

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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**Industrial and Provident Society
Number 27802R**

**Homes & Communities Agency
Number L4060**

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS

BOARD MEMBERS

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

Name	Role	Appointed
Fran Beckett (Chair)	Independent	1 Apr 2011
Glyn Kyle	Independent	11 Feb 2009
Terence McGlone	Independent	23 Feb 2006
Vanessa Nicholls	Resident Member	1 Oct 2007
Jane Ball	Independent	19 Nov 2009
Alan Squirrell	Independent	10 Mar 2010
Julie Hopes	Independent	18 Apr 2012

From 1 April 2013 the Association has combined with Orbit Heart of England to form 'Orbit Living'. Management and operations of the two entities have been brought together and a new Shared Strategic Board has been formed from members of the two original Boards. Members of the Orbit Living Board are shown below along with which legal entity they are members of:

Name	Role	Appointed Orbit Heart of England	Appointed Orbit South
Fran Beckett	Chair (Independent)	1 April 2013	1 April 2011
Jane Ball	Independent Member	16 April 2013	19 November 2009
Lindsay Dennish	Independent Member	1 December 2011	16 April 2013
Jacqui Dickinson	Resident Member	14 October 2009	-
Julie Hopes	Independent Member	16 April 2013	18 April 2012
Glyn Kyle	Independent Member	-	11 February 2009
Terry McGlone	Independent Member	16 April 2013	23 February 2006
Vanessa Nicholls	Resident Member	-	1 October 2007
Grant Richardson	Independent Member	1 February 2013	-
Michael Robertson-Smith	Independent Member	1 April 2008	16 April 2013
Alan Squirrell	Independent Member	16 April 2013	10 March 2010

EXECUTIVE OFFICERS

Orbit East & South Senior Management Team (to 31 March 2013)

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

Orbit Living Senior Management Team (from 1 April 2013)

Vivien Knibbs	Executive Director, Orbit Living
Elaine Johnston	Operations Director, Orbit Heart of England
Jon Kanareck	Director of Operations, Orbit East & South (from 3 June 2013)
David Collick	Director of Property Services
Vicky Harwood	Director of Orbit Independent Living
Louise Oakley	Director of Service Excellence
Neil Martin	Finance Director (from 11 June 2013)

Additionally, Human Resources and Development business partners work in collaboration as part of the Senior Management Team.

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

AUDITORS

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

PRINCIPAL SOLICITORS

Trowers & Hamlins
Sceptre Court
40 Tower Hill
London, EC3N 4DX

REGISTERED OFFICE

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW

SOCIAL LANDLORD'S BUSINESS, OBJECTIVES AND STRATEGY

Orbit South Housing Association was formed on 1 October 2007 from an amalgamation of Thanet Community Housing Association Limited, Orbit Bexley Housing Association Limited and Orbit Housing Association.

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

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

At the end of the year the Association owned and/or managed 18,220 homes and commercial units situated in the east and south of England, predominantly in Kent, Surrey, Sussex, the London Borough of Bexley, Norfolk and Suffolk.

As part of our on-going stock rationalisation programme, 31 rented properties at Astor Court, Fulham were sold to Notting Hill Trust in May 2012.

In December 2012 planning permission was granted for the redevelopment of the Larner Road estate in the London Borough of Bexley. Phase one of the new Erith Park development will provide 343 new two, three, four and five bedroom homes by end of 2016.

These changes embrace our ambitions around service delivery, value for money, greater customer engagement and local accountability. They also support our place shaping agenda, linking new housing provision to investment in communities and our existing stock.

The Association continues to evolve and change, and from 1 April 2013 the two operating associations within the group, Orbit South Housing Association Limited and Heart of England Housing Association Limited, have been brought together under a single senior management team and rebranded 'Orbit Living'.

GROUP 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 £177m 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.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW

ORBIT 2020

“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.

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.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW

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.

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.

ORBIT LIVING

From 1 April 2013 the Association has come together with Orbit Heart of England to form 'Orbit Living'. Management and operations of the two entities have been brought together and a new Shared Strategic Board has been formed from members of the two original Boards

Orbit Living has identified the following commitments for 2013/14 to support the strategic priorities within the Orbit Group Business Plan.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW

Customer First

- We will continue to develop and improve our core customer services to achieve top quartile or other agreed targets Improve services to older people and people with disabilities
- We will expand service offer to older people and people with disabilities
- We will continue to develop our financial inclusion strategies and core income collection processes in light of welfare reform
- Improve compliance systems for gas, asbestos and fire risks across all of our stock
- We will continue to develop our customer engagement offer and approach, to ensure influence and involvement at all levels and all service areas of the business
- We will develop and implement a Digital Inclusion Strategy and programme to enable our customers to maximise the benefits of being online
- We will support the development of a retrofit strategy for our stock
- We will reduce the number of F&G energy rated homes
- We will support residents to improve their energy literacy and seek to maximise external funding opportunities to support energy reduction programmes in our stock

Community Investment

- We will seek to maximise external resources to complement our own investment
- We will deliver an agreed Community Investment programme against a revised strategy, monitoring outcomes against high level targets
- We will invest in apprenticeships and work placements and other employability initiatives

Housing Choice

- We will support Orbit Homes to deliver the agreed number of new affordable homes
- We will meet void sales targets as part of the HCA contract
- We will ensure that our re-let processes are efficient and meet UQ targets
- We will deliver the Erith Park regeneration project on target
- We will review our portfolio of stock using the asset and market intelligence system
- Implement solutions to address poor sheltered scheme stock

Organisation

- We will implement a whole organisation VFM strategy for 2013/14
- We will deliver key procurement and savings projects
- We will deliver agreed budgeted surplus and targeted efficiencies which will contribute to community investment funding
- We will implement the OHE Garage Strategy and maximise the long term return for the organisation
- We will establish a clear understanding of costs and how we compare with others
- Create and promote development opportunities for staff to get involved in a range of 2020 and other business projects
- Continue to work with Your Orbit as an effective two-way consultation mechanism
- Deliver 'Your Say' actions
- Establish a new Strategic Board, and regional Operating Committees

OPERATING REVIEW

Performance in the Year

Financial performance in the year was as expected, with operating surpluses before group donations finishing £0.5m ahead of budget. Overall surpluses for the year are £2.9m below budget due to an increase in the proportion of property sales receipts donated to future development fund and a £1.9m impairment of property identified for redevelopment or demolition in 2013/14.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW

The development programme has progressed well during the year with 485 new homes being transferred into management in the year. There are a further 738 homes under development at year end and it is anticipated that 193 of these homes will be completed and come into management during 2013/14.

