

**ORBIT GROUP LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

**Industrial and Provident Society Number 28503R**

**Home and Communities Agency Number L4123**

# ORBIT GROUP LIMITED

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## ORBIT GROUP LIMITED

### BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS

#### BOARD MEMBERS

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

<b>Name</b>		<b>Appointed</b>	<b>End of appointment</b>
The Rt Hon The Baroness Blackstone	Chair (from Feb 2013)	February 2013	
Elizabeth Potter	Chair (to Jan 2013)	January 2004	31 January 2013
Professor Tony Crook	(Deputy Chair)	October 2010	
Roy Brooks		April 2008	30 June 2012
Michael Marron		December 2003	31 January 2013
Kim Massey		January 2004	31 January 2013
Jackie Matthews		March 2007	
Fran Beckett		April 2011	
Robin Dahlberg		April 2011	31 March 2013
Chris Crook		December 2011	
Paul Tennant		September 2012	
Steve Brown		February 2013	

#### Executive officers

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

Paul Tennant	Chief Executive
Anne Turner	Chief Operating Officer / Executive Director - Resources
Stewart Fergusson (resigned 31 December 2012)	Managing Director - Orbit Heart of England
Paul High	Executive Director - Orbit Homes
Afzal Ismail	Executive Director - Orbit Services
Vivien Knibbs	Executive Director - Orbit Living
Tony Williams	Executive Director - People
Boris Worrall (appointed 01 April 2013)	Executive Director - Futures

#### Directors' and officers liability insurance

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

#### Independent Auditors

PricewaterhouseCoopers LLP  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

#### Principal Solicitors

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

#### Registered Office

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

## ORBIT GROUP LIMITED

### OPERATING AND FINANCIAL REVIEW

#### OPERATING AND FINANCIAL HIGHLIGHTS

The key operating and financial highlights for Orbit as a whole for the years ended 31 March 2011 to 31 March 2013 are summarised below. More detailed information about our performance is presented on pages 5 to 12 of the financial statements.

	2012/13	2011/12	2010/11
<b>Financial Highlights</b>			
Turnover (£m)	192.9	177.0	165.4
Operating Surplus (£m)	46.1	47.3	41.6
Operating Margin (%)	23.9	26.7	25.1
Surplus for the Year (£m)	41.1	32.9	18.6
<b>Balance Sheet</b>			
Housing Property Cost (before depreciation) (£m)	1,806	1,725	1,581
Loans Outstanding (£m)	748	699	625
Gearing (loans / grants & reserves) (%)	72 %	72 %	69 %
<b>Operational Indicators</b>			
No. of new rented homes into management	687	641	559
Routine repairs completed on time (%)	92.9	87.2	92.0
Customer satisfaction with repairs (%)	85.2	85.7	77.6
Gas Servicing (%)	99.9	99.7	99.3
Decent Homes Compliance (%)	98.9	98.7	99.2
Average SAP rating (range) (%)	69.3	68.1 to 69.4	67.8 to 68.3
<b>Financial Indicators</b>			
Management costs as a % of rent (%)	26.0	26.1	27.8
Current tenant arrears (%)	4.4	4.8	5.4
Average interest rates at year end (%)	4.1	4.1	4.2
Interest cover	1.86	1.87	1.83
<b>Staffing</b>			
Full time equivalent no. of staff employed at 31 March	1,319	1,261	1,356
<b>Housing Stock (number of properties)</b>			
General Needs	26,365	26,179	25,491
Supported	3,309	3,290	3,291
Shared Ownership	3,021	2,903	2,864
Other	618	618	441
Managed on behalf of others	4,139	4,127	4,058
Total Properties	37,452	37,117	36,145

## ORBIT GROUP LIMITED

### OPERATING AND FINANCIAL REVIEW

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

The Orbit Group comprises Orbit Group Limited and its subsidiary companies listed in note 34. Orbit is a group of organisations which work in partnership through a federal structure. Orbit Heart of England is based across the Midlands, Orbit East in East Anglia and Orbit South in London and the South East – we have now agreed to brand these management businesses under a new heading of 'Orbit Living'. New homes are built and sold by Orbit Homes, and business support services are provided by Orbit Services. Most loan funding is channelled through Orbit Treasury.

Orbit recognises the need to adapt and evolve to ensure that we can continue to Build Brighter Futures tomorrow and long into the future.

#### AMBITION

The ambition and purpose of Orbit throughout the year ended 31 March 2013 has continued to be:

### ***“Building Brighter Futures for People and Communities”***

This is something that we have been doing for more than 40 years. We meet the needs of people by providing the stability of a home; supporting those who need help to live independent lives; creating thriving communities; and helping people to achieve their aspirations.

We have now completed our five-year business plan, delivering against a range of challenging and ambitious outcomes set in 2008. Our journey from Good to Great by 2013 focuses on the three main outcomes of Customer, Place and Organisation.

Since 2008 we have: -

- **Built** almost 4,000 homes supporting an estimated 20,000 jobs and generating up to £1.4bn for the economy
- **Increased** our turnover from £117m to £193m and our housing stock from 27,000 to 38,000 homes
- **Invested** around £4m in community projects and provided 1,700 people with jobs, training and educational opportunities
- **Generated** income of around £2.5m by providing services to 40 other organisations.

### ***“Building Communities”***

We are now looking to the future through a major collaborative project involving staff, managers, leaders, Boards, residents and key stakeholders, called 'Orbit 2020'.

As part of our Orbit 2020 programme we asked five of the country's top experts to tell us what they think the world will be like in the year 2020 in their particular area of expertise. The five areas which they looked into were:

1. The economy
2. Political Environment and Localism
3. Environmental and energy
4. Social policy
5. Consumers, choice and competition

The next step was the development of concept papers called 'Cornerstone' papers, providing the basis for final decisions around our strategy and business planning for the future by setting out a range of clearly defined strategic and operational options and proposals for the future around each of the Cornerstone areas.

This has helped us to develop our 2013/16 Business Plans and 'direction of travel' towards 2020 so we can Build Communities for many years to come.

## **ORBIT GROUP LIMITED**

### **OPERATING AND FINANCIAL REVIEW**

#### **OUR FOCUS FOR 2013/14**

Our priorities for 2013/14 have been identified and categorised into 4 main headings: -

#### **CUSTOMER OFFER**

- Our focus will be on consistently getting the basic services right across all parts of Orbit in light of the changes to our operations – improving quality and consistency, achieving improved efficiency and value for money and delivering services through improved processes and systems
- We are working to enable and empower our residents and in the coming year our focus will be on enabling customers to make choices around, and take control of, access to services through a Digital Inclusion strategy and online services options.
- A key issue for residents is fuel poverty and the increasing costs of heating the homes that we provide. We have committed to helping drive down costs and educating residents about energy to improve satisfaction and well-being.

#### **COMMUNITY INVESTMENT**

- We are working to create thriving and empowered communities and in the coming year we will be establishing our new operating structure and focussing on attracting and committing funds, completing a review of all of our core communities and learning lessons from the Erith Park regeneration programme in the London Borough of Bexley.
- We are clear about the expanded role we need to play in our communities beyond that of being a landlord. We will therefore be seeking to generate and secure training places, jobs and apprenticeships for residents and those in our communities

#### **HOUSING CHOICE**

- We believe that housing supply is critical but also that there should be a broad range of affordable provision to meet the differing needs of customers. This includes initiatives and support to enable customers to be housed and then to meet their aspirations to own their own home

#### **ORGANISATION**

- We recognise the need for efficiency and the most effective use of resources which will be reflected in work undertaken throughout the Group. In particular we will be focussed in the year on increasing income, driving down costs and establishing more effective ways of undertaking services

Each of the business plans of the members of the Orbit Group are linked and work towards this common purpose, creating a golden thread that aligns our effort, resources and people. They also support our collective and individual aspiration to make a real and demonstrable difference to people's lives.

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

## **ORBIT GROUP LIMITED**

### **OPERATING AND FINANCIAL REVIEW**

#### **RISKS AND UNCERTAINTIES**

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

Welfare Reform poses a threat to our income levels as a range of changes start to take effect during the year ahead, compounded by the on-going economic climate. Energy prices and fuel poverty mean that many of our customers are facing increasing hardship set against a context of cuts to public services. Housing need is continuing to rise, at a time when generally provision is falling. Wider changes to health and social care are also likely to have a significant impact on our customers and communities.

An uncertain housing market and difficulties in accessing mortgages for many present an on-going challenge, despite strong underlying demand for housing driven by an annual shortfall of around 150,000 new homes a year. Orbit has embarked on a major two-year organisational transformation and this poses significant challenges both in terms of resources and corporate focus as we seek to balance 'business as usual' with an on-going programme of evolution.

Each area of our business has a clear set of objectives which it will achieve between 1 April 2013 and 31 March 2014. These are summarised below:

1. Orbit Living – deliver excellent and improving services to customers
2. Orbit Homes – deliver a range of housing offers and generate growing profits
3. Orbit Services – provide cost-effective, professional support services across Orbit and generate growing profits
4. Resources, People & Futures – provide strategic support services to enable delivery and transformation

We will also deliver a range of cross-cutting improvements during 2013/14 including: continuing to drive value and efficiency and developing a more commercial approach; enhancing our research, market intelligence, and relationship management; implementing a new approach to community investment; evolving how we reward our people and continue our management development programme; and developing our risk management strategy to reflect Orbit's ambitions and the global risk environment in which we work.

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

#### **OPERATING REVIEW**

##### **Performance in the Year**

Overall we have delivered against 13 of our 18 agreed KPIs. Across the 12 comparable measures also used in 2011/12, performance has improved year on year for 6, remained the same for 2 and worsened for 4. We have also achieved 85% of Business Plan priorities for the year.

We have seen a marginal decline in customer perceptions, with our annual survey of customers (STAR), rating their overall satisfaction with service delivery at 79.3%, which was slightly lower than the all-time high of 82.5% experienced in 2011/12, and more in line with the survey results for 2010/11. Satisfaction with neighbourhood continued the improving trend that we have seen over the last 4 years.

Our focus is to deliver improving outcomes across the group both at a business level and for our customers.

## ORBIT GROUP LIMITED

### OPERATING AND FINANCIAL REVIEW

	2012/13	2011/12
<b>ORBIT HEART OF ENGLAND</b>		
1. Customer Satisfaction with Repairs (%)	82.2	82.2
2. Customer Satisfaction with CSC (%)	90.8	N/A
3. Gas Safety (%)	99.8	99.7
<b>ORBIT EAST &amp; SOUTH</b>		
4. Customer Satisfaction with Repairs (%)	86.5	88.2
5. Customer Satisfaction with CSC (%)	93.7	N/A
6. Gas Safety (%)	100.0	99.6
<b>ORBIT HOMES</b>		
7. HCA Contract Compliance	No issues	N/A
8. Number of new rented homes completed	633	641
9. Sales Income (£m)	21.9	30.8
10. Void Property Sales Income (£m)	14.4	2.3
<b>GROUP</b>		
11. Staff Engagement (%)	76	67
12. Staff Turnover (%)	17.0	17.0
13. Staff Sickness (days)	8.6	7.7
<b>FINANCIAL</b>		
14. Compliance with loan covenants - Interest Cover	1.86	1.87
15. Compliance with loan covenants - Debt per Unit (£K)	23.8	22.4
16. Headroom over Loans (£m)	23.5	21.4
17. Available Cash (£m)	176	N/A
18. Available Loans (£m)	301	N/A

Orbit has continued to respond well to the difficult economic climate. As a result of our strong financial position we have continued to build homes, invest in our existing stock and our communities and improve our infrastructure.

During the year Orbit Homes has continued to build homes for outright sale. A total of 39 market sales were completed during the year with three new sites opening in the second half of the year to complement our flagship site at Aspire in Bedford.

We have continued to sell both first and subsequent tranches of our shared ownership properties. We have recognised that the current economic climate makes it difficult for some first time buyers to get mortgages, and so in addition to our popular Rent to HomeBuy and intermediate market rent products, we now provide a limited number of Orbit-funded mortgages and our own shared equity product. We have continued to lead the Government's Mortgage Rescue Scheme, assisting families to stay in their homes and achieving 249 HCA completions during the year (223 in 2011/12). By participating in this Government initiative, we have helped to tackle hardship and helped those experiencing it.

The Orbit HomeBuy Agency is the largest HomeBuy agent in the country, and operates a dedicated HomeBuy website. Orbit HomeBuy Agents completed on 1,519 HomeBuy Direct and FirstBuy cases during the year (777 in 2011/12), and worked within over 50 local authority areas promoting all options.

As a whole, Orbit charged rents and service charges of £116 million in the year ended 31 March 2013, and spent 45% of this (£52 million) on property repairs and maintenance. Interest payable on loan funding cost a further £28 million during the year. Orbit spent £119 million on acquiring and developing new homes during the year, and its property portfolio increased from 37,117 at 31 March 2012 37,452 at 31 March 2013.



## **ORBIT GROUP LIMITED**

### **OPERATING AND FINANCIAL REVIEW**

Residents have continued to benefit from the Customer Service Centre. Customers can make calls regarding housing management and maintenance issues at any time during the hours of 8 am to 8 pm, 7 days a week, and benefit from a 24-hour emergency repairs service. The Orbit Response Unit operates 24 hours a day, 7 days a week to support elderly or vulnerable residents. The Customer Service Centre has been restructured during the year, and new tools have been introduced to further enhance service delivery.

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

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

Our offer to our staff has been enhanced once again during the year, with our flexible benefits scheme, known as 'myBenefits' being expanded to include the option for staff to 'buy' or 'sell' annual leave dependent on their personal circumstances.

As an individual Association, Orbit Group Limited charged rents and service charges of £9.1 million in the year ended 31 March 2013 and made a surplus on sale of housing properties of £1.4 million. Interest payable on loan funding cost the Association £4.8 million during the year. Orbit Group Limited has maintained its increased low cost home ownership development programme, and the number of new properties developed has continued to exceed the number of properties sold leading to an increase in its property portfolio from 3,801 at 31 March 2012 to 3,865 at 31 March 2013.

#### **Dynamics of the Social Landlord**

Technological advances around mobile devices and social media provide a huge opportunity for improving efficiency and service standards which Orbit is actively engaging with. A new regulatory framework provides freedoms within a market where diversification appears to offer increasing potential to support our growth plans. New funding sources, from European grants to ECO funding, provide huge opportunities to attract significant resources to invest in our communities.

The growth in public demand for ethical organisations with an orientation around 'profit for a purpose' sees Orbit well-placed as a successful values-led business. The Localism agenda also appears to be gathering pace and aligns well with our community-orientated offer and local-regional-national operating model. Meanwhile the Government's on-going drive for housing supply solutions to the worsening housing crisis means Orbit's position as a major developer is more important than ever before.

We recognise the need to work more closely and in partnership with our residents, and have agreed Orbit-wide Customer Service Standards with our residents and also have local standards in place within the Operating Associations. Local Resident scrutiny panels are in place, and have made a total of 54 recommendations. Letters have been made more reader-friendly and informative and an acknowledgement card has been created so that all communication is noted and information given about when residents might expect a response.

