

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010



Building Brighter Futures...

for people and communities



ORBIT SOUTH HOUSING ASSOCIATION LIMITED

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**Industrial and Provident Society
Number 27802R**

**Tenant Services Authority
Number L4060**

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS

GROUP RESTRUCTURE

The structure that was put in place for the Group last year has continued to evolve as we move forward on our journey to be great.

Orbit South has now developed a strong presence south of the Thames, and during the year we sought to capitalise on this strength by moving the management of our Orbit East General Needs homes to Orbit South. This has enabled us to combine the management of our homes both North and South of the Thames down the East of the country, whilst still maintaining our separate brands and regional focus. The management of the Supported Homes in Orbit East has moved to Orbit Heart of England, to utilise the unique skills and expertise of their Supported Housing and Older Persons (SHOPs) team.

In the summer of last year, the Group decided to expand the range of choices that we offer our customers by developing homes for outright sale, and as a result Orbit Homes (2020) Limited was formed (known as 'Orbit Homes'). Orbit Homes will provide a design and build service for all developing members of the Orbit Group, as well as building homes for outright sale. The management of Orbit First Step (OFS) and Orbit Private Retirement Leasehold homes (Orbit PRL) also transferred to Orbit Homes, although the ownership of the shared ownership retained equity remains with Orbit Group Limited.

Work is currently underway to transfer the leasehold management of the shared ownership homes from OFS to Orbit East, Orbit South and Orbit Heart of England, as we continue our journey to provide a good quality, consistent service to our customers, regardless of the tenure of their home. This will mean that Orbit Homes will be able to focus on the development and sale of all new homes in the Group, across a variety of tenures and be well placed to be able to react swiftly to changes in the market place.

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

BOARD MEMBERS

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

Name	Role	Appointed	Left
Ronald Foster (Chair)	Independent	10/02/00	
Barbara Bilson	Independent	22/11/07	
Malcolm Bushell	Independent	01/10/07	30/11/09
Leslie Curtis	Resident Member	23/02/06	14/04/09
Simon Goding	Resident Member	01/10/07	
Vic Hester	Independent	09/09/03	
Roger Jennings	Independent	01/10/07	
Ambrose Jesuwant	Independent	20/09/05	31/01/10
Glyn Kyle	Independent Member	11/02/09	
Terence McGlone	Independent	23/02/06	
Vanessa Nicholls	Resident Member	01/10/07	
Trevor Willington	Independent Member	11/02/09	
Jane Ball	Independent	19/11/09	
Alan Squirrel	Independent	10/03/10	
Russ Munton	Resident Member	10/03/10	

EXECUTIVE OFFICERS

V Knibbs	Managing Director
J Andrews	Director of Neighbourhood Services
D Collick	Director of Property Services
M McCann	Divisional Development Director
S Olah	Divisional Finance Director
K Nash	Human Resources Business Partner

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

AUDITORS

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

PRINCIPAL SOLICITORS

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

REGISTERED OFFICE

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW

SOCIAL LANDLORD'S BUSINESS, OBJECTIVES AND STRATEGY

At the end of the year Orbit South Housing Association Limited owned and/or manages just under 15,200 homes situated in the east and south of England, predominantly in Kent, Sussex, the London Borough of Bexley, Norfolk and Suffolk.

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

Ambition for the Group

The Orbit Group is a federal structure. As such, all parts of the Group, whilst delivering their own plans, do so within the Group framework. All of our plans are linked and 'talk' to each other.

We seek to operate a golden thread in which all of us are able to see how what we do in our own teams and our won role are linked to the overall aims of our part of the organisation and the Orbit Group.

The enduring ambition of the Orbit Group is that of: "Building Brighter Futures for people and communities".

Objectives for the Group

The Orbit Group has a 5 year business plan which aims to go from good to great. By 2013 we wish to be great in all we do. To deliver this outcome we have three strategic objectives, and for each we have outcomes we would wish to achieve by 2013.

- **CUSTOMER**

Creating great customer services by becoming a top quartile performer in key indicators, being passionate about understanding our customers' needs, treating every customer as an individual and exceeding our customers' expectation. Measured by the quality of our engagement with our customers that enables them to shape service provision and delivery; demonstrating our accountability to customers and continually improving our performance; being assessed as providing excellent services.

