Orbit Group Limited
Financial statements

For the year ended
31 March 2018

Building Communities
since 1967

orbit building communities

Table of contents

Navigate back to the contents page from anywhere in this document by clicking this 'home' icon.

Orbit in Numbers 2017-18

In 2017-18 we achieved the following:

Turnover
£357m Last year £333m

Surplus for the year
£85m Last year £65m

2,030 new homes

1,210 for social or affordable rent

Last year: 1,788, 1,075 social or affordable rent

£3.8m community investment

Last year: £3.5m

82.7% customer satisfaction

Last year: 79.7%

51% transactions online

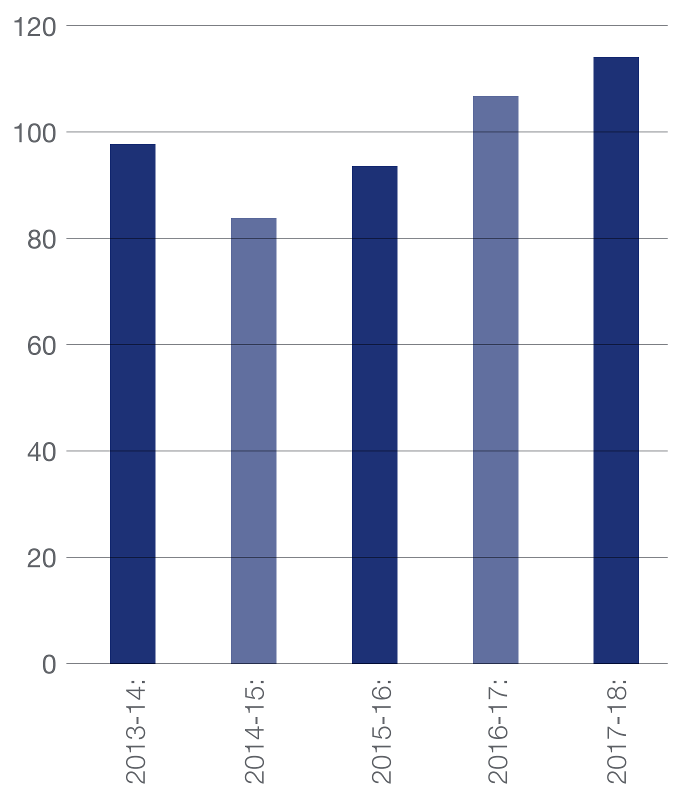
Last year: 24%

Five Year Summary of Financial Highlights

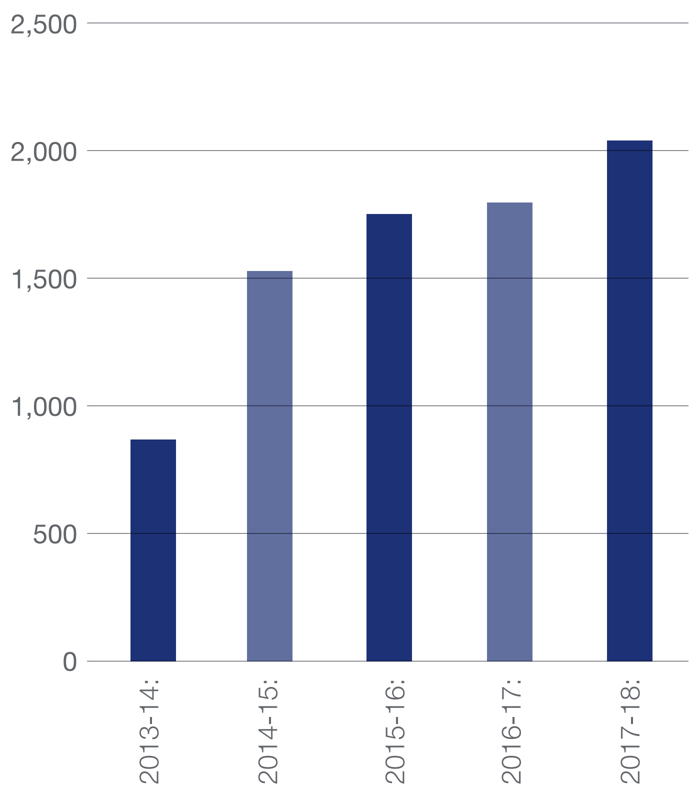
Statement of comprehensive income	2017-18 £m	2016-17 Restated £m	2015-16 Restated £m	2014-15 Restated £m	2013-14 £m
Turnover	357	333	301	250	221
Operating costs and cost of sale	(266)	(249)	(228)	(181)	(159)
Surplus on sale of housing	25	23	20	15	36
Operating surplus	**116**	**107**	**93**	**84**	**98**
Operating margin%	32.5%	32.1%	30.9%	33.6%	44.3%
Surplus for the year	**85**	**65**	**45**	**36**	**67**
Statement of financial position					
Fixed assets	2,394	2,272	2,086	1,910	1,083
Creditors due after >1 year	1,957	1,928	1,816	1,691	752
Revenue reserves	573	487	423	377	373

Key indicators	2017-18	2016-17	2015-16	2014-15	2013-14
Properties	42,417	40,610	39,231	38,494	37,336
New homes built	2,030	1,788	1,750	1,521	865
Debt per unit (£k)	33.4	33.1	31.0	27.9	24.2
Months cash/secured loans available	36	36	14	18	30
Interest cover	3.09	3.07	2.95	2.86	3.44

Operating surplus (£m)



New homes delivered



Erith Park in construction,
London Borough of Bexley

> "At Orbit, we remain wholly committed to our charitable purpose on which we were formed 50 years ago."

The Board, Executives and Advisors

Group Board

The Rt Hon.
Baroness Tessa Blackstone
Group Chair
Chair, Governance
and Remuneration Committee

Professor Tony Crook
CBE FAcSS FRTPI
Group Deputy Chair

Fran Beckett
OBE FRSA
Chair, Customer &
Communities

Steve Brown
FCA
Chair, Audit and Risk
Assurance Committee

Chris Crook
BSc Hons FRICS AoU
Chair, Orbit Homes

Andy Hobart

David Weaver
Chair, Orbit Treasury
Limited and Orbit
Capital Limited

David Young CBE

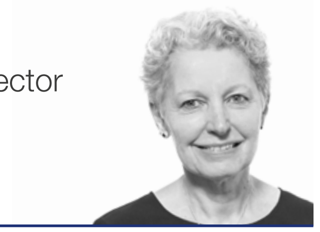
Detailed information can be found about each Group Board member by clicking on their image where you will be redirected to their online profile.

The Board, Executives and Advisors (continued)

Executive team

Mark Hoyland
Group Chief Executive,
Group Board Member

Joy Baggaley
Group Finance Director



John Carleton
Group Property
Investment Director

Afzal Ismail
Group Corporate
Services Director

Paul Richards
Group Customer
Services Director

Craig Wilcockson
Group People Director

Detailed information can be found about each Executive Director by clicking on their image where you will be redirected to their online profile.

Advisors

Independent Auditors	Principal Solicitors	Registered office
KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH	Towers and Hamlins 3 Bunhill Row London EC1Y 8YZ	Garden Court Binley Business Park Harry Weston Road Binley Coventry CV3 2SU

Co-operative and Community Benefit Society Number 28503R

Regulator of Social Housing Number L4123

Fiona and Jim purchase their first family home together through shared ownership in Lower Quinton

> "We are the UK's leading developer of new homes for affordable and social rent with a growing portfolio of 42,000 homes."

Group Chair's Introduction

Last year, Orbit reached a milestone in its history as the business celebrated its first 50 years. During that period we have grown into a large organisation so that our property portfolio now comprises 42,000 homes and our services reach over 100,000 people across the Midlands, the East and South East of the UK.

Since 2013 we have have built over 8,000 new homes, invested £12 million back into our communities, helped more than 800 people into jobs and supported around 30,000 people with financial, wellbeing and employment advice. We are now on track to deliver our 2020 targets, so that we can focus our attention on the future. We plan to deliver a further 20,000 new homes over the next ten years, directly contributing to the UK's housing growth.

We are proud to be one of the largest developers of new social rented homes in the UK and our future strategy will ensure that 65% of all new homes developed by Orbit are truly affordable. It remains of vital importance to produce high quality housing in safe and sustainable neighbourhoods if we are to build communities that promote equality and opportunity.

> "Our property portfolio now comprises 42,000 homes and our services reach over 100,000 people."

Flagship developments such as Erith Park in the London Borough of Bexley are a great example of the positive impact housing groups like Orbit can make. Reaching completion later this year, Erith Park will offer 587 high-quality homes to rent and buy within a new and thriving community.

We remain fully committed to our charitable purpose as we embark on our future vision: to lead in building thriving communities. The quality of the service that we offer to our customers remains at the heart of everything we do as we look towards the next 50 years.

I would like to thank the staff, our partners and board members for their continued commitment to the success of Orbit.

The Rt Hon.
Baroness Tessa Blackstone
Group Chair

These strong results demonstrate that our clear and focussed strategy is delivering across the areas of service, property, people and profit for a purpose. Orbit is well placed to drive sustainable growth across the regions where there are high levels of demand for affordable housing. Our strategy is underpinned by a strong balance sheet, a performance driven culture and a rigorous approach to compliance and risk.

Results

The Group reported a revenue increase of 7.2% to £357 million (2016-17: £333 million) primarily driven by an increase in sales and rental turnover reflecting continued growth in stock. Underlying profit for the year increased by 30.8% to £85 million (2016-17: £65 million) at a gross operating margin of 32.5% (2016-17: 32.1%) and a social lettings margin of 37.8% which represents top quartile performance.

Housing completions were ahead of prior year levels at 2,030 new homes (2016-17: 1,788) which maintains Orbit's position as one of the largest builders of affordable housing in the UK.

Customer service

Orbit aims to provide an excellent service to all of our customers, placing them at the heart of what we do. Customer satisfaction increased to 82.7% reflecting both changes in our service model and the additional investment into the maintenance of our homes. Of our customers purchasing a new home, 93% would recommend Orbit to a friend.

The Group invested £3.8 million into our communities and supported 5,000 people through our Better Days programme. This work continues to help our customers find employment, improve their digital and money management skills and increase wellbeing. Community plans are now in place for six of our core areas where income levels are at their lowest. This structured approach will provide investment into the community to make meaningful and sustainable differences via new facilities, social enterprise and green spaces.

Orbit continually engages with customers to find out what matters most to them. At all stages of the customer experience, the emphasis for our teams is to put the customer first and they are empowered to deal with queries at first point of contact. This year we have introduced a new customer promise to ensure that the highest standards are set and maintained.

Investment and growth

Over the course of the year, we have improved our business model through a Group-wide transformation programme that will enhance our performance and see £7.2 million annual savings in place for 2018-19, increasing to £10 million each year from 2019-20. This delivers improvements to our operating and service delivery model in addition to investment in ICT infrastructure and the development of our people.

> "Housing completions were ahead of prior year levels at 2,030 new homes."

> "Orbit is well placed to drive sustainable growth across the regions where there are high levels of sustainable demand for affordable housing."

The Group is fully committed to being an efficient and scalable organisation capable of delivering excellent services and more than 2,000 new homes per year. We have the strength and depth of leadership necessary to achieve that. We also launched 'Build your Career', Orbit's graduate and apprenticeship programme during the year.

Orbit maintained its A2 credit rating by Moody's Public Sector Europe, and further strengthened the financial position through securing a 30-year single tranche bond. At £450 million, this is the largest in the sector and represents investors' continued support for Orbit and our plans for the future. The long-dated bond will enable Orbit to reshape its treasury book in respect of the mix of debt, covenants and gearing. It also creates greater flexibility and more capacity to support Orbit's long-term vision.

New homes

Orbit offers a wide range of housing and last year we delivered a total of 2,030 homes of which 1,210 were for affordable/social rent, 539 for shared ownership, 199 for market sale and our first venture into the market rented sector with the opening of 82 units, Fordham House in Stratford-upon-Avon.

Our growth plans centre around current and future partnerships. Building upon our existing relationships with combined authorities and local authorities, construction companies and housing associations is key to ensuring we secure regional pipelines of high quality sites.

This coming year we will refresh our design and quality standards, explore options relating to off-site construction and aim to future-proof our homes for increasingly connected lifestyles.

Health and safety

The tragic events of Grenfell Tower underlined the hugely important work of our Health & Safety and Compliance teams and we continue to make good progress in developing a culture of excellence in this area. There is a rigorous approach to compliance and risk within the company and this is supported by independent site inspections for development activity. This year we were awarded the RoSPA Silver Award for both Health and Safety systems and Fire Safety.

Outlook

The external environment continues to provide challenge, uncertainty and opportunities. Our strategy ensures we are well placed to continue to improve our services, invest in our communities and build 20,000 homes over the next ten years. All of which supports the Group's vision, "We lead in building thriving communities."

Mark Hoyland
Group Chief Executive

Strategic Report and Operating and Financial Review

Our vision and values

In 2018, we revisited our vision and values to ensure they reflect our ambition as we start to think and plan beyond 2020. Our vision provides us with clear direction and our values outline the way we will work in the future.

Our vision

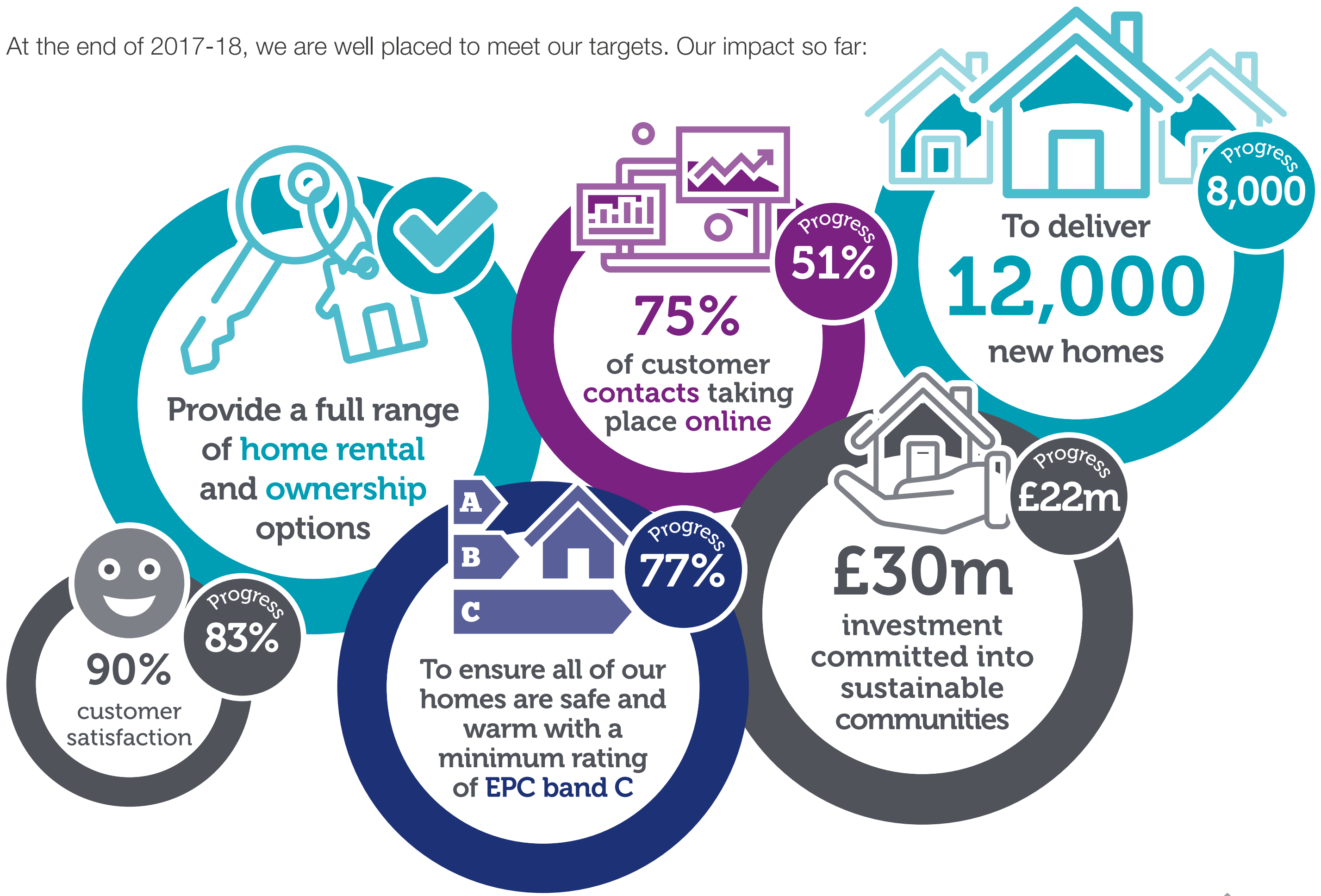
We lead in building thriving communities.