All Associations within Orbit for whom rent restructuring is applicable have Rent Plans that are fully compliant with the rent restructuring guidelines and timetable previously issued by the Homes & Communities Agency (formerly the Tenant Services Authority).

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

# ORBIT GROUP LIMITED

## OPERATING AND FINANCIAL REVIEW

### Value for Money – “Making it Count”

To deliver value for money (VFM) is an integral part of Orbit’s corporate ethos and values as our ambition is to run an efficient and effective organisation, 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 customers. Providing value for money 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.

Orbit’s approach to VFM is underpinned by ‘Making it Count’ – The Orbit VFM Framework’ document which outlines the following processes:

- Understanding the costs of services, driving out waste and benchmarking.
- Measuring impact through financial gains (i.e. VFM maps), key cost and productivity ratio analysis.
- Embedding VFM into training programmes, personal targets and project delivery.
- Communicating VFM to key stakeholders.

We have recently reviewed the framework in light of our 2020 vision, aligning key stages of effective business delivery to Orbit’s 2020 vision, laying the platform for VFM to play an integral role to ensure the right activities, right assets, right delivery and right outcomes are identified.

#### Purpose: Building Communities...

...by working together to improve the social, economic and environmental prospects of people and communities.

#### Activities (Products / Services):

- General needs
- Market Sale
- Care / Support
- Shared ownership
- Professional services

#### Assets (operational and physical):

- Investing in our people, creating a dynamic culture of trust, enterprise and achievement
- Maximising efficiency & resources through a commercial approach
- Harnessing insight, innovation and technology to create solutions
- Maximising the value from our stock

#### Delivery (service outputs):

- Housing Management / Maintenance
- Development / Build / Regeneration
- Sales / Mortgage Rescue
- Risk and Compliance / IT / CSC / Business Improvement / Procurement
- Governance
- Finance
- HR / ODD
- Strategy / Communications

#### Outcomes:

- Providing a wide range of homes to meet needs and aspirations
- Creating thriving and empowered communities
- Enabling customers to make choices and take control

## ORBIT GROUP LIMITED

### OPERATING AND FINANCIAL REVIEW

We have carried out a robust self-assessment of our VFM performance, categorising this using the regulator's six key areas of assurance. Each has been given one of the following three scores:

GREEN - full assurance

AMBER - partial assurance (i.e. we cannot demonstrate consistency and/or it is not fully embedded)

RED - cannot provide assurance

#### ***An understanding of the cost of delivering specific services and how these relate to appropriate benchmarks***

RATING - AMBER

We have progressed in a number of areas over the last 12 months providing detailed cost analysis of certain corporate functions, and completing and analysing our cost performance using Housemark. A costing framework is being considered to assist in future analyses.

#### ***The efficiency gains which have been and will be made and how these will be realised***

RATING - AMBER

We prepare VFM Plans for each area of the business each year and report on performance against these and our annual procurement savings annually. We need however to improve how we capture this information for the future.

#### ***A robust approach to decision making on the use of resources, including an understanding of opportunity costs, and clear evidence of delivery (new supply, improved services, community investment)***

RATING - GREEN

We operate clear parameters for development expenditure and investment and can demonstrate that the majority of projects are delivered within budgets.

#### ***An understanding of the return on assets and a strategy for maximising future returns***

RATING - GREEN

We produced schedules highlighting costs and performance of individual schemes which are used to help with our asset management and sales strategies. These will be further improved during 2013 with the completion of work on a new portfolio management tool.

#### ***Performance management and scrutiny functions are effective at driving and delivering improved performance, with outcomes and outputs clearly demonstrated***

RATING - GREEN

Our staff have key performance targets set in their objectives each year, we report regularly on performance to our boards and senior management teams and have seen a number of improvements in results over the last year. Our residents are involved in scrutiny work, reporting back with recommendations which we have implemented. In 2013 this will be further enhanced by the roll-out of our new performance management system to all parts of the business.

#### ***A rigorous approach to assessing options for VFM improvements including potential benefits from alternative delivery models***

RATING AMBER

We review areas of our business (for example supported housing schemes) on a regular basis. However we need to further develop the way in which we pursue alternative delivery models or outsourcing during 2013/14

## **ORBIT GROUP LIMITED**

### **OPERATING AND FINANCIAL REVIEW**

#### **Investment for the Future**

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

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

At the start of the year, Orbit Homes had one large flagship market sale site in operation. By the end of the year they had sold 39 market homes outright during the year, generating profits to support the group's social purpose, and four more market sale sites were under construction.

The Orbit Sustainability Strategy aims to embed sustainable living into the heart of our communities and our business. Since 2008 our Sustainability Strategy has: -

- Improved the energy efficiency of our stock, achieving a 28% carbon reduction as a result of our home improvement programmes, supporting achieving the 2050 80% carbon reduction target and our current average SAP has reached 70
- Reduced our carbon footprint as a business by swapping the use of personal vehicles for an electric staff pool car and introducing LED lighting in Orbit Heart of England's Stratford upon Avon office.
- Improved the financial circumstances of our customers by installing more than 200 green heat pumps and 60 solar photo-voltaic systems and upgrading 330 homes with insulation.
- Utilised our Energy Doctor initiative to provide general advice in reducing energy consumption to over 100 residents considered to be in fuel poverty or financial difficulty

Orbit continues to develop its eco-housing approach and work to develop knowledge to be rolled out across Orbit. Initiatives currently being used include ground and air source heat pumps, solar photo-voltaic panels and the installation of sensors to provide an insight into building performance. The installation of an innovative ground source heating system in Warwickshire has delivered a 70% reduction in heating costs and helped to provide heating to the local shop. Orbit Heart of England operates a Sustainable Investment Team to deliver low carbon solutions as part of the annual investment programmes to our homes.

Working in partnership, Orbit Homes and Orbit Heart of England have delivered the largest PassivHaus development in the UK, available under the affordable rent programme, enabling residents to heat their homes for as little as £5 a week. We are working with Coventry University on a Knowledge Transfer Partnership to explore how education can help residents better exploit low carbon technology in the home.

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

In 2012, Orbit launched Building Brighter Futures Days to enable Orbit staff to volunteer their own time to improve the local community with up to £5k of funding from Orbit, often matched in cash or kind by local suppliers or contractors. Volunteers usually donate a day of their own time which is matched by Orbit. Projects have included transforming a local park to painting a youth centre.

All members of Orbit have now achieved Investors in People (IIP) accreditation, and Orbit Homes achieved IIP Gold accreditation during the year.

Phase 1 of our Customer First project to 'Change the way we work' was completed during 2011/12. Phase 2 is now underway and incorporates a Customer Experience Review, which aims to make our services better for customers contacting us through the Customer Service Centre (CSC). We will be streamlining our processes to be able to resolve customer queries first time around and at the first point of contact - the CSC advisor. By doing this, we will provide our customers with a better service, save time for CSC staff as well as local offices, and enable the CSC to take more calls and so serve more

## **ORBIT GROUP LIMITED**

### **OPERATING AND FINANCIAL REVIEW**

#### **FINANCIAL REVIEW**

##### **Accounting Policies**

The Statement of Recommended Practice for Registered Social Landlords (2010) was mandatory for all accounting periods beginning on or after 1 April 2011 and was adopted with effect from 1 April 2011. The key changes related to our accounting policy for housing properties and the implementation of component accounting, and the requirement to write out negative goodwill that was previously held on the balance sheet.

##### **Capital structure and Treasury Policy**

At 31 March 2013, the consolidated balance sheet shows housing properties of £1,688 million and other net assets of £96 million, financed by grants of £721 million (40%), loans of £748 million (42%), and internal funds of £315 million (18%). The Association balance sheet shows housing properties of £190 million and other net assets of £109 million, financed by grants of £68 million (23%), loans of £89 million (30%), and internal funds of £142 million (47%).

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

During the year, funding of £100m has been negotiated with PRICOA and this is our first private placement deal. The funds will be secured against a portfolio of Group properties. This facility will assist in continuing the development programme agreed with the Homes & Communities Agency beyond 2016.

Orbit Board recognises that the fluctuations in Orbit's debt requirement arising from sales and new developments in particular make it important to regularly review its treasury policy. The treasury function operates within a framework of clearly defined Board approved policies, procedures and delegated authorities. The fundamental principle underlying the Group's approach is to treat treasury activities as a means of controlling risk rather than for profit generation. The association has Rules that allow the use of derivatives and the relevant accounting policies are included in note 1 to the Financial Statements.

The treasury policy adopted by the Board requires the Association to:-

- only use institutions or investment instruments with higher credit ratings;
- limit exposure to individual institutions when investing;
- limit sensitivity to market fluctuations by adopting a mix of fixed and floating interest rates;
- limit the use of third party derivatives;
- limit refinancing risk by means of a good spread of debt repayment terms.

The treasury policy adopted by Orbit Group Limited is an Orbit-wide policy and is enacted through Orbit Treasury Limited.

During 2012/13 Orbit South Housing Association Limited made a decision to close the Local Government Scheme operated by Bexley London Borough to all new and current employees with effect from 31 March 2013. During 2012/13 Heart of England Housing Association Limited made a decision to exit the Local Government Scheme operated by Warwickshire County Council, with effect from 31 March 2013. The final settlement will be paid in 2013/14 and the Association will therefore have no further liabilities in respect of this scheme.

##### **Cash flows**

The consolidated Orbit net cash inflow from operating activities during the year was £68.8 million (2012: £65.8 million). The principal sources of cash inflow for Orbit remained that of income from the provision of housing accommodation and the sale of housing properties. The principal sources of cash outflow for Orbit were the costs associated with the provision of housing accommodation, the acquisition and construction of housing properties and interest payable on loan facilities.

## **ORBIT GROUP LIMITED**

### **OPERATING AND FINANCIAL REVIEW**

For Orbit Group Limited as an individual association, the net cash inflow from operating activities in 2013 was £15.9 million (2012: £11.7 million) primarily due to a reduction in debtors and the transfer of designated reserves to other Group Members at the balance sheet date. The principal sources of cash inflow for the Association were the income from other Orbit members for support services, income from the provision of shared ownership housing accommodation and the sale of housing properties. The principal sources of cash outflow for the Association were the costs associated with the provision of support services and housing accommodation, the acquisition and construction of housing properties and interest payable on loan facilities.

#### **Current Liquidity**

At 31 March 2013 loan borrowings amounted to £748 million for Orbit as a whole, and £89 million for the Association. Orbit's consolidated working capital position at the start of the year was £46.2 million positive, and has moved to £78.0 million positive during the year. The Association's net current asset position at the start of the year was £59.9 million, and has moved to £92.6 million at 31 March 2013.

#### **Post Balance Sheet Event**

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

#### **Going concern**

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

#### **On behalf of the Orbit Board**

**The Rt Hon The Baroness Blackstone**  
**Chair**  
**11 September 2013**

## **ORBIT GROUP LIMITED**

### **HOUSING ASSOCIATION GOVERNANCE**

#### **Governance**

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

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

The Orbit Board has adopted the National Housing Federation's 'Excellence in Governance' Code as its Code of Governance. As a Board we confirm that Orbit Group Limited complies with the Code of Governance in all material aspects. In those areas where we do not comply fully with the Code, we have provided a Statement to our Regulator.

#### **NHF's 'Excellence in Standards of Conduct' Code**

The Orbit Board has decided not to adopt the National Housing Federation's 'Excellence in Standards of Conduct' Code but has instead developed its own Probity and Severance policy which picks up the key principles of the NHF's Code. In addition to this policy, the Board has its own Code of Conduct for Board Members.

#### **Orbit Group Board and Subsidiaries**

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

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

The Orbit 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 local experience. The primary role of the Orbit Board is to focus on strategic and policy issues. The Board meets formally at least five times a year for regular business, and at other times to discuss strategic development and for Members' training and development.

The governing Boards delegate the day-to-day management of Orbit to the Group Chief Executive and the Executive Directors who form the Executive Team (ET). The ET met monthly throughout 2012/13 and the Directors attend meetings of the Orbit Board and subsidiary Boards.

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

#### **Governance and Membership Committee**

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

#### **Remuneration Committee**

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

## **ORBIT GROUP LIMITED**

### **HOUSING ASSOCIATION GOVERNANCE**

#### **Orbit Audit Committee**

The Orbit Audit Committee considers the operations of internal audit and the appointment of external auditors, the scope of their work and their reports. The Committee monitors the implementation of the Orbit Risk Management Strategy and Internal Audit Plans. It reports to the Orbit Board on the effectiveness of the internal control arrangements and considers the financial statements before they are presented to the Board for approval. The Committee meets at least three times a year.

#### **Resident Involvement**

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

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

#### **Shareholding Policy**

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

#### **Housing Ombudsman Service**

The Ombudsman service dealt with a total of 7 cases (2012: 3 cases) for Orbit as a whole during the year, The Ombudsman did not uphold 6 of the complaints, although one was upheld with a ruling of 'maladministration'. All of the cases have now been concluded.

#### **Responsibility for the System of Internal Control**

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

#### **Scope of Assurance**

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

#### **Orbit Assurance Framework**

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

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

In addition, a major component of this assessment the Internal Regulatory Framework (IRF). Orbit has an IRF process as a means to internally regulate itself. The IRF process is split into three stages; desktop review, visits to boards and reporting. The IRF broadly covers an assessment of financial viability, governance and performance. For 2012/13 the IRF process involved a follow up of actions previously agreed in 2011/12.



## ORBIT GROUP LIMITED

### HOUSING ASSOCIATION GOVERNANCE

The Orbit Board has delegated authority for the review of internal controls to the Orbit Audit Committee. The IRF report incorporates Internal Controls Assurance mechanisms from across the Group and is therefore presented to the Executive Team and the Orbit Audit Committee for consideration along with the Statement on Internal Controls, which is subsequently recommended to the Board at its Annual General Meeting. However, the responsibility for internal controls remains with the Orbit Board.

The sources of assurance are briefly outlined below:

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

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

Formal procedures have been established for instituting appropriate action to correct weaknesses identified from these reports. Additionally, as part of each audit review, the Orbit Audit Team follow up the previous year's recommendations and the extent to which these have been implemented and these form part of the Audit Report.

**Orbit Audit Committee** - In accordance with good practice, the Orbit Audit Committee presented its annual report to the Board in September outlining the extent of the Committee's work and the overview of the effectiveness of the control environment. The Orbit Audit Committee reviews reports from management, internal auditors and external auditors to provide reasonable assurance that control procedures are being followed.

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

In respect of Operating Associations, the Orbit Board also confirms that as part of the IRF the relevant Managing Director reported their Internal Controls Assurance within their IRF Report. The Risk & Compliance Director presented a similar report on behalf of the Group to the August 2013 Orbit Audit Committee within the follow up IRF report.

In addition the Executive Team (ET) forms a key part in the governance process. It is also confirmed that all Boards and the ET met on a regular basis to discuss and conduct their own individual affairs during 2012/13 and the business has been formally documented in minutes of the meetings.

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

Given the current and future operating environments, this framework was revised, updated and rolled out to the business in August 2013.