- **PLACE**

Creating great places where people want to live through supporting successful neighbourhoods, offering a wide range of choice, and providing an innovative approach to the development of new neighbourhoods. Measured by the quality of the local environment; engagement with local residents and the community; the range of high quality sustainable homes meeting residents' needs; and the quality of our existing homes.

- **ORGANISATION**

Being a great organisation where we run things well, provide a great place to work, have sound finances, deliver value for money, and have a strong external reputation. Measured by our financial viability and demonstration of real value for money; the quality and ability of our staff team to deliver the aspirations of customers and live the values and culture of Orbit; and the quality of the tools and infrastructure to innovate and drive forward our services to our customers.

Since 2003 Orbit has progressively improved its position by being more focussed, better structured and increasingly more effective. We believe that we have created an excellent platform for the Group's future.

The culture and behaviour that support our delivery of services are enshrined in our values of:

HONESTY INNOVATION EXCELLENCE PARTNERSHIP RESPECT

Our journey from good to great is broken down in steps each financial year through to 2013. Each of the business plans in the Group are linked and work towards this common purpose, creating a golden thread that aligns our effort, resources and people. They also support our collective and individual aspiration to make a real and demonstrable difference to people's lives.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW

Objectives for the Group (Continued)

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

We recognise the level of ongoing change in our sector, the continuing difficulties faced by the world's financial markets, and the changes to the political environment and the impacts these are likely to have on our proposals. We continually monitor our position and that of others, to ensure that we plan for and react quickly to the changing environment and minimise the risks that we face.

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

OPERATING REVIEW

Performance in the Year

Financial performance in the year has outperformed budget, with a surplus for the year of £2.37 million compared to the budgeted surplus of £1.78 million. The variance was mainly as a result of £1.4 million savings in interest costs, which helped to fund the early commencement of £0.9 million of Decent Homes work originally planned for 2010/11.

The development programme has progressed well during the year with 149 new homes being transferred into management in the year. There are a further 410 homes under development and it is anticipated that 221 of these homes will be completed and come into management during 2010/11.

The Audit Commission carried out an inspection of Orbit South in the Spring of 2008. The service was assessed as 1 star with promising prospects for improvement. This was an excellent result in a business that had only completed a merger in October 2007 and was going through a process of immense change. 25 recommendations were made for improvements and these were all delivered to the full satisfaction of the TSA, by the deadline of July 2009.

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

- Took over the management of the Orbit Group's rented homes in the east region on 1st October 09, to ensure more effective use of resources leading to ongoing savings.
- Completed a restructure within the east region to streamline the operation and ensure the organisation can deliver improved services for customers in the future.
- Implemented a further stage of the Office Strategy, with the relocation of the Cheam office to Redhill.
- Developed our benefits advice services to support and help tenants apply for and secure welfare benefits they are entitled too, resulting in increased income.
- Focused on preventative work with young people to reduce the levels of anti-social behaviour, for example partnership working with Charlton Athletic Football Club in Bexley, and with Brighton & Hove Albion in Hastings.
- Worked in partnership to tackle worklessness amongst young adults by providing apprenticeship opportunities with our repairs contractors, and participating in the government's Future Jobs Fund initiatives offering work opportunities within the Orbit South teams.
- Progressed the master planning of the regeneration of the Larner Road estate in Bexley where homes need to be replaced to provide the quality of homes and environment we aspire to deliver.
- Continued to respond effectively to the needs of older people in Thanet through the completion of an excellent extra care scheme, one of the first to be built to highly sustainable standards and to offer personalised care. The scheme is highly regarded and has received an excellent inspection result in its first year.
- Developed our governance structure to include a new service board in the east, to oversee performance and service delivery in this region.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW

Dynamics of the Social Landlord

The drive to improve delivery and efficiency has continued throughout the last year. The Orbit Group's ambition is to run a highly efficient and effective organisation; an organisation which is cost effective and which strives to drive down costs whilst improving the quality of service provision to our residents. Value for Money (VFM) means making the best use of resources available whilst recognising at all times that quality must not be diminished. The Orbit Group has embraced the Government's efficiency agenda, and is continuing to review and refine the way in which it procures planned and responsive maintenance works and other major areas of expenditure with a view to achieving further efficiencies in this area. VFM maps have been established for the Group defining and delivering both efficiencies and savings.