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

Customer

- Achieved top quartile performance in gas servicing, customer satisfaction with repairs, void turnaround and customer satisfaction with the service overall. This was coupled with a significant improvement in rent and service charge collection rates.
- Community investment fund used effectively to support community projects, including financial and digital inclusion, environmental improvements and projects for young people.
- Strengthened Resident Scrutiny and resident engagement, enabling residents to be fully involved in both day to day delivery and the strategic direction of the business.
- Increased the training and employment opportunities for residents and their families through apprenticeships and community sustainability programmes such as Launch Pad, Step Up and assistance with CVs.

Place

- Achieved our void property disposal target with sales of £8.1m.
- Delivered improvements to 3,000 homes as part of CHiPP, our complete home improvement property plan.
- Larner Road (Erith Park) regeneration project progressed on time and within budget.

Organisation

- Completed a major data cleansing exercise in preparation for the introduction of new performance software.
- Resident profile data used effectively to inform and focus our response to Welfare Reform.
- Achieved over £0.5m in value and efficiency savings across the organisation as the result of a major Value for Money campaign.
- Improved our systems and tools. The intranet is now fully effective as a means of internal communication and as a source of information.
- Expanded and developed the level of stakeholder engagement and partnership working – building the foundations to deliver Orbit 2020.

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.

Orbit South has a rent plan that covers properties where rent restructuring is applicable that is fully compliant with the rent restructuring guidelines and timetable previously issued by the Tenant Services Authority (now the Homes and Communities Agency (HCA)).

All Orbit Members continue to work well within and meet all loan covenants.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW

Value for Money – “*Making it Count*”

To deliver value for money 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 our ‘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 Orbits 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

Outcome is measured through social value or triple bottom line (economic, environmental and social).

ORBIT SOUTH HOUSING ASSOCIATION 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

<p><i>An understanding of the cost of delivering specific services and how these relate to appropriate benchmarks</i></p>
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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.

<p><i>The efficiency gains which have been and will be made and how these will be realised</i></p>

RATING - AMBER

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

<p><i>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)</i></p>
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RATING - GREEN

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

<p><i>An understanding of the return on assets and a strategy for maximising future returns</i></p>
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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.

<p><i>Performance management and scrutiny functions are effective at driving and delivering improved performance, with outcomes and outputs clearly demonstrated</i></p>

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.

<p><i>A rigorous approach to assessing options for VFM improvements including potential benefits from alternative delivery models</i></p>
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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 SOUTH HOUSING ASSOCIATION 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.

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.

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 £5,000 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.

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 South Housing Association Limited is committed to spending approximately £28m each year to maintain and improve its accommodation and will consider opportunities to expand the operations by the acquisition of new homes and / or services.

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

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

ORBIT SOUTH HOUSING ASSOCIATION 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 balance sheet shows housing properties of £807.1m, other tangible fixed assets of £2.6m and other net liabilities of £21.0m are financed by grants £412.8m (52.3%), loans and long term creditors of £330.9m (42.0%), pension liability of £3.1m (0.4%) and accumulated reserves of £42.0m (5.3%).

The Association has reviewed its property portfolio for impairment in the carrying value of individual schemes or offices. The Larnar Road tower blocks due for demolition in 2013/14 have been impaired along with Carpeaux Close, Chatham which is due to be redeveloped during 2013/14 and at the year end is deemed to have no underlying value. In total £1.9m of impairment has been charged to the Income and Expenditure Account for 2012/13.

The Association has adopted FRS17 (accounting for pensions) in full. The pension liability on the balance sheet at 31 March 2013 was £3.1m (2012: £2.9m). During 2012/13 the Association 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.

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 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.

Cash flow and liquidity

The cash inflow from operating activities during the year was £26.3m (2012: £27.0m).

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW

Cash flow and liquidity (continued)

The principal source of both operating cash inflow and outflow remained that of income from the provision of housing accommodation and associated operating costs, and the proceeds from the sale of properties under the stock rationalisation and void sale programmes.

Going concern

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

On behalf of the Orbit South Housing Association Limited Board

Fran Beckett
Chair
5 September 2013

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

HOUSING ASSOCIATION GOVERNANCE

Governance

Orbit South Housing Association Limited (formerly Thanet Community Housing Association Limited) has been a registered social landlord since 1994. Orbit South Housing Association Limited is a subsidiary of Orbit Group Limited.

NHF's 'Excellence in Governance' Code

The Board 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.

Board of Management

The Board Members of the Association during the year ended 31 March 2013 are listed on page 2.

Since the transfer of management arrangements for Orbit East in 2009 (and subsequent transfer of ownership to Orbit South in 2011), the Board is referred to as the Orbit East & South Board. This reflects the Association's commitment to maintaining local services for local communities in both regions.

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

The Board had in place two Sub-Committees in 2012/13, which were the Service Boards in the east and the south, to allow the Board to focus on strategic matters.

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

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

Following year end the Board has been restructured into the Orbit Living Board, which will operate as a single shared board for Heart of England Housing Association Limited and Orbit South Housing Association Limited. It will be supported by an Operations Committee for each of the two associations. Orbit Living Board will operate from 1 April 2013 and members of this new Board are listed on page 2.

Resident Involvement

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

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

HOUSING ASSOCIATION GOVERNANCE

Performance Monitoring

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

Housing Ombudsman Service

During the year six cases were referred to the Ombudsman Service up to 31 March 2013. The Ombudsman has notified that the cases were not upheld in five of these. One case resulted in a finding of 'maladministration' which has required certain actions in resolution. These have been carried out and all that remains is to confirm that it is to the satisfaction of all involved.

Responsibility for the System of Internal Control

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

Scope of Assurance

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

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 SOUTH HOUSING ASSOCIATION LIMITED

HOUSING ASSOCIATION GOVERNANCE

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 is currently under review and will be revised as appropriate by 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.

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.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

HOUSING ASSOCIATION GOVERNANCE

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 South Housing Association Limited Board

Fran Beckett
Chair
5 September 2013

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

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

The Association

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

The Association manages a number of housing schemes providing accommodation for rent. At 31 March 2013 it owned housing properties with a historic cost of £807.1 million (2012: £754.2 million). The Managing Director is employed by Orbit Group Limited. Services are provided to Orbit South Housing Association Limited via a Service Agreement. During the year a range of Corporate Services were provided by the parent body Orbit Group Limited, as set out in the Intra-Group Agreement and individual Customer Supplier Agreements.