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

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

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

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

## **ORBIT GROUP LIMITED**

### **HOUSING ASSOCIATION GOVERNANCE**

**Culture** - Orbit recognises that the culture of an organisation is of significant importance to an effective control environment. Consequently over the last few years, Orbit has invested significantly in staff and the development of managers in suitable leadership and management skills. The development has been centred on the Orbit 2020 vision and more importantly the values, which include excellence, integrity and honesty. In addition, a number of measures are in place to instil and encourage a suitable culture of effective internal control, including:

- Orbit has adopted the NHF Excellence in Governance Code 2010 and new policies around probity to replace Schedule 1 of the Housing Act.
- Orbit Standing Orders, which include appropriate delegations of authority, signatories and mandates.
- Annual appraisal procedures have been established and appropriate training and development opportunities are offered to all staff to maintain standards of performance.
- Forecasts and budgets are prepared which allow the Orbit Board, Operating Association Boards and management to monitor the key business risks and financial objectives.
- Management accounts are prepared to provide relevant and up-to-date financial and other information. Significant variances from budgets are investigated and reported.
- Relevant policies and procedures cover the range of activity within Orbit from Finance, IT and HR through to housing-related functions.

#### **Fraud**

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

#### **Board's Conclusion**

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

The Board confirms that the process for identifying, evaluating and managing significant risks is on-going and has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board. There is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year that where deficiencies in internal controls are identified suitable mitigating actions are taken.

Furthermore there have been no fundamental weaknesses identified which required disclosure in the financial statements.

#### **On behalf of the Orbit Board**

**The Rt Hon The Baroness Blackstone**  
**Chair**  
**11 September 2013**

## **ORBIT GROUP LIMITED**

### **REPORT OF THE ORBIT BOARD**

The Orbit Board present their report and the audited consolidated financial statements for the year ended 31 March 2013.

#### **The Association and the Group**

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

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

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

The Association manages a number of schemes providing 3,865 properties of accommodation (including 729 Leasehold properties and properties managed on behalf of others) at 31 March 2013. It has housing properties at cost of £190 million (net of depreciation and impairment) at 31 March 2013. All staff engaged on the Association's activities are employed by members of the Orbit Group.

The Orbit Group as a whole manages a number of residential schemes providing 37,452 units of accommodation. It has housing properties of £1,688 million (net of depreciation and impairment). In the year ended 31 March 2013 it employed an average of 1,415 people of whom 358 work directly on housing schemes.

#### **Principal Activities**

The Association's principal activities throughout the year ended 31 March 2013 was the development of Low Cost Home Ownership (LCHO) and the provision of services to other members of the Orbit Group. The Group's principal activities are the management and development of social housing. An operating and financial review of the year's activities appears on pages 2 to 12.

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

The present Board Members and Executive Officers of the Association are set out on page 1. All of the Board Members and Executive Officers served throughout the year except as otherwise shown. All Members of the Orbit Board and the Operating Association Strategic Boards are paid in relation to their responsibilities for the Board (note 6). Payment started with effect from September 2004 for Orbit Board members, and has now been introduced for all Operating Association Strategic Board members.

The Executive Officers hold no interest in the Association's shares and have no legal status as Directors (with the exception of the Chief Executive, who was appointed as a member of the Orbit Board on 1 September 2012) although they act as executives within the authority delegated by the Board.

#### **Members of Staff**

The Group's ambition is to be considered as employer of choice within and outside the sector, an organisation that is seen to be a great place to work, where employees are supported to go the extra mile whilst ensuring we achieve performance targets following behaviours aligned to our values.

Our approach is through the Orbit People Strategy, implemented by the People Directorate in conjunction with the rest of the organisation. The strategy reflects our commitment to opportunities for development, talent management, learning from others. We have a commitment to consider applications from people with disabilities and carry the two ticks award for supporting colleagues who have a disability.

## **ORBIT GROUP LIMITED**

### **REPORT OF THE ORBIT BOARD**

We also provide support to colleagues who are Lesbian, Gay, Bisexual or Transgender and work to ensure that Equality and Diversity is genuinely embedded throughout all colleague and resident activities.

The Orbit Academy is the focal point for learning and development within Orbit and operates as a 'Centre of Excellence' for both staff and residents helping to achieve our aim of Building Communities we will ensure that employees have the skills, knowledge and motivation to deliver great services for our customers in line with our 'customer first' approach and that we have confident, capable people managers who are able to work together to deliver results. Various recognition awards for staff are in place including the 'Extra Mile' awards and Orbit Group wide Customer First Awards. We continue to train and develop our people by providing opportunities for in-house training and conferences.

We have a strong focus on providing opportunities for employment and employability skills; a large number of apprenticeships and graduates are in place, providing opportunities and experience for people of all ages in our communities as we continue to tackle the worklessness in the areas that we operate in.

We have enhanced our recruitment process by the launch of an on-line e-Recruitment system to improve and streamline the recruitment process for both applicants and recruiting managers. This increases visibility and reduces expenditure on recruitment. We are also introducing unique on-boarding webpages for each new starter holding their personal induction training schedules and key strategic messages.

We have in place leadership and management standards, a competency framework and a performance management framework, ensuring that every member of staff understands their role in achieving Orbit's ambitions. The Leadership and Management Development Programmes for the Executive Team, the Leadership Team and senior and first line managers continue to be both popular and successful, and form part of our approach to developing our potential and growing our leaders.

We now offer a tailored succession planning and talent management programme for non managers which has been very well received by both the commissioning senior managers and attendees. We continue to work closely with 'Your Orbit', our staff forum, to enhance their strategic input across the organisation.

We have also reviewed and enhanced our benefits offer to incorporate total reward statements and a range of flexible benefits offered via an online portal.

#### **Creditors Payment Policy**

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

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

#### **Health and Safety**

The Board are committed to the provision of high standards of health and safety and recognise their legal and moral duty to protect the health, safety and welfare of all employees, residents, service users and others who could be affected by the Group's operations. Orbit's goal to build communities is linked to a commitment to ensure the safety and health of all those involved in our work or living or working in our properties or communities.

Orbit provides adequate resources in order to develop and maintain policies and procedures, facilitating a safe and healthy workplace and an effective Health and Safety culture that achieves adequate control over risk in order to minimise injury and loss. This includes providing members of staff with health and safety training and development opportunities.

## **ORBIT GROUP LIMITED**

### **REPORT OF THE ORBIT BOARD**

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

#### **Donations**

During the year Orbit Group Limited received charitable donations of £13,474k from Group Members (2012: £7,834k) and paid donations of £Nil (2012: £891k) to Group Members. Charitable donations of £7k (2012: £50k) were made to organisations that are not members of the Orbit Group.

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

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

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

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Parent company and Group and to enable it to ensure that the financial statements comply with the Friendly and Industrial and Provident Societies Act 1968 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from April 2012. It has general responsibility for taking reasonable steps to safeguard the assets of the Parent company and Group and to prevent and detect fraud and other irregularities.

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

#### **Annual General Meeting**

The annual general meeting will be held on 11 September 2013 at Holborn Grange Hotel, Southampton Row, London.

#### **Disclosure of information to Auditors**

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

## **ORBIT GROUP LIMITED**

### **REPORT OF THE ORBIT BOARD**

#### **Independent Auditors**

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

**The report of the Board was approved on 11 September 2013 and signed on its behalf by:**

**Richard Wright**  
**Secretary**

## **ORBIT GROUP LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORBIT GROUP LIMITED FOR THE YEAR ENDED 31 MARCH 2013**

We have audited the financial statements (the "financial statements") of Orbit Group Limited for the year ended 31 March 2013 which comprise the Consolidated and Association Income and Expenditure Accounts, the Note of Historical Cost Surplus and Deficit, the Statement of Total Recognised Surpluses and Deficits, the Consolidated and Association Balance Sheets, the Consolidated and Association Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Respective responsibilities of the Board and auditors**

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

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

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and association's affairs as at 31 March 2013 and of the group's and association's income and expenditure and the group's and association's cash flows for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Landlords in England 2012.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

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

Date:

## **ORBIT GROUP LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORBIT GROUP LIMITED FOR THE YEAR ENDED 31 MARCH 2013**

#### **Notes:**

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



# ORBIT GROUP LIMITED

## CONSOLIDATED AND ASSOCIATION INCOME AND EXPENDITURE ACCOUNTS

For the Year Ended 31 March 2013

	Note	Group		Association	
		2013 £000	2012 £000	2013 £000	2012 £000
<b>Turnover</b>	2	<b>192,947</b>	176,998	<b>66,252</b>	61,871
Operating Costs	2	<b>(140,467)</b>	(126,926)	<b>(61,492)</b>	(56,667)
Cost of Sale of Properties	2	<b>(6,336)</b>	(2,756)	-	-
Operating Surplus	5	<b>46,144</b>	47,316	<b>4,760</b>	5,204
Profit on sale of housing properties	7	<b>23,323</b>	10,992	<b>1,405</b>	837
(Loss) on sale of other fixed assets		<b>(25)</b>	(80)	<b>(22)</b>	(77)
Income from shares in Group Undertakings		-	-	<b>201</b>	-
Interest Receivable and Other Income	8	<b>466</b>	370	<b>1,636</b>	1,570
Interest Payable and Similar Charges	9	<b>(28,436)</b>	(25,420)	<b>(4,793)</b>	(5,052)
Other Financing Costs	37	<b>(173)</b>	(46)	-	-
Surplus on Ordinary Activities before Gift Aid and Taxation		<b>41,299</b>	33,132	<b>3,187</b>	2,482
Donations received from other Group Members		-	-	<b>13,474</b>	7,834
Donations paid to other Group Members		-	-	-	(891)
Donations Paid		<b>(7)</b>	(50)	<b>(7)</b>	(50)
<b>Surplus on Ordinary Activities before Taxation</b>		<b>41,292</b>	33,082	<b>16,654</b>	9,375
Tax on Surplus on Ordinary Activities	10	<b>(239)</b>	(181)	-	-
<b>Surplus for the Year</b>		<b>41,053</b>	32,901	<b>16,654</b>	9,375
Transfer from Revaluation Reserve	24	-	-	<b>14</b>	178
Transfer (to)/from Designated Reserves	25	<b>(649)</b>	(1,519)	<b>(64)</b>	-
<b>Surplus for the Year after Transfer to Reserves</b>		<b>40,404</b>	31,382	<b>16,604</b>	9,553
General Reserves at 1 April	26	<b>267,048</b>	238,524	<b>123,409</b>	113,856
Actuarial (Loss) taken to reserves	37	<b>(1,077)</b>	(2,858)	-	-
<b>General reserves at 31 March</b>		<b>306,375</b>	267,048	<b>140,013</b>	123,409

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

**ORBIT GROUP LIMITED**

**NOTE OF HISTORICAL COST SURPLUS AND DEFICIT**

**For the Year Ended 31 March 2013**

	Group		Association	
	2013	2012	2013	2012
	£000	£000	£000	£000
Reported Surplus on Ordinary Activities Before Taxation	41,292	33,082	16,654	9,375
Differences between Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year calculated on the Revalued Amount	-	-	14	24
Historical Cost Surplus on Ordinary Activities Before Taxation	41,292	33,082	16,668	9,399
<b>Historical Cost Surplus on Ordinary Activities After Taxation</b>	<b>41,053</b>	<b>32,901</b>	<b>16,668</b>	<b>9,399</b>

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS**

**For the Year Ended 31 March 2013**

		Group		Association	
	Note	2013	2012	2013	2012
		£000	£000	£000	£000
Surplus for the Year		41,053	32,901	16,654	9,375
Actuarial (Loss) on Pension Fund Assets	37	(1,077)	(2,858)	-	-
<b>Total Recognised Surpluses for the Financial Year</b>		<b>39,976</b>	<b>30,043</b>	<b>16,654</b>	<b>9,375</b>
<b>Total gains recognised since last financial statement</b>		<b>39,976</b>	<b>30,043</b>	<b>16,654</b>	<b>9,375</b>

# ORBIT GROUP LIMITED

## CONSOLIDATED AND ASSOCIATION BALANCE SHEETS

As at 31 March 2013

	Note	2013 £000	Group 2012 £000	2013 £000	Association 2012 £000
<b>Fixed Assets</b>					
Housing Properties - Depreciated Cost	11	1,687,882	1,619,603	190,109	183,643
Less: Social Housing Grant	11	(702,706)	(681,852)	(68,067)	(69,710)
Other Capital Grants	11	(18,123)	(17,812)	-	-
		<b>967,053</b>	919,939	<b>122,042</b>	113,933
Investments	12	800	800	10,000	-
HomeBuy and Other Equity Loans	13	17,595	16,379	17,595	16,379
HomeBuy and Other Equity Grants	13	(17,005)	(16,379)	(17,005)	(16,379)
Other Fixed Assets	14	15,351	15,277	9,387	9,370
		<b>983,794</b>	936,016	<b>142,019</b>	123,303
<b>Current Assets</b>					
Properties for Sale	15	17,954	16,544	17,954	16,544
Stocks	16	36,786	25,977	315	525
Debtors	17	19,355	24,080	34,584	40,770
Investments	18	55,104	14,500	49,000	14,500
Cash at Bank and in Hand		11,990	9,697	6,760	4,962
		<b>141,189</b>	90,798	<b>108,613</b>	77,301
<b>Creditors: Amounts falling due within one year</b>	19	<b>(63,216)</b>	(44,614)	<b>(16,044)</b>	(17,435)
<b>NET CURRENT ASSETS</b>		<b>77,973</b>	46,184	<b>92,569</b>	59,866
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,061,767</b>	982,200	<b>234,588</b>	183,169
<b>Creditors: Amounts falling due after more than one year</b>					
Disposal Proceeds and Recycled Capital Grants Funds	20	6,493	4,139	3,359	3,356
Other Creditors	21	731,139	695,183	89,569	54,803
		<b>737,632</b>	699,322	<b>92,928</b>	58,159
<b>Pension Liability</b>	37	<b>8,763</b>	7,532	-	-
<b>Capital and Reserves</b>					
Revaluation Reserve	24	-	-	665	679
Negative goodwill		-	-	-	-
Designated Reserves	25	8,997	8,298	982	922
Revenue Reserves	26	306,375	267,048	140,013	123,409
<b>TOTAL RESERVES</b>	27	<b>315,372</b>	275,346	<b>141,660</b>	125,010
		<b>1,061,767</b>	982,200	<b>234,588</b>	183,169

The financial statements on pages 23 to 80 were approved by the Orbit Board on 11 September 2013 and signed on its behalf by:

.....  
The Rt Hon The Baroness Blackstone Tony Crook  
CHAIR DEPUTY CHAIR

.....  
Richard Wright  
SECRETARY

**ORBIT GROUP LIMITED**

**CONSOLIDATED AND ASSOCIATION CASH FLOW STATEMENTS**

**For the Year Ended 31 March 2013**

		<b>Group</b>		<b>Association</b>	
	<b>Note</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	30	<b>68,794</b>	65,764	<b>15,914</b>	11,681
<b>Returns on Investments and Servicing of Finance</b>					
Interest Received		433	357	1,629	1,430
Dividends Received		-	-	201	-
Interest Paid		<b>(29,135)</b>	(26,556)	<b>(5,100)</b>	(3,822)
<b>Net cash Outflow from Returns on Investments and Servicing of Finance</b>		<b>(28,702)</b>	(26,199)	<b>(3,270)</b>	(2,392)
Donations (Paid)/Received		(7)	(50)	6,988	(29)
Taxation Paid		<b>(196)</b>	(5)	-	-
<b>Net Cash (Outflow)/Inflow from Donation &amp; Taxation</b>		<b>(203)</b>	(55)	<b>6,988</b>	(29)
<b>Capital Expenditure and Financial Investment</b>					
Acquisition and Construction of Housing Properties		<b>(116,486)</b>	(147,465)	<b>(18,580)</b>	(30,295)
Housing and other fixed assets sold to other group members as part of restructure		-	-	4,324	84,444
Sale of Housing Properties		<b>36,833</b>	16,772	<b>5,450</b>	2,820
Grants Received		<b>38,203</b>	31,734	<b>3,425</b>	3,247
Mortgages Issued		<b>(240)</b>	-	<b>(240)</b>	(901)
Net movement on Equity Loans and Grants		<b>(654)</b>	-	<b>(654)</b>	-
Purchase of Other Fixed Assets		<b>(2,470)</b>	(3,197)	<b>(1,573)</b>	(2,281)
Sale of Other Fixed Assets		<b>24</b>	300	<b>(2)</b>	300
Investment in Subsidiary Company		-	-	<b>(10,000)</b>	-
<b>Net cash (Outflow)/Inflow from Capital Expenditure and Financial Investment Activities</b>		<b>(44,790)</b>	(101,856)	<b>(17,850)</b>	57,334
<b>Net Cash (Outflow)/Inflow before Management of Liquid Resources and Financing</b>		<b>(4,901)</b>	(62,346)	<b>1,782</b>	66,594
<b>Management of Liquid Resources and Financing</b>					
<u>(i) Liquid Resources</u>					
(Increase) in Bank Deposits (with a maturity in excess of 24 hours)		<b>(21,104)</b>	(189)	<b>(15,000)</b>	(1,942)
<u>(ii) Financing</u>	31				
Housing Loans Received		<b>49,348</b>	88,793	<b>137,447</b>	186,577
Housing Loans repaid		<b>(342)</b>	(15,305)	<b>(102,931)</b>	(242,849)
Loan Arrangement Fees Paid		<b>(1,208)</b>	(1,219)	-	-
		<b>47,798</b>	72,269	<b>34,516</b>	(56,272)

**ORBIT GROUP LIMITED****CONSOLIDATED AND ASSOCIATION CASH FLOW STATEMENTS**

For the Year Ended 31 March 2013

		Group			
	Note	2013 £000	2012 £000	2013 £000	2012 £000
<b>NET CASH INFLOW/(OUTFLOW) FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		<b>26,694</b>	72,080	<b>19,516</b>	(58,214)
<b>INCREASE IN CASH</b>	32	<b>21,793</b>	9,734	<b>21,298</b>	8,380

# ORBIT GROUP LIMITED

## NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

### For the Year Ended 31 March 2013

#### 1. Principal Accounting Policies

##### **Legal status**

Orbit Group Limited is incorporated under the Industrial and Provident Societies Act 1965 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 Industrial and Provident Societies Acts 1965 to 2002, 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 2013, Orbit South Housing Association Limited, Heart of England Housing Association Limited (Orbit Heart of England), Orbit Treasury Limited, Orbit New Homes Limited and Orbit Homes (2020) Limited. Uniform accounting policies have been adopted across the group, and profits/losses and balances on intra group transactions have been eliminated on consolidation.

##### **Turnover**

Turnover represents rental 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.

# ORBIT GROUP LIMITED

## NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

### For the Year Ended 31 March 2013

#### 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 policies.

##### 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: -

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

Freehold land and 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.

# ORBIT GROUP LIMITED

## NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

### For the Year Ended 31 March 2013

#### 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% - 33%

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

##### Stock and work in progress

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

##### Investment in subsidiary undertakings

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

##### Leased assets

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



## **ORBIT GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

#### **For the Year Ended 31 March 2013**

##### **1. Principal Accounting Policies (continued)**

###### **Pension costs**

Orbit Group Limited participates in the Social Housing Pension Scheme (SHPS), the full details are given in note 37 to the financial statements. For the purposes of the financial statements this scheme is accounted for on a defined contribution basis. Orbit Group Limited also offered a Stakeholder pension scheme for employees who were not eligible to join SHPS because of the nature of their contract of employment.

The scheme available is The Pensions Trust - Standard Life Stakeholder Pension Plan. Employees 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 and Heart of England Housing Association Limited operate defined benefit funded pension schemes. The assets of the schemes are held separately from those of the association in independently administered funds. The requirements of FRS17 Retirement Benefits are now fully reflected in the financial statements and associated notes. Note 37 provides a summary of the pension valuation report, together with prior year statements which state last year's revenue and reserves. For funding purposes, surpluses or deficiencies are dealt with as advised by the actuary.

For defined benefit schemes the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Income and Expenditure Account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised 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 Associations that contributions to clear the deficit will be made over a period beyond the expected service lives of the remaining participating employees in line with other participating employees in the scheme.

###### **Impairment**

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

###### **Disposals of housing properties**

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

## **ORBIT GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

#### **For the Year Ended 31 March 2013**

##### **1. Principal Accounting Policies (continued)**

###### **Designated reserves**

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

###### **Renewal reserve**

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

###### **Works to existing housing properties**

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

###### **Disposal proceeds fund**

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

###### **Recycling of capital grant**

Where 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.

###### **Taxation**

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

###### **Loan finance issue costs**

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

###### **Property managed by agents**

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

## ORBIT GROUP LIMITED

### NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

#### For the Year Ended 31 March 2013

##### 1. Principal Accounting Policies (continued)

###### **Loan interest costs**

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

###### **Derivative financial instruments**

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

###### **HomeBuy**

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

- (a) The SHG is recycled
- (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.

###### **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.

## **ORBIT GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

#### **For the Year Ended 31 March 2013**

##### **1. Principal Accounting Policies (continued)**

###### **Negative Goodwill**

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

###### **Supporting people income and costs**

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

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**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
<b>Social Housing Lettings</b>	<b>157,050</b>	<b>(106,941)</b>	-	<b>50,109</b>
<b>Other Social Housing Activities:</b>				
Managed associations	1,494	(1,009)	-	485
Developments for sale	7,231	-	(6,336)	895
Home Ownership services	3,967	(4,828)	-	(861)
LCHO First Tranche Sales	12,134	(12,205)	-	(71)
Other	5,524	(8,563)	-	(3,039)
Supporting people - Contract income (Block)	1,360	(2,272)	-	(912)
Supporting people - Contract income (Block Gross)	1,366	(1,556)	-	(190)
	<b>33,076</b>	<b>(30,433)</b>	<b>(6,336)</b>	<b>(3,693)</b>
	<b>190,126</b>	<b>(137,374)</b>	<b>(6,336)</b>	<b>46,416</b>
<b>Memo only:</b>				
Non-social housing activities	2,821	(3,093)	-	(272)

**Group - Prior Year**

	Turnover £000	Operating costs £000	Cost of sales £000	Operating Surplus/ (Deficit) £000
<b>Social Housing Lettings</b>	145,664	(95,267)	-	50,397
<b>Other Social Housing Activities</b>				
Managed associations	599	(943)	-	(344)
Developments for sale	3,069	-	(2,756)	313
Home Ownership services	3,679	(4,712)	-	(1,033)
LCHO First Tranche Sales	12,219	(12,730)	-	(511)
Impairment on Land Banking	-	(57)	-	(57)
Other	5,684	(5,559)	-	125
Supporting people - Contract income (Block)	777	(1,084)	-	(307)
Supporting people - Contract income (Block Gross)	2,133	(2,724)	-	(591)
	28,160	(27,809)	(2,756)	(2,405)
	173,824	(123,076)	(2,756)	47,992
<b>Memo only:</b>				
Non-social housing activities	3,174	(3,850)	-	(676)

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**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
<b>Social Housing Lettings</b>	<b>9,551</b>	<b>(3,452)</b>	-	<b>6,099</b>
<b>Other Social Housing Activities</b>				
Home Ownership services	534	(409)	-	125
LCHO First Tranche Sales	12,134	(12,226)	-	(92)
Group Recharges	39,992	(39,946)	-	46
Other	3,784	(5,379)	-	(1,595)
	<b>56,444</b>	<b>(57,960)</b>	-	<b>(1,516)</b>
	<b>65,995</b>	<b>(61,412)</b>	-	<b>4,583</b>
<i>Memo only:</i>				
Non-social housing activities	257	(80)	-	177

**Association - Prior Year**

	Turnover £000	Operating costs £000	Cost of sales £000	Operating Surplus/ (Deficit) £000
<b>Social Housing Lettings</b>	<b>8,891</b>	<b>(3,100)</b>	-	<b>5,791</b>
<b>Other Social Housing Activities</b>				
Home Ownership services	1,562	(1,517)	-	45
LCHO First Tranche Sales	11,980	(12,303)	-	(323)
Group Recharges	35,346	(35,208)	-	138
Impairment on Land Banking	-	(57)	-	(57)
Other	3,283	(3,321)	-	(38)
	<b>52,171</b>	<b>(52,406)</b>	-	<b>(235)</b>
	<b>61,062</b>	<b>(55,506)</b>	-	<b>5,556</b>
<i>Memo only:</i>				
Non-social housing activities	809	(1,161)	-	(352)

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**3. Income and Expenditure from Social Housing Lettings**

**Group**

	<b>General Needs Housing £000</b>	<b>Keyworker Accomm. £000</b>	<b>Supported Housing and Housing for Older People £000</b>	<b>Low Cost Home Ownership £000</b>	<b>2013 £000</b>	<b>2012 £000</b>
Rent receivable net of identifiable service charges	126,278	381	9,018	7,618	143,295	131,784
Service charge Income	8,104	306	3,551	904	12,865	12,989
Other income from lettings	452	-	3	435	890	891
<b>Turnover from social housing lettings</b>	<b>134,834</b>	<b>687</b>	<b>12,572</b>	<b>8,957</b>	<b>157,050</b>	<b>145,664</b>
<b>Expenditure</b>						
Management	(17,063)	(38)	(2,041)	(1,280)	(20,422)	(20,292)
Service charge costs	(9,866)	(232)	(3,401)	(893)	(14,392)	(13,113)
Routine maintenance	(25,716)	(23)	(1,916)	-	(27,655)	(28,667)
Planned maintenance	(21,686)	(687)	(1,999)	-	(24,372)	(18,210)
Bad debts	(1,026)	(8)	(71)	-	(1,105)	(858)
Depreciation of housing properties	(14,346)	(49)	(978)	(890)	(16,263)	(14,149)
Impairment of housing properties	(1,904)	-	-	(15)	(1,919)	490
Other costs	(806)	-	(7)	-	(813)	(468)
<b>Operating costs on social housing lettings</b>	<b>(92,413)</b>	<b>(1,037)</b>	<b>(10,413)</b>	<b>(3,078)</b>	<b>(106,941)</b>	<b>(95,267)</b>
<b>Operating surplus on social housing lettings</b>	<b>42,421</b>	<b>(350)</b>	<b>2,159</b>	<b>5,879</b>	<b>50,109</b>	<b>50,397</b>
Void losses	(1,929)	(46)	(374)	-	(2,349)	(2,224)

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**3. Income and Expenditure from Social Housing Lettings (continued)**

**Association**

	<b>General Needs Housing £000</b>	<b>Keyworker Accomm. £000</b>	<b>Supported Housing and Housing for Older People £000</b>	<b>Low Cost Home Ownership £000</b>	<b>2013 £000</b>	<b>2012 £000</b>
Rent receivable net of identifiable service charges	594	-	-	7,618	8,212	7,648
Service charge income	-	-	-	904	904	864
Other income from lettings	-	-	-	435	435	379
<b>Turnover from social housing lettings</b>	<b>594</b>	<b>-</b>	<b>-</b>	<b>8,957</b>	<b>9,551</b>	<b>8,891</b>
<b>Expenditure</b>						
Management	(105)	-	-	(1,280)	(1,385)	(1,714)
Service charge costs	-	-	-	(893)	(893)	(826)
Routine maintenance	(93)	-	-	-	(93)	(69)
Planned maintenance	(7)	-	-	-	(7)	-
Bad debts	(9)	-	-	-	(9)	(3)
Depreciation of housing properties	(192)	-	-	(858)	(1,050)	(905)
Impairment of housing properties	-	-	-	(15)	(15)	417
<b>Operating costs on social housing lettings</b>	<b>(406)</b>	<b>-</b>	<b>-</b>	<b>(3,046)</b>	<b>(3,452)</b>	<b>(3,100)</b>
<b>Operating surplus/(deficit) on social housing lettings</b>	<b>188</b>	<b>-</b>	<b>-</b>	<b>5,911</b>	<b>6,099</b>	<b>5,791</b>
Voids	(35)	-	-	(59)	(94)	(81)



**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**4. Staff costs**

	<b>2013</b>	<b>Group</b>
	<b>Number</b>	<b>2012</b>
		<b>Number</b>
<b>Average Number Employed</b>		
Office Staff	<b>909</b>	848
Scheme Staff	<b>358</b>	363
Operatives	<b>148</b>	152
	<b>1,415</b>	1,363
Full-time	<b>1,084</b>	1,026
Part-time	<b>331</b>	337
	<b>1,415</b>	1,363
<b>Full time Equivalents</b>	<b>1,319</b>	1,261

A full time equivalent would be 35 hours per week.

	<b>2013</b>	<b>Group</b>
	<b>£000</b>	<b>2012</b>
		<b>£000</b>
<b>Staff Costs for the Above</b>		
Wages and Salaries	<b>33,798</b>	31,773
Social Security Costs	<b>3,125</b>	3,017
Other Pension Costs	<b>2,713</b>	2,634
	<b>39,636</b>	37,424

	<b>2013</b>	<b>Group</b>
	<b>Number</b>	<b>2012</b>
		<b>Number</b>
<b>Number employed at 31 March</b>		
Office staff	<b>927</b>	866
Scheme staff	<b>349</b>	334
Operatives	<b>149</b>	136
	<b>1,425</b>	1,336

# ORBIT GROUP LIMITED

## NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

### For the Year Ended 31 March 2013

#### 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:

<b>Band</b>	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>Number</b>	<b>Number</b>
Over £190k	1	-
Over £180k	-	1
Over £140k	1	-
Over £130k	-	2
Over £120k	3	-
Over £110k	2	3
Over £100k	2	3
Over £90k	4	1
Over £80k	8	9
Over £70k	9	14
Over £60k	24	22
<b>Total</b>	<b>54</b>	<b>55</b>

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**5. Operating Surplus**

	<b>Group</b>		<b>Association</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
		<b>Restated</b>		<b>Restated</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Operating Surplus is stated after charging/(crediting)</b>				
<b>Housing Properties: -</b>				
- Depreciation Charge	<b>15,037</b>	13,118	<b>1,050</b>	905
- Impairment Charge/(Credit)	<b>1,919</b>	(510)	<b>15</b>	(433)
<b>Land Banking:</b>				
- Impairment Provision	-	57	-	57
<b>Other Fixed Assets:</b>				
- Depreciation - Owned Assets	<b>2,216</b>	1,745	<b>1,607</b>	1,372
- Depreciation - Leased Assets	<b>174</b>	166	-	-
- Impairment (credit)	<b>(43)</b>	-	<b>(43)</b>	-
- Loss on Disposal	<b>25</b>	80	<b>22</b>	77
<b>Operating Leases - Other</b>	<b>849</b>	580	<b>37</b>	11
<b>Group Auditor's Remuneration:</b>				
- In their Capacity as Auditors	<b>82</b>	81	<b>14</b>	12
- In Respect of Other Services	<b>39</b>	39	<b>29</b>	33
<b>Other Auditor's Remuneration:</b>				
- In their Capacity as Auditors	<b>15</b>	30	<b>5</b>	16
- In Respect of Other Services	-	125	-	-
<b>FRS17: Retirement Benefits:</b>				
Actuarial valuation based on net service costs/contribution (net credit)	<b>(19)</b>	(83)	-	-

Auditors' remuneration for 2012 has been restated to be shown net of VAT, in accordance with the requirements of the 2012 Accounting Direction.