The requirement to address Decent Homes Standard (DHS) by 2010 has emphasised the importance of investing in existing homes and ensuring the quality of asset management strategies, and we continue to be on target to achieve this within the required timescales. Work is ongoing to plan the next standard for our stock investment programme once the DHS programme has been completed. Rent restructuring has also had a significant effect on the sector, and the Group continues to be mindful of its capped income and the need to increase efficiencies and economies.

We recognise the need to work more closely and in partnership with our residents, and during the last year new service standards have been agreed across the Group in consultation with our residents. Moment of Truth surveys were introduced for three key service areas, with feedback from residents being used to drive service improvements, and the Group Complaints and Compliments procedure has been revised to capture customer feedback more effectively and apply the learning.

All Associations within the Group for whom rent restructuring is applicable have Rent Plans that are fully compliant with the rent restructuring guidelines and timetable previously issued by the Tenant Services Authority (formerly the Housing Corporation).

All Group Members continue to work well within and meet all of their loan covenants.

Investment for the future

Orbit South has implemented a new organisational structure with effect from 1 April 2009. This will provide the platform to drive ambitions around service delivery, Value For Money, greater customer engagement and local accountability.

Orbit South has responded positively to the opportunities arising from the credit crunch and received grant funding of £21 million in 2009/10. The Orbit Group is an approved Development Partner identified by the HCA in a number of the local authority areas in which we work. New developments are fully compliant with the principles of 'rethinking construction' and meet the minimum requirements of the National Affordable Housing Programme 2008-11.

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

FINANCIAL REVIEW

Capital structure and Treasury Policy

At 31 March 2010, the balance sheet shows housing properties of £417.4 million, other tangible fixed assets of £2.2 million and other net liabilities of £17.5 million are financed by grants £215.7 million (53.5%), loans and long term creditors of £176.5 million (44.1%), pension liability of £3.3 million (0.8%) and accumulated reserves of £6.5 million (1.6%).

The depreciation policy for Orbit South Housing Association Limited is that it depreciates its properties over the average economic life of those properties. The Association has reviewed its property portfolio to ensure there has been no impairment in the carrying value of individual schemes or offices. No impairment provisions have been deemed necessary this year.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW

Capital structure and Treasury Policy (Continued)

The Association has adopted FRS17 (accounting for pensions) in full. The pension liability on the balance sheet at 31 March 2010 was £3.3 million (2009: £1.8 million).

From 1 October 2007, the major loans of all the Group Members at that date were re-routed through a group treasury vehicle, Orbit Treasury Limited. During the year, Orbit Treasury Limited entered into six new swaps with four organisations. The notional value of these transactions is £96 million. Three of the swaps totalling £36 million relate to the acquisition of properties from Chiltern Hundreds Charitable Housing Association, and comprise swaps of £11 million and £13 million callable after 10 and 20 years respectively and a swap of £12 million which is fixed for a term of 23 years. The remaining 3 swaps comprise two 20-year £15 million forward fix swaps starting in April 2013 and 2014, and a £30 million forward fix starting in May 2012. All of these transactions were in sterling. In June 2009, Orbit Treasury Limited extended the group facility with Abbey National Treasury Services by a further £50 million.

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

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

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

The treasury policy adopted by Orbit Group Limited is a Group policy, and is enacted through Orbit Treasury Limited.

Cash flow and liquidity

The cash inflow from operating activities during the year was £17.9 million (2009: £3.1 million).

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

Going concern

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

Conclusion

The successful creation of Orbit South as a single legal entity has provided a platform from which we are delivering more efficient and effective services to residents, and investing more effectively in neighbourhoods across the region.