Principal Activities

The principal activity of the Association is to provide quality affordable homes and effective support services, all designed to meet customers' needs and to help build sustainable communities. An operating and financial review of the year's activities appears on pages 4 to 13.

Board Members and Executive Officers

The present Board Members together with the dates of any changes are set out on page 2. All of the Board Members served throughout the year except as otherwise shown. The Executive Officers hold no interest in the Association's shares and have no legal status as directors although they act as executives within the authority delegated by the Board.

Members of Staff

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

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

We will ensure that employees have the skills, knowledge and motivation to deliver excellent services for our customers in line with our 'customer first' approach, and that we have confident, capable people managers who are able to work together to deliver results. Various recognition awards for staff have been introduced, including 'Customer Spotlight' awards, and Orbit Customer First Awards. We continue to train and develop our people by providing opportunities for in-house training and conferences, together with financial support to attend various professional and vocational courses. During the year a programme of apprenticeships has been developed across the organisation, providing opportunities and experience for young people in our communities as we continue to tackle the worklessness in the areas that we operate in.

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

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

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

Creditors Payment Policy

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

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

Health and Safety

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

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

Donations

During the year the Association made charitable donations of £5,568k (2012: £113k) to Orbit Group Limited to contribute to a reserve to be used for future development schemes and employment costs of apprentices.

Statement of the responsibilities of the Board for the financial statements

The board is responsible for preparing the Annual Report 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 Association and of the surplus or deficit for that period. In preparing these financial statements, the board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association 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 Association and to enable it to ensure that the financial statements comply with the Friendly and Industrial and Provident Societies Act 1968, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from April 2012. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

Disclosure of information to auditors

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

Annual General Meeting

The annual general meeting will be held on 5 September 2013 at Lion Court Conference Centre, 25 Procter Street, Holborn, London WC1V 6NY.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as the Association's auditor will be proposed at the Annual General Meeting.

The report of the Board was approved on 5 September 2013 and signed on its behalf by:

Vivien Knibbs
Secretary

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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

We have audited the financial statements (the "financial statements") of Orbit South Housing Association Limited for the year ended 31 March 2013 which comprise the Income and Expenditure, the Statement of Total Recognised Surpluses and Deficits, the Balance Sheet, the Cash flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Board and auditors

As explained more fully in the Statement of the responsibilities of the 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) of the Friendly and Industrial and Provident Societies Act 1968 and the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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

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:

- The financial statements of Orbit South Housing Association Limited are published on the Orbit Group Limited website 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 SOUTH HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31 March 2013

	NOTES	2013 £'000	2012 £'000
Turnover	2/3	86,931	79,627
Operating Costs	2/3	(67,595)	(57,485)
Operating Surplus	4	19,336	22,142
Surplus on Sale of Housing Properties	5	7,402	274
Surplus on Ordinary Activities before Interest		26,738	22,416
Interest Receivable and Other Income	8	12	6
Interest Payable and Similar Charges	9	(13,241)	(12,729)
Other Income/(Expenditure)		(22)	25
Surplus on Ordinary Activities before Donations		13,487	9,718
Donations Received		-	891
Donations Paid		(5,568)	(113)
Surplus on Ordinary Activities before Taxation		7,919	10,496
Tax on Surplus on Ordinary Activities	10	-	-
Surplus for the Year		7,919	10,496
Transfer to Designated Reserves	22	(445)	(488)
Revenue Reserves Brought Forward	22	29,676	21,125
Prior Period Adjustment		-	-
Pension Scheme Actuarial (Loss)/Gain	7	(227)	(1,457)
Revenue Reserves at 31 March 2013	22	36,923	29,676

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

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

For the Year Ended 31 March 2013

		2013 £'000	2012 £'000
Surplus for the Financial Year		7,919	10,496
Transfer to Designated Reserve	22	(445)	(488)
Pension Scheme actuarial (loss)/gain	7	(227)	(1,457)
Total recognised Surplus for the year		7,247	15,845

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

BALANCE SHEET

At 31 March 2013

	NOTES	2013		2012	
		£'000	£'000	£'000	£'000
Tangible Fixed Assets					
Housing Properties at Cost	11	807,108		754,193	
Less: Social Housing Grants	11	(409,330)		(388,575)	
Less: Other Public Grants	11	(3,421)		(3,110)	
			394,357		362,508
Other Tangible Fixed Assets	12		2,598		2,264
			<u>396,955</u>		<u>364,772</u>
Current Assets					
Stock	13	9		509	
Debtors	14	8,235		12,163	
Investments		-		-	
Cash at Bank and in Hand		2,000		2,239	
			10,244		14,911
Creditors: Amounts falling due within one year	15	(31,279)		(25,027)	
NET CURRENT LIABILITIES			(21,035)		(10,116)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>375,920</u>		<u>354,656</u>
Creditors: Amounts falling due after more than one year					
RCGF and DPF	16		329,128		317,027
Pension Liability	17		1,746		521
	21		3,054		2,862
Capital and Reserves					
Called Up Share Capital	19	-		-	
Designated Reserves	20	5,069		4,570	
General Reserves	22	36,923		29,676	
Association's Funds			<u>41,992</u>		<u>34,246</u>
			<u>375,920</u>		<u>354,656</u>

The financial statements on pages 23 to 54 were approved by the Board on 5 September 2013 and signed on its behalf by:

.....
Fran Beckett
CHAIR

.....
BOARD MEMBER

.....
Vivien Knibbs
SECRETARY

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

For the Year Ended 31 March 2013

	2013		2012	
	£'000	£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 25)		26,300		27,035
Returns on Investments and Servicing of Finance				
Interest Received	18		6	
Interest Paid	(13,420)		(10,600)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(13,402)		(10,594)
Capital Expenditure and Financial Investment				
Acquisition and Construction of Housing Properties	(61,202)		(84,499)	
Acquisition and Construction of Housing Properties from group	(3,006)		(207,523)	
Sale of Housing Properties	11,114		1,023	
Grants received	26,696		34,799	
Grants transferred on restructure	1,943		113,724	
Grants repaid	(51)		(109)	
Purchase of Other Fixed Assets	(546)		(352)	
Acquisition of Reserves on Restructure	-		-	
Sale of Other Fixed Assets	7		216	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT ACTIVITIES		(25,045)		(142,721)
NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(12,147)		(126,280)
Management of Liquid Resources and Financing (Note 27 & 28)				
<u>(i) Liquid Resources</u>				
Decrease/ (Increase) in Bank Deposits (with a maturity in excess of 24 hours)	-		-	
<u>(ii) Financing</u>				
Housing Loans Received	55,614		77,588	
Intercompany Loans transferred on Restructure	-		-	
Housing Loans transferred on Restructure	-		81,990	
Housing Loans Repaid	(43,706)		(32,293)	
Loan Arrangement Fees	-		-	
<u>(iii) Pension Scheme Liability (Note 7)</u>				
Pension Scheme Contributions paid	-		-	
NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING		11,908		127,285
(DECREASE)/INCREASE IN CASH AT BANK AND IN HAND (Note 28)		(239)		1,005