**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 or other benefits: -

	<b>Group</b>		<b>Association</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
J Ball	<b>4</b>	4	-	-
F Beckett	<b>14</b>	13	<b>14</b>	13
B Bilson	-	1	-	-

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**6. Directors emoluments (continued)**

	Group		Association	
	2013 £000	2012 £000	2013 £000	2012 £000
The Rt Hon The Baroness Blackstone	4	-	4	-
R Brooks	-	3	-	3
S Brown	1	-	1	-
A Crook	10	8	10	8
C Crook	13	4	13	3
R Dahlberg	14	13	14	13
L Dennish	4	4	-	-
L Dexter	3	2	-	-
H Devy	1	-	1	-
J Dickinson	4	4	-	-
D Ghandi	2	-	-	-
S Goding	-	4	-	-
V Hester	-	3	-	-
R Hyde	3	2	-	-
J Hopes	4	-	-	-
R Jennings	-	2	-	-
D Kelly	1	3	-	-
G Kyle	4	4	-	-
M Lawrence	4	4	-	-
M Marron	7	8	7	8
K Massey	7	8	7	8
J Matthews	8	8	8	8
T McGlone	4	4	-	-
R Munton	-	1	-	-
V Nicholls	4	4	-	-
E Potter	19	22	19	22
R Reynolds	-	5	-	4
M Robertson-Smith	4	4	-	-
G Richardson	1	-	-	-
T Sawyer	3	5	-	-
A Squirell	4	4	-	-
I Tillotson	-	2	-	-
N Topping	5	5	-	-
G Viridi	-	3	-	-
M Wellington	4	4	-	-
D Wilkinson	-	3	-	-
V Williamson	4	4	-	-
L Williams	1	-	-	-
T Willington	-	3	-	-
<b>Total</b>	<b>165</b>	<b>175</b>	<b>98</b>	<b>90</b>

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**6. Directors emoluments (continued)**

	Group		Association	
	2013 £000	2012 £000	2013 £000	2012 £000
Aggregate emoluments (including pension contributions) paid to or received by Directors who are executive staff members including salaries, honoraria and other benefits	933	929	933	929
Aggregate emoluments of the highest paid Director excluding pension contributions included in aggregate emoluments of Directors who are executive staff members.	182	182	182	182

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 £91k (2012: £70k).

During the year one Director resigned who received £10k compensation for loss of office.

**7. Profit on sale of housing properties**

**Group**

	2013			2012		
	Letting £000	Shared Equity £000	Total £000	Letting £000	Shared Equity £000	Total £000
Proceeds from disposal	33,587	5,112	38,699	14,106	2,564	16,670
Cost of disposals	(11,677)	(3,699)	(15,376)	(3,862)	(1,816)	(5,678)
<b>Profit on Disposal</b>	<b>21,910</b>	<b>1,413</b>	<b>23,323</b>	<b>10,244</b>	<b>748</b>	<b>10,992</b>

**Association**

	2013			2012		
	Letting £000	Shared Equity £000	Total £000	Letting £000	Shared Equity £000	Total £000
Proceeds from disposal	451	5,112	5,563	84,898	2,564	87,462
Cost of disposals	(430)	(3,728)	(4,158)	(84,809)	(1,816)	(86,625)
<b>Profit on Disposal</b>	<b>21</b>	<b>1,384</b>	<b>1,405</b>	<b>89</b>	<b>748</b>	<b>837</b>

# ORBIT GROUP LIMITED

## NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

### For the Year Ended 31 March 2013

#### 8. Interest receivable and other income

	Group		Association	
	2013 £000	2012 £000	2013 £000	2012 £000
Interest receivable from unlisted investments	466	370	1,636	1,570

#### 9. Interest payable and similar charges

	Group		Association	
	2013 £000	2012 £000	2013 £000	2012 £000
<b>On Bank Loans, Overdrafts and Other Loans</b>				
Repayable within 5 years, by instalments	920	906	-	-
Repayable by instalments wholly or partly, in more than 5 years	26,435	24,067	4,662	5,058
Repayable, other than by instalments, in more than 5 years	1,550	1,550	-	-
	<b>28,905</b>	26,523	<b>4,662</b>	5,058
Other Interest	1,360	619	311	180
Capitalised Interest	(1,715)	(1,608)	(180)	(186)
Deferred income credit (See Note 22b)	(114)	(114)	-	-
<b>Total</b>	<b>28,436</b>	25,420	<b>4,793</b>	5,052

The bank base rate average for the year (adjusted for margins) of 0.75% (2012: 0.75%) was used for the purpose of calculating capitalised interest.

#### 10. Tax on surplus on ordinary activities

The only members of the Group subject to taxation throughout the year ended 31 March 2013 were Orbit New Homes Limited, Orbit Homes (2020) Limited and Heart of England Housing Association Limited. Orbit Group Limited obtained charitable status with effect from 3 April 2006. From that point, its principal sources of income and gains have been exempt from corporation tax and accordingly, no deferred tax assets have been recognised in the balance sheet of the Association at either 31 March 2012 or 31 March 2013. Other Group members are all charities for tax purposes.

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

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

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**10. Tax on surplus on ordinary activities (continued)**

	<b>Group</b>		<b>Association</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>(a) Analysis of charge in year:</b>				
<b>Current tax:</b>				
UK corporation tax on profits of the year	239	180	-	-
Adjustment in respect of previous year	-	1	-	-
	<b>239</b>	<b>181</b>	<b>-</b>	<b>-</b>

There is no deferred tax for the year, either recognised or unrecognised (2012: £Nil).

The current tax charge for the year is lower (2012: lower) than the standard rate of Corporation Tax in the UK of 24% (2012: 24%). The differences are explained below:

	<b>Group</b>		<b>Association</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>(b) Factors affecting tax charge for current year</b>				
Surplus on ordinary activities before taxation	<b>41,292</b>	33,082	<b>16,654</b>	9,375
Tax Charge at 24% (2012: 24%) thereon	<b>9,910</b>	7,940	<b>3,997</b>	2,250
Non taxable (surpluses) (primarily charitable exemptions)	<b>(9,688)</b>	(7,737)	<b>(3,997)</b>	(2,250)
Capital allowances less than depreciation	<b>1</b>	(14)	-	-
Losses brought forward	-	(9)	-	-
Adjustment to tax charge in respect of previous year	<b>16</b>	1	-	-
<b>Current tax charge for the year</b>	<b>239</b>	<b>181</b>	<b>-</b>	<b>-</b>

**(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 and by a further 1% to 23% from 1 April 2013. The changes had were substantively enacted on 3 July 2012.

During the year, the relevant deferred tax balances due to be realised or settled after 1 April 2013 have been re-measured as a result of the change in the UK main corporation tax rate to 23%.

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**11. Housing properties**

**Group**

	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Other Social Housing	Non-social Housing	Total £000
	Complete £000	In Development £000	Complete £000	In Development £000	Complete £000	In Development £000	Complete £000	Complete £000	
<b>Cost</b>									
At 1 April 2012	1,414,884	73,934	57,012	-	160,074	16,353	999	1,624	1,724,880
Reclassifications	1,907	1,117	23	-	(2,562)	(1,117)	-	(23)	(655)
Additions	16,828	73,806	624	-	870	26,897	-	-	119,025
Transfer on completion	74,460	(73,140)	-	-	22,911	(24,231)	-	-	-
Transfer to stock	-	-	-	-	(7,552)	(3,010)	-	-	(10,562)
Disposals	(21,263)	(56)	(1,797)	-	(3,809)	-	-	-	(26,925)
<b>At 31 March 2013</b>	<b>1,486,816</b>	<b>75,661</b>	<b>55,862</b>	<b>-</b>	<b>169,932</b>	<b>14,892</b>	<b>999</b>	<b>1,601</b>	<b>1,805,763</b>
<b>Less: Grants</b>									
At 1 April 2012	(569,003)	(34,296)	(29,546)	-	(61,656)	(4,345)	(814)	(4)	(699,664)
Reclassifications	2,426	(2,381)	(4)	-	385	-	-	4	430
Receivable	(2,634)	(26,367)	-	-	(5)	(2,270)	-	-	(31,276)
Disposals	7,547	-	1,495	-	21	-	-	-	9,063
Transfer on completion	(34,369)	34,369	-	-	(4,823)	4,823	-	-	-
Transfer (from)/to RCGF and DPF	-	(550)	-	-	1,254	(86)	-	-	618
<b>At 31 March 2013</b>	<b>(596,033)</b>	<b>(29,225)</b>	<b>(28,055)</b>	<b>-</b>	<b>(64,824)</b>	<b>(1,878)</b>	<b>(814)</b>	<b>-</b>	<b>(720,829)</b>



**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**11. Housing properties (continued)**

	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Other Social Housing	Non-social Housing	Total £000
	Complete £000	In Development £000	Complete £000	In Development £000	Complete £000	In Development £000	Complete £000	Complete £000	
<b>Less:Accumulated Depreciation</b>									
At 1 April 2012	(90,279)	-	(7,898)	-	(4,339)	-	(61)	(60)	(102,637)
Eliminated on disposals	4,126	-	118	-	108	-	-	-	4,352
Reclassification	(815)	-	796	-	-	-	-	19	-
Depreciation	(13,221)	-	(937)	-	(869)	-	-	(10)	(15,037)
<b>At 31 March 2013</b>	<b>(100,189)</b>	<b>-</b>	<b>(7,921)</b>	<b>-</b>	<b>(5,100)</b>	<b>-</b>	<b>(61)</b>	<b>(51)</b>	<b>(113,322)</b>
<b>Less:Provisions for impairment</b>									
At 1 April 2012	(1,602)	-	(93)	-	(103)	(842)	-	-	(2,640)
(Charge)/credit for the year	(1,904)	-	-	-	(15)	-	-	-	(1,919)
<b>At 31 March 2013</b>	<b>(3,506)</b>	<b>-</b>	<b>(93)</b>	<b>-</b>	<b>(118)</b>	<b>(842)</b>	<b>-</b>	<b>-</b>	<b>(4,559)</b>
<b>Net Book Amount</b>									
<b>31 March 2013</b>	<b>787,088</b>	<b>46,436</b>	<b>19,793</b>	<b>-</b>	<b>99,890</b>	<b>12,172</b>	<b>124</b>	<b>1,550</b>	<b>967,053</b>
<b>At 31 March 2012</b>	<b>754,000</b>	<b>39,638</b>	<b>19,475</b>	<b>-</b>	<b>93,976</b>	<b>11,166</b>	<b>124</b>	<b>1,560</b>	<b>919,939</b>

Additions to properties during the year include capitalised interest and finance costs of £0.5 million (2012: £0.3 million) and development administration costs / project management fees of £3.2 million (2012: £4.1million). The Group reviewed its properties for impairment and there was a charge of £1.9 million (2012: £0.5 million credit) to the Income and Expenditure Account. During the year the total expenditure on works to existing properties was £51.8 million of which £10.5 million has been capitalised.

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**11. Housing properties (continued)**

**Association**

	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Other Social Housing	Non-social Housing	Total £000
	Complete £000	In Development £000	Complete £000	In Development £000	Complete £000	In Development £000	Complete £000	Complete £000	
<b>Cost</b>									
At 1 April 2012	16,926	110	-	-	155,628	16,353	-	-	189,017
Reclassifications	1,950	-	-	-	(2,562)	-	-	-	(612)
Additions	293	-	-	-	230	8,132	-	-	8,655
Transfer on completion	1,320	-	-	-	22,911	(24,231)	-	-	-
Transfer to stock	-	-	-	-	(7,552)	(3,010)	-	-	(10,562)
Transfer to other group members	(3,411)	(110)	-	-	538	17,648	-	-	14,665
Disposals	(967)	-	-	-	(3,755)	-	-	-	(4,722)
<b>At 31 March 2013</b>	<b>16,111</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>165,438</b>	<b>14,892</b>	<b>-</b>	<b>-</b>	<b>196,441</b>
<b>Less: Grants</b>									
At 1 April 2012	(6,564)	-	-	-	(58,801)	(4,345)	-	-	(69,710)
Reclassifications	14	-	-	-	385	-	-	-	399
Receivable	(162)	-	-	-	(5)	(2,270)	-	-	(2,437)
Disposals	570	-	-	-	-	-	-	-	570
Transfer on completion	-	-	-	-	(4,823)	4,823	-	-	-
Transfer to/(from) RCGF and DPF	-	-	-	-	1,254	(86)	-	-	1,168
Transfer to other group members	1,943	-	-	-	-	-	-	-	1,943
<b>At 31 March 2013</b>	<b>(4,199)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(61,990)</b>	<b>(1,878)</b>	<b>-</b>	<b>-</b>	<b>(68,067)</b>

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**11. Housing properties (continued)**

	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Other Social Housing	Non-social Housing	Total £000
	Complete £000	In Development £000	Complete £000	In Development £000	Complete £000	In Development £000	Complete £000	Complete £000	
<b>Less:Accumulated Depreciation</b>									
At 1 April 2012	(123)	-	-	-	(4,306)	-	-	-	(4,429)
Eliminated on disposals	-	-	-	-	107	-	-	-	107
Depreciation	(192)	-	-	-	(858)	-	-	-	(1,050)
<b>At 31 March 2013</b>	<b>(315)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,057)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,372)</b>
<b>Less:Provisions for impairment</b>									
At 1 April 2012	-	-	-	-	(103)	(842)	-	-	(945)
(Charge)/Credit for the year	-	-	-	-	(15)	-	-	-	(15)
<b>At 31 March 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(118)</b>	<b>(842)</b>	<b>-</b>	<b>-</b>	<b>(960)</b>
<b>Net Book Amount</b>									
<b>31 March 2013</b>	<b>11,597</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98,273</b>	<b>12,172</b>	<b>-</b>	<b>-</b>	<b>122,042</b>
<b>31 March 2012</b>	<b>10,239</b>	<b>110</b>	<b>-</b>	<b>-</b>	<b>92,418</b>	<b>11,166</b>	<b>-</b>	<b>-</b>	<b>113,933</b>

Additions to properties during the year include capitalised interest and finance costs of £0.2 million (2012: £0.1 million) and development administration costs/project management fees of £0.8 million (2012: £1.2 million). The Association reviewed its properties for impairment and there was a charge of £15k to the Income and Expenditure Account for 2013 (2012: credit of £433k).