Our values

Delivering our 2020 targets

In our 2013 business plan we launched a set of ambitious targets which have transformed the way we work, providing high-quality homes and excellent services for our 100,000 customers.

At the end of 2017-18, we are well placed to meet our targets. Our impact so far:



Strategic Report and Operating and Financial Review (Continued)

Beyond 2020

As we start to realise our 2020 targets, our two year transformation programme is designed to build on our key strengths, unlock our potential and create an outstanding organisation that is positioned for growth and great service delivery beyond 2020.

Aligned to our business priorities of Service, Property, People and Profit, there are four key focus areas which form our ambition:

1. Leading service and business performance – delivering 90% customer satisfaction.
2. Accelerated and scalable growth – continuing to build 2,000 new homes per annum.
3. A high quality stock portfolio – investing £1.1 billion between 2017 and 2022 in new and existing homes to create places where people want to live.
4. A place where people are proud to work – recognised as one of the Sunday Times 100 best companies to work for within the not-for-profit category.

Compliance and risk is a thread which runs through all that we do as illustrated by the graphic below.

> "All teams at Orbit deliver against these key business priorities. This brings clarity to our delivery plans and ensures that every employee is clear about the role they play in building thriving communities. Teams are updated regularly on performance against these priorities through our "achieving together" leadership team briefings."

Listening to the children living in our homes. Insight workshops held as part of the Happy, Healthy Starts campaign

"We place our customers at the heart of what we do, investing in communities to make great places to live."

Operating Performance
Service

82.7% (+3.0%) customer satisfaction

Launch of new campaign to tackle child poverty

A new promise

Our Customer Promise was launched in October 2017, developed by our customers and employees:

We provide excellent services and good value, high quality homes. We place our customers at the heart of what we do, investing in communities to make great places to live.

The promise provides a commitment every Orbit employee makes, as well as a framework for our future delivery model.

Investment and improvements in technology, data and processes will see a transformation in the way our customers interact with us. We offer a multi-channel approach so that customers can access our services in the way they want to. This means delivering services in a number of ways, around the clock, including live chat from 8am-8pm. Our digital transactions have increased to 51% (+27%) in the last year alone.

Through our Better Days programme, we have supported 4,555 customers with financial and energy advice, helped 378 customers into work and helped 3,300 customers with their emotional and physical wellbeing.

David's story

Before speaking to one of our trained Tenancy Support officers (TSO), David relied on 'Cash Converters' to pay his bills. He rarely spent money on food and was struggling to cope, with concerns being raised about his mental health. The TSO encouraged him to talk about his issues with money, supported him to apply for the correct benefits and helped him to create a realistic budget.

David said: *"I've managed to start saving money and I'm being much more careful with what I spend. I have managed to save enough to buy myself a small car which will be a life changer for me… I'm over the moon…I was set a target and it has been tough but I've stuck to it."*

Tackling child poverty

We provide homes for around 16,000 children under the age of 16 and twelve months ago we embarked on a journey to find out more about these children, their parents and what life is like for them. We spoke to our young residents across the country from Coventry to Thanet and worked with parents to see what support they need and where we, as a housing provider, could make a real difference. As part of journey we partnered with Child Poverty Action Group.

In March we launched a report in Parliament with Kevin Hollinrake MP, Co-Chair of the All Party Parliamentary Group on Poverty and were joined by a number of interested parties including housing providers and charities. The report includes a number of practical actions housing providers can take to tackle child poverty, alleviating pressure on both our customers and us as businesses, from furniture recycling and tenancy sustainment, to support with the cost of the school day and the provision of community areas to meet and play.

We campaign nationally on issues that affect our customers and over the course of the next 12 months will continue to develop our Happy, Healthy Starts campaign working with Child Poverty Action Group and promoting our toolkit of practical actions to the housing sector and beyond.

Read our report: 'Happy, Healthy Starts: Providing the tools to help families thrive'

Property

New homes

As one of the UK's leading housing groups, we offer a full range of high-quality properties to suit every stage of life with flexible ways for customers to rent and buy. Last year we invested £250 million into new homes and delivered a record 2,030 properties, surpassing build expectations for a third consecutive year.

Of the 2,030 homes developed from 1 April 2017 to 31 March 2018 this includes 1,210 built for affordable and social rent, 539 for shared ownership, 199 for market sale and 82 for private rent.

Orbit also delivered a further 76 new homes on behalf of partners as part of the 2,030 new homes total.

We completed our first development for private rent in the heart of Stratford-upon-Avon. Fordham House is a £14.6 million scheme of 82 apartments; each designed with minimum maintenance requirements and finished to an exacting standard with the latest in cutting edge technology.

2,030 (+242) **new homes**

£273 million (+3.5 million) **investment**

The development was awarded Secured by Design Gold Standard for security measures incorporated into the design.

Asset management

Our asset management strategy works on three principles – investment, rationalisation and realisation. Our investment plans are aimed at sustaining a portfolio of warm, well kept homes for our customers – 77% have a minimum rating of EPC band C. We have a programme of rationalisation of those homes which are located out of our core areas and are therefore more expensive to manage, and finally our strategy will consider realisation of the whole of those assets which are poorly performing for more effective investment elsewhere.

Luke and Emeline

Orbit customers Luke and Emeline wanted to own their first family home as they prepared to welcome baby Luna into the world. After renting three different properties over four years, they found their perfect family home at our Hedging Gardens development in Tamworth, taking advantage of the high-quality homes available under shared ownership. Commenting on the experience, Emeline said: *"Our sales consultant was brilliant. He helped us through the whole process from day one to handing us the keys and made the move stress-free."*

Profit

With turnover at £357.4 million, our business has grown by 7.2% year on year. Rental income rose by £9.8 million due to the increased number of properties in management offsetting the decrease of 1.0% in social and affordable rents. Sales income grew by £23.1 million as we extend market activity to support the development of social housing.

We achieved an operating margin of 32.5%, with the core social lettings business returning a margin of 37.8%, in the upper quartile of peer performance.

Surplus on sale of housing at £24.9 million has increased by £2.1 million as we divested of underperforming and geographically remote properties and as shared ownership customers staircased their home ownership.

The profits generated will continue to be reinvested in improving our existing properties through our investment programmes, in improving services to customers, in our communities and in the development of new homes.

£85.4 million (+£20.5 million) **surplus for the year**

£116 million operating surplus (+£8.3 million)

"The quality of the service that we offer to our customers remains at the heart of everything we do."

Strategic Report and Operating and Financial Review (Continued)

People

Investing in our people

We have a strong performance culture and value the knowledge, skills and capabilities our people bring to Orbit.

Last year we invested over £250,000 supporting 71 employees with professional membership subscriptions, 82 employees with professional qualifications and 226 employees with external training and development.

We also encourage and support our people, who either wish to become or are already involved in volunteering for the benefit of Orbit customers or the wider community. All employees are eligible to take up one day paid volunteering leave per year. In 2017-18, our employee volunteering provided over £445,000 worth of volunteering hours, with more than 27,000 hours volunteered.

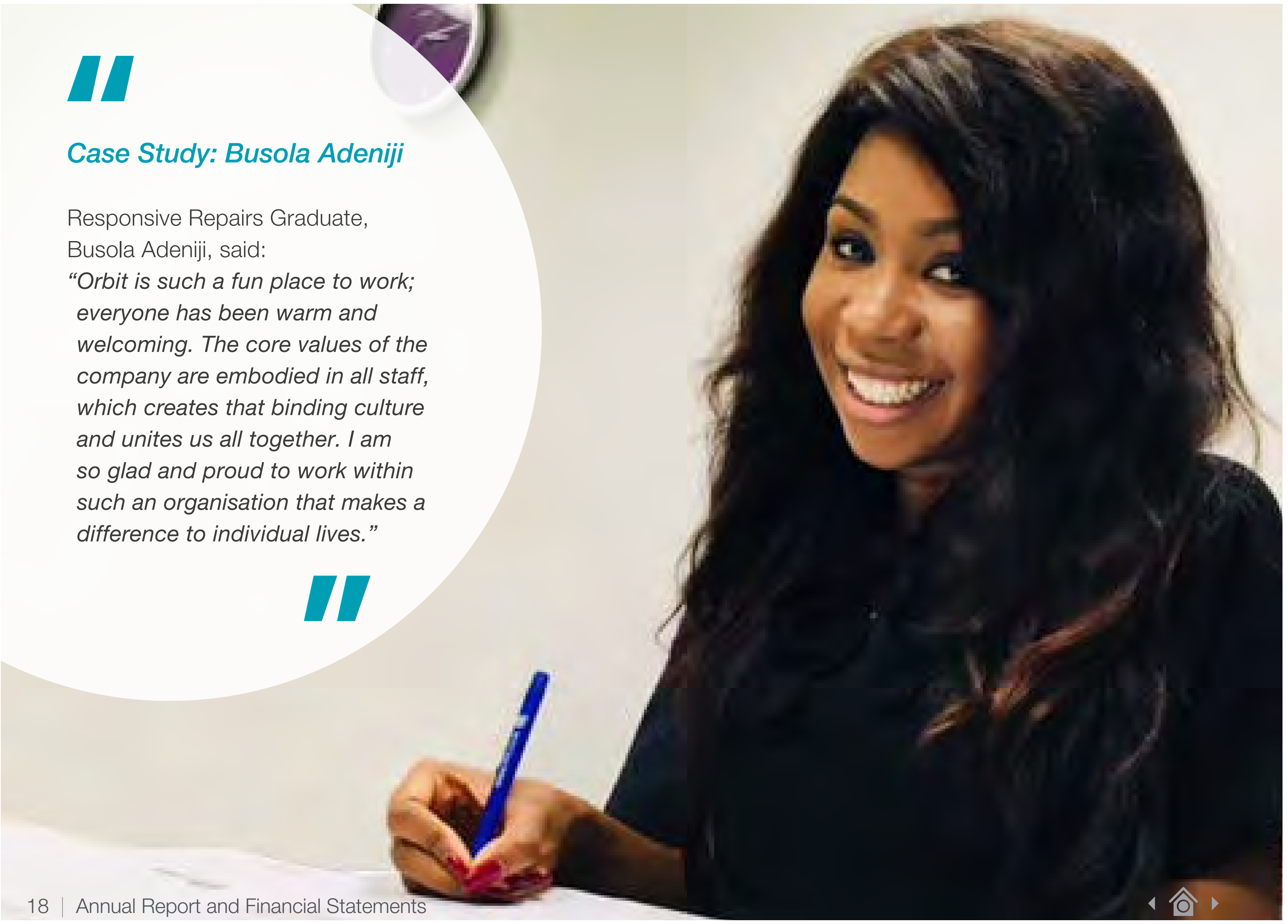
£250,000 investment in our employees

New Graduate and Apprenticeship programme

Future talent

In November we recruited six graduates and 14 apprentices into our new 'Build Your Career' programme. Embarking on a two year programme, each of them experience what it is like to work in a number of departments across the organisation, from housing and sales to finance and asset management. Our graduates scored Orbit 9 out of 10 as an employer and our new apprentices scored the organisation 8.5 out of 10. Recruitment of a second cohort has begun.

By investing in our people, our culture and values we aim to become a *"Sunday Times 100 Best Company to Work For" within the not-for-profit category* in the coming year.



Case Study: Busola Adeniji

Responsive Repairs Graduate, Busola Adeniji, said:
"Orbit is such a fun place to work; everyone has been warm and welcoming. The core values of the company are embodied in all staff, which creates that binding culture and unites us all together. I am so glad and proud to work within such an organisation that makes a difference to individual lives."

Erith Park, London Borough of Bexley

Compliance and risk

The safety of our customers and our people remains a high priority across the business and we're proud to have maintained 100% compliance across the key areas of gas safety, fire risk assessments, asbestos and legionella. Earlier this year, we entered into a partnership with the West Midlands Fire Service to ensure the highest level of customer safety throughout our 42,000 properties. Known as a Primary Authority Scheme, Orbit is the first housing association to enter into such a partnership with the regional Fire Service following a vigorous vetting process.

Orbit was also recently awarded the internationally recognised RoSPA (The Royal Society for the Prevention of Accidents) Silver Award for both Health & Safety and Fire Safety. This sought after accolade is a testament to the policies and practices we have in place to ensure the safety of our people and customers. Our teams have also been recognised by the Association of Gas Safety Managers, having been shortlisted for two awards in Electrical Safety Collaboration and Gas Safety Staff Training & Development Award.

Value for Money

Orbit has a strong track record of creating efficiencies and investing those savings in improving our homes, our communities and in delivering more housing in areas of need. This year we have embarked on a two year transformation programme, 'Shaping our Future', which will build on this record to further enhance business performance. It includes:

- a new operating model, structuring our housing service into two component functions, housing management and property management. Working in specialised roles will enhance the effectiveness of our staff and improves outcomes for customers.
- a review of corporate service structures to reduce layers of management and improvement alignment to front line services.
- office rationalisation, realising the value of our call centre and on line service (on line transactions have increased to 51% this year from 24% and we have an ambitious target by 2020 of 75%).
- investment in IT to streamline systems and improve data quality.
- development of a new corporate culture with a focus on making Orbit a great place to work.

The programme has achieved operating cost savings of £7.2 million per annum for 2018/19 and will realise another £2.7 million per annum from 2019/20.

	2019	2020
Revised operating model	£3.8m	£0.7m
Procurement	£0.8m	£0.3m
Working more efficiently	£2.6m	£1.7m
Total	**£7.2m**	**£2.7m**

Sector scorecard

We welcome the development of the sector scorecard. Publication of this set of metrics, which constitute a clear measure of the effectiveness of a social housing business, provides a focus that will encourage the sector's drive for effectiveness.

	Metric	% / £	Result	Performance against peers (estimated)*
1	Reinvestment	%	7.5	
2a	New supply – social housing	%	4.4	
2b	New supply – non social housing	%	0.7	
3	Gearing	%	48.2	
4	EBITDA MRI interest cover	%	184.5	
5	Headline social housing cost per unit £	£	3,370	
6a	Operating margin	%	25.4**	
6b	Operating margin – social housing	%	37.8	
7	Return on capital employed	%	4.7	

* Peer benchmark figures have been obtained from 2016/17 scorecard pilot. Performance in the upper quartile is rated as green, median performance is rated as amber.
**Operating margin excludes surplus on sale of housing properties.

Orbit performs well against the range of new metrics put forward by our Regulator. Orbit's achievements in delivering 2,000+ new homes a year will mean that our gearing and interest cover are always likely to perform below top quartile for the sector. These metrics are keenly managed and we have capacity to continue to develop at these levels within our existing funding plan and loan covenants.

Similarly, our operating margin is impacted by our development strategy with our large market-facing sale programme having a diluting effect on the headline margin. Our social housing margins are comparable to the top quartile performers. Our 'Shaping our Future' programme will further improve efficiency which will improve the cost per unit and operating margins.