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

1 PRINCIPAL ACCOUNTING POLICIES

Legal Status

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

Basis of Accounting

The financial statements are prepared on the going concern basis, under the historical cost basis of accounting except as modified by the revaluation of freehold and leasehold offices, in accordance with applicable Accounting Standards and Statements of Recommended Practice of the United Kingdom. The financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Accounting Direction for Private Registered Providers of Social Housing 2012, and the Statement of Recommended Practice (SORP) published by the National Housing Federation in 2010 "Accounting for Registered Social Landlords". The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The Statement of Recommended Practice for Registered Social Landlords (2010) was mandatory for all accounting periods beginning on or after 1 April 2011. The key change related to our accounting policy for housing properties and the implementation of component accounting. Prior year balances have been adjusted to reflect the change in accounting policy. The revised accounting policies and the impact of the 2010 SORP are described in notes 1 and 33 (respectively) to the financial statements.

Group Services

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

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

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

Turnover

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

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 SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Housing properties

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

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

Freehold land and associated grant is not depreciated.

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

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

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

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

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

The change in accounting policy through the implementation of component accounting in 2011/12 has resulted in a material prior year adjustment for the comparative year. The effect of the change is shown in Note 33.

Social Housing and Other Grants

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

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

Capitalisation of Interest and Administration Costs

Interest on loans financing development has been capitalised. Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Other tangible fixed assets

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

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

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

Leased Assets

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

Pension Costs

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

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

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

Impairment

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

Disposal of Housing Properties

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Designated Reserves

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

Renewal Reserve

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

Works to Existing Housing Properties

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

Disposal Proceeds Fund

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

Recycling of Capital Grant

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

Value Added Tax

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

Taxation

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

Loan Finance Issue Costs

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

Property Managed by Agents

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

Loan Interest Costs

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes. For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

Supporting People Income and Costs

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

Stocks

Stocks are stated at value.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

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

	2013		
	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
SOCIAL HOUSING LETTINGS (Note 3a)	<u>79,288</u>	<u>(59,510)</u>	<u>19,778</u>
Other Social Housing Activities			
Managed Associations	1,846	(921)	925
Home Ownership Services	2,477	(3,331)	(854)
Supporting People	799	(1,374)	(575)
Other	1,060	(1,098)	(38)
Non-Social Housing Activities (Note 3b)			
Other	1,461	(1,361)	100
	<u>86,931</u>	<u>(67,595)</u>	<u>19,336</u>
	2012		
	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
SOCIAL HOUSING LETTINGS (Note 3a)	<u>72,974</u>	<u>(50,049)</u>	<u>22,925</u>
Other Social Housing Activities			
Managed Associations	1,588	(888)	700
Home Ownership Services	1,635	(2,568)	(933)
Supporting People	1,008	(1,523)	(515)
Other	1,190	(1,136)	54
Non-Social Housing Activities (Note 3b)			
Other	1,232	(1,321)	(89)
	<u>79,627</u>	<u>(57,485)</u>	<u>22,142</u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

3a INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2013			
	General Needs Housing £'000	Supported Housing £'000	Key Worker Accom. £'000	Total £'000
INCOME				
Rents receivable net of identifiable service charges	68,171	3,419	427	72,017
Service Charges	6,402	1,582	306	8,290
Gross Rent Receivable	<u>74,573</u>	<u>5,001</u>	<u>733</u>	<u>80,307</u>
Less: Rent losses from voids	<u>(1,300)</u>	<u>(128)</u>	<u>(46)</u>	<u>(1,474)</u>
Net rents receivable	73,273	4,873	687	78,833
Other Income	<u>452</u>	<u>3</u>	<u>-</u>	<u>455</u>
TOTAL INCOME	<u><u>73,725</u></u>	<u><u>4,876</u></u>	<u><u>687</u></u>	<u><u>79,288</u></u>
EXPENDITURE				
Services	7,587	1,647	232	9,466
Management	9,272	694	38	10,004
Routine Maintenance	12,224	599	23	12,846
Planned Maintenance	14,722	1,185	687	16,594
Rent Losses from Bad Debts	590	30	8	628
Depreciation / Impairment of Housing	8,872	423	49	9,344
Lease Charges	140	-	-	140
Other	<u>481</u>	<u>7</u>	<u>-</u>	<u>488</u>
TOTAL EXPENDITURE	<u><u>53,888</u></u>	<u><u>4,585</u></u>	<u><u>1,037</u></u>	<u><u>59,510</u></u>
OPERATING SURPLUS/ (DEFICIT) ON LETTINGS	<u><u>19,837</u></u>	<u><u>291</u></u>	<u><u>(350)</u></u>	<u><u>19,778</u></u>

Depreciation of housing properties includes £602k (2012: £515k) written off due to components being replaced earlier than the expected life of those components.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

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

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

3b TURNOVER FROM NON-SOCIAL ACTIVITIES

	2013 £'000	2012 £'000
Lettings		
Commercial Premises	203	219
Home Improvement Agency	1,110	944
Other	148	69
	<u>1,461</u>	<u>1,232</u>

4 OPERATING SURPLUS

	Note	2013 £'000	2012 £'000
Surplus on Ordinary Activities before Interest is Stated after Charging/(Crediting)			
On Fixed Assets Other than Housing Properties:			
Depreciation on owned assets	12	200	141
On Housing Properties			
Depreciation	11	6,947	5,802
Provision for Impairment	11	1,904	(4)
Surplus on disposals	5	(7,402)	(274)
Auditor's Remuneration:			
In their capacity as Auditors (Excl. VAT)		25	26
Operating Leases			
Plant and Machinery		140	140
Other		106	77

5 SURPLUS ON SALE OF HOUSING PROPERTIES

	2013 £'000	2012 £'000
Proceeds from disposal	10,835	605
Cost of sales	(3,396)	(331)
Right to Buy clawbacks	(37)	-
Gain	<u>7,402</u>	<u>274</u>

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

6 DIRECTORS' EMOLUMENTS AND STAFF COSTS

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

Emoluments totalling £26k were paid to Directors during the year (2012: £36k).