## ORBIT GROUP LIMITED

### NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

#### For the Year Ended 31 March 2013

##### 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	
	2013	2012	2013	2012
	£000	£000	£000	£000
Within Housing Properties and Stocks	<b>33,602</b>	44,043	<b>2,270</b>	7,334
<b>The Net Book Value of Housing and Other Properties (Note 14) comprises:</b>				
Freehold Land and Buildings	<b>964,340</b>	916,902	<b>118,206</b>	110,140
Long Leasehold Land and Buildings	<b>12,385</b>	12,638	<b>9,017</b>	9,139
Short Leasehold Land and Buildings	<b>419</b>	452	-	-
	<b>977,144</b>	929,992	<b>127,223</b>	119,279

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

##### 12. Fixed Assets / Investments

	Group		Association	
	2013	2012	2013	2012
	£000	£000	£000	£000
Monies deposited with Funding for Homes Ltd	<b>800</b>	800	-	-
Investment in Preference Shares of Orbit Homes (2020) Limited	-	-	<b>10,000</b>	-
<b>Total</b>	<b>800</b>	800	<b>10,000</b>	-

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 2013, Orbit Group Limited invested £10m 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.

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**13. HomeBuy and Other Equity Loans and Grants**

**Group and Association**

	<b>HomeBuy Loans/ Grants £000</b>	<b>2013 Other Equity Loans/ Grants £000</b>	<b>Total £000</b>	<b>HomeBuy Loans/ Grants £000</b>	<b>2012 Other Equity Loans/ Grants £000</b>	<b>Total £000</b>
Grants received from the Homes & Communities Agency	(14,964)	(1,412)	(16,376)	(15,750)	-	(15,750)
Grants received from Recycled Capital Grant Fund	(629)	-	(629)	(629)	-	(629)
<b>Grants Received Total</b>	<b>(15,593)</b>	<b>(1,412)</b>	<b>(17,005)</b>	<b>(16,379)</b>	<b>-</b>	<b>(16,379)</b>
<b>Loans Advanced to Borrowers</b>	<b>15,593</b>	<b>2,002</b>	<b>17,595</b>	<b>16,379</b>	<b>-</b>	<b>16,379</b>
	-	590	590	-	-	-

# ORBIT GROUP LIMITED

## NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

### 14. Other Fixed Assets

#### Group

	Freehold Offices	Leasehold Offices	Commercial Premises	Motor Vehicles	Furniture, Fixtures & Equipment	Total
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At 1 April 2012	3,416	10,976	590	223	13,304	28,509
Additions	423	144	-	-	1,903	2,470
Disposals	-	-	-	(171)	(1,003)	(1,174)
<b>At 31 March 2013</b>	<b>3,839</b>	<b>11,120</b>	<b>590</b>	<b>52</b>	<b>14,204</b>	<b>29,805</b>
<b>Less: Accumulated Depreciation</b>						
At 1 April 2012	(862)	(2,847)	(130)	(223)	(8,079)	(12,141)
Charge for Year	(108)	(445)	(19)	-	(1,818)	(2,390)
Eliminated on Disposal	-	-	-	171	954	1,125
<b>At 31 March 2013</b>	<b>(970)</b>	<b>(3,292)</b>	<b>(149)</b>	<b>(52)</b>	<b>(8,943)</b>	<b>(13,406)</b>
<b>Less: Provisions for impairment</b>						
At 1 April 2012	(10)	(1,081)	-	-	-	(1,091)
Eliminated on disposal	-	43	-	-	-	43
<b>At 31 March 2013</b>	<b>(10)</b>	<b>(1,038)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,048)</b>
<b>NET BOOK AMOUNT</b>						
<b>At 31 March 2013</b>	<b>2,859</b>	<b>6,790</b>	<b>441</b>	<b>-</b>	<b>5,261</b>	<b>15,351</b>
<b>At 31 March 2012</b>	<b>2,544</b>	<b>7,048</b>	<b>460</b>	<b>-</b>	<b>5,225</b>	<b>15,277</b>

The net book value includes £Nil (2012: £Nil) of furniture, fixtures and equipment held under finance leases. Depreciation charged in the year on these assets amounted to £Nil (2012: £Nil).

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 (2012: £Nil). The difference between the revalued amounts of the offices and their depreciated costs are as follows:

	Freehold Offices	Leasehold Offices	Total
	£000	£000	£000
Depreciated Historical Cost	-	-	-
Revalued Amount	665	-	665
Difference as at 31 March 2013	665	-	665
Difference as at 31 March 2012	679	-	679

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**14. Other Fixed Assets (continued)**

**Association**

	<b>Freehold Offices</b>	<b>Leasehold Offices</b>	<b>Commercial Premises</b>	<b>Motor vehicles</b>	<b>Furniture, Fixtures &amp; Equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>						
At 1 April 2012	758	7,114	-	-	7,682	15,554
Additions	-	105	-	-	1,528	1,633
Disposals	-	-	-	-	(859)	(859)
Transfers to other group members	-	-	-	-	(38)	(38)
<b>At 31 March 2013</b>	<b>758</b>	<b>7,219</b>	<b>-</b>	<b>-</b>	<b>8,313</b>	<b>16,290</b>
<b>Less: Accumulated Depreciation</b>						
At	(237)	(1,208)	-	-	(3,658)	(5,103)
Charge for Year	(42)	(271)	-	-	(1,294)	(1,607)
Eliminated on Disposal	-	-	-	-	839	839
Transfers to other group members	-	-	-	-	6	6
<b>At 31 March 2013</b>	<b>(279)</b>	<b>(1,479)</b>	<b>-</b>	<b>-</b>	<b>(4,107)</b>	<b>(5,865)</b>
<b>Less: Provisions for impairment</b>						
At 1 April 2012	-	(1,081)	-	-	-	(1,081)
Eliminated on disposals	-	43	-	-	-	43
<b>At 31 March 2013</b>	<b>-</b>	<b>(1,038)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,038)</b>
<b>NET BOOK AMOUNT</b>						
<b>At 31 March 2013</b>	<b>479</b>	<b>4,702</b>	<b>-</b>	<b>-</b>	<b>4,206</b>	<b>9,387</b>
<b>At 31 March 2012</b>	<b>521</b>	<b>4,825</b>	<b>-</b>	<b>-</b>	<b>4,024</b>	<b>9,370</b>

The net book value includes £Nil (2012: £Nil) of furniture, fixtures and equipment held under finance leases. Depreciation charged in the year on these assets amounted to £Nil (2012: £Nil).

# ORBIT GROUP LIMITED

## NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

### 15. Properties for sale

	Group		Association	
	2013 £000	2012 £000	2013 £000	2012 £000
Housing properties for Sale	3,188	1,708	3,188	1,708
Shared Ownership - Completed Properties	3,712	7,185	3,712	7,185
Shared Ownership - Under Construction	11,054	7,651	11,054	7,651
	<b>17,954</b>	16,544	<b>17,954</b>	16,544

The above figures include capitalised interest of £108k (2012: £78k) for the Group and the Association.

### 16. Stocks

	Group		Association	
	2013 £000	2012 £000	2013 £000	2012 £000
Work in Progress	36,323	25,379	-	-
Land Banking	311	524	311	524
Consumable Stocks	152	74	4	1
	<b>36,786</b>	25,977	<b>315</b>	525

An impairment of £Nil was made during the year on land banking (2012: £57k). Included within Work in Progress is capitalised interest of £1,941k (2012: £1,362k).

### 17. Debtors

	Group		Association	
	2013 £000	2012 £000	2013 £000	2012 £000
Rental Debtors	9,077	9,066	519	348
Less: provision for doubtful debts	(2,248)	(2,325)	(17)	(1)
	<b>6,829</b>	6,741	<b>502</b>	347
Amounts due from Subsidiaries	-	-	29,636	36,033
Prepayments and Accrued Income	3,132	2,096	1,712	714
SHG Receivable	645	9,445	54	2,137
Other Debtors	8,749	5,798	2,680	1,539
	<b>19,355</b>	24,080	<b>34,584</b>	40,770
<b>Debtors after one year included in Debtors above:</b>				
Other Debtors	2,386	2,228	1,124	981
Amounts due from Subsidiaries	-	-	17,100	18,500
	<b>2,386</b>	2,228	<b>18,224</b>	19,481



**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**18. Current Asset Investments**

	<b>Group</b>		<b>Association</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other Investments and Cash - Short Term</b>				
<b>Deposits comprise:</b>				
- Maturing in less than 24 hours	<b>29,000</b>	9,500	<b>29,000</b>	9,500
- Maturing in excess of 7 days	<b>26,104</b>	5,000	<b>20,000</b>	5,000
<b>Total</b>	<b>55,104</b>	14,500	<b>49,000</b>	14,500

**19. Creditors: Amounts Falling Due Within One Year**

	<b>Group</b>		<b>Association</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Housing Loans	<b>13,209</b>	342	<b>913</b>	944
Trade Creditors	<b>15,473</b>	23,563	<b>4,114</b>	5,567
Amounts due to Group Undertakings	-	-	<b>3,304</b>	7,566
Other Creditors including Taxation and Social Security	<b>9,182</b>	4,060	<b>5,362</b>	1,502
Corporation tax	-	179	-	-
Accruals & Deferred income	<b>19,357</b>	8,540	<b>532</b>	334
Rents Received in Advance	<b>3,114</b>	2,624	<b>199</b>	-
Grants Received in Advance	<b>853</b>	3,800	-	130
RCGF and DPF Within One Year (Note 20)	<b>2,028</b>	1,506	<b>1,620</b>	1,392
<b>Total</b>	<b>63,216</b>	44,614	<b>16,044</b>	17,435

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**20. Disposal proceeds and recycled capital grant funds**

**Disposal Proceeds and Recycled Capital Grant Fund - Group**

	RCGF £000	DPF £000	TOTAL £000
<b>At 1 April 2012</b>	<b>5,119</b>	<b>526</b>	<b>5,645</b>
Grants recycled	4,206	175	4,381
Interest accrued	35	3	38
Utilised in the year	(1,428)	(115)	(1,543)
<b>At 31 March 2013</b>	<b>7,932</b>	<b>589</b>	<b>8,521</b>

**Amount due for repayment to the Homes & Communities Agency - Group**

	RCGF £000	DPF £000	TOTAL £000
Within one year	1,620	408	2,028
After more than one year	6,312	181	6,493
<b>At 31 March 2013</b>	<b>7,932</b>	<b>589</b>	<b>8,521</b>

**Disposal Proceeds and Recycled Capital Grant Fund - Association**

	RCGF £000	DPF £000	TOTAL £000
<b>At 1 April 2012</b>	<b>4,748</b>	<b>-</b>	<b>4,748</b>
Grants recycled	1,632	-	1,632
Interest accrued	27	-	27
Utilised in the year	(1,428)	-	(1,428)
<b>At 31 March 2013</b>	<b>4,979</b>	<b>-</b>	<b>4,979</b>

**Amount due for repayment to the Homes & Communities Agency - Association**

	RCGF £000	DPF £000	TOTAL £000
Within one year	1,620	-	1,620
After more than one year	3,359	-	3,359
<b>At 31 March 2013</b>	<b>4,979</b>	<b>-</b>	<b>4,979</b>

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

## ORBIT GROUP LIMITED

### NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

#### 21. Other Creditors

	Group		Association	
	2013	2012	2013	2012
	£000	£000	£000	£000
Housing Loans	725,111	689,551	88,152	53,605
Deferred Income Credit	564	678	-	-
Advanced Maintenance and Renewal Contributions	4,336	3,921	1,417	1,198
Other Creditors	1,128	1,033	-	-
<b>Total</b>	<b>731,139</b>	<b>695,183</b>	<b>89,569</b>	<b>54,803</b>

Housing loans shown above are net of £2,914k loan arrangement fees carried forward (2012: £2,685k) and Swap buy-out cancellation fees of £6,302k (2012: £5,952k).

#### 22. Housing loans and finance lease obligations

	Group		Association	
	2013	2012	2013	2012
	£000	£000	£000	£000
<b>Due within one year</b>				
Orbit Treasury Limited	-	-	913	944
Greenwich NatWest	384	342	-	-
Bank/Building Society Loans	9,200	-	-	-
Homes & Community Agency	3,625	-	-	-
	<b>13,209</b>	<b>342</b>	<b>913</b>	<b>944</b>
<b>Due after more than one year</b>				
Orbit Treasury Limited	-	-	88,152	53,605
Bank/Building society loans	699,050	666,234	-	-
Homes and Community Agency	7,132	3,425	-	-
Greenwich NatWest	12,145	12,529	-	-
Debenture stock	16,000	16,000	-	-
	<b>734,327</b>	<b>698,188</b>	<b>88,152</b>	<b>53,605</b>
	<b>747,536</b>	<b>698,530</b>	<b>89,065</b>	<b>54,549</b>

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 GROUP LIMITED

### NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

#### For the Year Ended 31 March 2013

#### 22. Housing loans and finance lease obligations (continued)

##### Note (a)

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

	Group		Association	
	2013	2012	2013	2012
	£000	£000	£000	£000
In one year or less, on demand	13,209	342	913	944
<b>Repayable by instalments:</b>				
- more than one year but not more than two years	9,630	384	913	944
- In more than two years but not more than five years	63,428	19,055	2,739	2,833
- In more than 5 years	610,887	647,074	84,500	49,828
	<b>683,945</b>	<b>666,513</b>	<b>88,152</b>	<b>53,605</b>
<b>Repayable other than by instalments:</b>				
- In more than two years but not more than five years	13,082	-	-	-
- In more than 5 years	37,300	31,675	-	-
	<b>50,382</b>	<b>31,675</b>	<b>-</b>	<b>-</b>
	<b>747,536</b>	<b>698,530</b>	<b>89,065</b>	<b>54,549</b>

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.

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**22. Housing loans and finance lease obligations (continued)**

The interest rate profile at 31 March 2013 was:

	Total £m	Variable rate £m	Fixed rate £m	Weighted Average Rate %	Weighted average term of fixing in years
<b>Group</b>					
Instalment loans	693.5	134.0	559.5	4.14	24
Non-instalment loans	54.0	-	53.9	7.09	8
	<b>747.5</b>	<b>134.0</b>	<b>613.4</b>	<b>4.35</b>	<b>26</b>
<b>Association</b>					
Instalment loans	89.1	58.5	30.6	5.46	25

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

	<b>Group 2013 £m</b>
Undrawn committed facilities	235.0
	<b>235.0</b>

**23. Called up share capital**

	<b>Group</b>		<b>Association</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	£	£	£	£
<b>Issued and Fully Paid Shares of £1 each</b>				
<b>At 1 April 2012</b>	<b>8</b>	9	<b>8</b>	9
Issued	3	1	3	1
Surrendered	(3)	(2)	(3)	(2)
<b>At 31 March 2013</b>	<b>8</b>	8	<b>8</b>	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 Industrial and Provident Society status means the maximum shareholding permitted per member is 1 share. There is no Authorised Share Capital and the Orbit Board may issue as many £1 shares as it wishes. However, the Board 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.