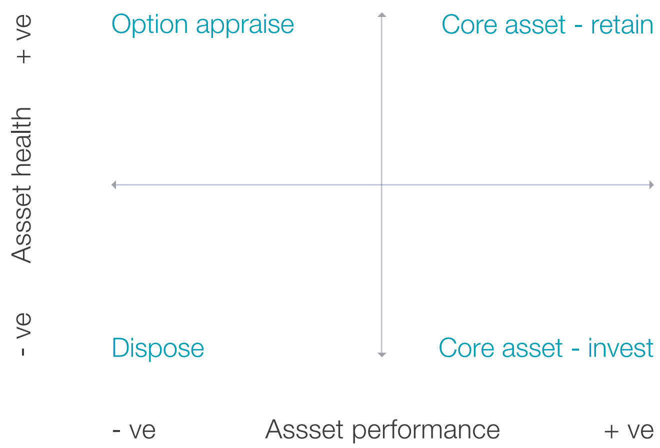
We remain committed to being a leading social housing developer and have completed a £450 million bond, in part, to fund this development. We also continue to improve the quality of our homes, conducting a whole stock condition survey to focus investment where it is needed.

Optimising our assets

We recognise that the key to maximising our financial strength is in making best use of our assets. We have invested time and money in skills, technology and improving data so we better understand our properties to enable strong decision making.

We are part way through a stock condition survey exercise which will begin a regular cycle of data refreshing. This will ensure that we have an up to date view of our stock, enabling us to move to a condition led component replacement strategy. This will focus our investment to areas of need and have positive impacts on customer service and reduce future responsive maintenance costs.

Taking the information we have about each of our 34,000 rented properties (1,700 estates), we produce expected cashflows and Net Present Values (NPV) to assess future financial performance and aligning this with other factors such as our strategy, geography and our commitment to have all of our stock at Band C eco-performance assess possible actions on a four box grid:



Our Strategic Asset Management strategy has already had success. Poor performing schemes have been identified and opportunities for sale and redevelopment have been created.

- A former office has been included in the redevelopment of a site in Bexley
- Unutilised commercial properties converted to housing for sale

We made profits of £16.3 million from the sale of void properties during 2017/18 which will be reinvested into new developments and our existing portfolio.

We have also been able to pro-actively target the properties we want to sell. Traditionally stock sales have been a reactive process, selling properties as and when they become void. Having now identified the properties we would like to dispose, as void or new properties become available they can be offered to residents in our target properties. This gives the resident a better home and frees up the targeted home for sale. A programme of 1,000 properties will be sold over the next six years, raising £96 million improving the quality of our remaining stock and rationalising the areas in which we work. The stock condition work has and will continue to influence this programme.

Strategic Report and Operating and Financial Review (Continued)

Corporate Finance and Treasury

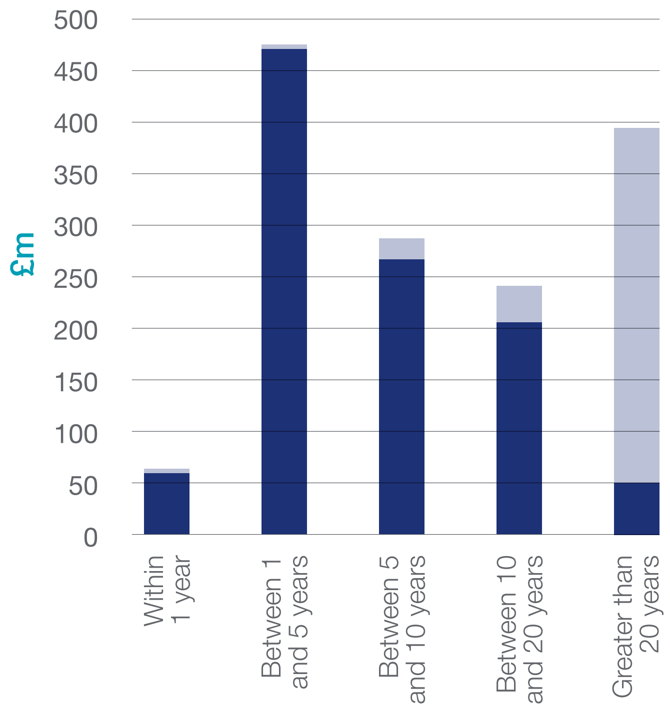
Bank / other debt

28% Bond and other debt

72% Bank debt

The group's re-financing risk in the next five years is £537.0 million, (37% of loan facilities).

Debt repayment profile



Bank debt   Bond and other

As at 31 March, the Group maintained £254.0 million of committed undrawn facilities available for immediate drawing and £50.7 million of cash in hand, representing total available liquidity of £304.7 million. These resources are considered sufficient to fund three years' worth of commitments.

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

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

Liquidity

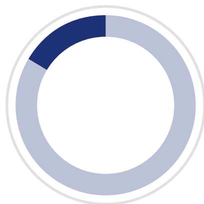
	2017-18	2016-17
Months cash/secured loans available	36	36
Months approved loans available	36	36

All committed facilities are secured by fixed charges. At the year-end the Group held approximately 11,200 unencumbered properties available for new loans. These properties are conservatively estimated to provide potential security for a further £820.0 million of new loans.

Available liquidity

£50.7 million Cash

£254 million Undrawn committed



Total committed funding

£254 million Undrawn debt

£1,206 million Drawn debt

First-time buyers Chris and Hayley outside their new home at Orbit's Sidings development in Thrapston. Purchased through the Help to Buy Equity Loan scheme.

Strategic Report and Operating and Financial Review (Continued)

Interest rate management

The Group continues to be risk averse in its approach to interest rate management. The Group targets a flexible policy of hedging between 65.0% and 90.0% of its committed loan portfolio, accessing fixed rate instruments predominantly and a small proportion of index linked instruments, with flexibility to depart from these parameters if circumstances make this appropriate. At the year-end this resulted in a committed loan portfolio that was 69% fixed.

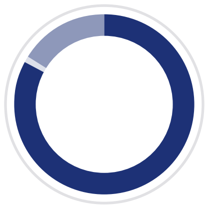
The Group's average interest cost for the year is 4.06% reflecting the fixed rate hedging noted above. The Group does not have any non-sterling or exchange rate exposures.

Hedging mix %

83% Fixed, embedded and standalone

1% RPI

16% Callable and / or cancellable



The Group maintains its desired interest rate profile through a mixture of embedded instruments (including fixed rate bank loans and bonds) and stand-alone swaps (including fixed and index-linked derivatives with bank counterparties). As at the year-end, 83% of the Group's hedged activities were undertaken through fixed, embedded instruments and stand-alone swaps.

The Group's weighted average duration of standalone swaps is just over 13 years.

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

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

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

Cash flows

The Group net cash inflow from operating activities during the year was £117.3 million (2017: £95.1 million). The principal sources of cash inflow remain rental income and proceeds from sale of housing properties. The principal sources of cash outflow for Orbit were the costs associated with the provision of housing accommodation, the acquisition and construction of housing properties and interest payable on loan facilities.

St Bedes, extra care scheme. Winner of the Residential category at the East Midlands RICS Awards (2015)

Governance

Business overview

The Group structure is illustrated below; Orbit Group Limited is the parent organisation of the Group. Orbit Customer and Communities (formerly Orbit Living) is our housing management business comprising Orbit Heart of England (Heart of England Housing Association Limited) and Orbit East and South (Orbit South Housing Association Limited). Orbit Homes (2020) Limited is our development and sales organisation, building new homes. Orbit Treasury Limited is our main funding vehicle, whilst Orbit Capital plc was set up to issue bonds. Other entities in the Group structure (not shown below) are two dormant companies, Orbit New Homes Limited and Orbit Gateway Limited.

Orbit Group Ltd

- The Parent company of the Orbit Group
- Registered Provider
- 5,557 units, the majority of which are shared ownership

Orbit Homes

- Provides design and build services to Orbit Group Limited and its subsidiaries
- Incorporated 20 August 2009

Orbit South

- Registered Provider
- 19,169 units
- Owns and manages properties in the South, East and East Anglia
- Incorporated 10 June 1993

Heart of England

- Registered Provider
- 17,691 units
- Owns and manages properties throughout the Midlands
- Incorporated 1 April 2008

Orbit Capital Plc

- Issues asset backed securities
- Issuing entity of existing GBP 250 million 3.500% due 2045 and GBP 450 million 3.325% due 2048
- Incorporated on 22 January 2015

Orbit Treasury Ltd

- Provides cost-effective treasury management to operating associations
- Incorporated 31 May 2007

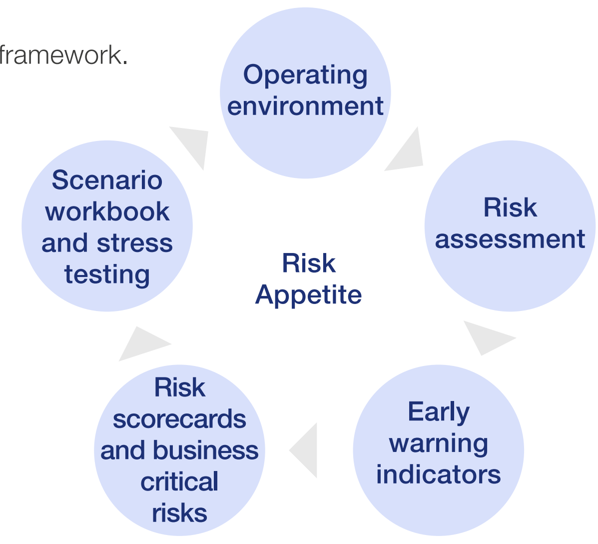
Governance (continued)

Risk management

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

Our overall approach to risk management is based on good practice and our internal control environment is continually reviewed and monitored by the Audit and Risk Assurance Committee on behalf of the Board. All subsidiaries are required to implement our risk management framework and provide reports to their respective boards.

The illustration below outlines the key components of our risk management framework.



Our framework includes an analysis of the operating environment, an assessment of risks supported by early warning indicators which are monitored by senior management and the Board alongside our key performance targets. These early warning indicators cover both financial and non-financial risks. These are used to create risk scorecards for all subsidiaries and trading divisions, which are consolidated into business critical risks for the Executive team, Audit and Risk Assurance Committee and Group Board to review.

We have developed a workbook outlining three stress scenarios, each one identifying the impact on our business and the recovery plans in place to manage these.

These scenarios are:

1) Financial crisis
2) Political influence
3) Uncertainty of Brexit

The scenarios are approved by the Audit and Risk Assurance Committee and used to stress test the financial plan.

At the centre of the risk management framework is the risk appetite, which sets clear parameters for the business plan and for major decisions taken during the year.

This framework enables the business to anticipate key risks and put in interventions before they adversely impact upon the sustainability of our business and/or delivery of our objectives.

Governance (continued)

We have identified seven business critical risks to the business. These are:

Risk	Mitigation
Material change in the economic forecast adversely impacting upon the key assumptions within the financial plan including: • Reliance on market sales • Interest rate and inflation • Maintenance and development costs • Revenue management	• Stress testing, scenario analysis and management action plans • Welfare reform strategy • Continuous budgeting • Early warning indicators within Finance and Treasury services • Financial golden rules included within risk appetite framework
Poor delivery of service leading to low customer satisfaction, cost inefficiencies and regulatory intervention.	• Transformation programme within Customer Services, focused on: - Delivery of the responsive and property investment plan - Patch based tenancy management model - Implementation of the property management model - Implementation of the property compliance system - Arrears management review - Shared services model
Condition of existing stock in a poor state leading to a material impact on the financial plan and growth aspiration.	• Delivery of the asset management strategy • Increased governance by Property Investment Board in terms of property investment
Negligence / poor working practices leading to an unsafe working environment.	• Health and Safety (H&S) strategy underpinned by robust management system • Dedicated Compliance team within Property Services • External H&S expertise within the construction business for market sale and affordable • KPI review at Executive and Board levels
Poor standard of management and leadership unable to adapt to a changing financial and regulatory operating environment.	• Implemented a new performance management framework • 'Shaping our Future' transformation
Unable to respond to a cyber-attack in an effective manner.	• Disaster recovery plan and third party support for penetration testing • ISO 27001 security accreditation • Specific cyber security insurance in place
Poor quality of data leading to a failure on governance in terms of performance monitoring and decision making.	• New structure to the Data and Performance teams as part of Shaping our Future • Investment in new ICT platform, including privacy by design as part of Shaping our Future

"Our values-led approach to business means that our employees are passionate about achieving our vision; to lead in building thriving communities."

Orbit employee conference, Coventry 2018

Orbit Group Board

Name	Appointed
The Rt Hon. Baroness Tessa Blackstone Chair	1 February 2013
Professor Tony Crook CBE FAcSS FRTPI Deputy Chair	1 October 2010
Fran Beckett OBE FRSA	1 April 2011
Steve Brown FCA	1 February 2013
Chris Crook BSc Hons FRICS AoU	6 December 2011
Andy Hobart	14 September 2016
Mark Hoyland	26 May 2018
David Weaver	14 September 2016
David Young CBE	10 July 2013

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

All members of the Group remunerate their board members for undertaking their duties and responsibilities. The boards delegate the day-to-day management to the Group Chief Executive and the Executive Directors who form the Executive team. The Executive team members are listed on page 6.The Executive team met at least monthly throughout 2017-18 and the directors attend meetings of the Group board and subsidiary boards.

Code of governance

We have adopted the National Housing Federation's (NHF) 2015 Code of Governance as the Code of Governance for our Registered Providers. Whilst our non-charitable subsidiaries are not required to comply with the Code, they undertake to adhere to the spirit of the Code. We comply with the Code of Governance in all material aspects and the Regulator of Social Housing's Governance and Financial Viability Standard. We have developed our own probity and severance policy, which picks up the key principles of the NHF's Code of Conduct. In addition to this policy, we have our own code of conduct for board members.

Governance and Viability Standard

Orbit complies with the Governance and Viability Standard of the Regulator of Social Housing (RSH). Our governance rating is GI and our financial viability rating is V2.

Our financial viability rating was downgraded by the RSH (then the HCA) in November 2017 to V2 (compliant) from a previous V1 (compliant) rating. This affected a number of other housing associations as well when the HCA changed the way it categorised housing associations with a housebuilding programme to more accurately reflect the risks being managed by those businesses. This was simply a recognition of the risk exposures of the sector to more accurately reflect the commitment to leverage our asset base to build new homes.

It is important to stress that we retained our G1 rating, demonstrating our strong ability to manage our risks. Being the third largest developer in the sector, we have been pleased to see the renewed focus and financial commitment by central government on housing, particularly in the Chancellor's budget. We continue to believe part of our core purpose is to provide significant new social and affordable housing, and we will continue to execute that mandate.

General Data Protection Regulation (GDPR)

We have invested in ensuring that Orbit is working towards compliance with the GDPR. This is underpinned by a clear strategy and robust action plan, the performance against which is monitored by senior management.

Shareholding policy

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

Committees of the board

The Group board is supported by two committees with specific responsibilities.

Governance and Remuneration Committee – responsible for developing and maintaining our governance framework. This includes arrangements for the recruitment, induction, appraisal and development of board members, the review of the roles and responsibilities of board members and structure and policies of board member remuneration. The Committee also considers our policy on remuneration, contracts of employment and conditions of service generally for executive directors and recommends to Group board the specific remuneration packages for each of the directors, including pension rights and any compensation/severance payments.

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

Customer involvement

We are committed to involving customers in decisions affecting their homes. There is representation from customers on the Customer and Communities Board and a range of involvement opportunities for customers to scrutinise, hold us to account for our performance and have input into shaping service delivery have been developed as part of the co-regulation agenda. This ensures we meet regulatory requirements and good practice in terms of governance and customer involvement.

Regular customer experience surveys (Real Time Feedback) are undertaken, with feedback from customers being used to drive service improvements. In addition, our complaints and compliments procedure is used to capture customer feedback more effectively and apply the learning.

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

Subsequent events

On 7 June 2018 we raised our second public bond to the value of £450 million.

Going concern

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

On behalf of the Orbit board

The Rt Hon. Baroness Blackstone
Chair

24 July 2018

Governance (continued)

Statement of internal control for Orbit Group

Purpose

The statement of internal control provides an opinion to internal and external stakeholders on how effectively Orbit governs its business so as to manage the key risks to the successful delivery of its business and financial plan.