Expenses paid to, and on behalf of Board Members are shown below. These amounted to £19k (2012: £26k).

No compensation was paid to Directors for loss of office.

	2013 £'000	2012 £'000
Travel Costs	7	13
Meeting Costs	10	10
Training	1	1
Accommodation and Hospitality	1	2
	<u>19</u>	<u>26</u>

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

Senior staff emoluments

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

	2013 Number	2012 Number
Office Staff	17	19
Scheme Staff	11	14
	<u>28</u>	<u>33</u>
Full-time	23	26
Part-time	5	7
	<u>28</u>	<u>33</u>

Full Time Equivalentents

A full time equivalent would be 35 hours per week.

Office Staff	18	19
Scheme Staff	8	10
	<u>26</u>	<u>29</u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

6 DIRECTORS' EMOLUMENTS AND STAFF COSTS (CONTINUED)

	2013 £'000	2012 £'000
Staff costs for the Above		
Wages and salaries	596	801
Social security costs	50	71
Other pension costs	118	135
	<u>764</u>	<u>1,007</u>

Senior staff emoluments

The full time equivalent number of staff whose remuneration paid in the year was in excess of £60,000:

	2013 Number	2012 Number
Over £70k	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

7 PENSION COSTS

(a) Local Government Pension Scheme - KCC

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

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

Total employer contributions paid to the scheme for the year were £116k (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.

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

	2013	2012
Rate of increase in salaries	4.8%	4.7%
Rate of increase in pensions in payment and deferred pensions	2.6%	2.5%
Discount rate applied to scheme liabilities	4.4%	4.6%
Inflation assumption – CPI	2.6%	2.5%
Inflation assumption – RPI	3.4%	3.3%

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

7 PENSION COSTS (CONTINUED)

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)	2013	2012
Retiring today		
Males	20.1	20.0
Females	24.1	24.0
Retiring in 20 years		
Males	22.1	22.0
Females	26.0	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:

	Value at 31/03/13 £'000	Value at 31/03/12 £'000	Value at 31/03/11 £'000	Value at 31/03/10 £'000	Value at 31/03/09 £'000
Equities	4,678	4,278	4,280	4,045	2,690
Bonds	856	578	742	765	690
Gilts	-	58	57	55	-
Other – Property	527	578	514	383	370
Target Return Portfolio	264	116	-	-	-
Cash	264	173	114	219	330
Total Scheme Assets	6,589	5,781	5,707	5,467	4,080
Total Value of Scheme liabilities	(8,651)	(7,871)	(6,703)	(7,799)	(4,990)
Net pension liability	<u>(2,062)</u>	<u>(2,090)</u>	<u>(996)</u>	<u>(2,332)</u>	<u>(910)</u>

Scheme liabilities

	Year to 31/03/13 £'000	Year to 31/03/12 £'000
Opening defined benefit obligation	7,871	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)
Closing defined benefit obligation	<u>8,651</u>	<u>7,871</u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2013

7 PENSION COSTS (CONTINUED)

Expected Return on Assets

	Expected rate of return	
	2013	2012
Equities	6.0%	6.3%
Bonds	4.1%	4.6%
Gilts	3.0%	3.3%
Other – Property	4.0%	4.3%
Target Return Portfolio	4.5%	4.7%
Cash	0.5%	3.0%
Total Expected Returns	<u>5.3%</u>	<u>5.8%</u>

	2013	2012
	£'000	£'000
Reconciliation of opening and closing balances of fair value scheme assets		
Opening fair value of Scheme assets	5,781	5,707
Expected return on Scheme assets	331	388
Actuarial 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 year	<u>6,589</u>	<u>5,781</u>

Analysis of amounts charged to the Income and Expenditure Account

	2013	2012
	£'000	£'000
Amount charged to operating costs		
Service costs	<u>123</u>	<u>105</u>
	<u>123</u>	<u>105</u>
Expected return on Employers Assets	331	388
Interest on Pension Scheme Liabilities	<u>(357)</u>	<u>(365)</u>
	<u>(26)</u>	<u>23</u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2013

7 PENSION COSTS (CONTINUED)

History of experience gains and losses at end of year

	2013	2012	2011	2010	2009
Difference between the expected and actual return on scheme assets (£000)	568	(229)	(193)	1,154	(1,320)
% of scheme assets	8.6%	(4.0%)	(3.4%)	21.1%	(32.3%)
Experience Gains and (Losses) arising on the scheme liabilities (£000)	(1)	-	(167)	(5)	-
% of scheme liabilities	(0.0%)	-	(2.5%)	(0.1%)	-
Actuarial (Loss)/Gain recognised in the statement of recognised surpluses/(deficits) £(000)	61	(1,168)	621	(1,557)	(760)
% of scheme liabilities	0.1%	(14.8%)	(9.3%)	(20.0%)	(15.3%)

Movement in surplus/deficit during the year

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

(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 tri-ennial valuation is for the year ending 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 the Association 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.

	2013	2012
Rate of increase in salaries	3.9%	3.8%
Rate of increase in pensions in payment and deferred pensions	2.4%	2.3%
Discount rate applied to scheme liabilities	3.7%	4.6%
Inflation assumption – CPI	2.4%	2.3%
Inflation assumption - RPI	N/A	N/A

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

7 PENSION COSTS (CONTINUED)

	2013	2012
Life Expectancy from age 65 (years)		
Retiring today		
Males	22.3	21.9
Females	24.9	24.5
Retiring in 20 years		
Males	24.2	23.3
Females	26.9	26.0

Scheme Assets

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

	Value at 31/03/13 £'000	Value at 31/03/12 £'000	Value at 31/03/11 £'000	Value at 31/03/10 £'000	Value at 30/09/09 £'000
Equities	1,770	1,610	1,974	1,849	1,224
Government Bonds	-	82	202	156	183
Other Bonds	317	207	297	285	255
Property	185	180	90	-	-
Other – Cash	38	34	25	37	44
Other	621	535	139	154	142
Total fair value of assets	<u>2,931</u>	<u>2,648</u>	<u>2,727</u>	<u>2,481</u>	<u>1,848</u>
Present value of scheme liabilities	<u>(3,923)</u>	<u>(3,420)</u>	<u>(3,260)</u>	<u>(3,492)</u>	<u>(2,784)</u>
Net pension liability	<u>(992)</u>	<u>(772)</u>	<u>(533)</u>	<u>(1,011)</u>	<u>(936)</u>