On behalf of the Orbit South Housing Association Limited Board



Ron Foster
Chair
19 August 2010

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

HOUSING ASSOCIATION GOVERNANCE

Governance

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

NHF Code of Governance

The Board adopts in full the National Housing Federation's Code of Governance. We confirm that Orbit South Housing Association Limited complies with the Code of Governance in all material aspects.

Board of Management

During the year the Board's name was changed to Orbit East and South Board to reflect the change in governance arrangements following the transfer of management of Orbit East's General Needs homes to Orbit South. The Orbit East and South Board Members during the year are listed on page 2.

The Board comprises up to twelve non-executive members, excluding co-optees. At least one third of board members must be independent persons, and not more than one third of members may be tenants/leaseholders. Thus the Board Members are drawn from a wide background bringing together professional, commercial and local experience. The Chair of Orbit East and South also sits on the Orbit Group Board, the Governing Board of Orbit Group Limited ("OGL"). All Members of the Orbit Group Board are paid in relation to their responsibilities on that Board.

The Board meetings have been based on a two monthly cycle and the Board has in place two Sub-Committees, which are the Service Boards for Orbit East and Orbit South, to allow the Board to focus on strategic matters.

A representative of the Board will sit on each of the following Group Committees of Orbit Group Limited: Group Audit Committee and Group Services Committee.

The Board delegates the day to day management of Orbit South and Orbit East's General Needs homes to the Executives and staff. Certain Executives and staff attend the Orbit East and South Board meetings. The Board and the Sub-Committees obtain external specialist advice from time to time as necessary.

Resident Involvement

Orbit East and Orbit South are committed to involving residents in decisions affecting their homes. Up to one third of places on the Orbit East and South Board are reserved for residents. There are 4 places for residents on each of the Service Boards.

Orbit South and Orbit East have a number of Residents' Fora across the regions which meet quarterly, and at which key documents and processes are discussed and for which residents views are sought. The fora have proper constitutions which govern the way in which meetings take place.

Performance Monitoring

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

Housing Ombudsman Service

There was one case dealt with by The Ombudsman service during the year; on which the company awaits judgement.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

HOUSING ASSOCIATION GOVERNANCE

Responsibility for the System of Internal Control

The Orbit East & South Board acknowledges that it has the overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness to provide the necessary assurances in accordance with the requirements of the TSA circular 07/07.

Scope of Assurance

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

Risk Management Process

The Association has in place a comprehensive and robust Risk Management Strategy & Framework, which is fully compliant with the requirements of the TSA and is based on best practice across the public and private sectors.

The process for the identification and management of risks is an ongoing process and has been in place throughout the year under review. The control environment to manage these risks is continually evaluated and monitored by the Orbit East & South Board. The lead person for the Association on risk management is the Orbit East & South Managing Director and the Internal Audit Team as part of an audit review assess whether the control measures stated by Officers as in place and working, are actually effective. The findings of which are reported in Audit Reports and the process is that any significant anomalies are reported to the Orbit East & South Managing Director and the Orbit East & South Board. The Group's Audit Committee monitors the implementation of the Group Strategy and plan for Risk Management. The overall responsibility for risk management for the Association remains with the Orbit East & South Board.

Process for Reviewing the Effectiveness of the Internal Control System

The Orbit East & South Board has established a robust and comprehensive framework to assess the effectiveness of the internal control system. The framework comprises of different sources of assurance the more significant ones being Internal Audit, the Group Audit Committee, External Audit, the Association's Senior Management Team and the TSA. In addition, a major component of this assessment is the risk management process described above.

Briefly the key features are:

- The Orbit East & South Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The Board also regularly reviews key performance indicators to assess the progress towards the achievement of key business objectives, targets and outcomes.
- Orbit East & South has in place a comprehensive Internal Audit Plan. The plan covers financial and non-financial areas of Orbit East & South's business and assurances in all of the significant areas of the Association's activity is provided by the Internal Audit Team. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from these reports. Additionally, as part of each audit review, the Internal Audit Team follow up the previous year's recommendations and the extent to which these have been implemented form part of the Audit Report. Some work has been done to improve the reporting systems to monitor recommendations which have not been implemented both at managing Director and Board level.
- In accordance with good practice, the Group Audit Committee presented a report to the Orbit East & South Board outlining its work in 2009/10 to support the assurance work on internal controls. It should also be noted that the Group Risk and Compliance Director reports directly to the Group Chief Executive and has direct access to the Group Audit Committee.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

HOUSING ASSOCIATION GOVERNANCE

- The Orbit East & South Board receives an annual report from the Managing Director outlining the work undertaken and a corresponding opinion on the adequacy and effectiveness of the system of internal controls. In addition, the Group Audit Committee reviews reports from management, internal auditors and external auditors to provide reasonable assurance that control procedures are in place and are being followed across the Group.