Sources of assurance

A key element of providing this opinion is based upon Orbit's internal control environment (ICE) framework, which pulls together assurance from a number of sources on a quarterly basis, which feed into the annual statement of internal controls. Orbit's standard assurance providers include the following:

- ✓ Internal audit
- ✓ External audit
- ✓ Compliance with standing orders
- ✓ Insurance performance
- ✓ Information governance and management of personal data
- ✓ Treasury advisors
- ✓ Risk management strategy
- ✓ Health and safety management system
- ✓ External specialist reviews

Outcomes

During 2017-18 the outcomes from key areas of assurance have been positive and management continues to recognise that continuous improvement is fundamental, particularly as the operating environment for the sector evolves. It is important to note that:

1. The outcomes from internal audit reviews have provided an insight into robust control and compliance culture. The significant majority of reports provide a positive opinion and where weaknesses are identified they have either been addressed or management are in the process of addressing these.
2. External audit opinion is unqualified.
3. Our risk management strategy continues to provide insight into Orbit's seven business critical risks. Stress mitigations have been tested and are effective if key scenarios materialise. During 2017-18 the Board approved revisions to the risk appetite framework reflecting our ambitions to continue to develop new homes beyond 2020.
4. The annual health and safety report confirmed that there is a robust H&S management system and there is continuous focus on bedding in a strong culture by management. This has been confirmed by an audit undertaken by the Royal Society of Prevention of Accidents (RoSPA).
5. Insurance risks continue to be managed effectively with increase in premiums for 2018-19 due to organic growth of the business.
6. Orbit's governance arrangements continue to be robust, confirmed by the annual self assessment.
7. There is effective management of personal data, with weaknesses addressed promptly and no enforcement action.

Based on the risk and assurance work undertaken in 2017-18 Orbit's internal control (financial and non-financial) environment supported by risk management and governance arrangements provides reasonable assurance to Audit and Risk Assurance Committee and Group board that the controls framework is effective.

Report of the Board

Statement of Board's responsibilities in respect of the Board's report and the financial statements

The Board is responsible for preparing the Board's report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of its income and expenditure 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 UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- Assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Annual general meeting

The annual general meeting will be held on 27 September 2018.

Disclosure of information to auditors

The directors who held office at the date of approval of this statement confirm, so far as they are each aware, there is no relevant audit information of which our independent auditors are unaware; and each director has taken all the steps they ought to have taken as a director to make them aware of any relevant audit information and to establish that our independent auditors are aware of that information.

Independent auditors

KPMG LLP was appointed as the external auditors for the year ended 31 March 2018. A resolution to re-appoint the group's auditors for external audit services will be proposed at the annual general meeting.

The report of the board was approved on 24 July 2018 and signed on its behalf by:

Richard Wright
Secretary

Independent Auditors Report to the Members of Orbit Group Limited For the year ended 31 March 2018

Opinion

We have audited the financial statements of Orbit Group Limited ("the association") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows and related notes, including the Principal accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* of the state of affairs of the group and the association as at 31 March 2018 and of the income and expenditure of the group and the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The association's Board is responsible for the other information, which comprises Orbit in Numbers, Five Year Summary of Financial Highlights, Board, Executives and Advisors, Group Chair's Introduction, Group Chief Executive's Statement, the Strategic Report and Operating and Financial Review, Governance (including the Statement of Internal Control) and Report of the Board. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Independent Auditors Report to the Members of Orbit Group Limited For the year ended 31 March 2018 (continued)

Board's responsibilities

As more fully explained in their statement set out on page 35, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities.

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Harry Mears
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

2 August 2018

Statement of Comprehensive Income
For the year ended 31 March 2018

	Note	Group 2018 £m	Group Restated 2017 £m	Association 2018 £m	Association Restated 2017 £m
Turnover	2	**357.4**	333.3	**111.9**	89.2
Cost of sales	2	**(101.7)**	(93.3)	**(51.3)**	(39.9)
Operating costs	2	**(164.9)**	(155.4)	**(36.4)**	(29.0)
Surplus on sale of housing properties	7	**24.9**	22.8	**5.7**	3.9
Operating surplus	2&5	**115.7**	107.4	**29.9**	24.2
Loss on sale fixed assets	5	**(0.9)**	-	**-**	-
Income from shares in group undertakings		**-**	-	**1.7**	1.7
Interest receivable	8	**0.9**	0.8	**1.4**	1.5
Interest payable	9	**(39.3)**	(40.4)	**(3.4)**	(5.6)
Other financing costs	9	**(0.4)**	(1.0)	**(0.3)**	(0.4)
Movement in fair value of financial instruments		**5.2**	(2.3)	**-**	-
Movement in fair value of investment property	14	**4.2**	-	**-**	-
Donations received		**-**	-	**23.3**	13.3
Surplus before taxation		**85.4**	64.5	**52.6**	34.7
Taxation	10	**-**	0.4	**-**	-
Surplus for the year		**85.4**	64.9	**52.6**	34.7
Actuarial gain/(loss) in respect of pension schemes	37	**0.9**	(1.7)	**0.3**	(0.6)
Change in fair value of hedged financial instrument		**10.9**	(3.8)	**-**	-
Total comprehensive income		**97.2**	59.4	**52.9**	34.1

All amounts derive from continuing operations.

The accompanying notes form part of these financial statements.

The financial statements on pages 36 to 88 were approved by the Orbit board and signed on its behalf by:

The Rt Hon. Baroness Blackstone
CHAIR

Steve Brown
BOARD MEMBER

Richard Wright
SECRETARY

24 July 2018

Statement of Changes in Reserves
For the year ended 31 March 2018

Group

	Income and expenditure reserve £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total reserves £m
Balance as at 31 March 2016	**410.8**	-	**(62.1)**	**348.7**
Capitalised interest restated	12.6	-	-	12.6
Restated reserves as at 31 March 2016	423.4	-	(62.1)	361.3
Restated surplus for the year ended 31 March 2017	64.9	-	-	64.9
Actuarial loss in respect of pension schemes	(1.7)	-	-	(1.7)
Change in fair value of hedged financial instruments	-	-	(3.8)	(3.8)
Balance as at 31 March 2017 restated	**486.6**	-	**(65.9)**	**420.7**
Surplus for the year	85.4	-	-	85.4
Actuarial gain in respect of pension schemes	0.9			0.9
Change in fair value of hedged financial instruments	-	-	10.9	10.9
Balance as at 31 March 2018	**572.9**	-	**(55.0)**	**517.9**

Association

	Income and expenditure reserve £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total reserves £m
Balance as at 31 March 2016	**194.4**	**0.2**	**-**	**194.6**
Capitalised interest restated	1.6	-	-	1.6
Restated reserves as at 31 March 2016	196.0	0.2	-	196.2
Restated surplus for the year ended 31 March 2017	34.7	-	-	34.7
Actuarial loss on pension liability	(0.6)	-	-	(0.6)
Balance as at 31 March 2017 restated	**230.1**	**0.2**	**-**	**230.3**
Surplus for the year	52.6	-	-	52.6
Actuarial gain on pension liability	0.3	-	-	0.3
Balance as at 31 March 2018	**283.0**	**0.2**	**-**	**283.2**

Statement of Financial Position As at 31 March 2018

		Group		Association	
	Note	2018 £m	Restated 2017 £m	2018 £m	Restated 2017 £m
Fixed assets					
Tangible fixed assets	12&16	**2,394.5**	2,271.7	**328.2**	304.5
Investments – HomeBuy loans receivable	15	**12.9**	13.8	**12.9**	13.8
Fixed asset investments	13	**2.6**	1.5	**34.0**	34.0
Investment properties	14	**14.6**	-	**-**	-
		2,424.6	2,287.0	**375.1**	352.3
Debtors: amounts falling due after more than one year	18	**4.0**	2.7	**26.9**	26.0
Current Assets					
Properties for sale and stock	17	**115.8**	117.8	**30.9**	51.2
Trade and other debtors	18	**31.4**	29.7	**79.6**	81.0
Investments	19	**-**	4.3	**-**	3.5
Cash and cash equivalents		**49.6**	31.0	**41.0**	19.2
		196.8	182.8	**151.5**	154.9
Creditors: amounts falling due within one year	20	**(141.0)**	(116.0)	**(124.2)**	(123.2)
Provisions falling due within one year	23	**(2.8)**	-	**(1.3)**	-
SHPS pension deficit liability due within one year	37	**(2.8)**	(2.7)	**(2.8)**	(2.7)
Net current assets		**50.2**	64.1	**23.2**	29.0
Total assets less current liabilities		**2,478.8**	2,353.8	**425.2**	407.3
Creditors: amounts falling due after more than one year					
Disposal proceeds and Recycled Capital Grants Funds	21	**(10.4)**	(10.3)	**(5.6)**	(5.8)
Derivative liabilities	21	**(100.7)**	(116.8)	**-**	-
Other creditors	21	**(1,830.7)**	(1,782.3)	**(121.0)**	(152.9)
SHPS pension deficit liability	37	**(15.4)**	(18.3)	**(15.4)**	(18.3)
		(1,957.2)	(1,927.7)	**(142.0)**	(177.0)
Provisions for liabilities					
Pension liabilities	37	**(3.0)**	(3.7)	**-**	-
Other provisions	23	**(0.7)**	(1.7)	**-**	-
Total net assets		**517.9**	420.7	**283.2**	230.3
Reserves					
Income and expenditure reserve		**572.9**	486.6	**283.0**	230.1
Revaluation reserve		**-**	-	**0.2**	0.2
Cash flow hedge reserve		**(55.0)**	(65.9)	**-**	-
Total reserves		**517.9**	420.7	**283.2**	230.3

The financial statements on pages 36 to 88 were approved by the Orbit board and signed on its behalf by:

The Rt Hon. Baroness Blackstone	Steve Brown	Richard Wright
CHAIR	BOARD MEMBER	SECRETARY

24 July 2018

Statement of Cash Flows
For the year ended 31 March 2018

		Group	
	Note	2018 £m	Restated 2017 £m
Net cash generated from operating activities	30	**117.3**	95.1
Cash flow from investing activities			
Purchase of tangible fixed assets		**(168.5)**	(241.3)
Purchase for Investment property		**(3.7)**	(6.7)
Proceeds from sale of tangible fixed assets		**37.5**	35.9
Grants received		**15.8**	8.4
Interest received		**0.9**	0.8
Mortgages redeemed		**0.2**	-
Investment		**(0.3)**	(0.7)
Cash flow from financing activities			
Interest paid		**(50.6)**	(47.4)
New secured loans		**79.8**	126.9
Repayment of borrowings		**(9.8)**	(9.7)
Other financial liabilities		**-**	2.0
Net change in cash and cash equivalents		**18.6**	(36.7)
Cash and cash equivalents at beginning of the year	32	**31.0**	67.7
Cash and cash equivalents at end of the year	32	**49.6**	31.0

The restated comparatives reflect presentational changes in line with the SORP.

Notes to the Financial Statements

1. Principal accounting policies

Legal status

Orbit Group Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a not for profit Registered Provider of social housing as defined by the Housing and Regeneration Act 2008. Please refer to note 36 for information on the legal status of the other group undertakings.

Basis of accounting

The financial statements have been prepared on a going concern basis, under the historical cost basis of accounting in accordance with the Housing SORP 2014, Statement of Recommended Practice for Registered Social Housing Providers, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. As a public benefit entity Orbit Group Limited has applied all paragraphs of FRS 102 which relate to public benefit entities in preparing the financial statements.

Going concern

The Group's key activities are set out in the strategic report along with an assessment of the risks to the current operating environment. The Group is expected to have adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

Basis of consolidation

The financial statements for Orbit Group Limited are the result of the consolidation of the financial statements of the Association and its subsidiaries during the year ended 31 March 2018. The subsidiaries consolidated are: Orbit South Housing Association Limited, Heart of England Housing Association Limited, Orbit Treasury Limited, Orbit New Homes Limited, Orbit Homes (2020) Limited, Orbit Gateway Limited and Orbit Capital plc. Uniform accounting policies have been adopted across the Group, and surpluses/deficits and balances on intra group transactions have been eliminated on consolidation.

Turnover

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

Properties for sale

Properties developed for outright sale are included in turnover, cost of sales and operating costs. Properties developed for shared ownership sale are divided into first tranche sales and other sales. First tranche sales are included in turnover, cost of sales and operating costs. Subsequent tranches are not included in turnover and cost of sales, but are shown in surplus on sale of housing properties item before operating surplus in the statement of comprehensive income. All other sales of fixed asset properties are shown in surplus on sale of housing properties.

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

Revenue recognition

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

Operating costs

Direct employee, administration and operating costs are apportioned to either the statement of comprehensive income or capital schemes on the basis of costs of staff or the extent to which they are directly engaged in the operations concerned.

Value Added Tax

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

Liquid resources

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

1.Principal accounting policies (continued)

Housing properties

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

Housing property components	Depreciation life
Kitchens	20 years
Bathrooms	30 years
Windows and doors	30 years
Boilers	15 years
PV panels	25 years
Roof	60 years
External wall insulation	36 years
Rewiring	30 years
Structure (rehabilitated)	60 years
Structure (new stock)	100 years

Freehold land is not depreciated. Attributable overheads and profit are included in cost of components.

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

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

Housing properties are shown at cost less depreciation and impairment provision. Housing properties in the course of construction are stated at cost and not depreciated and are transferred to completed properties when they are ready for letting. When housing properties are to be transferred to another association, the net costs, after grant, are shown within 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.

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 statement of comprehensive income 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.

1. Principal accounting policies (continued)

Government and other grants

Social Housing Grant (SHG) is receivable from Homes England. This is recognised within income through the amortisation of the grant over the useful economic life of the asset as are any other grants received for the development of social housing. Grant is amortised even if there are no related depreciation charges.

For shared ownership (SO) stock this is the useful economic life of the asset (these assets are not accounted for by component as with rented stock). Therefore, the useful economic life will be the period over which the SO property will be available for use by the entity and hence is deemed to be the average time shared ownership properties are held before becoming fully stair-cased.

SHG due from Homes England or received in advance is included as a current asset or liability within the statement of financial position.

SHG can be recycled by the Association under certain circumstances such as if a property is sold, or if another relevant event takes place. In these cases, the SHG can be recycled for use on projects approved by Homes England and is held on the statement of financial position as a liability in the Recycled Capital Grant Fund. However, SHG may need to be repaid if certain conditions are not met and in that event, is a subordinated unsecured repayable debt.

Capitalisation of interest and administration costs

Interest on loans financing non-market development is capitalised at the group's weighted average cost of capital (WACC). Administration costs relating to development activities are capitalised only to the extent they are incremental to the development process and directly attributable to bringing the property into its intended use.

Investment properties

Market rented properties are treated as investment properties. They are valued externally after construction / acquisition by a qualified RICS Chartered Surveyor. Changes in the value of market rented properties are taken to the statement of comprehensive income. Market rented properties under construction are stated at cost and all commitments are included as capital commitments.

Other tangible fixed assets and depreciation

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

Certain Orbit Group Limited offices were valued in February 1997 on the basis of their open market value for existing use. On adoption of Financial Reporting Standard 15 "tangible fixed assets", the Association has followed the transitional provisions to retain the book value of the offices which were revalued in 1997, but not to adopt a policy of revaluation in the future. This policy has been retained with the adoption of FRS 102.

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

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

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

1. Principal accounting policies (continued)

Stock and work in progress

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

Investment in subsidiary undertakings

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

Leased assets

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

Pension costs

Orbit Group Limited participates in the Social Housing Pension Scheme (SHPS), the full details are given in note 37 to the financial statements. For the purposes of the financial statements this scheme is accounted for on a defined contribution basis in relation to deficit liabilities. SHPS pension deficit liability is shown in the statement of financial position.

Orbit Group Limited also participates in a defined contribution SHPS pension scheme. The cost charged to the statement of comprehensive income represents the Group's contributions to that scheme in the financial year in which they fall due.

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services. The disclosures in the financial statements follow the requirements of FRS 102.