Long Term Expected Rates of Return

	2012	2011
Equities	7.0%	7.0%
Government Bonds	2.8%	3.1%
Other Bonds	3.9%	4.1%
Other - Property	5.7%	6.0%
Other - Cash	0.5%	0.5%
Other	7.0%	7.0%
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 (losses)/gains	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 year	<u>2,931</u>	<u>2,648</u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

7 PENSION COSTS (CONTINUED)

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

	2013 £'000	2012 £'000
Current service cost	(5)	(5)
Past service Gain	-	-
	<u> </u>	<u> </u>
Total (charge)/credit to operating surplus	<u> (5)</u>	<u> (5)</u>

Analysis of amounts charged to other financing costs:

	2013 £'000	2012 £'000
Expected return on pension scheme assets	158	174
Interest on pension scheme liabilities	(154)	(172)
	<u> </u>	<u> </u>
Net finance charge	<u> 4</u>	<u> 2</u>

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

	2013 £'000	2012 £'000
Actual return less expected return on pension scheme assets	236	(155)
(Loss)/Gain on change of assumptions underlying the present value of the scheme liabilities	(524)	(134)
	<u> </u>	<u> </u>
	<u> (288)</u>	<u> (289)</u>

History of experience gains and losses at end of year

	2013	2012	2011	2010	2009
Difference between the expected and actual return on scheme assets (£000)	236	(155)	139	567	(574)
% of scheme assets	8.1%	(5.9%)	5.1%	22.9%	(31.1%)
Experience Gains and (Losses) arising on the scheme liabilities (£000)	(524)	(134)	100	(639)	525
% of scheme liabilities	(13.4%)	(3.9%)	3.1%	(18.3%)	(18.9%)
Actuarial (Loss)/Gain recognised in the statement of recognised surpluses/(deficits) £(000)	(288)	(289)	239	(72)	(53)
% of scheme liabilities	(7.3%)	(8.5%)	7.3%	(2.1%)	(1.9%)

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

7 PENSION COSTS (CONTINUED)

Movement in deficit during the year:

	2013 £'000	2012 £'000
Deficit in scheme at beginning of year	(772)	(533)
<u>Movement during the year:</u>		
Current service cost	(5)	(5)
Contributions paid	69	53
Past service gain	-	-
Other finance costs	4	2
Actuarial (loss)/gain	(288)	(289)
Deficit at the end of the year	<u>(992)</u>	<u>(772)</u>

8 INTEREST RECEIVABLE AND OTHER INCOME

	2013 £'000	2012 £'000
Interest Receivable from Unlisted Investments	<u>12</u>	<u>6</u>

9 INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
On Bank Loans, Overdrafts and Other Loans		
Repayable within 5 years, by instalments	812	806
Repayable by instalments wholly or partly, in more than 5 Years	11,565	11,539
Other Interest	1,100	542
	<u>13,477</u>	<u>12,887</u>
Capitalised interest	(236)	(158)
	<u>13,241</u>	<u>12,729</u>

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

10 TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association (formerly Thanet Community Housing Association Ltd) was accepted as a charity for tax purposes by HMRC with effect from 28 January 2003. No liability for taxation is anticipated. The Board is not aware of any circumstances which will affect the future taxation status of the Association.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2013

11 HOUSING PROPERTIES

	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership	Care Estabs	Total
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	£'000	£'000	£'000
COST							
At 1 April 2012	709,244	55,209	39,007	-	2,974	999	807,433
Reclassification	(43)	-	-	-	-	-	(43)
Additions - construction costs	5,824	53,566	-	-	-	-	59,390
Additions – works to existing properties	3,624	-	501	-	-	-	4,125
Schemes completed	56,287	(56,287)	-	-	-	-	-
Additions from OGL	3,409	-	-	-	-	-	3,409
Disposals (including replaced components)	(4,616)	-	(1,704)	-	(54)	-	(6,374)
At 31 March 2013	773,729	52,488	37,804	-	2,920	999	867,940
LESS: GRANTS							
At 1 April 2012	(339,133)	(28,967)	(20,974)	-	(1,797)	(814)	(391,685)
Reclassification	31	-	-	-	-	-	31
Grants Receivable	(1,723)	(19,740)	-	-	-	-	(21,463)
Schemes completed	(28,424)	28,424	-	-	-	-	-
Transfer To/From Recycled Capital Grant Fund	-	(550)	-	-	-	-	(550)
Additions from OGL	(1,943)	-	-	-	-	-	(1,943)
Disposals	1,432	-	1,406	-	21	-	2,859
At 31 March 2013	(369,760)	(20,833)	(19,568)	-	(1,776)	(814)	(412,751)

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2013

11 HOUSING PROPERTIES (CONTINUED)

	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership	Care Estabs	Total
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	£'000	£'000	£'000
ACCUMULATED DEPRECIATION ON HOUSING PROPERTIES							
At 1 April 2012	(50,305)	-	(2,563)	-	(18)	(61)	(52,947)
Charge for the Year	(6,545)	-	(402)	-	-	-	(6,947)
Eliminated in respect of Disposals	1,172	-	86	-	1	-	1,259
At 31 March 2013	(55,678)	-	(2,879)	-	(17)	(61)	(58,635)
IMPAIRMENT ON HOUSING PROPERTIES							
At 1 April 2012	(200)	-	(93)	-	-	-	(293)
Charge for the Year	(1,904)	-	-	-	-	-	(1,904)
At 31 March 2013	(2,104)	-	(93)	-	-	-	(2,197)
NET BOOK AMOUNT							
At 31 March 2013	346,187	31,655	15,264	-	1,127	124	394,357
At 31 March 2012	319,606	26,242	15,377	-	1,159	124	362,508

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

11 HOUSING PROPERTIES (CONTINUED)

During the year total expenditure on works to existing properties excluding capitalised through Component Accounting was £13.5 million. None of this has been capitalised.

Additions to properties include capitalised interest costs of £236k (2012: £158k) and development administration costs of £1,461k (2012: £1,678k).

The Association reviewed its assets for impairment and £1,904k of provision was released to the Income and Expenditure Account. (2012: £4k release).

