsidiaries not regulated by the HCA, Orbit Homes (2020) Ltd, Orbit Treasury Ltd and Orbit Capital plc. Orbit Homes (2020) Ltd provides design and build services to the group. During the year the Association made payments totalling £45.4m to Orbit Homes (2020) Ltd for the purchase of Housing Property assets and has an outstanding creditor balance with Orbit Homes (2020) Ltd of £6.3m and outstanding debtors of £42.6m.

Orbit Treasury Ltd and Orbit Capital plc provide a funding on-lending service to group members. During the year the Association paid interest costs to Orbit Treasury plc totalling £3.8m (2014: £5.0m) and fees of £0.2m (2014: £0.3m). The Association also paid interest costs of £21k and had an outstanding debtor balance of £26.7m to Orbit Capital plc. The allocation of these costs is based upon the level of debt required and secured by the Housing Properties held by the Association.

35 Subsidiary organisations (continued)

Related Party Transactions

The Orbit Heart of England and Orbit South Boards also include a member who is an elected representative of Nuneaton and Bedworth Borough Council. The Group undertakes transactions with the Council at arms length in the normal course of business.

The Association is exempt from the requirements of Financial Reporting Standard 8 'Related Party Disclosures' to disclose transactions between Group undertakings as all companies are under the control of the Board of the Parent Company. There were no other related party transactions to disclose under FRS 8. Included with Debtors (note 17) and Creditors (note 19) are the amounts owed to and owed by other group members.

36 Number of units under development at end of year

	OHL	OGL	OHE	OSHA	2015 Total
General Needs	-	-	733	507	**1,240**
Low Cost Home Ownership	-	253	-	-	**253**
Properties for Market Sale	447	-	-	-	**447**
Total Social Housing Units	447	253	733	507	**1,940**

	OHL	OGL	OHE	OSHA	2014 Total
General Needs	-	-	580	900	1,480
Low Cost Home Ownership	-	434	-	-	434
Properties for Market Sale	382	-	-	-	382
Total Social Housing Units	382	434	580	900	2,296

37 Property portfolio

	OGL	OHE	OSHA	Total
General needs	-	12,209	12,757	24,966
Affordable Rent	-	604	1,565	2,169
Intermediate Rent	121	61	191	373
Supported Housing	-	1,865	1,654	3,519
Total Owned by Orbit	121	14,739	16,167	31,027
Low Cost Home Ownership	3,228	18	22	3,268
Leasehold	620	759	1,444	2,823
Private Retirement Schemes	-	458	653	1,111
Owned	-	5	-	5
Managed on behalf of others	107	2	122	231
Leasehold and Other Managed	727	1,224	2,219	4,170
Total Social Housing Units	4,076	15,981	18,408	38,465
Market Rent	-	10	-	10
Commercial Units	-	15	4	19
Total Non Social Housing Units	-	25	4	29
Total Units	4,076	16,006	18,412	38,494

38 Pension costs

Social Housing Pension Scheme - Defined Benefit Scheme

Orbit participates in the Social Housing Pension Scheme (SHPS) (the scheme). The Scheme is funded and 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 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 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary is currently finalising the 30 September 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

Social Housing Pension Scheme – Defined Contribution Scheme

From 1 October 2010, Orbit Group Limited has operated a defined contribution scheme with SHPS, which is open to existing and new members of staff. As at 31 March 2015 there were 962 active members of the Scheme employed by the Group.

Total employer contributions paid to the scheme for the year were £2,597k (2014: £1,745k). There were no outstanding or prepaid contributions at 31 March 2015 (2014: nil). Employer contributions to the scheme of £216k (2014: £148k) were included in creditors and paid after the year end.

38 Pension costs (continued)

Other Pension Schemes Operated by Orbit Group Members

Movement in pension cost liabilities during the year

	Group	
	2015 £000	2014 £000
Net deficit at 01 April	**(2,174)**	(8,763)
Service costs	**(45)**	(30)
Contributions	**114**	112
Unfunded pensions payments	**2**	2
Net Return on Assets less interest on pension scheme liabilities	**57**	-
Actuarial Gain/(Loss)	**(1,095)**	796
Past service costs	**(1)**	-
Other finance costs	**25**	-
Gain arising on settlement of liabilities	**-**	699
Settlement of liabilities	**-**	5,010
(Deficit) in pension scheme at 31 March	**(3,117)**	(2,174)

Other Pension Schemes Operated by Orbit South Housing Association Limited

(a) Local Government Pension Scheme – Kent County Council

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 £52k (2014: £49k).