Control Environment

The Association has a number of measures in place to instil and encourage a suitable culture of effective internal control. These mechanisms include the following:

- It has adopted the Group Standing Orders which include appropriate delegations of Authority, signatories and mandates. A copy of the Group's Standing Orders is available to all staff and compliance is an implied term of an employee's contract of employment.
- The Association has adopted the NHF Code of Governance, which provides guidance to members on best practice in the governance of Housing Associations, and the 'Terms of Reference', for Board and its Committees is based on the guidance therein.
- Formal policies and procedures are in place, including the documentation of key systems. A number of these are being reviewed and updated both at a Group and local level.
- The Board is able to confirm that all property, assets and activities of Orbit East & South are properly documented, managed, and insured. The Board receives adequate information and professional advice to be able to make decisions in relation to Orbit East & South's property and assets and to confirm that all property and assets are under the control of the Association.
- Annual appraisal procedures are well established for staff, appropriate training and development opportunities are offered to all staff to maintain standards of performance.
- Forecasts and budgets are prepared which allow the Board and management to monitor the key business risks and financial objectives. Regular management accounts are prepared which provide relevant, reliable and up-to-date financial and other information. Significant variances from budgets are investigated and reported.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through Board Members and others as appropriate including comprehensive risk assessments.
- The Group Audit Committee reviews reports from management, internal auditors and external auditors to provide reasonable assurance that control procedures are in place and are being followed across the Group. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from these reports.
- A Staff Handbook exists, the sections of which include staff conduct (e.g. whistle blowing, hospitality, gifts email, etc), health & safety, equal opportunities and other organisational policies (e.g. Data Protection).

Fraud

The Group complies with the TSA's requirements on fraud. The TSA's requirements and the Group's approach on fraud are reflected in a revised Policy and Fraud Response Plan which were approved in 2008/09. Relevant cases are reported to the TSA. The Group Standing Orders outline a policy on responding to suspected fraud and corruption. A fraud register is maintained and reviewed regularly by the Group Audit Committee and reported to the Orbit Group Board.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

HOUSING ASSOCIATION GOVERNANCE

Board's Conclusion

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

The Board confirms that the process for identifying, evaluating and managing significant risks faced by the Association is ongoing and has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board. There is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year. No fundamental weaknesses were identified which required disclosure in the financial statements.

On behalf of the Orbit South Housing Association Limited Board



Ron Foster
Chair
19 August 2010

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

The Board present their report and audited financial statements for the year ended 31 March 2010.

The Association

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

The Association manages a number of housing schemes providing accommodation for rent. At 31 March 2010 it owned housing properties with a historic cost of £417.4 million (2009: £393.9 million). The Managing Director is employed by Orbit Group Limited. Services are provided to Orbit South Housing Association Limited via a Services Agreement. During the year a range of Corporate Services were provided by the parent body Orbit Group Limited, as set out in the Intra-Group Agreement and individual Customer Supplier Agreements.

Principal Activities

The principal activity of the Association is the management and development of social housing. An operating and financial review of the year's activities appears on pages 4 to 7.

Board Members and Executive Officers

The present Board Members together with the dates of any changes are set out on page 2. The Rules provide that the total Board Membership shall consist of up to twelve members excluding co-optees. All Members of the Orbit Group Board and the Operating Association Strategic Boards are paid in relation to their responsibilities for the Board (note 6). Payment started with effect from September 2004 for Orbit Group Board members, and has now been introduced for all Operating Association Strategic Board members.