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

	2013 £'000	2012 £'000
Within housing properties and work in progress	<u>23,956</u>	<u>23,981</u>
The Net Book Value of Housing and Other Properties (note 12) comprises:		
Freehold Land and Buildings	396,554	364,349
Long Leasehold Land and Buildings	<u>102</u>	<u>105</u>
	<u>396,656</u>	<u>364,454</u>
Housing properties	394,357	362,508
Other – freehold offices	2,197	1,841
Other – Commercial premises	<u>102</u>	<u>105</u>
	<u>396,656</u>	<u>364,454</u>

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

12 OTHER FIXED ASSETS

	Freehold Offices £'000	Leasehold offices £'000	Motor Vehicles £'000	Fixtures, Fittings & Other Equipment £'000	Total £'000
COST					
At 1 April 2012	2,440	150	19	1,837	4,446
Additions	423	-	-	124	547
Disposals	-	-	-	(112)	(112)
Transfers to other group members	-	-	-	(5)	(5)
At 31 March 2013	<u>2,863</u>	<u>150</u>	<u>19</u>	<u>1,844</u>	<u>4,876</u>
LESS: ACCUMULATED DEPRECIATION					
At 1 April 2012	(590)	(45)	(19)	(1,519)	(2,173)
Charge for the Year	(66)	(3)	-	(131)	(200)
Depreciation on disposals	-	-	-	104	104
At 31 March 2013	<u>(656)</u>	<u>(48)</u>	<u>(19)</u>	<u>(1,546)</u>	<u>(2,269)</u>
LESS: IMPAIRMENT					
At 1 April 2012	(9)	-	-	-	(9)
Charge for Year	-	-	-	-	-
At 31 March 2013	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9)</u>
NET BOOK AMOUNT					
At 31 March 2013	<u>2,198</u>	<u>102</u>	<u>-</u>	<u>298</u>	<u>2,598</u>
At 31 March 2012	<u>1,841</u>	<u>105</u>	<u>-</u>	<u>318</u>	<u>2,264</u>

13 STOCK

	2013 £'000	2012 £'000
Consumable Stocks	9	9
Housing Property Stocks	-	500
	<u>9</u>	<u>509</u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

14 DEBTORS

	2013 £'000	2012 £'000
Rents and Service charges	5,248	4,986
Provision for Bad Debts	<u>(1,068)</u>	<u>(944)</u>
Net Rental Debtors	4,180	4,042
Amounts due from other group members	134	-
Service Charges due from Leaseholders	121	267
Prepayments and Accrued Income	867	752
SHG Receivable	591	5,194
Debtors due in more than one year	1,074	1,043
Provision – bad debts	(66)	(65)
Other Debtors	<u>1,334</u>	<u>930</u>
	<u>8,235</u>	<u>12,163</u>
Debtors after one year included above	<u>1,074</u>	<u>1,043</u>

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Rents Received in Advance	1,690	1,485
Amounts due to other Group Members	13,199	10,011
Loans from Group Companies	2,907	3,006
Housing Loans (Note 18)	384	342
Other Creditors	2,461	811
Disposal Proceeds Fund (Note 17)	408	114
Grants Received in Advance	21	3,670
Accruals and Deferred Income	<u>10,209</u>	<u>5,588</u>
	<u>31,279</u>	<u>25,027</u>

Housing Loans shown above are net of £nil loan arrangement fees carried forward (2012: £Nil)

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £'000	2012 £'000
Leaseholder Maintenance and Renewal Provisions	2,123	1,950
Intra Group Loan	314,519	302,169
Bank Loans	12,145	12,529
Other Creditors	<u>341</u>	<u>379</u>
	<u>329,128</u>	<u>317,027</u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

17 DISPOSAL PROCEEDS AND RECYCLED CAPITAL GRANT FUNDS

	RCGF £'000	DPF £'000	Total £'000
At 1 April 2012	109	526	635
Purchase of Rented Units	-	(115)	(115)
Grants Recycled	1,453	175	1,628
Interest Accrued	3	3	6
	<u>1,565</u>	<u>589</u>	<u>2,154</u>
At 31 March 2013	<u>1,565</u>	<u>589</u>	<u>2,154</u>
Due within one year	-	408	408
Due after more than one year	1,565	181	1,746
	<u>1,565</u>	<u>589</u>	<u>2,154</u>

Amounts utilised in the year relate to new developments and one off purchases of housing assets.

18 HOUSING LOANS AND FINANCE LEASE OBLIGATIONS

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

The Loan from Orbit Treasury Limited is secured by fixed charges on individual properties. The interest rates ranged between 3.4% and 5.15% for the year ended 31 March 2013.

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

	2013 £'000	2012 £'000
Due Within One Year:		
Orbit Treasury Limited	2,907	3,006
Greenwich NatWest Limited	384	342
	<u>3,291</u>	<u>3,348</u>
Due After More Than One Year:		
Orbit Treasury Limited	314,519	302,170
Greenwich NatWest Limited	12,145	12,529
	<u>326,664</u>	<u>314,699</u>
Total Housing Loans	<u>329,955</u>	<u>318,047</u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

18 HOUSING LOANS AND FINANCE LEASE OBLIGATIONS (CONTINUED)

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

	2013 £'000	2012 £'000
In one year or less:	<u>3,291</u>	<u>3,348</u>
Repayable in instalments:		
In more than one year but not less than two years	3,721	3,733
In more than two years but not more than five years	10,353	10,473
In more than five years	312,590	300,493
	<u>326,664</u>	<u>314,699</u>

None of the loans are repayable other than in instalments.

The interest rate profile of Orbit South Housing Association Limited at 31 March 2013 was:

	Total £'000	Variable £'000	Fixed rate £'000	Weighted average Rate %	Weighted Average term of fixing in years
Instalment loans	<u>329,955</u>	<u>218,687</u>	<u>111,268</u>	<u>3.9</u>	<u>22</u>

19 CALLED UP SHARE CAPITAL

	2013 £	2012 £
Shares of £1 Each, allotted, issued and fully paid		
At 1 April	12	20
Issued	1	1
Cancelled during the year	-	(9)
At 31 March	<u>13</u>	<u>12</u>

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

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2013

20 DESIGNATED RESERVES

	At the Beginning of the year £'000	Transfer to provisions £'000	Release of provision during the year £'000	At 31 March 2013 £'000
Renewal of Furniture and equipment	4,383	268	54	4,705
Insurance	187	-	-	187
Community Investment Fund	-	177	-	177
	<u>4,570</u>	<u>445</u>	<u>54</u>	<u>5,069</u>

21 PENSION LIABILITY

	At the Beginning of the year £'000	Transfer to provisions £'000	Transfer to General Reserves £'000	At 31 March 2013 £'000
Pension Liability				
Retirement Benefit Obligation				
KCC scheme	2,090	(61)	33	2,062
Bexley scheme	772	288	(68)	992
	<u>2,862</u>	<u>227</u>	<u>(35)</u>	<u>3,054</u>