Triennial actuarial valuation

Triennial actuarial valuations of the LGPS are performed by an independent, professionally qualified actuary using the projected unit method as required by FRS17. 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 2013, with the next formal valuation due for the year ended 31 March 2016.

38 Pension costs (continued)

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

	2015	2014	2013
Rate of increase in salaries	**4.20%**	4.60%	4.80%
Rate of increase in pensions in payment and deferred pensions	**2.40%**	2.80%	2.60%
Discount rate applied to scheme liabilities	**3.30%**	4.50%	4.40%
Inflation assumption – CPI	**2.40%**	2.80%	2.60%
Inflation assumption – RPI	**3.20%**	3.60%	3.40%

The estimate of the duration of the Employer liabilities is 19 years.

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of FRS17 and with consideration of the duration of the Employer liabilities. This is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 19 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.2% p.a. (2014: 3.60%) . This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% p.a. below RPI i.e. 2.4% p.a. (2014: 2.80%). We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salaries are then assumed to increase at 1.8% p.a. above CPI in addition to a promotional scale.

38 Pension costs (continued)

Life Expectancy from age 65 (years)

		2015 £000	2014 £000
Retiring today	Males	**22.8**	22.7
	Females	**25.2**	25.1
Retiring in 20 years	Males	**25.1**	24.9
	Females	**27.6**	27.4

Scheme assets

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

	Value at 31 March 2015 £000	Value at 31 March 2014 £000	Value at 31 March 2013 £000
Equities	**4,934**	4,781	4,678
Bonds	**811**	741	856
Gilts	**76**	67	-
Other – property	**905**	673	527
Target return portfolio	**314**	270	264
Cash	**198**	202	264
Total scheme assets	**7,238**	6,734	6,589
Total value of scheme liabilities	**(9,607)**	(8,237)	(8,651)
Net pension liability	**(2,369)**	(1,503)	(2,062)

38 Pension costs (continued)

Scheme Liabilities

	2015 £000	2014 £000
Opening defined benefit obligation	**8,237**	8,651
Service cost	**45**	30
Interest cost	**365**	373
Actuarial loss/(gain)	**1,241**	(437)
Loss on curtailments	**-**	-
Estimated benefits paid net of transfers in	**(288)**	(385)
Past service cost	**1**	-
Contributions by scheme participants	**8**	7
Unfunded pension payments	**(2)**	(2)
Closing defined benefit obligation	**9,607**	8,237

Expected Return on Assets

	2015	2014	2013
Equities	**N/A**	7.00%	6.00%
Bonds	**N/A**	4.20%	4.10%
Gilts	**N/A**	3.60%	3.00%
Other – property	**N/A**	5.80%	4.00%
Target return portfolio	**N/A**	5.80%	4.50%
Cash	**N/A**	3.40%	0.50%
Total expected returns	**N/A**	6.40%	5.30%

Reconciliation of opening and closing balances of fair value scheme assets

	2015 £000	2014 £000
Opening fair value of Scheme assets	**6,734**	6,589
Expected return on Scheme assets	**422**	341
Actuarial gains	**312**	135
Contributions by employer including unfunded	**52**	49
Contributions by scheme participants	**8**	7
Estimated benefits paid net of transfers in and including unfunded	**(290)**	(387)
Fair value of Scheme assets at the end of the year	**7,238**	6,734

38 Pension costs (continued)

Analysis of amounts charged to Income and Expenditure

	2015 £000	2014 £000
Amounts charged to operating costs		
Service costs	**45**	30
Expected return on Employer's assets	**422**	341
Interest on pension scheme liabilities	**(365)**	(373)
	57	(32)

History of experience gains and losses at end of year

	2015	2014	2013	2012	2011
Difference between the expected and actual return on scheme assets (£'000)	**312**	135	568	(229)	(193)
% of scheme assets	**4.30%**	2.00%	8.60%	(4.00%)	(3.40%)
Experience gains and (losses) arising on the scheme liabilities (£'000)	**1**	795	(1)	-	(167)
% of scheme liabilities	**-%**	9.70%	-%	-%	(2.50%)
Actuarial (loss)/gain recognised in the statement of recognised surpluses/(deficits) (£'000)	**(929)**	572	61	(1,168)	621
% of scheme liabilities	**9.67%**	6.94%	0.10%	(14.80%)	9.30%

38 Pension costs (continued)

Movement in surplus during the year

	2015 £000	2014 £000
(Deficit) in pension scheme at 1 April	**(1,503)**	(2,062)
Service Costs	**(45)**	(30)
Contributions	**50**	47
Unfunded pension payments	**2**	2
Past Service Costs	**(1)**	-
Net Return on Assets less interest on pension scheme liabilities	**57**	(32)
Actuarial Gains/(Losses)	**(929)**	572
(Deficit) in pension scheme at 31 March	**(2,369)**	(1,503)

(b) Local Government Pension Scheme Bexley London Borough

Orbit South Housing Association Limited also participates in the Bexley London Borough Pension Fund, which is a defined benefit scheme. The Association has adopted the provisions of FRS17 'Retirement Benefits' in preparing these financial statements.