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**24. Revaluation reserve**

**Association**

	<b>At beginning of the year</b>	<b>Transfer to I&amp;E account</b>	<b>At end of year</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Revaluation of Offices	679	(14)	<b>665</b>

**25. Designated reserves**

**Group**

	<b>At beginning of the year</b>	<b>Transfer to / (from) I&amp;E account</b>	<b>Release of provision during the year</b>	<b>At end of year</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Neighbourhood Investment Fund	615	64	-	679
Renewal of furniture and equipment	6,469	536	50	7,055
Community Energy Savings Fund	724	(724)	-	-
Insurance Reserve	490	-	-	490
Community Investment Fund	-	773	-	773
<b>At 31 March 2013</b>	<b>8,298</b>	<b>649</b>	<b>50</b>	<b>8,997</b>
At 31 March 2012	6,947	1,519	(168)	8,298

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

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**25. Designated reserves (continued)**

**Association**

	At beginning of the year	Transfer to I&E account	Release of provision during the year	At end of year
	£000	£000	£000	£000
Neighbourhood Investment Fund	615	64	-	679
Renewal of Furniture and Equipment	4	-	(4)	-
Insurance Reserve	303	-	-	303
<b>At 31 March 2013</b>	<b>922</b>	<b>64</b>	<b>(4)</b>	<b>982</b>
At 31 March 2012	2,576	-	(1,654)	922

**26. Revenue Reserves**

	Group		Association	
	2013	2012	2013	2012
	£000	£000	£000	£000
Opening Balance	267,048	238,524	123,409	113,856
Surplus for the year (after transfer to reserves)	40,404	31,382	16,604	9,553
Actuarial (loss) on pension scheme	(1,077)	(2,858)	-	-
<b>Closing Balance</b>	<b>306,375</b>	<b>267,048</b>	<b>140,013</b>	<b>123,409</b>

**27. Reconciliation in Movements in Funds**

	Group		Association	
	2013	2012	2013	2012
	£000	£000	£000	£000
Opening Funds	275,346	245,471	125,010	117,289
Surplus for the Financial Year	41,053	32,901	16,654	9,375
Designated reserves transferred to other Group Members & released to I & E	(250)	(168)	(4)	(1,654)
Actuarial (loss) on pension scheme	(1,077)	(2,858)	-	-
<b>Closing Funds</b>	<b>315,072</b>	<b>275,346</b>	<b>141,660</b>	<b>125,010</b>

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**28. Capital commitments**

	<b>Group</b>		<b>Association</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Capital Expenditure which has been contracted for but has not been provided for in the financial statements	<b>196,091</b>	134,957	<b>40,037</b>	23,847
Capital Expenditure which has been authorised under authority from the Orbit Board but has yet to be contracted for	<b>210,205</b>	167,661	<b>44,344</b>	39,917
	<b>406,296</b>	302,618	<b>84,381</b>	63,764

The company expects these commitments to be financed with:

	<b>Group</b>		<b>Association</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Social Housing Grant	<b>36,446</b>	54,299	<b>2,961</b>	4,839
Committed loan facilities	<b>207,434</b>	108,701	<b>8,056</b>	24,573
Proceeds from sale of properties	<b>162,416</b>	139,618	<b>73,364</b>	34,352
	<b>406,296</b>	302,618	<b>84,381</b>	63,764

**29. Contingent Liabilities**

The Group had contingent liabilities in relation to remedial costs on properties identified as having substandard acoustic construction together with the associated legal costs plus three pending employment tribunals. At 31 March 2013, Orbit Group Limited had contingent liabilities of £Nil.



**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**30. Reconciliation of operating surplus to net cash outflow from operating activities**

	<b>Group</b>		<b>Association</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Operating Surplus	<b>46,144</b>	47,316	<b>4,760</b>	5,204
Depreciation charge on other fixed assets	<b>2,390</b>	1,911	<b>1,607</b>	1,372
Depreciation charge on Housing Properties	<b>15,037</b>	13,118	<b>1,050</b>	905
Provision for impairment on Housing Properties	<b>1,919</b>	(510)	<b>15</b>	(433)
Provision for impairment on other fixed assets	<b>(43)</b>	-	<b>(43)</b>	-
Provision for impairment on stocks	-	57	-	57
Movement in provisions	<b>(16)</b>	48	<b>(6)</b>	-
(Decrease)/Increase in Bad Debt Provision	<b>(77)</b>	64	<b>16</b>	(305)
Decrease/(Increase) in Stocks	<b>135</b>	(5)	<b>(3)</b>	16
Adjustment for Pension Funding	<b>(19)</b>	(83)	-	-
(Increase)/Decrease in Debtors	<b>(3,709)</b>	3,657	<b>1,326</b>	7,491
Increase/(Decrease) in Creditors	<b>6,983</b>	359	<b>7,196</b>	(972)
Release of designated reserves	<b>50</b>	(168)	<b>(4)</b>	(1,654)
<b>Net Cash Inflow from Operating Activities</b>	<b>68,794</b>	65,764	<b>15,914</b>	11,681

**31. Reconciliation of net cash flow to movement in net debt**

	<b>Group</b>		<b>Association</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Increase in Cash in the year	<b>21,793</b>	9,734	<b>21,298</b>	8,380
Increase in Bank Deposits (with a maturity in excess of 24 hours)	<b>21,104</b>	189	<b>15,000</b>	1,942
Other changes	<b>(629)</b>	(189)	-	(44)
Loans received	<b>(49,348)</b>	(88,793)	<b>(137,447)</b>	(186,577)
Loans repaid	<b>342</b>	15,305	<b>102,931</b>	242,849
Loan arrangement fees	<b>1,208</b>	1,219	-	-
<b>Change in Net Debt</b>	<b>(5,530)</b>	(62,535)	<b>1,782</b>	66,550
Net Debt at 1 April	<b>(665,696)</b>	(603,161)	<b>(35,087)</b>	(101,637)
<b>Net Debt at 31 March</b>	<b>(671,226)</b>	(665,696)	<b>(33,305)</b>	(35,087)

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**32. Analysis of changes in net debt**

**Group**

	At beginning of the year £000	Cash Flows £000	Other Changes £000	At end of the year £000
Cash at Bank and in Hand	9,697	2,293	-	11,990
Bank deposits - less than 24 hours	9,500	19,500	-	29,000
	19,197	21,793	-	40,990
Bank deposits - in excess of 7 days	5,000	21,104	-	26,104
Housing Loans due within one year	(342)	(12,867)	-	(13,209)
Housing Loans due after one year	(698,188)	(36,139)	-	(734,327)
Loan arrangement fees	8,637	1,208	(629)	9,216
	(665,696)	(4,901)	(629)	(671,226)

**Association**

	At beginning of the year £000	Cash Flows £000	Other Changes £000	At end of the year £000
Cash at Bank and in Hand	4,962	1,798	-	6,760
Bank deposits - less than 24 hours	9,500	19,500	-	29,000
	14,462	21,298	-	35,760
Bank deposits - in excess of 7 days	5,000	15,000	-	20,000
Housing Loans due within one year	(944)	-	31	(913)
Housing Loans due after one year	(53,605)	(34,516)	(31)	(88,152)
	(35,087)	1,782	-	(33,305)

**33. Financial Commitments**

Operating Leases

At 31 March 2013 the Group was committed to making the following payments during the next year in respect of operating leases other than land and buildings, primarily for motor vehicles:

	Group		Association	
	2013 £000	2012 £000	2013 £000	2012 £000
<b>Leases which Expire</b>				
Within 1 year	153	411	104	167
Within 2 - 5 years	1,145	701	374	175
<b>Total</b>	<b>1,298</b>	1,112	<b>478</b>	342

## ORBIT GROUP LIMITED

### NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

#### For the Year Ended 31 March 2013

#### 34. Subsidiary organisations

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

Organisation	Status	Principal Activity	Country of Incorporation	Basis of Control by Parent Undertaking
<b>Registered under the Industrial and Provident Societies Acts 1965 - 1978</b>				
Orbit South Housing Association Limited (trading as Orbit East & South)	Registered Housing Association and Industrial and Provident Act Society	Provision of rented housing	England & Wales	Control of membership of the Board plus nominal shareholding
Heart of England Housing Association Limited (trading as Orbit Heart of England)	Registered Housing Association and Industrial and Provident Act Society	Provision of rented and special needs housing	England & Wales	Control of membership of the Board plus nominal shareholding
<b>Registered under the Companies Act 2006</b>				
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

#### Transactions with non-regulated group members

During the year the Association has transacted with two fellow group subsidiaries not regulated by the HCA, Orbit Homes (2020) Ltd and Orbit Treasury Ltd. Orbit Homes (2020) Ltd provides design and build services to the group. During the year the Association made payments totalling £20.4m to Orbit Homes (2020) Ltd for the purchase of Housing Property assets and has an outstanding creditor balance with Orbit Homes (2020) Ltd of £3.3m and outstanding debtors of £17.1m.

Orbit Treasury Ltd provides a funding on-lending service to group members. During the year the Association paid interest costs totalling £4.7m (2012: £5.1m) and fees of £0.3m (2012: £0.1m). The allocation of these costs is based upon the level of debt required and secured by the Housing Properties held by the Association.

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**34. Subsidiary organisations (continued)**

**Related Party Transactions**

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..

**35. Number of units under development at end of year**

	<b>OHL</b>	<b>OGL</b>	<b>OHE</b>	<b>OSHA</b>	<b>2013 TOTAL</b>
General Needs	-	-	262	738	<b>1,000</b>
Low Cost Home Ownership	-	264	-	-	<b>264</b>
Intermediate Rent	-	-	-	-	-
Properties for Market Sale	312	-	-	-	<b>312</b>
<b>Total Social Housing Units</b>	<b>312</b>	<b>264</b>	<b>262</b>	<b>738</b>	<b>1,576</b>

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

# ORBIT GROUP LIMITED

## NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

### 36. Property portfolio

	<b>OGL</b>	<b>OHE</b>	<b>OSHA</b>	<b>TOTAL</b>
General needs	-	12,329	14,036	<b>26,365</b>
Intermediate Rent	159	94	181	<b>434</b>
Supported Housing	-	1,679	1,630	<b>3,309</b>
Key Worker	-	-	156	<b>156</b>
<b>Total Owned by Orbit</b>	<b>159</b>	<b>14,102</b>	<b>16,003</b>	<b>30,264</b>
<b>Low Cost Home Ownership</b>	<b>2,977</b>	<b>18</b>	<b>26</b>	<b>3,021</b>
Leasehold	627	463	1,052	<b>2,142</b>
Private Retirement Schemes	-	458	656	<b>1,114</b>
Managed on behalf of others	102	302	479	<b>883</b>
<b>Leasehold and Other Managed</b>	<b>729</b>	<b>1,223</b>	<b>2,187</b>	<b>4,139</b>
<b>Total Social Housing Units</b>	<b>3,865</b>	<b>15,343</b>	<b>18,216</b>	<b>37,424</b>
Market Rent	-	10	-	<b>10</b>
Commercial Units	-	14	4	<b>18</b>
<b>Total Non Social Housing Units</b>	<b>-</b>	<b>24</b>	<b>4</b>	<b>28</b>
<b>Total Units</b>	<b>3,865</b>	<b>15,367</b>	<b>18,220</b>	<b>37,452</b>
Total Units	3,801	15,545	17,771	37,117

## **ORBIT GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

#### **For the Year Ended 31 March 2013**

#### **37. 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 has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,327 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241 million, equivalent to a past service funding level of 65.0%.

##### **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 2013 there were 161 active members of the Scheme employed by the Group.

Total employer contributions paid to the scheme for the year were £311k (2012: £220k). There were no outstanding or prepaid contributions at 31 March 2013 (2012:nil). Employer contributions to the scheme of £126k (2012: £Nil) were included in creditors and paid after the year end.

##### **Orbit Group Personal Pension Scheme**

Orbit Group Limited operated a group personal pension scheme with Legal & General Assurance Society Limited, which closed on 31 March 2013. At the date of closure, there were 45 employee members.

Total employer contributions paid to the scheme for the year were £141k (2012: £150k). There were no outstanding or prepaid contributions at 31 March 2013 (2012: nil)

## ORBIT GROUP LIMITED

### NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

#### For the Year Ended 31 March 2013

#### 37. Pension costs (continued)

##### Other Pension Schemes Operated by Orbit Group Members

Movement in pension cost liabilities during the year

	<b>2013</b>	<b>Group</b>
	<b>£000</b>	<b>2012</b>
		<b>£000</b>
<b>Net deficit at 01 April</b>	<b>(7,532)</b>	<b>(4,711)</b>
Service costs	<b>(319)</b>	<b>(272)</b>
Contributions	<b>338</b>	<b>355</b>
Net Return on Assets less interest on pension scheme liabilities	<b>(173)</b>	<b>(46)</b>
Actuarial (Loss)	<b>(1,077)</b>	<b>(2,858)</b>
<b>(Deficit) in pension scheme at 31 March</b>	<b>(8,763)</b>	<b>(7,532)</b>

##### Other Pension Schemes Operated by Orbit South Housing Association Limited

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

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

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

Total employer contributions paid to the scheme for the year were £116k (31 March 2012: £154k).

###### Triennial actuarial valuation

Triennial actuarial valuations of the LGPS are performed by an independent, professionally qualified actuary using the Projected Unit Method. The projected figures do not make allowance for the effect of members electing to exchange part of their LGPS pension for additional tax-free cash at retirement, as permitted from April 2005. The most recent valuation of KCC's scheme was completed as at 31 March 2010, with the next formal valuation due for the year ended 31 March 2013.

## ORBIT GROUP LIMITED

### NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

#### For the Year Ended 31 March 2013

#### 37. Pension costs (continued)

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Rate of increase in salaries	<b>4.80 %</b>	4.70 %	5.00 %
Rate of increase in pensions payment and deferred pensions	<b>2.60 %</b>	2.50 %	2.70 %
Discount rate applied to scheme liabilities	<b>4.40 %</b>	4.60 %	5.50 %
Inflation assumption - CPI	<b>2.60 %</b>	2.50 %	2.70 %
Inflation assumption - RPI	<b>3.40 %</b>	3.30 %	3.50 %

The RPI inflation assumption is based on consideration of the difference in gross redemption yields of traditional and index-linked gilt edge securities as at 31 March 2013. This measure has traditionally over-estimated future increases in RPI, so a further deduction 0.25% was applied to get the RPI assumption of 3.4%. As future pension increases are expected to be based on CPI a further assumption has been made that CPI will be 0.8% below RPI at 2.6%.

Salary increases are assumed to be 1.4% (2012: 1.4%, 2011: 1.5%) more than assumed inflation, in line with the assumption used in the latest formal valuation of the Fund.