The Executive Officers hold no interest in the Association's shares and have no legal status as directors although they act as executives within the authority delegated by the Board.

Members of Staff

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

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

We will ensure that employees have the skills, knowledge and motivation to deliver excellent services for our customers in line with our 'customer first' approach, and that we have confident, capable people managers who are able to work together to deliver results. Various recognition awards for staff have been introduced, including 'Can Do' awards, and Orbit Group Oscars. We continue to train and develop our people by providing opportunities for in-house training and conferences, together with financial support to attend various professional and vocational courses. During the last year, we have launched the 'Orbit Academy' as a 'Centre of Excellence' to enhance and support the learning and development of both residents and staff.

Following the introduction of new leadership standards and a competency framework last year, we have now developed a new performance management framework, ensuring that every member of staff understands their role in achieving Orbit's ambitions. The Leadership and Management Development Programmes for the Group Executive Team, the Group Leadership Team and senior managers within the Group are proving to be both popular and successful, and form part of our fresh approach to developing our potential and growing our leaders.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

Creditors Payment Policy

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

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

Health and Safety

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

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

Donations

During the year the Association did not make any donations to charitable organisations.

Statement of the responsibilities of the Board for the financial statements

The Industrial and Provident Societies Acts and Registered Social Housing legislation require the Board to prepare financial statements for each year, which give a true and fair view of the state of affairs of the Group and of the surplus for that year. In preparing those financial statements the Board has:

- Selected suitable policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent;
- Followed applicable accounting standards and the 2008 Statement of Recommended Practice: "Accounting by Registered Social Landlords" (2008 SORP);
- Prepared the financial statements on a going concern basis.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It is also responsible for maintaining an adequate system of internal control and safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Annual General Meeting

The annual general meeting will be held on 19 August 2010 at 14 St Matthews Road, Norwich, NR1 1SP.

Auditors

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

The report of the Board was approved on 19 August 2010 and signed on its behalf by:



Vivien Knibbs
Secretary

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

Independent Auditors' Report to the members of Orbit South Housing Association Limited

We have audited the financial statements of Orbit South Housing Association Limited for the year ended 31 March 2010 which comprise the Income and Expenditure account and Balance Sheet, Cash Flow Statement, Statement of Recognised Surpluses and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them 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 and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Management and auditors

As described in the statement of the Board's Responsibilities, the Association's Board is responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the Board of Management Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the directors' remuneration and transactions is not disclosed.

We read the report of the Board and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- Give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2010 and of its surplus for the year then ended.
- Have been properly prepared in accordance with the Industrial & Provident Societies Acts 1965-2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.



22 September 2010

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE For the Year Ended 31 March 2010

	NOTES	2010 £'000	2009 £'000
Turnover	2/3	53,322	50,504
Operating Costs	2/3	(43,317)	(43,919)
Operating Surplus	4	10,005	6,585
Surplus on Sale of Housing Properties	5	11	24
Surplus on Ordinary Activities before Interest		10,016	6,609
Interest Receivable and Similar Income	8	2	42
Interest Payable and Similar Charges	9	(8,298)	(9,133)
Other Income/(Expenditure)		(150)	(43)
Surplus/(deficit) on Ordinary Activities before Donations		1,570	(2,525)
Donation receivable		804	804
Surplus/(deficit) on ordinary activities before taxation		2,374	(1,721)
Tax on Surplus on ordinary activities	10	-	-
Surplus/(deficit) for the Financial Year		2,374	(1,721)
Transfer to Designated reserves		(293)	(163)
Revenue Reserves brought forward	22	3,720	6,417
Pension Scheme actuarial (loss)/gain	7	(1,629)	(813)
Revenue Reserves at 31 March	22	4,172	3,720

All amounts derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS For the Year Ended 31 March 2010

		2010 £'000	2009 £'000
Surplus/(deficit) for the Financial Year		2,374	(1,721)
Transfer to Designated Reserve		(293)	(163)
Pension Scheme actuarial (loss)	7	(1,629)	(813)
Total recognised Surplus/(Deficit) for the year		452	(2,697)