The next triennial valuation is for the year ended 31 March 2016

	2015	2014	2013
Rate of increase in salaries	**3.50%**	3.90%	3.90%
Rate of increase in pensions payment and deferred pensions	**2.00%**	2.40%	2.40%
Discount rate applied to scheme liabilities	**3.10%**	4.30%	3.70%
Inflation assumption - CPI	**2.00%**	2.40%	2.40%

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

Life Expectancy from age 65 (years)

		2015 £000	2014 £000
Retiring today	Males	**23.1**	23.0
	Females	**25.5**	25.4
Retiring in 20 years	Males	**25.4**	25.3
	Female	**28.4**	28.3

38 Pension costs (continued)

Scheme assets

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

	Value at 31 March 2015 £000	Value at 31 March 2015 £000	Value at 31 March 2015 £000
Equities	**1,879**	1,826	1,770
Government Bonds	**-**	-	-
Other Bonds	**276**	270	317
Property	**352**	278	185
Other – Cash	**47**	43	38
Other	**588**	453	621
Total fair value of assets	**3,142**	2,870	2,931
Present Value of Scheme Liabilities	**(3,890)**	(3,541)	(3,923)
Net pension liability	**(748)**	(671)	(992)

Scheme Liabilities

	2015 £000	2014 £000
Opening defined benefit obligation	**3,541**	3,923
Service cost	**-**	-
Interest cost	**148**	140
Actuarial loss/(gain)	**384**	(237)
Member contributions	**-**	-
Estimated benefits paid net of transfers in	**(183)**	(285)
Past service cost	**-**	-
Government bonds	**-**	-
Closing defined benefit obligation	**3,890**	3,541

38 Pension costs (continued)

Expected Return on Assets

Long term expected rates of return

	2015	2014	2013
Equities	**6.50%**	7.00%	7.00%
Government Bonds	**2.20%**	3.40%	2.80%
Other – Bonds	**2.90%**	4.30%	3.90%
Other – property	**5.90%**	6.20%	5.70%
Other – Cash	**0.50%**	0.50%	0.50%
Other	**6.50%**	7.00%	7.00%
Investment expenses (expenses deduction)	**0.25%**	0.40%	0.41%

Reconciliation of opening and closing balances of fair value scheme assets

	2015 £000	2014 £000
Opening fair value of Scheme assets	**2,870**	2,931
Expected return on Scheme assets	**173**	172
Actuarial (losses)/gains	**218**	(13)
Contributions by employer including unfunded	**64**	65
Contributions by scheme participants	**-**	-
Estimated benefits paid net of transfers in and including unfunded	**(183)**	(285)
Fair value of Scheme assets at the end of the year	**3,142**	2,870

Analysis of other pension costs charged in arriving at operating surplus

	2015 £000	2014 £000	2013 £000
Current service cost	**-**	-	(5)
Past service cost	**-**	-	-
Total charge to operating surplus	**-**	-	(5)

38 Pension costs (continued)

Analysis of amounts charged to other financing costs

	2015 £000	2014 £000	2013 £000
Expected return on pension scheme assets	**173**	172	158
Interest on pension scheme liabilities	**(148)**	(140)	(154)
Net finance charge	**25**	32	4

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

	2015 £000	2014 £000	2013 £000
Actual return less expected return on pension scheme assets	**218**	(13)	236
(Loss)/gain on change of assumptions underlying the present value of the scheme liabilities	**(384)**	237	(524)
	(166)	224	(288)

History of experience gains and losses

	2015 £000	2014 £000	2013 £000
Difference between the expected and actual return on scheme assets:			
Amount £000	**218**	(13)	236
Percentage of scheme assets	**6.90%**	0.50%	8.10%
Experience losses and gains arising on the scheme liabilities:			
Amount £000	**(384)**	237	(524)
Percentage of scheme liabilities	**9.90%**	6.70%	(13.40)%
Actuarial (loss)/gain recognised in the statement of recognised surplus/(deficits)			
Amount £000	**(166)**	224	(288)

39 Non-consolidated management arrangements

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