Orbit South Housing Association Limited operates defined benefit funded pension schemes. The assets of the schemes are held separately from those of the association in independently administered funds. The requirements of FRS 102 are fully reflected in the financial statements and associated notes. Note 37 provides a summary of the pension valuation report, together with prior year statements which state last year's revenue and reserves. For funding purposes, surpluses or deficits are dealt with as advised by the actuary.

For defined benefit schemes the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the statement of comprehensive income 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 comprehensive income.

The difference between the fair value of the assets held in the defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Association's statement of financial position as a pension scheme liability. Changes in the defined benefit pension scheme liability arising from factors other than cash contribution by the association are charged to the statement of comprehensive income in accordance with applicable accounting standards.

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

1. Principal accounting policies (continued)

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 statement of comprehensive income. 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 reviews are carried out in accordance with section 14.6 of SORP, with consideration of the following potential indicators of impairment:

- Development issues
- Change in legislation or equivalent
- Average void time
- Proportion of properties vacant
- Loss made on property sales
- Schemes being redeveloped/demolished

Disposal proceeds fund
Voluntary purchase grant net of disposal proceeds is with effect from April 2017 no longer credited to this fund. The existing fund balance will appear as a creditor until such time as it is repaid or recycled.

Recycling of capital grant
Where Social Housing Grant (SHG) is recycled the SHG is credited to a fund that appears as a creditor and can be used to fund projects approved by Homes England. However, SHG may have to be repaid if certain conditions are not met and, in that event, is a subordinated unsecured repayable debt.

Service charge sinking funds
Service charge sinking funds are dealt with as creditors.

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 statement of comprehensive income. Where the agency carries the majority of the financial risk, the statement of comprehensive income 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 statement of comprehensive income.

Taxation
The charge for the year is based on profits arising on activities that are liable to tax. Taxable members of the Group have adopted the accounting standard for deferred tax (FRS 102, section 29).

Deferred tax is provided in full, at the tax rates expected to apply to the period when the asset is realised or the liability is settled, on any timing differences, although deferred tax assets are only recognised to the extent it is regarded as more likely than not they will be recovered. Timing differences arising from the revaluation of fixed assets are only recognised where there is a binding agreement to sell the revalued assets.

Deferred tax assets and liabilities are not discounted.

Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Loan classifications and subsequent valuations are the key areas of judgement applied in the financial statements. Fixed rate and variable loans have been classified as basic instruments. Fixed rate loans are stated at amortised cost using the effective interest rate method. Variable rate loans are disclosed at carrying value due to the short term interest period.

Advice has been sought from external treasury advisors on fair value judgements and estimates.

1. Principal accounting policies (continued)

Derivative financial instruments
Orbit uses derivative financial instruments to reduce exposure to interest rate movements. Orbit 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.

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the exposure to a fixed interest risk or foreign exchange risk of a debt instrument measured at amortised cost or the commodity price risk in a firm commitment or of a commodity held, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (and any gains or losses on re-measurement are recognised in the statement of comprehensive income).

If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into the statement of comprehensive income using the effective interest method over the remaining life of the hedged item.

Cash flow hedges

Where the hedged risk is the variable interest rate risk in a debt instrument measured at amortised cost; the interest rate risk in a firm commitment or a highly probable forecast transaction, Orbit recognises the effective part of any gain or loss on the derivative financial instrument in other comprehensive income (OCI). Any ineffective portion of the hedge is recognised immediately in the statement of comprehensive income.

The hedging gain or loss recognised in OCI is reclassified to the statement of comprehensive income when the hedged item is recognised in the statement of comprehensive income or when the hedging relationship ends.

Orbit Treasury Limited accounting policy for derivatives is to recognise in the statement of comprehensive income gains and losses on hedges of revenues or operating payments only as they crystallise. Treasury policy states clearly all transactions will be in sterling or hedged to sterling.

Movement in fair value of financial instruments

Hedge accounting

The principle of hedge accounting applies only to standalone swaps, which have to be fair valued at each period end.

However, RPI swaps and swaps with cancellable options do not meet the criteria of hedging instruments (FRS 102 section12.17C). The movement in fair value is therefore taken directly to the statement of comprehensive income.

For the remaining vanilla interest rate swaps an assessment must be made of the hedge effectiveness. The mark to market (MTM) movement during the accounting period on each vanilla swap is analysed between effective and ineffective, with the effective element posted to the cash flow hedge reserve and the ineffective element charged/credited to the statement of comprehensive income.

1. Principal accounting policies (continued)

Debt instruments (loan portfolio)

External loans also need to be categorised either as basic or other. The basic approach results in a requirement to report interest costs using the Effective Interest Rate (EIR) method. This necessitates modelling on a loan by loan basis averaging (via an EIR calculation) all elements of income and expenditure relating to the loan (margin, including future step ups, arrangement fees).

The EIR for fixed rate instruments will be calculated as the rate which exactly discounts the instrument's future cash flows to the carrying amount (FRS 102 section 11.15). Arrangement fee amortisation will be calculated separately and netted off against the carrying value of the debt liability.

Due to the short term of our floating rate instruments the carrying amount will be set equal to the nominal loan amount less unamortised fee.

Bond finance

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

HomeBuy

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

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

Mortgage rescue

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

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

The loans and associated grants are disclosed as 'HomeBuy and other equity loans and grants' in note 15 to the financial statements.

2. Turnover, cost of sales, operating costs and operating surplus by class of business

Group	2018				
	Turnover £m	Cost of sales £m	Operating costs £m	Surplus on sale of housing £m	Operating surplus/ (deficit) £m
Social housing lettings (note 3)	209.8	-	(130.5)	-	79.3
Other social housing activities					
Properties for sale	3.5	(3.5)	-	-	-
Home ownership services	2.7	-	(4.0)	-	(1.3)
LCHO first tranche sales	73.2	(50.2)	(6.0)	-	17.0
Charges for support services	0.4	-	(2.0)	-	(1.6)
Other	5.3	(1.8)	(16.8)	-	(13.3)
	85.1	(55.5)	(28.8)	-	0.8
	294.9	(55.5)	(159.3)	-	80.1
Non-social housing activities	6.9	-	(5.6)	-	1.3
Developments for sale	55.6	(46.2)	-	-	9.4
Surplus on sale of housing	-	-	-	24.9	24.9
	357.4	**(101.7)**	**(164.9)**	**24.9**	**115.7**

Group	2017				
	Turnover Restated £m	Cost of sales £m	Operating costs Restated £m	Surplus on sale of housing £m	Operating Surplus/ (deficit) Restated £m
Social housing lettings (note 3)	200.0	-	(125.5)	-	74.5
Other social housing activities					
Properties for sale	4.6	(4.6)	-	-	-
Home ownership services	4.9	-	(6.3)	-	(1.4)
LCHO first tranche sales	54.2	(36.7)	(5.4)	-	12.1
Charges for support services	1.6	-	(2.8)	-	(1.2)
Other	12.0	(9.5)	(10.5)	-	(8.0)
	77.3	(50.8)	(25.0)	-	1.5
	277.3	(50.8)	(150.5)	-	76.0
Non-social housing activities	5.6	-	(4.9)	-	0.7
Developments for sale	50.4	(42.5)	-	-	7.9
Surplus on sale of housing	-	-	-	22.8	22.8
	333.3	**(93.3)**	**(155.4)**	**22.8**	**107.4**

Operating costs and turnover have been restated to move Help to Buy revenue and costs from 'other' to 'non-social housing' activities in 2017.

2. Turnover, cost of sales, operating costs and operating surplus by class of business (continued)

Association

2018	Turnover £m	Cost of sales £m	Operating costs £m	Surplus on sale of housing £m	Operating surplus/ (deficit) £m
Social housing lettings (note 3)	16.6	-	(5.7)	-	10.9
Other social housing activities				-	
Properties for sale	1.2	(1.2)	-	-	-
Home ownership services	0.6	-	(0.7)	-	(0.1)
LCHO first tranche sales	73.1	(50.1)	(6.0)	-	17.0
Group recharges	19.3	-	(19.3)	-	-
Other	1.0	-	(4.6)	-	(3.6)
	95.2	(51.3)	(30.6)	-	13.3
	111.8	(51.3)	(36.3)	-	24.2
Non-social housing activities	0.1	-	(0.1)	-	-
Surplus on sale of housing	-	-	-	5.7	5.7
	111.9	**(51.3)**	**(36.4)**	**5.7**	**29.9**

Association

2017	Turnover Restated £m	Cost of sales £m	Operating costs Restated £m	Surplus on sale of housing £m	Operating surplus/ (deficit) Restated £m
Social housing lettings (note 3)	14.0	-	(5.0)	-	9.0
Other social housing activities					
Properties for sale	4.3	(4.3)	-	-	-
Home ownership services	0.8	-	(0.7)	-	0.1
LCHO first tranche sales	52.8	(35.6)	(5.4)	-	11.8
Group recharges	16.3	-	(16.3)	-	-
Other	0.9	-	(1.6)	-	(0.7)
	75.1	(39.9)	(24.0)	-	11.2
	89.1	(39.9)	(29.0)	-	20.2
Non-social housing activities	0.1	-	-	-	0.1
Surplus on sale of housing	-	-	-	3.9	3.9
	89.2	**(39.9)**	**(29.0)**	**3.9**	**24.2**

Notes to the Financial Statements

3. Income and expenditure from social housing lettings

Group

	General needs housing £m	Supported housing and housing for older people £m	Low cost home ownership £m	2018 £m	2017 £m
Rent receivable net of identifiable service charges	154.3	15.2	12.8	**182.3**	174.7
Service charge income	9.8	6.4	1.9	**18.1**	15.9
Amortisation of social housing and other capital grants	6.7	1.2	0.7	**8.6**	8.8
Other income from lettings	-	-	0.8	**0.8**	0.6
	170.8	22.8	16.2	**209.8**	200.0
Expenditure					
Management	(21.5)	(3.2)	(1.8)	**(26.5)**	(22.6)
Service charge costs	(8.8)	(8.4)	(1.6)	**(18.8)**	(17.0)
Routine maintenance	(25.4)	(2.3)	(0.1)	**(27.8)**	(29.1)
Planned maintenance	(17.1)	(6.9)	-	**(24.0)**	(24.5)
Bad debts	(1.7)	(0.3)	-	**(2.0)**	(1.5)
Depreciation of housing properties	(26.3)	(3.0)	(1.9)	**(31.2)**	(28.7)
Impairment of housing properties	-	-	-	**-**	(1.5)
Other costs	-	(0.2)	-	**(0.2)**	(0.6)
Operating costs on social housing lettings	(100.8)	(24.3)	(5.4)	**(130.5)**	(125.5)
Surplus/(deficit) on social housing lettings	70.0	(1.5)	10.8	**79.3**	74.5
Void losses	(2.0)	(0.7)	-	**(2.7)**	(3.1)

3. Income and expenditure from social housing lettings (continued)

Association

	General needs housing £m	Low cost home ownership £m	2018 £m	2017 £m
Rent receivable net of identifiable service charges	0.5	12.6	**13.1**	10.8
Service charge income	0.1	1.9	**2.0**	1.8
Amortisation of social housing and other capital grants	-	0.7	**0.7**	0.8
Other income from lettings	-	0.8	**0.8**	0.6
	0.6	16.0	**16.6**	14.0
Expenditure				
Management	-	(1.8)	**(1.8)**	(1.5)
Service charge costs	(0.1)	(1.5)	**(1.6)**	(1.6)
Routine maintenance	-	(0.1)	**(0.1)**	-
Planned maintenance	-	-	**-**	-
Bad debts	-	-	**-**	-
Depreciation of housing properties	(0.2)	(2.0)	**(2.2)**	(1.9)
Operating costs on social housing lettings	(0.3)	(5.4)	**(5.7)**	(5.0)
Surplus on social housing lettings	0.3	10.6	**10.9**	9.0
Void losses	-	-	**-**	-

4. Staff costs

	Group		Association	
	2018 Number	2017 Number	2018 Number	2017 Number
Average number employed				
Office staff	**1,008**	1,016	**991**	994
Scheme staff	**212**	259	**205**	250
	1,220	1,275	**1,196**	1,244
Full time	**993**	1,019	**972**	996
Part time	**227**	256	**223**	248
	1,220	1,275	**1,195**	1,244
Full time equivalents	**1,179**	1,226	**1,156**	1,199

A full time equivalent would be 35 hours per week.

	Group		Association	
	2018 £m	2017 £m	2018 £m	2017 £m
Staff costs for the above				
Wages and salaries	**40.6**	38.0	**39.9**	37.1
Social security costs	**3.8**	3.6	**3.7**	3.6
Other pension costs	**2.1**	2.0	**2.1**	1.9
	46.5	43.6	**45.7**	42.6

	Group		Association	
	2018 Number	2017 Number	2018 Number	2017 Number
Number employed at 31 March				
Office staff	**943**	1,014	**928**	992
Scheme staff	**189**	233	**182**	225
	1,132	1,247	**1,110**	1,217

4. Staff costs (continued)

Directors and senior staff emoluments - FTE

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

Band	Group	
	2018 Number	2017 Restated Number
£230,001 - £240,000	**1**	-
£210,001 - £220,000	**-**	1
£150,001 - £160,000	**5**	2
£140,001 - £150,000	**2**	-
£130,001 - £140,000	**3**	1
£120,001 - £130,000	**-**	5
£110,001 - £120,000	**8**	2
£100,001 - £110,000	**4**	3
£90,001 - £100,000	**6**	9
£80,001 - £90,000	**12**	13
£70,001 - £80,000	**23**	19
£60,001 - £70,000	**25**	27
Total	**89**	82

The prior year has been restated to include bonus payments.

5. Operating Surplus

	Group		Association	
	2018 £m	2017 £m	2018 £m	2017 £m
Operating surplus is arrived at after charging/(crediting)				
Depreciation of housing properties	**31.2**	28.7	**2.2**	1.9
Depreciation of fixed assets	**2.4**	2.4	**2.0**	2.0
Amortisation of social housing grant	**(8.6)**	(8.8)	**(0.7)**	(0.8)
Impairment of housing properties	**-**	1.5	**-**	-
Impairment of other tangible fixed assets	**0.1**	0.4	**-**	-
Loss on sale of fixed assets	**0.9**	-	**-**	-
Operating lease rentals	**1.1**	1.7	**0.1**	0.2
Auditors' remuneration (excluding VAT)				
Fees payable to the Association's auditors for the audit of the financial statements	**0.1**	0.1	**-**	-
Non-audit services				
Fees payable to the Association's auditors for other services	**-**	0.1	**-**	0.1
Tax compliance services	**-**	-	**-**	-
Total non-audit services	**-**	0.1	**-**	0.1

6. Directors emoluments

The directors of the Association are its board members and the Group chief executive.

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

	Group		Association	
Group board members (non executive)	2018 £000	2017 £000	2018 £000	2017 £000
The Rt Hon. Baroness Blackstone	**27**	27	**27**	27
A Crook	**15**	15	**15**	15
F Beckett	**16**	16	**16**	16
S Brown	**9**	10	**9**	10
C Crook	**15**	15	**15**	15
A Hobart	**9**	5	**9**	5
D Weaver	**9**	5	**9**	5
D Young	**11**	11	**11**	11
Total	**111**	104	**111**	104

	Group		Association	
	2018 £000	2017 £000	2018 £000	2017 £000
Aggregate emoluments (including pension contributions) paid to or received by directors who are executive staff members including salaries, honoraria and other benefits	**1,002**	1,089	**1,117**	1,089
Aggregate emoluments of the highest paid director excluding pension contributions included in aggregate emoluments of directors who are executive staff members	**192**	213	**185**	213

The Group chief executive was a member of SHPS on the same terms as all other staff that are also members; no enhanced or special terms apply. Expenses paid during the year to board members amounted to £21,000 (2017: £42,000).