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

BALANCE SHEET

At 31 March 2010

	NOTES	2010		2009	
		£'000	£'000	£'000	£'000
Tangible Fixed Assets					
Housing Properties at Cost	11	417,357		393,858	
Less: Social Housing Grants	11	(214,183)		(194,820)	
Less: Other Public Grants	11	(1,529)		(351)	
			201,645		198,687
Other Tangible Fixed Assets	12		2,182		2,137
			<u>203,827</u>		<u>200,824</u>
Current Assets					
Stock		5		4	
Debtors	13	5,546		4,502	
Investments & Short Term Deposits	14	-		-	
Cash at Bank and in Hand		497		979	
			6,048		5,485
Creditors: Amounts falling due within one year	15	(23,509)		(23,824)	
NET CURRENT LIABILITIES			(17,461)		(18,339)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>186,366</u>		<u>182,485</u>
Creditors: Amounts falling due after more than one year					
RCGF and DPF	16		176,019		174,017
Pension Liability	17		485		737
	21		3,343		1,846
Capital and Reserves					
Called Up Share Capital	19	-		-	
Designated Reserves	20	2,347		2,165	
General Reserves	22	4,172		3,720	
Association's Funds			6,519		5,885
			<u>186,366</u>		<u>182,485</u>

The financial statements on pages 15 to 42 were approved by the Board on 19 August 2010 and signed on its behalf by:



.....
Ron Foster
 CHAIR



.....
Terence McElane
 BOARD MEMBER



.....
Vivien Knibbs
 SECRETARY

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

CASHFLOW STATEMENT

For the Year Ended 31 March 2010

	2010		2009	
	£'000	£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 25)		17,900		3,115
Returns on Investments and Servicing of Finance				
Interest Received			42	
Interest Paid	(7,943)		(8,575)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(7,930)		(8,533)
Taxation payment	(2)		-	
Donation from parent (Gift Aid)	804		804	
		802		804
Capital Expenditure and Financial Investment				
Acquisition and Construction of Housing Properties	(40,542)		(9,189)	
Acquisition and Construction of Housing Properties on Restructure	-		-	
Sale of Housing Properties	143		344	
Grants received	26,163		4,603	
Grants transferred on restructure	-		-	
Purchase of Other Fixed Assets	(176)		(114)	
Acquisition of Reserves on Restructure	-		-	
Sale of Other Fixed Assets	-		1	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT ACTIVITIES		(14,412)		(4,355)
NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(3,640)		(8,969)
Management of Liquid Resources and Financing (Note 27 & 28)				
<u>(i) Liquid Resources</u>				
Decrease/ (Increase) in Bank Deposits (with a maturity in excess of 24 hours)	-		-	
<u>(ii) Financing</u>				
Housing Loans Received on Restructure from Group	40,558		40,499	
Intercompany Loans transferred on Restructure	-		-	
Housing Loans transferred on Restructure	-		-	
Housing Loans Repaid	(37,400)		(31,716)	
Loan Arrangement Fees	-		-	
<u>(iii) Pension Scheme Liability (Note 7)</u>				
Pension Scheme Contributions paid	-		-	
NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING		3,158		8,783
DECREASE IN CASH AT BANK AND IN HAND (Note 28)		(482)		(186)

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

1 PRINCIPAL ACCOUNTING POLICIES

Legal Status

Orbit South Housing Association Limited is incorporated under the Industrial & Provident Societies Act 1965 and registered with the Tenants Services Authority as a Registered Social Landlord as defined by the Housing Act 1996. The Parent Body is Orbit Group Limited.

Basis of Accounting

The financial statements have been prepared in accordance with applicable Accounting Standards and Statements of Recommended Practice of the United Kingdom. The financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 to the Housing Act 1996, the Accounting Requirements for Registered Social Landlords General Determination 2006, and the Statement of Recommended Practice (SORP) published by the National Housing Federation in 2008 "Accounting for Registered Social Landlords". The financial statements are prepared on the historical cost basis of accounting. In 2006-07 the Association adopted FRS17 Retirement Benefits.

Group Services

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

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

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

Turnover

Turnover represents rental and service charge income receivable, revenue grants from local authorities, and other income. All income is recognised on a receivable basis.