#### Life Expectancy from age 65 (years)

		<b>2013</b>	<b>2012</b>
<b>Retiring today</b>	Males	<b>20.1</b>	20.0
	Females	<b>24.1</b>	24.0
<b>Retiring in 20 years</b>	Males	<b>22.1</b>	22.0
	Females	<b>26.0</b>	25.9

#### Scheme assets

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

	<b>Value at 31 March 2013 £000</b>	<b>Value at 31 March 2012 £000</b>	<b>Value at 31 March 2011 £000</b>
Equities	<b>4,678</b>	4,278	4,280
Bonds	<b>856</b>	578	742
Gilts	<b>-</b>	58	57
Other - Property	<b>527</b>	578	514
Target Return Portfolio	<b>264</b>	116	-
Cash	<b>264</b>	173	114
<b>Total scheme assets</b>	<b>6,589</b>	5,781	5,707
Total Value of Scheme Liabilities	<b>(8,651)</b>	(7,871)	(6,703)
<b>Net Pension Liability</b>	<b>(2,062)</b>	(2,090)	(996)



**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**37. Pension costs (continued)**

**Scheme Liabilities**

	Year to 31 March 2013 £000	Year to 31 March 2012 £000
<b>Opening defined benefit obligation</b>	<b>7,871</b>	6,703
Service cost	123	105
Interest cost	357	365
Actuarial loss/(gain)	507	939
Estimated benefits paid net of transfers in	(238)	(274)
Contributions by Scheme participants	33	35
Unfunded pension payments	(2)	(2)
<b>Closing defined benefit obligation</b>	<b>8,651</b>	7,871

**Expected Return on Assets**

	Expected rate of return		
	2013	2012	2011
Equities	6.00 %	6.30 %	7.40 %
Bonds	4.10 %	4.60 %	5.50 %
Gilts	3.00 %	3.30 %	4.40 %
Other - Property	4.00 %	4.30 %	5.40 %
Target Return Portfolio	4.50 %	4.70 %	- %
Cash	0.50 %	3.00 %	3.00 %
Total Expected Returns	5.30 %	5.80 %	6.90 %

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

	2013 £000	2012 £000
Opening fair value of Scheme assets at the end of the year	5,781	5,707
Expected return on Scheme assets	331	388
Actuarial gains/(losses)	568	(229)
Contributions by employer including unfunded	116	156
Contributions by Scheme participants	33	35
Estimated benefits paid net of transfers in and including unfunded	(240)	(276)
Fair value of Scheme assets at the end of the year	6,589	5,781

**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**37. Pension costs (continued)**

**Analysis of amounts charged to Income and Expenditure**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts charged to operating costs</b>		
Service Costs	<b>123</b>	105
Expected return on Employer's assets	<b>(331)</b>	(388)
Interest on Pension Scheme Liabilities	<b>357</b>	365
	<b>(26)</b>	23

**History of experience gains and losses at end of year**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Difference between the expected and actual return on scheme assets (£'000)	<b>568</b>	(229)	(193)	1,154	(1,320)
% of scheme assets	<b>8.60 %</b>	(4.00)%	(3.40)%	21.10 %	(32.30)%
Experience gains and (losses) arising on the scheme liabilities (£'000)	<b>(1)</b>	-	(167)	(5)	-
% of scheme liabilities	<b>0.00 %</b>	- %	(2.50)%	(0.10)%	- %
Actuarial (loss)/gain recognised in the statement of recognised surpluses/(deficits) (£'000)	<b>61</b>	(1,168)	621	(1,557)	(760)
% of scheme liabilities	<b>0.10 %</b>	(14.80)%	(9.30)%	(20.00)%	(15.30)%

**Movement in surplus during the year**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
(Deficit) in pension scheme at 1 April	<b>(2,090)</b>	(996)
Service Costs	<b>(123)</b>	(105)
Contributions	<b>116</b>	156
Net Return on Assets less interest on pension scheme liabilities	<b>(26)</b>	23
Actuarial Gains/(Losses)	<b>61</b>	(1,168)
<b>(Deficit) in pension scheme at 31 March</b>	<b>(2,062)</b>	(2,090)

## ORBIT GROUP LIMITED

### NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

#### For the Year Ended 31 March 2013

##### 37. Pension costs (continued)

###### (b) Local Government Pension Scheme - Bexley London Borough

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

The next triennial valuation is for the year ended March 2016. Information on the triennial valuation to 31 March 2013 will be made available following the December meeting of the Pensions Committee.

During 2012/13 Orbit South Housing Association Limited made a decision to close the Local Government Scheme operated by Bexley London Borough Council to all new and current employees with effect from 31 March 2013.

	2013	2012	2011
Rate of increase in salaries	<b>3.90 %</b>	3.80 %	4.30 %
Rate of increase in pensions payment and deferred pensions	<b>2.40 %</b>	2.30 %	2.80 %
Discount rate applied to scheme liabilities	<b>3.70 %</b>	4.60 %	5.40 %
Inflation assumption - CPI	<b>2.40 %</b>	2.30 %	2.80 %
Inflation assumption - RPI	- %	- %	3.30 %

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)

		2013	2012
<b>Retiring today</b>	Males	<b>22.3</b>	21.9
	Females	<b>24.9</b>	24.5
<b>Retiring in 20 years</b>	Males	<b>24.2</b>	23.3
	Females	<b>26.9</b>	26.0

## ORBIT GROUP LIMITED

### NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

#### For the Year Ended 31 March 2013

#### 37. Pension costs (continued)

##### Scheme assets

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

	Value at 31 March 2013 £000	Value at 31 March 2012 £000	Value at 31 March 2011 £000
Equities	1,770	1,610	1,974
Government Bonds	-	82	202
Other Bonds	317	207	297
Property	185	180	90
Other - Cash	38	34	25
Other	621	535	139
<b>Total fair value of assets</b>	<b>2,931</b>	<b>2,648</b>	<b>2,727</b>
Present Value of Scheme Liabilities	<b>(3,923)</b>	<b>(3,420)</b>	<b>(3,260)</b>
<b>Net Pension Liability</b>	<b>(992)</b>	<b>(772)</b>	<b>(533)</b>

##### Expected Return on Assets

	Long term expected rates of return		
	2013	2012	2011
Equities	7.00 %	7.00 %	7.50 %
Government Bonds	2.80 %	3.10 %	4.40 %
Other - Bonds	3.90 %	4.10 %	5.10 %
Other - Property	5.70 %	6.00 %	6.50 %
Other - Cash	0.50 %	0.50 %	0.50 %
Other	7.00 %	7.00 %	7.50 %
Expenses deduction	0.41 %	0.41 %	- %
Overall expected return	6.09 %	6.09 %	- %

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

	2013 £000	2012 £000
Opening fair value of Scheme assets	2,648	2,727
Expected return on Scheme assets	158	174
Actuarial gains/(losses)	236	(155)
Contributions by employer including unfunded	69	53
Contributions by Scheme participants	1	1
Estimated benefits paid net of transfers in and including unfunded	(181)	(152)
Fair value of Scheme assets at the end of the year	<b>2,931</b>	<b>2,648</b>

# ORBIT GROUP LIMITED

## NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

### For the Year Ended 31 March 2013

#### 37. Pension costs (continued)

##### Analysis of other pensions costs charged in arriving at operating surplus

	2013 £000	2012 £000	2011 £000
Current service cost	(5)	(5)	(5)
Past service gain	-	-	199
Total (charge)/credit to operating surplus	<b>(5)</b>	<b>(5)</b>	<b>194</b>

##### Analysis of amounts charged to other financing costs

	2013 £000	2012 £000	2011 £000
Expected return on pension scheme assets	158	174	160
Interest on pension scheme liabilities	(154)	(172)	(189)
Net finance charge/(credit)	<b>4</b>	<b>2</b>	<b>(29)</b>

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

	2013 £000	2012 £000	2011 £000
Actual return less expected return on pension scheme assets	236	(155)	139
(Loss)/gain on change of assumptions underlying the present value of the scheme liabilities	(524)	(134)	100
	<b>(288)</b>	<b>(289)</b>	<b>239</b>

##### History of experience gains and losses

	2013	2012	2011
Difference between the expected and actual return on scheme assets (£'000)	236	(155)	139
% of scheme assets	8.10 %	(5.90)%	5.10 %
Experience (losses) and gains arising on the scheme liabilities (£'000)	(524)	(134)	100
% of scheme liabilities	(13.40)%	(3.90)%	3.10 %
Actuarial (loss)/gain recognised in the statement of recognised surpluses/(deficits) (£'000)	(288)	(289)	239
% of scheme liabilities	(7.30)%	(8.40)%	7.30 %

## ORBIT GROUP LIMITED

### NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

#### For the Year Ended 31 March 2013

#### 37. Pension costs (continued)

##### Movement in deficit during the year

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
(Deficit) in pension scheme at 1 April	(772)	(533)
Service Costs	(5)	(5)
Contributions	69	53
Other finance costs	4	2
Actuarial (Losses)	(288)	(289)
<b>(Deficit) in pension scheme at 31 March</b>	<b>(992)</b>	<b>(772)</b>

#### Other Pension Schemes Operated by Heart of England Housing Association Limited

##### Local Government Pension Scheme - Warwickshire County Council

During 2012/13, Heart of England Housing Association Limited made a decision to exit the Local Government Scheme operated by Warwickshire County Council, with effect from 31 March 2013. The final settlement will be paid in 2013/14 and the Association will therefore have no further liabilities in respect of this scheme.

The latest actuarial valuation was at 31 March 2010 when the Scheme's assets were valued at £1,099m. Employer contributions made by the Association to the scheme for the year were £153k (2012: £146k) in respect of ordinary contributions. The cost is assessed in accordance with advice from a qualified actuary. Employer contributions to the scheme of £Nil (2012: £Nil) were included in creditors and paid after the year end.

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

The Warwickshire County Council Scheme is a multi-employer defined benefit scheme. The full actuarial valuation carried out at 31 March 2010 was updated to 31 March 2013, using suitable approximate methods, by a qualified independent actuary.

The financial assumptions underlying the valuation were as follows:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Pension Increase Rate	<b>2.80 %</b>	2.50 %	2.90 %
Salary Increase Rate *	<b>5.10 %</b>	4.80 %	4.90 %
Discount Rate	<b>4.50 %</b>	4.80 %	5.50 %
Retail Price Inflation	<b>3.20 %</b>	-	3.40 %
Consumer Prices Index (CPI)	<b>2.40</b>	2.50	2.90

\* Salary Increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown thereafter

## ORBIT GROUP LIMITED

### NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

#### For the Year Ended 31 March 2013

#### 37. Pension costs (continued)

##### Mortality

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

	<b>Males</b>	<b>Females</b>
Current Pensioners (years)	21.9	23.6
Future Pensioners * (years)	22.8	25.9

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

##### Historical Mortality

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

	<b>Prospective pensioners</b>	<b>Pensioners</b>
Year end 31 March 2012	Year of birth, CMI model methodology with a 1% pa long term trend	Year of birth, CMI model methodology with a 1% pa long term trend

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

##### Communtation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 50% of the maximum tax-free limits for post -April 2008 service.

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

	<b>Value at 31 March 2013 £000</b>	<b>Value at 31 March 2012 £000</b>	<b>Value at 31 March 2011 £000</b>
Equities	<b>8,781</b>	7,620	7,941
Bonds	<b>2,165</b>	2,039	2,013
Property	<b>1,083</b>	1,073	1,118
Cash/Liquidity	-	-	112
<b>Total</b>	<b>12,029</b>	10,732	11,184

# ORBIT GROUP LIMITED

## NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

### 37. Pension costs (continued)

#### Expected Return on Assets

	Expected rates of return at 31 March		
	2013	2012	2011
Equities	<b>5.80 %</b>	6.30 %	7.50 %
Bonds	<b>3.50 %</b>	3.90 %	4.90 %
Property	<b>3.90 %</b>	4.40 %	6.50 %
Cash/Liquidity	<b>3.00 %</b>	3.50 %	0.50 %
Total	<b>5.20 %</b>	5.70 %	6.90 %

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

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

	2013	2012	2011
	£000	£000	£000
Share of assets in the Fund	<b>12,029</b>	10,732	11,184
Estimated liabilities in the Fund	<b>(17,738)</b>	(15,402)	(14,366)
Share of deficit in the Fund	<b>(5,709)</b>	(4,670)	(3,182)

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

	2013	2012
	£000	£000
Opening fair value of Scheme assets	<b>10,732</b>	11,184
Expected return on Scheme assets	<b>583</b>	711
Contributions from members	<b>53</b>	56
Contributions by employer	<b>153</b>	146
Actuarial gains/(losses)	<b>989</b>	(843)
Estimated benefits paid	<b>(481)</b>	(522)
Fair value of Scheme assets at the end of the year	<b>12,029</b>	10,732



**ORBIT GROUP LIMITED**

**NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2013**

**37. Pension costs (continued)**

Reconciliation of present value of scheme liabilities is shown below:

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Opening defined benefit obligation	15,402	14,366
Current Service Cost	191	162
Interest on obligation	734	782
Contributions by members	53	56
Actuarial losses	1,839	558
Estimated benefits paid	(481)	(522)
<b>Closing defined benefit obligation</b>	<b>17,738</b>	<b>15,402</b>

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

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Deficit in pension scheme at 1 April	(4,670)	(3,182)
<b>Movement in the year</b>		
Operating charge - Current service cost	(191)	(162)
Contributions	153	146
<b>Finance Income</b>		
Expected return on Pension Fund assets	583	711
Interest on Pension scheme liabilities	(734)	(782)
<b>Total Finance Charge</b>	<b>(151)</b>	<b>(71)</b>
Actuarial loss	(850)	(1,401)
<b>Net deficit at 31 March</b>	<b>(5,709)</b>	<b>(4,670)</b>

The actuarial loss is further analysed as follows:

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Actuarial gain on pension scheme assets	989	(843)
Experience losses arising on scheme liabilities	(1,839)	(558)
	<b>(850)</b>	<b>(1,401)</b>

## ORBIT GROUP LIMITED

### NOTES TO THE CONSOLIDATED AND ASSOCIATION FINANCIAL STATEMENTS

#### For the Year Ended 31 March 2013

#### 37. Pension costs (continued)

Reconciliation to the balance sheet at 31 March

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<b>Net Assets</b>		
Net assets excluding pension liability	44,531	26,763
Pension liability	(5,709)	(4,670)
Net assets including pension liability	<b>38,822</b>	<b>22,093</b>
<b>Reserves</b>		
Income and expenditure reserve excluding pension liability	41,585	23,957
Pension liability	(5,709)	(4,670)
Income and expenditure reserve including pension liability	<b>35,876</b>	<b>19,287</b>

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Difference between the expected and actual return on scheme assets:			
Amount £000	989	(843)	514
Percentage of scheme assets	8.2 %	(7.9)%	4.6 %
Experience gains and losses arising on the scheme liabilities:			
Amount £000	(1,839)	(558)	913
Percentage of scheme liabilities	10.4 %	3.6 %	(6.4)%
Total amount recognised gains and losses			
Amount £000	(850)	(1,401)	1,427
Percentage of scheme liabilities	4.8 %	9.1 %	(9.9)%

#### 38. 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.