7. Surplus on sale of fixed assets - housing properties

Group			2018			2017
	Letting £m	**Shared equity £m**	**Total £m**	**Letting £m**	**Shared equity £m**	**Total £m**
Disposal proceeds	28.0	12.6	**40.6**	26.6	8.4	35.0
Carrying value of fixed assets	(9.0)	(8.6)	**(17.6)**	(8.1)	(6.1)	(14.2)
	19.0	4.0	**23.0**	18.5	2.3	20.8
Capital grant recycled	2.5	1.7	**4.2**	2.2	1.7	3.9
RTB Clawback	(2.3)	-	**(2.3)**	(1.9)	-	(1.9)
Surplus on disposal	19.2	5.7	**24.9**	18.8	4.0	22.8

Association			2018			2017
	Letting £m	**Shared equity £m**	**Total £m**	**Letting £m**	**Shared equity £m**	**Total £m**
Disposal proceeds	-	12.4	**12.4**	-	8.3	8.3
Carrying value of fixed assets	-	(8.4)	**(8.4)**	-	(6.1)	(6.1)
	-	4.0	**4.0**	-	2.2	2.2
Capital grant recycled	-	1.7	**1.7**	-	1.7	1.7
Surplus on disposal	-	5.7	**5.7**	-	3.9	3.9

8. Interest receivable and other income

		Group		Association
	2018 £m	**2017 £m**	**2018 £m**	**2017 £m**
Interest receivable and similar income	**0.9**	0.8	**1.4**	1.5

9. Interest payable

		Group Restated		Association Restated
	2018 £m	**2017 £m**	**2018 £m**	**2017 £m**
Finance leases				-
Loans and bank overdrafts	**50.7**	51.5	**4.3**	6.9
Interest payable capitalised on housing properties under construction	**(11.4)**	(11.1)	**(0.9)**	(1.3)
	39.3	40.4	**3.4**	5.6
Capitalisation rate used to determine the finance costs capitalised during the period	**4.06%**	4.27%	**4.06%**	4.27%
Other financing costs				
Loan arrangement fees	**-**	0.5	**-**	-
Defined benefit pension charge	**0.4**	0.5	**0.3**	0.4
	0.4	1.0	**0.3**	0.4

10. Tax on surplus on ordinary activities

The only members of the Group liable to a tax charge or credit throughout the year ended 31 March 2018 were Orbit Homes (2020) Limited, Orbit Treasury Limited and Orbit Capital plc. Orbit Group Limited obtained charitable status with effect from 3 April 2006. From that point, its principal sources of income and gains have been exempt from corporation tax and accordingly, no deferred tax assets have been recognised in the statement of financial position of the Association at either 31 March 2018 or 31 March 2017.

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

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

		Group		Association
	2018 £m	2017 £m	2018 £m	2017 £m
(a) Analysis of (credit)/charge in year:				
Current tax:				
UK corporation tax on profits of the year	-	(0.5)	-	-
Adjustment in respect of previous year	-	0.5	-	-
Deferred tax release	-	(0.4)	-	-
	-	(0.4)	-	-

The current tax charge for the year is lower than the standard rate of Corporation Tax in the UK of 19% (2017: 20%). The differences are explained below:

		Group Restated		Association Restated
	2018 £m	2017 £m	2018 £m	2017 £m
(b) Factors affecting tax charge for current year				
Surplus on ordinary activities before taxation	**85.4**	64.5	**52.6**	34.7
Tax charge at 19% (2017: 20%) thereon	**16.2**	12.9	**10.0**	6.9
Non taxable (surpluses) (primarily charitable exemptions)	**(16.2)**	(13.5)	**(10.0)**	(6.9)
Capital allowances less than depreciation	-	-	-	-
Adjustment in respect of previous year	-	0.6	-	-
Deferred tax - movement relating to fair value losses (note 11)	-	(0.4)	-	-
Tax release to SoCI (note 11)	-	-	-	-
Current tax (credit)/charge for the year	-	(0.4)	-	-

(c) Factors that may affect future tax charges:

The government announced legislation setting the Corporation Tax main rate at 19% for the years starting 1 April 2017, 2018 and 2019. In the 2016 budget, the government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%.

11. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

		Group		Association
	2018 £m Assets	2017 £m Assets	2018 £m Assets	2017 £m Assets
As at 1 April	**(0.4)**	-	-	-
Movement relating to fair value losses through statement of comprehensive income	-	(0.4)	-	-
Tax release to statement of comprehensive income	-	-	-	-
Total (assets) as at 31 March	**(0.4)**	(0.4)	-	-

The adoption of FRS 102 has resulted in certain costs relating to the third party borrowing being recognised using an effective interest rate method rather than on a straight line basis as previously. As a result the difference between the carrying values at 31 March 2015 using old GAAP accounting and the carrying values at that date as restated applying FRS 102 have been brought into account as a taxable transitional adjustment, spread over a 10 year period.

None of the borrowing which gave rise to the transitional adjustments was fully repaid by 31 March 2016 therefore 10% of the adjustments will be taxed each year starting with the period to 31 March 2016; a loss of £2,882,000 resulting in a deduction of £288,200 per year.

Deferred tax should be recognised in respect of the taxable transitional adjustments.

The deferred tax asset has been recalculated using the prevailing corporation tax rate of 17% (18% in 2016/17) of the carrying value at 31 March 2017 £2,309,600 and spread over the remaining 8 year period, resulting in £48,994 of future tax release per year to the statement of comprehensive income and a one off correction of £23,056.

12. Housing properties

Group	Housing properties for letting		Supported housing	Low cost home ownership		Non-social housing	
	Complete	In development	Complete	Complete	In development	Complete	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 April 2017	1,879.9	252.4	56.7	201.7	98.6	2.6	2,491.9
Prior period adjustment	21.8	-	-	-	-	-	21.8
Restated 1 April 2017	1,901.7	252.4	56.7	201.7	98.6	2.6	2,513.7
Additions	28.4	121.4	2.1	0.3	54.2	-	206.4
Transfer to investment properties	(10.4)	-	-	-	-	-	(10.4)
Transfer on completion	168.0	(168.0)	-	80.1	(80.1)	-	-
Transfer between tenures	(5.9)	-	-	5.9	-	-	-
Transfer to stock/ WIP	(0.7)	-	-	(45.3)	16.0	-	(30.0)
Disposals	(9.3)	(0.2)	(0.2)	(6.4)	-	-	(16.1)
At 31 March 2018	2,071.8	205.6	58.6	236.3	88.7	2.6	2,663.6
Less: accumulated depreciation							
At 1 April 2017	(218.3)	-	(15.3)	(15.4)	-	(0.2)	(249.2)
Eliminated on disposal	3.6	-	0.1	0.5	-	-	4.2
Depreciation	(26.7)	-	(1.5)	(2.0)	-	-	(30.2)
At 31 March 2018	(241.4)	-	(16.7)	(16.9)	-	(0.2)	(275.2)
Less: provisions for impairment							
At 1 April 2017	(3.3)	-	-	(0.1)	(0.9)	-	(4.3)
Charge for the year	-	-	-	-	-	-	-
At 31 March 2018	(3.3)	-	-	(0.1)	(0.9)	-	(4.3)
Net book amount							
At 31 March 2018	**1,827.1**	**205.6**	**41.9**	**219.3**	**87.8**	**2.4**	**2,384.1**
At 31 March 2017 (restated)	1,680.1	252.4	41.4	186.2	97.7	2.4	2,260.2

For further details on the prior year adjustment please see note 40.

12. Housing properties (continued)

Additions to properties during the year include capitalised interest and finance costs of £11.4 million (2017: £11.1 million restated) and development administration costs/project management fees of £5.9 million (2017: £8.3 million). The Group reviewed its properties for impairment and there was a charge of £Nil (2017: £1.4 million) to the statement of comprehensive income. During the year the total expenditure on works to existing properties was £65.9 million of which £22.4 million has been capitalised.

Association	Housing properties for letting	Low cost home ownership		
	Complete	Complete	In development	Total
	£m	£m	£m	£m
Cost				
At 1 April 2017	15.9	196.7	98.6	311.2
Prior period adjustment	-	2.5	-	2.5
Restated opening balance	15.9	199.2	98.6	313.7
Additions	-	0.3	41.8	42.1
Transfer on completion	-	80.1	(80.1)	-
Transfer to other group members	-	5.9	13.0	18.9
Transfer to stock/WIP	-	(45.3)	16.0	(29.3)
Disposals	(0.3)	(6.4)	-	(6.7)
At 31 March 2018	15.6	233.8	89.3	338.7
Less: accumulated depreciation				
At 1 April 2017	(1.0)	(15.2)	-	(16.2)
Reclassifications	-	-	-	-
Eliminated on disposal	-	0.6	-	0.6
Depreciation	(0.1)	(2.1)	-	(2.2)
At 31 March 2018	(1.1)	(16.7)	-	(17.8)
Less: provisions for impairment				
At 1 April 2017	-	-	(1.1)	(1.1)
At 31 March 2018	-	-	(1.1)	(1.1)
Net book amount				
At 31 March 2018	**14.5**	**217.1**	**88.2**	**319.8**
At 31 March 2017	14.9	184.0	97.5	296.4

Additions to properties during the year include capitalised interest and finance costs of £0.9 million (2017: £1.3 million restated) and development administration costs/project management fees of £3.0 million (2017: £2.8 million). The Association reviewed its properties for impairment and there was a charge of £Nil to statement of comprehensive income for 2018 (2017: £Nil).

	Group		Association	
	2018 £m	2017 £m	2018 £m	2017 £m
The net book value of housing and other properties (note 12) comprises:				
Freehold land and buildings	**2,287.6**	2,231.5	**312.9**	290.0
Long leasehold land and buildings	**9.9**	14.1	**7.8**	8.2
	2,297.5	2,245.6	**320.7**	298.2

13. Investments

	Group		Association	
	2018 £m	2017 £m	2018 £m	2017 £m
Monies deposited with Affordable Housing Finance Plc	**2.6**	1.5	**-**	-
Investment in preference shares of Orbit Homes (2020) Limited	**-**	-	**34.0**	34.0
Investment in ordinary shares of Orbit Capital plc*	**-**	-	**-**	-
Total	**2.6**	1.5	**34.0**	34.0

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

*Investment in ordinary shares of Orbit Capital plc by the Association was £13,000 (2017: £13,000).

14. Investment properties non-social housing properties held for letting

Group	2018 £m	2017 £m
At 1 April	**-**	-
Transfer from housing properties	**10.4**	-
Increase in value	**4.2**	-
At 31 March	**14.6**	-

Investment properties were valued as at 31 March 2018. The Group's investment properties have been valued by GVA, professional external valuers. The full valuation of properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors as follows:

In valuing investment properties, a discounted cash flow methodology was adopted with key assumptions:

Discount rate	5%
Annual inflation rate, after first two years	0%

15. HomeBuy and other equity loans

Group and Association	2018			2017		
	HomeBuy loans £m	Other equity loans £m	Total £m	HomeBuy loans £m	Other equity loans £m	Total £m
Loan advanced to borrowers at April	10.6	3.3	13.9	11.7	3.3	15.0
Interest receivable	-	(0.1)	(0.1)	-	0.1	0.1
Repaid during the year	(0.9)	-	(0.9)	(1.2)	(0.1)	(1.3)
Loan advanced to borrowers at 31 March	9.7	3.2	12.9	10.5	3.3	13.8

16. Other fixed assets

Group	Freehold offices £m	Leasehold offices £m	Commercial premises £m	Furniture, fixtures & equipment £m	Total £m
Cost					
At 1 April 2017	3.3	10.9	0.5	16.7	31.4
Additions	0.1	-	-	2.3	2.4
Disposals	-	(0.1)	-	-	(0.1)
Write offs	(1.1)	-	-	(0.2)	(1.3)
At 31 March 2018	2.3	10.8	0.5	18.8	32.4
Less: accumulated depreciation					
At 1 April 2017	(1.2)	(4.6)	(0.2)	(12.4)	(18.4)
Charge for year	-	(0.6)	-	(1.8)	(2.4)
Write offs	0.2	0.1	-	0.1	0.4
At 31 March 2018	(1.0)	(5.1)	(0.2)	(14.1)	(20.4)
Less: provisions for impairment					
At 1 April 2017	-	(1.5)	-	-	(1.5)
Charge for year	(0.1)	-	-	-	(0.1)
At 31 March 2018	(0.1)	(1.5)	-	-	(1.6)
Net book amount					
At 31 March 2018	**1.2**	**4.2**	**0.3**	**4.7**	**10.4**
At 31 March 2017	2.1	4.8	0.3	4.3	11.5

16. Other fixed assets (continued)

Certain of the Orbit Group Limited offices were revalued in February 1997 on the basis of their open market value for existing use. The valuations were carried out by Messrs Shortland Horne, Chartered Surveyors. On adoption of Financial Reporting Standard 15 "Tangible Fixed Assets", the Association has followed the transitional provisions to retain the book value of the offices which were revalued in 1997, but not to adopt a policy of revaluation in the future. These modified historical cost values are retained subject to the requirement to test assets for impairment. If the offices had not been revalued they would have been included in Orbit Group Limited balance sheet at £Nil (2017: £Nil). With the adoption of FRS 102, this policy has been retained. The difference between the revalued amounts of the offices and their depreciated costs are as follows:

	Freehold offices £m	Leasehold offices £m	Total £m
Depreciated historical cost	-	-	-
Revalued amount	0.2	-	0.2
Difference as at 31 March 2018	0.2	-	0.2
Difference as at 31 March 2017	0.2	-	0.2

Association

	Freehold offices £m	Leasehold offices £m	Furniture, fixtures & equipment £m	Total £m
Cost or valuation				
At 1 April 2017	0.7	6.9	11.4	19.0
Additions	-	-	2.3	2.3
Write offs	-	-	-	-
Disposals	-	-	-	-
At 31 March 2018	0.7	6.9	13.7	21.3
Less: accumulated depreciation				
At 1 April 2017	(0.4)	(2.5)	(7.5)	(10.4)
Charge for year	-	(0.4)	(1.6)	(2.0)
At 31 March 2018	(0.4)	(2.9)	(9.1)	(12.4)
Less: provisions for impairment				
At 1 April 2017	-	(0.5)	-	(0.5)
Charge/(credit) for year	-	-	-	-
At 31 March 2018	-	(0.5)	-	(0.5)
Net book amount				
At 31 March 2018	**0.3**	**3.5**	**4.6**	**8.4**
At 31 March 2017	0.3	3.9	3.9	8.1

Notes to the Financial Statements

17. Properties for sale

	Group 2018 £m	Group 2017 £m	Association 2018 £m	Association 2017 £m
Housing properties for sale	**0.6**	1.0	**0.5**	0.9
Shared ownership - completed properties	**2.6**	3.7	**2.6**	3.7
Shared ownership - under construction	**27.7**	46.5	**27.8**	46.6
Market sale - under construction	**84.9**	66.6	**-**	-
	115.8	117.8	**30.9**	51.2

The above figures include capitalised interest of £0.3 million (2017: £0.4 million) for the Group and the Association.

18. Debtors

	Group 2018 £m	Group 2017 £m	Association 2018 £m	Association 2017 £m
Due within one year:				
Rental debtors	**8.5**	9.7	**0.4**	0.5
Less: provision for doubtful debts	**(2.7)**	(3.0)	**(0.1)**	(0.1)
	5.8	6.7	**0.3**	0.4
Amounts due from subsidiaries	**-**	-	**73.4**	77.9
Prepayments and accrued Income	**2.6**	2.9	**1.5**	1.0
SHG receivable	**5.9**	2.5	**1.5**	-
Amounts due from development partners	**0.4**	7.0	**-**	-
Taxation and social security	**0.7**	-	**-**	-
Other debtors	**16.0**	10.6	**2.9**	1.7
	31.4	29.7	**79.6**	81.0
Due after more than one year:				
Other debtors	**4.0**	2.7	**0.4**	0.6
Amounts due from subsidiaries	**-**	-	**26.5**	25.4
	4.0	2.7	**26.9**	26.0

Loans have been made to partner companies to enable the construction and sale of homes at certain sites. The loans are repaid out of the sales receipts and are appropriately secured.