22 REVENUE RESERVES

	2013 General Reserve £'000	2012 General Reserve £'000
Opening Balance	29,676	21,125
Surplus for year	7,919	10,496
Designated Reserves	(445)	(488)
FRS17 Actuarial loss	(227)	(1,457)
Closing Balance	<u>36,923</u>	<u>29,676</u>

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

23 CAPITAL COMMITMENTS

	2013 £'000	2012 £'000
Capital Expenditure which has been contracted for but has not been provided for in the financial statements	96,048	72,202
Capital Expenditure which will be delivered through the planned maintenance programme and capitalised through component accounting	5,369	3,831
Capital Expenditure which has been authorised under authority from the Board but has yet to be contracted for	<u>53,713</u>	<u>49,843</u>
	<u>155,130</u>	<u>125,876</u>
The Association expects these commitments to be financed with:		
Social Housing Grant	24,459	37,549
Committed Loan Facilities	<u>130,671</u>	<u>88,327</u>
	<u>155,130</u>	<u>125,876</u>

24 CONTINGENT LIABILITIES

There were contingent liabilities as at 31 March 2013 of £Nil (2012: £Nil).

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

	2013 £'000	2012 £'000
Operating Surplus	19,336	22,142
Bad Debt Provision Increase	124	210
Provision for Impairment	1,904	(4)
Depreciation	7,147	5,943
Increase in stocks	-	1
Increase/(decrease) in pension scheme liability	(57)	(99)
Decrease in Debtors	(666)	675
Increase/(decrease) in Creditors	2,158	(1,475)
Intercompany transactions	<u>(3,646)</u>	<u>(358)</u>
Net Cash Inflow from Operating Activities	<u>26,300</u>	<u>27,035</u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2013

26 ANALYSIS OF MOVEMENTS IN GRANTS

	Social Housing Grant £'000	Other Capital Grants £'000	Total £'000
At 1 April 2011	241,838	327	242,165
Cash received	24,583	1,252	25,835
Transferred in on Group reorganisation	113,724	-	113,724
Transferred from Group in Work in Progress	(2,272)	-	(2,272)
Movement in Net Current Assets	(109)	-	(109)
Released from RCGF and DPF	485	-	485
At 1 April 2012	<u>378,249</u>	<u>1,579</u>	<u>379,828</u>
Prior year adjustment	11,857	-	11,857
Restated Balance at 1 April 2012	<u>390,106</u>	<u>1,579</u>	<u>391,685</u>
Cash received	19,013	91	19,104
Transferred in from another Group member	1,943	-	1,943
Transferred to another Group member	(31)	-	(31)
Movement in Net Current Assets	2,359	-	2,359
Disposals	(2,859)	-	(2,859)
Released from RCGF and DPF	550	-	550
At 31 March 2013	<u>411,081</u>	<u>1,670</u>	<u>412,751</u>

27 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2013 £'000	2012 £'000
(Decrease)/Increase in cash in the year	(239)	1,005
Decrease in Bank Deposits (with a Maturity in Excess of 24 Hours)	-	-
Loans received	(55,614)	(159,578)
Loans redeemed	43,706	32,293
Increase in Net Debt	<u>(12,147)</u>	<u>(126,280)</u>
Net Debt at 1 April	<u>(315,808)</u>	<u>(189,528)</u>
Net Debt at 31 March	<u><u>(327,955)</u></u>	<u><u>(315,808)</u></u>

28 ANALYSIS OF CHANGES IN NET DEBT

	1 April 2012 £'000	Cash Flows £'000	Other Changes £'000	31 March 2013 £'000
Cash at Bank and in Hand	2,239	(239)	-	2,000
Housing Loans due within One Year	(3,348)	342	(284)	(3,291)
Housing Loans Due After One Year	<u>(314,699)</u>	<u>(12,250)</u>	<u>285</u>	<u>(326,664)</u>
	<u><u>(315,808)</u></u>	<u><u>(12,147)</u></u>	<u><u>-</u></u>	<u><u>(327,955)</u></u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

29 FINANCIAL COMMITMENTS

Operating Leases

As at 31 March 2013 Orbit South Housing Association Limited was committed to making the following payments during the year in respect of operating leases other than land and buildings.

	2013 £'000	2012 £'000
Leases which expire within one year	9	7
Leases which expire within 2-5 years	245	194
	<u>254</u>	<u>201</u>

30 PROPERTY PORTFOLIO - OWNED AND MANAGED STOCK

	2013 No.	2012 No.
General Needs		
- Affordable rented	407	71
- Social rented	13,629	13,579
Low Cost Home Ownership	26	26
Intermediate Rent	181	150
Supported Housing	1,630	1,622
Key Worker	156	156
Total Owned by Orbit South Housing Association Limited	<u>16,029</u>	<u>15,604</u>
Leasehold	1,053	1,032
Private Retirement Schemes	655	656
Managed on behalf of others	479	476
Leasehold and Other Managed	<u>2,187</u>	<u>2,164</u>
Total Social Housing Units	<u>18,216</u>	<u>17,768</u>
Commercial Units	4	3
Total Non-Social Housing Units	<u>4</u>	<u>3</u>
Stock in Development as at 31 March 2013		
General Needs	<u>738</u>	<u>669</u>

31 ULTIMATE PARENT ENTITY

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

Orbit Group Limited is the parent undertaking of the only group of undertakings to consolidate these financial statements at 31 March 2013.

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

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

32 RELATED PARTY TRANSACTIONS

The Association is taking advantage of the exemption per FRS8 available to wholly owned subsidiaries from disclosing transactions with other Orbit Group companies.

33 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 and the Association provides some administration services to Orbit Homes (2020) Ltd. During the year the association received income from Orbit Homes (2020) Ltd of £92,000 (2012: £98,000). At the year end the Association had purchased Housing Property assets totalling £29.1m and capitalised Project Fees totalling £1.5m. At the year end there is an outstanding creditor balance with Orbit Homes (2020) Ltd of £5.3m.

Orbit Treasury Ltd provides an on-lending service to the group. During the year the Association paid interest costs totalling £10.9m (2012: £9.5m) and fees of £1.1m (2012: £0.5m). The allocation of these costs is based upon the level of debt required and secured by the Housing Properties held in the Association.

34 PRIOR YEAR ADJUSTMENT

A prior year adjustment in the comparative year was made to reflect the change in accounting policies as a result of the implementation of the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010. The changes in accounting policy required amendments to be made to reflect the first-time implementation of component accounting.

The impact of implementing component accounting for Orbit South Housing Association Limited was to increase both housing property net cost and reserves by £10.5m.