19. Current asset investments

	Group 2018 £m	Group 2017 £m	Association 2018 £m	Association 2017 £m
Other investments and cash - short term deposits comprise:				
- Maturing in excess of 7 days	**-**	4.3	**-**	3.5
	-	4.3	**-**	3.5

20. Creditors: amounts falling due within one year

	Group		Association	
	2018 £m	2017 £m	2018 £m	2017 £m
Housing loans (note 25)	**59.5**	35.4	**0.9**	1.8
Trade creditors	**18.0**	28.5	**5.1**	8.5
Amounts due to group undertakings	**-**	-	**101.2**	102.3
Other creditors including taxation and social security	**11.6**	9.3	**6.8**	3.8
Accruals and deferred income	**24.0**	17.7	**-**	-
Rents received in advance	**5.1**	4.2	**0.3**	0.3
Grants received in advance	**2.7**	1.4	**0.9**	-
RCGF and DPF within one year (note 24)	**10.6**	9.3	**7.3**	4.5
HomeBuy and other equity grants	**0.9**	1.2	**0.9**	1.2
Deferred capital grant (note 22)	**8.6**	8.9	**0.8**	0.8
Deferred income credit	**-**	0.1	**-**	-
Total	**141.0**	116.0	**124.2**	123.2

21. Other creditors: amounts falling due after more than one year

	Group		Association	
	2018 £m	2017 £m	2018 £m	2017 £m
Housing loans (note 25)	**896.5**	853.8	**50.4**	80.1
Derivatives financial liabilities	**100.7**	116.8	**-**	-
Deferred capital grant (note 22)	**650.3**	642.1	**56.2**	58.1
Deferred income for renewals and maintenance contributions	**14.1**	14.5	**3.3**	3.0
HomeBuy and other equity grants	**11.1**	11.7	**11.1**	11.7
Bond finance (note 25)	**248.5**	248.4	**-**	-
Other creditors	**1.4**	2.6	**-**	-
RCGF and DPF more than one year (note 24)	**10.4**	10.3	**5.6**	5.8
Loan premium Affordable Homes Plc	**8.8**	9.2	**-**	-
Total	**1,941.8**	1,909.4	**126.6**	158.7

Housing loans shown above are net of £4.0 million loan arrangement fees carried forward (2017: £4.1 million) and swap buy-out cancellation fees of £5.3 million (2017: £5.5 million).

Bond finance shown above is net of £1.7 million arrangement fees carried forward (2017: £1.8 million), discount costs of £3.5 million (2017: £3.7 million) and issue price premium of £3.7 million (2017: £3.9 million).

22. Deferred capital grant

	Group		Association	
	2018 £m	2017 £m	2018 £m	2017 £m
At 1 April	**651.0**	655.2	**58.9**	59.7
Grant received in the year	**16.0**	7.7	**1.8**	0.3
Transfer to RCGF and DPF	**(0.1)**	(3.1)	**(1.7)**	(1.4)
Transfer from intercompany	**-**	-	**(1.5)**	0.9
Elimination on the disposal of assets	**0.6**	-	**0.2**	0.2
Released to income in the year	**(8.6)**	(8.8)	**(0.7)**	(0.8)
At 31 March	**658.9**	651.0	**57.0**	58.9

Analysed as:

	Group		Association	
	2018 £m	2017 £m	2018 £m	2017 £m
Amounts to be released within 1 year	**8.6**	8.9	**0.8**	0.8
Amounts to be released in more than 1 year	**650.3**	642.1	**56.2**	58.1
Total	**658.9**	651.0	**57.0**	58.9

23. Provisions for liabilities

Group

	1 April 2017 £m	Provided in year £m	Released in year £m	31 March 2018 £m
Dilapidations and renewals	-	0.9	-	**0.9**
Restructuring	-	1.4	-	**1.4**
Stratford Sound Insulation	1.0	-	(0.5)	**0.5**
Water rates	0.7	-	-	**0.7**
	1.7	2.3	(0.5)	**3.5**

Analysed as:

	Group		Association	
	2018 £m	2017 £m	2018 £m	2017 £m
Amounts to be released within 1 year	**2.8**	-	**1.3**	-
Amounts to be released in more than 1 year	**0.7**	1.7	**-**	-
	3.5	1.7	**1.3**	-

Delapidations have been provided for offices that we will be vacating as part of our office strategy.

The restructuring provision is for costs associated with the continued implementation of shaping our future and will be utilised in the forthcoming year.

The Stratford sound insulation provision relates to major works costs which will be utilised as works are completed.

The water rates provision relates to costs arising from a historic contractual arrangement and will be utilised as required.

24. Recycled capital grant funds (RCGF) and disposal proceeds (DPF)

Group	RCGF £m	DPF £m	Total £m
At 1 April 2017	18.5	1.1	19.6
Grants recycled	5.2	-	5.2
Interest accrued	0.1	-	0.1
Utilised in the year	(0.9)	-	(0.9)
Other	(3.0)	-	(3.0)
At 31 March 2018	**19.9**	**1.1**	**21.0**

Analysed as:

Group	RCGF £m	DPF £m	Total £m
Within one year	9.5	1.1	10.6
After more than one year	10.4	-	10.4
At 31 March 2018	**19.9**	**1.1**	**21.0**

Association	RCGF £m	DPF £m	Total £m
At 1 April 2017	10.3	-	10.3
Grants recycled	2.7	-	2.7
Utilised in the year	(0.1)	-	(0.1)
At 31 March 2018	**12.9**	**-**	**12.9**

Analysed as:

Association	RCGF £m	DPF £m	Total £m
Within one year	7.3	-	7.3
After more than one year	5.6	-	5.6
At 31 March 2018	**12.9**	**-**	**12.9**

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

25. Housing loans and bond finance

	Group		Association	
	2018 £m	2017 £m	2018 £m	2017 £m
Due within one year				
Orbit Treasury Limited	**-**	-	**0.2**	1.2
Greenwich NatWest	**0.7**	0.6	**0.7**	0.6
Bank/building society loans	**58.8**	18.8	**-**	-
Debenture stock	**-**	16.0	**-**	-
	59.5	35.4	**0.9**	1.8
Due after more than one year				
Orbit Treasury Limited	**-**	-	**6.1**	35.1
Orbit Capital plc	**-**	-	**34.9**	34.9
Bond finance	**250.0**	250.0	**-**	-
Bank/building society loans	**787.1**	793.8	**-**	-
Affordable Homes Plc	**100.0**	50.0	**-**	-
Greenwich NatWest	**9.4**	10.1	**9.4**	10.1
	1,146.5	1,103.9	**50.4**	80.1
	1,206.0	1,139.3	**51.3**	81.9

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

Orbit Capital plc was set up during 2014-15 as a funding vehicle for the issue of £250.0 million bond and the bond finance is on-lent to the Associations.

See note 39 regarding the post year end balance sheet bond issue.

25. Housing loans and bond finance (continued)

Note (a)

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

	Group		Association	
	2018 £m	**2017 £m**	**2018 £m**	**2017 £m**
In one year or less, on demand	**59.5**	35.4	**0.9**	1.8
Repayable by instalments:				
- more than one year but not more than two years	**33.3**	33.2	**0.2**	1.2
- in more than two years but not more than five years	**100.3**	100.0	**0.6**	3.6
- in more than 5 years	**577.9**	540.5	**49.6**	75.3
	771.0	709.1	**51.3**	81.9
Repayable other than by instalments:				
- in one year or less	**-**	16.0	**-**	-
- in more than one year but not more than two years	**5.0**	14.2	**-**	-
- in more than two years but not more than five years	**85.0**	55.0	**-**	-
- in more than 5 years	**345.0**	345.0	**-**	-
	435.0	430.2	**-**	-
	1,206.0	1,139.3	**51.3**	81.9

The Greenwich NatWest (formerly Orchardbrook Ltd), bank and certain other loans were secured by fixed charges on individual properties. The loans from Greenwich NatWest are paid in half yearly instalments. The interest rates are 10.7% and 11.9% and the final instalments fall to be repaid in 2026 and 2032.

25. Housing loans and bond finance (continued)

The interest rate profile at 31 March 2018 was:

	Total £m	Variable rate £m	Fixed rate £m	Weighted average rate over term %	Weighted average term until maturity Years
Group					
Instalment loans	**0.7**	0.1	0.6	4.44	19.07
Non-instalment loans	**0.5**	0.1	0.4	3.08	21.59
	1.2	0.2	1.0	3.84	20.19
Association					
Instalment loans	**0.1**	-	0.1	3.84	20.19

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

	Group 2018 £m
Expiring in more than one year but not more than two years	**3.7**
Expiring in more than two years	**250.0**
Undrawn committed facilities	**253.7**

Hedge Accounting (Group)

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models in Group not in Association.

	2018					
	Carrying amount £m	**Expected cash flows £m**	**1 year or less £m**	**1 to < 2 years £m**	**2 to < 5 years £m**	**5 years and over £m**
Interest rate swaps:						
Assets	-	48.9	2.2	3.3	10.7	32.8
Liabilities	54.5	(133.6)	(10.4)	(10.4)	(29.0)	(83.9)
	54.5	(84.7)	(8.2)	(7.1)	(18.3)	(51.1)

	2017					
	Carrying amount £m	**Expected cash flows £m**	**1 year or less £m**	**1 to < 2 years £m**	**2 to < 5 years £m**	**5 years and over £m**
Interest rate swaps:						
Assets	-	44.8	1.1	1.4	6.6	35.7
Liabilities	65.9	(144.0)	(10.4)	(10.3)	(30.2)	(93.0)
	65.9	(99.2)	(9.3)	(8.9)	(23.6)	(57.3)

25. Housing loans and bond finance (continued)

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to affect profit or loss:

2018	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to < 2 years £m	2 to < 5 years £m	5 years and over £m
Interest rate swaps:						
Assets	-	12.0	0.3	0.5	1.9	9.2
Liabilities	44.9	(34.2)	(1.8)	(1.8)	(5.5)	(25.0)
	44.9	(22.2)	(1.5)	(1.3)	(3.6)	(15.8)

2017	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to < 2 years £m	2 to < 5 years £m	5 years and over £m
Interest rate swaps:						
Assets	-	11.3	0.2	0.2	1.1	9.8
Liabilities	50.9	(36.0)	(1.8)	(1.8)	(5.5)	(26.9)
	50.9	(24.7)	(1.6)	(1.6)	(4.4)	(17.1)

Fair values

The fair values of all financial assets and financial liabilities by category together with their carrying amounts shown in the statement of financial position are as follows:

	2018 Carrying amount £m	2018 Fair value £m	2017 Carrying amount £m	2017 Fair value £m
Loan	484.0	680.8	462.8	735.3
Bond	95.0	110.3	95.0	112.9
Embedded swap	240.6	88.8	240.6	100.8
	819.6	879.9	798.4	949.0

Orbit Treasury Limited has thirty cash flow hedges. The hedge relationships of twenty five meets each condition for hedge accounting, which are consistent with the entity's risk management objectives for undertaking hedges. The remaining five cash flow hedges do not meet the conditions of hedge accounting due to having callable options in the swap contract from the banks.

Orbit Treasury Limited considers that an economic relationship exists between the hedging instrument (interest rate swap) and the hedged item (floating rate loan) in that the values of the hedged item and hedging instrument move in opposite directions in response to movements in LIBOR, the hedged risk, over the life of the hedge.

The objective of the hedge is to mitigate the changes in the future cash flows stemming from the floating rate interest payments related to the floating rate loan entered into by Orbit Treasury Limited.

25. Housing loans and bond finance (continued)

In accordance with chapter 12 of FRS 102, hedge accounting has been applied to swap contracts held with the following counterparties.

	2018 £m	2017 £m
Barclays	**23.4**	27.6
Lloyds	**42.2**	48.3
RBS	**1.5**	2.6
Dexia	**7.4**	8.4
	74.5	86.9

Swaps held with the following counterparties do not quality for hedge accounting

	2018 £m	2017 £m
Barclays	**7.7**	4.3
Lloyds	**14.8**	15.9
Dexia	**3.7**	9.7
	26.2	29.9
Total fair value of derivatives	**100.7**	116.8

The total movement in fair value of derivatives, which qualify for hedge accounting, in the year was £16,166,000 (2017: £6,259,000) of which £10,961,000 (2017: £3,811,000) were recognised in other comprehensive income representing the effective component. The ineffective component of £1,504,000 gain (2017: £96,000 gain) representing the shortfall of the fair value of hedging instruments over the change in the fair value of expected cash flows together with £3,701,000 (2017: £2,352,000) fair value movement of swap contracts that do not qualify for hedge accounting.

The hedged items have a variable interest rate risk associated with the LIBOR linked bank loan. The counterparty to the swap and the credit risk associated is considered to be low.

Financial risk management

Our operations expose us to a variety of financial risks. We have in place a risk management programme that seeks to limit the adverse effects on our financial performance by monitoring levels of debt finance and related finance costs. The key risks are as follows:

Interest rate risk
At 31 March 2018, 86% of our debt was fixed or hedged. There is no intention to repay any term debt other than in accordance with the terms of each agreement. The Group has £194.0 million of variable debt funding which could be exposed to rises in LIBOR rates. If LIBOR was to increase by 0.50%, then the impact would be additional interest costs of £0.8 million to the statement of comprehensive income. Any such costs can be recovered from the associations.

Liquidity risk
We actively lend the full amount of the loans borrowed, thus we have assets to fully offset its liabilities and interest receivable to offset its interest payable.

Credit risk
The liabilities to funders are secured by a legal charge over property assets owned by the associations with a value in excess of total borrowings. The carrying amount of the funding liabilities represents the maximum value exposed to credit risk. At the end of the financial year the credit rating of A2 from Moody's remained in place.

26. Called up share capital

	Group		Association	
	2018 £	2017 £	2018 £	2017 £
Issued and fully paid shares of £1 each				
At 1 April 2017	**8**	8	**8**	8
Issued	**-**	-	**-**	-
Surrendered	**-**	-	**-**	-
At 31 March 2018	**8**	8	**8**	8

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

27. Revaluation reserve

Association	1 April 2017 £m	Transfer to I and E account £m	31 March 2018 £m
Revaluation of offices	0.2	-	0.2

28. Capital commitments

	Group		Association	
	2018 £m	2017 £m	2018 £m	2017 £m
Capital expenditure which has been contracted for but has not been provided for in the financial statements	**399.8**	405.8	**75.1**	98.1
Capital expenditure which has been authorised under authority from the Orbit board but has yet to be contracted for	**403.9**	431.6	**56.0**	77.3
	803.7	837.4	**131.1**	175.4

Orbit expects these commitments to be financed with:

	Group		Association	
	2018 £m	2017 £m	2018 £m	2017 £m
Social Housing Grant	**82.0**	21.7	**0.3**	0.2
Committed loan facilities and reserves	**132.0**	275.8	**5.8**	11.7
Proceeds from sale of properties	**589.7**	539.9	**125.0**	163.5
	803.7	837.4	**131.1**	175.4

29. Contingent liabilities

As at 31 March 2018, there were £32.7 million contingent liabilities within either the Group or the Association (2017: £32.8 million).

Stock acquisitions previously undertaken include original government grant funding of £33.0 million which has an obligation to be recycled in accordance with the original grant funding terms and conditions.

Orbit Group Ltd is responsible for the recycling of the grant in the event of the housing properties being disposed.

30. Cash flow from operating activities

	2018 £m	Group Restated 2017 £m
Surplus for the year	**85.4**	64.9
Sale of tangible fixed assets	**(24.9)**	(22.8)
Increase in value of investment property	**(4.2)**	-
Interest payable	**39.3**	40.4
Interest receivable	**(0.9)**	(0.8)
Movement in fair value of financial instruments	**(5.2)**	2.3
Other financing cost	**0.4**	1.0
Depreciation charge on other fixed assets	**2.4**	2.4
Depreciation charge on housing properties	**26.0**	22.9
Add back cost of sale for housing properties	**14.0**	16.6
Amortisation of grant on housing properties	**(8.6)**	(8.9)
Provision for impairment on housing properties	**-**	1.4
Provision for impairment on other fixed assets	**0.3**	0.4
Tax	**-**	(0.4)
Movement in other provisions	**1.8**	(0.6)
(Decrease)/increase in bad debt provision	**(0.3)**	0.3
Decrease/(increase) in stocks	**2.0**	(19.7)
Change in fair value of hedged financial instrument	**-**	3.8
Adjustment for pension funding	**(2.2)**	2.8
Decrease/(increase) in debtors	**(6.2)**	2.2
(Increase)/decrease in creditors	**(1.7)**	(13.2)
Tax (paid)/refunded	**(0.1)**	0.1
Net cash inflow from operating activities	**117.3**	95.1

The restated comparatives reflect presentational changes in line with the SORP.

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

	Group 2018 £m	2017 £m
Increase/(decrease) in cash in the year	**18.6**	(36.8)
(Decrease) in bank deposits (with a maturity in excess of 24 hours)	**(4.3)**	(1.8)
Other changes	**(0.4)**	(1.0)
Loans and bond finance received	**(66.7)**	(105.9)
Loans repaid	**-**	-
Loan premium	**-**	(9.4)
Loan arrangement fees	**0.4**	1.4
Change in net debt	**(52.4)**	(153.5)
Net debt at 1 April	**(1,102.1)**	(948.6)
Net debt at 31 March	**(1,154.5)**	(1,102.1)

32. Analysis of changes in net debt

Group	1 April 2017 £m	Cash flows £m	Other changes £m	31 March 2018 £m
Cash at bank and in hand	25.5	(5.9)	-	19.6
Bank deposits - less than 24 hours	5.5	24.5	-	30.0
	31.0	18.6	-	49.6
Bank deposits - in excess of 7 days	4.3	(4.3)	-	-
Housing loans due within one year	(35.4)	16.0	(40.1)	(59.5)
Housing loans due after one year	(853.9)	(82.7)	40.1	(896.5)
Bond finance	(250.2)	-	-	(250.2)
Loan premium	(9.2)	-	0.4	(8.8)
Loan and bond arrangement fees	11.3	0.4	(0.8)	10.9
	(1,102.1)	(52.0)	(0.4)	(1,154.5)

33. Financial commitments

Operating leases

At 31 March 2016 the Group was committed to making total minimum future repayments of leases in respect of operating leases other than land and buildings:

	Group		Association	
	2018 £m	2017 £m	2018 £m	2017 £m
Leases which expire				
Within 1 year	**0.9**	1.3	**-**	0.1
Within 2 - 5 years	**1.2**	0.6	**0.1**	-
Total	**2.1**	1.9	**0.1**	0.1

34. Number of units under development at 31 March 2018

	Group		Association	
	Total 2018 No.	Total 2017 No.	Total 2018 No.	Total 2017 No.
General needs	**522**	1,184	**-**	-
Low cost home ownership	**2,024**	512	**1,251**	512
Properties for market sale	**145**	385	**-**	-
Total social housing units	**2,691**	2,081	**1,251**	512

35. Property portfolio

	Group		Association	
	Total 2018 No.	Total 2017 No.	Total 2018 No.	Total 2017 No.
General needs	**24,886**	24,636	**-**	-
Affordable rent	**4,608**	3,815	**-**	-
Intermediate rent	**279**	301	**117**	118
Supported housing	**3,543**	3,534	**-**	-
Total owned by Orbit	**33,316**	32,286	**117**	118
Low cost home ownership	**4,571**	3,981	**4,513**	3,923
Leasehold	**3,147**	3,005	**789**	732
Private retirement schemes	**1,111**	1,111	**-**	-
Owned	**5**	5	**-**	-
Managed on behalf of others	**138**	174	**138**	172
Leasehold and other managed	**4,401**	4,295	**927**	904
Total social housing units	**42,288**	40,562	**5,557**	4,945
Market rent	**93**	11	**-**	-
Commercial units	**36**	37	**-**	-
Total non social housing units	**129**	48	**-**	-
Total units	**42,417**	40,610	**5,557**	4,945

36. Subsidiary organisations and related party transactions

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

Organisation	Status	Principal activity	Country of incorporation	Basis of control by parent undertaking
Registered under the Co-operative and Community Benefit Societies Act 2014				
Orbit South Housing Association Limited (trading as Orbit East & South)	Registered Housing Association and a Registered Society under the Co-operative and Community Benefit Societies Act 2014	Provision of rented housing	England and Wales	Control of membership of the board plus nominal shareholding
Heart of England Housing Association Limited (trading as Orbit Heart of England)	Registered Housing Association and a Registered Society under the Co-operative and Community Benefit Societies Act 2014	Provision of rented and special needs housing	England and Wales	Control of membership of the board plus nominal shareholding
Incorporated under the Companies Act 2006				
Orbit Treasury Limited	Private Limited Company	Group treasury vehicle	England and Wales	Ownership of all issued share capital
Orbit New Homes Limited (Dormant)	Private Limited Company	Development of housing for sale	England and Wales	Ownership of all issued share capital
Orbit Gateway Limited (Dormant)	Private Limited Company	Buying and selling of real estate	England and Wales	Ownership of all issued share capital
Orbit Homes (2020) Limited	Private Limited Company	Design and build company and development of housing for sale	England and Wales	Ownership of all issued share capital
Orbit Capital plc	Public Limited Company	Group bond finance vehicle	England and Wales	Ownership of all issued share capital

36. Subsidiary organisations and related party transactions (continued)

Transactions with non-regulated Group members

During the year the Association has transacted with three fellow group subsidiaries not regulated by the Regulator of Social Housing, Orbit Homes (2020) Ltd, Orbit Treasury Ltd and Orbit Capital plc. Orbit Homes (2020) Ltd provides design and build services to the Group. During the year the Association made payments totalling £13.0 million to Orbit Homes (2020) Ltd for the purchase of housing property assets and has an outstanding creditor balance with Orbit Homes (2020) Ltd of £4.3 million and outstanding debtors of £29.7 million.

Orbit Treasury Ltd and Orbit Capital plc provide a funding on lending service to Group members. During the year the Association paid interest costs to Orbit Treasury plc totalling £1.6 million (2017: £4.0 million) and fees of £0.1 million(2017: £0.3 million). The Association also paid interest costs of £1.2 million (2017: £1.0 million) to Orbit Capital plc. The allocation of these costs is based upon the level of debt required and secured by the housing properties held by the Association.

Related party transactions

The Orbit Heart of England and Orbit South boards also include a member who is an elected representative of Nuneaton and Bedworth Borough Council. During the year Orbit made payments of £18,000 to the Council (2017: £2,000) and received payments from the council of £Nil (2017: £Nil).

A number of the board members are tenants/ leaseholders of the Association or Group. Their tenancies/leases are on normal commercial terms and the members cannot use their position to their advantage. In the current year payments in aggregate to Orbit totalled £16,000 (2017: £10,000). The outstanding amount owed at 31 March 2018 was £Nil.

The Association is exempt from the requirements of Financial Reporting Standard FRS 102 ‘Related Party Disclosures’ to disclose transactions between Group undertakings as all companies are under the control of the board of the parent company. Included with debtors (note 18) and creditors (note 20) are the amounts owed to and owed by other group members.

37. Pension costs

Social Housing Pension Scheme - defined benefit scheme

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123.0 million, liabilities of £4,446.0 million and a deficit of £1,323.0 million. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6 million per annum (payable monthly and increasing by 4.7% each year on 1 April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6 million per annum (payable monthly and increasing by 4.7% each year on 1 April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7 million per annum (payable monthly and increasing by 3.0% each year on 1 April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7 million per annum (payable monthly and increasing by 3.0% each year on 1 April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062.0 million, liabilities of £3,097.0 million and a deficit of £1,035.0 million. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 and 3 deficit contributions.

Where the scheme is in deficit and where the association has agreed to a deficit funding arrangement, the association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

37. Pension costs (continued)

Present values of liability (Group and Association)

	31 March 2018 £m	31 March 2017 £m	31 March 2016 £m
Present value of liability	**18.2**	21.0	22.7

Reconciliation of opening and closing provisions

	Year ending 31 March 2018 £m	Year ending 31 March 2017 £m
Provision at start of year	**21.0**	22.7
Unwinding of the discount factor (interest expense)	**0.3**	0.4
Deficit contribution paid	**(2.8)**	(2.7)
Remeasurements - impact of any change in assumptions	**(0.3)**	0.6
Liability at end of year	**18.2**	21.0

Income and expenditure impact

	Year ending 31 March 2018 £m	Year ending 31 March 2017 £m
Interest expense	**0.3**	0.4
Remeasurements - impact of any change in assumptions	**(0.3)**	0.6

Assumptions

	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	**1.72**	1.33	2.06

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

37. Pension costs (continued)

The following schedule details the deficit contributions agreed between the association and the scheme at each year end period:

Deficit contributions schedule

Year ending	31 March 2018 £m	31 March 2017 £m	31 March 2016 £m
Year 1	**2.9**	2.8	2.7
Year 2	**3.1**	2.9	2.8
Year 3	**2.7**	3.1	2.9
Year 4	**2.2**	2.7	3.1
Year 5	**2.3**	2.2	2.6
Year 6	**2.0**	2.3	2.2
Year 7	**1.6**	2.0	2.3
Year 8	**1.7**	1.6	2.0
Year 9	**0.9**	1.7	1.6
Year 10	**-**	0.9	1.7
Year 11	**-**	-	0.9

The association must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the association's balance sheet liability.

Notes to the Financial Statements

37. Pension costs (continued)

Other pension schemes operated by Orbit Group members

Movement in pension cost liabilities during the year

	Group 2018 £m	Group 2017 £m
Net deficit at 1 April	**(3.7)**	(2.6)
Service costs	**-**	-
Contributions	**0.1**	0.1
Unfunded pensions payments	**-**	-
Net return on assets less interest on pension scheme liabilities	**(0.1)**	(0.1)
Actuarial gain/(loss)	**0.7**	(1.1)
Past service costs	**-**	-
Other finance costs	**-**	-
Gain arising on settlement of liabilities	**-**	-
Settlement of liabilities	**-**	-
Deficit in pension scheme at 31 March	**(3.0)**	(3.7)

Other pension schemes operated by Orbit South Housing Association Limited

(a) Local Government Pension Scheme – Kent County Council

The Association participates in The Local Government Pension Scheme (LGPS defined benefit statutory scheme) which is administered by Kent County Council (KCC). These figures have been prepared in accordance with Financial Reporting Standard 102 (FRS102).

Total employer contributions paid to the scheme for the year were £16,000 (2017: £53,000).

Triennial actuarial valuation

Triennial actuarial valuations of the LGPS are performed by an independent, professionally qualified actuary. The most recent valuation of KCC's scheme was completed as at 31 March 2016 using financial assumptions that comply with FRS 102.

The major financial assumptions used by the actuary in the FRS 102 valuation are:

	2018	2017
Rate of increase in salaries	**3.80%**	4.20%
Rate of increase in pensions in payment and deferred pensions	**2.30%**	2.70%
Discount rate applied to scheme liabilities	**2.55%**	2.70%
Inflation assumption - CPI	**2.30%**	2.70%
Inflation assumption - RPI	**3.30%**	3.60%

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

37. Pension costs (continued)

Life Expectancy from age 65 (years)

		2018 Number	2017 Number
Retiring today	Males	**23.1**	23.0
	Females	**25.2**	25.0
Retiring in 20 years	Males	**25.3**	25.1
	Females	**27.5**	27.4

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.

Triennial actuarial valuations of the LGPS are performed by an independent, professionally qualified actuary. The most recent valuation of Bexley London Borough's scheme was completed as at 31 March 2016 using financial assumptions that comply with FRS102.

	2018	2017
Rate of increase in salaries	**n/a**	3.80%
Rate of increase in pensions payment and deferred pensions	**2.20%**	2.30%
Discount rate applied to scheme liabilities	**2.60%**	2.50%
Inflation assumption - CPI	**2.10%**	2.30%

Life Expectancy from age 65 (years)

		2018 Number	2017 Number
Retiring today	Males	**23.1**	23.0
	Females	**26.1**	26.0
Retiring in 20 years	Males	**25.3**	25.2
	Females	**28.4**	28.3

Notes to the Financial Statements

37. Pension costs (continued)

Scheme assets

	Value at 31 March 2018 £m	Value at 31 March 2017 £m
Equities	**7.1**	8.1
Government bonds	**0.6**	0.1
Other bonds	**1.0**	1.1
Property	**1.4**	1.5
Other – cash	**0.3**	0.3
Absolute return fund	**0.6**	0.3
Other	**1.0**	0.6
Total fair value of assets	**12.0**	12.0
Present value of scheme liabilities	**(15.0)**	(15.6)
Net pension liability	**(3.0)**	(3.6)

Statement of financial position as at 31 March 2018

	Value at 31 March 2018 £m	Value at 31 March 2017 £m
Present value of the defined benefit obligation	**15.0**	15.6
Fair value of fund assets (bid value)	**(12.0)**	(12.0)
Deficit	**3.0**	3.6
Present value of unfunded obligation	**-**	-
Unrecognised past service cost	**-**	-
Impact of asset ceiling	**-**	-
Net defined benefit liability/(asset)	**3.0**	3.6

37. Pension costs (continued)

Scheme liabilities

	2018 £m
Opening defined benefit obligation	**15.6**
Service cost	**-**
Interest cost	**0.4**
Change in financial assumptions	**(0.6)**
Experience loss on defined benefit obligation	**-**
Change in demographic assumptions	**-**
Estimated benefits paid net of transfers in	**(0.4)**
Past service cost	**-**
Contributions by scheme participants	**-**
Unfunded pension payments	**-**
Closing defined benefit obligation	**15.0**

Reconciliation of opening and closing balances of fair value scheme assets

	2018 £m
Opening fair value of scheme assets	**11.9**
Interest on assets	**0.3**
Return on assets less interest	**0.1**
Other actuarial gains	**-**
Administration expenses	**-**
Contributions by employer including unfunded	**0.1**
Contributions by scheme participants	**-**
Estimated benefits paid net of transfers in and including unfunded	**(0.4)**
Fair value of scheme assets at the end of the year	**12.0**

37. Pension costs (continued)

Analysis of amounts charged to income and expenditure

	2018 £m	2017 £m
Amounts charged to operating costs		
Service costs	**-**	-
Net interest on the defined liability (asset)	**0.1**	0.1
Administration expenses	**-**	-
	0.1	0.1

Movement in deficit during the year

	2018 £m	2017 £m
Deficit in pension scheme at 1 April 2017	**(3.6)**	(2.5)
Service costs	**-**	-
Contributions	**0.1**	0.1
Unfunded pension payments	**-**	-
Other finance costs	**-**	-
Past service costs	**-**	-
Net return on assets less interest on pension scheme liabilities	**(0.1)**	(0.1)
Actuarial gains/(losses)	**0.6**	(1.1)
Deficit in pension scheme at 31 March 2018	**(3.0)**	(3.6)

38. Non-consolidated management arrangements

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

39. Post balance sheet events

On 7 June 2018 we raised a bond to the value of £450.0 million.

40. Prior period adjustments

We have amended our estimate of the interest rate applicable to our capitalised borrowing costs to reflect the group's Weighted Average Cost of Capital (WACC) with effect from the date of transition to FRS 102. This has given rise to the adjustments to reserves and the prior period comparative as below:

	Group £m	Association £m
Reserves at 1 April 2016	348.7	194.6
Capitalised interest adjustment	12.6	1.6
Restated surplus year end 31 March 2017	64.9	34.7
Actuarial loss in respect of pension schemes	(1.7)	(0.6)
Change in fair value of hedged financial instrument	(3.8)	-
Reserves at 31 March 2017	420.7	230.3

Restated surplus for the year ended 31 March 2017

Original surplus for the year	55.7	33.8
Capitalised interest	9.2	0.9
Surplus for the year	64.9	34.7
Actuarial loss in respect of pension schemes	(1.7)	(0.6)
Change in value of hedge	(3.8)	-
Total comprehensive income	59.4	34.1

Dancing the day away.
In 2017 we held over 45 celebratory events for our customers as we celebrated 50 years as an organisation. Here our customers celebrate with us at Saxon House, one of our extra care schemes in Loddon, near Norwich

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