Housing Properties

Housing properties

Housing properties comprise the cost of acquiring land and buildings, development costs and attributable interest charges incurred during the development period and the capital element of expenditure incurred in respect of the stock improvement programme.

Freehold land is not depreciated. Housing properties are shown at cost. Depreciation is charged so as to write down the value of freehold properties on a straight-line basis over their estimated useful economic lives. General needs houses and flats and sheltered properties are all believed to have useful economic lives of between 75 and 100 years. Acquired properties are depreciated over their estimated remaining economic lives.

Non housing assets

Non-housing properties are stated at cost, less accumulated depreciation and capital grants. Depreciation is charged 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%
Computer equipment	20%-25%
Fixtures, Fittings and Other Equipment	20%-25%

Freehold offices are shown at cost less depreciation.

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Social Housing Grant (SHG) and Other Grants

Where Social Housing Grant (SHG) from the Homes and Communities Agency (HCA) or Local Authorities, or capital grants from other bodies, have been received as a contribution towards the capital costs of a scheme, such grants are shown on the face of the balance sheet as a deduction from the cost of housing properties.

Where SHG is received on items treated as revenue expenditure, e.g. elements of major repair expenditure, it is treated as a revenue grant and credited to the Income and Expenditure Account and disclosed separately within the turnover note.

SHG may be repayable in certain circumstances, even where it has been treated as a revenue grant for accounting purposes, such as where the development of a property is not completed.

At the balance sheet date if the SHG or other grants received or receivable on the development programme as a whole are greater than gross cost, the difference is treated as included in creditors falling due within one year and disclosed as SHG and other grants in advance.

Where SHG is to be recycled or repaid on the disposal of housing properties, the SHG to be recycled or repaid less the SHG relating to the disposal is treated as abated SHG and treated as a surplus or deficit on disposal.

Capitalisation of Interest and Administration Costs

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

Leased Assets

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

Pension Costs

The association operates a defined benefit funded pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The requirements of FRS17 Retirement Benefits are now fully reflected in the financial statements and associated notes. Note 7 provides a summary of the pension valuation report, together with prior year statements which state last year's revenue and reserves. For funding purposes, surpluses or deficiencies are dealt with as advised by the actuary.

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

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

Impairment

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Cyclical Repairs and Maintenance

Due to the number of properties held and the establishment of regular programmes of repair and maintenance, the Association does not make provision for future works but charges actual costs incurred to the Income and Expenditure account.

Disposal of Housing Properties

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

Works to Existing Housing Properties

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

Disposal Proceeds Fund

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

Value Added Tax

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

Taxation

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

Designated Reserves

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

Supporting People Income and Costs

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010

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

	2010		
	Turnover £'000	Operating Costs £'000	Operating Surplus/ (Deficit) £'000
SOCIAL HOUSING LETTINGS (Note 3a)	<u>51,399</u>	<u>(41,493)</u>	<u>9,906</u>
Other Social Housing Activities			
Managed Associations	473	(242)	231
Home Ownership Services	648	(884)	(236)
Supporting People	538	(664)	(126)
Non-Social Housing Activities (Note 3b)			
Other	264	(34)	230
	<u>53,322</u>	<u>(43,317)</u>	<u>10,005</u>
	2009		
	Turnover £'000	Operating Costs £'000	Operating Surplus/ (Deficit) £'000
SOCIAL HOUSING LETTINGS (Note 3a)	<u>48,717</u>	<u>(42,073)</u>	<u>6,644</u>
Other Social Housing Activities			
Managed Associations	288	(138)	150
Home Ownership Services	714	(1,066)	(352)
Supporting People	570	(630)	(60)
Non-Social Housing Activities (Note 3b)			
Other	215	(12)	203
	<u>50,504</u>	<u>(43,919)</u>	<u>6,585</u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

3a INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2010			
	General Needs Housing £'000	Supported Housing £'000	Key Worker Accom. £'000	Total £'000
INCOME				
Rents receivable net of identifiable service charges	44,948	1,457	425	46,830
Service Charges	4,443	480	242	5,165
Gross Rent Receivable	49,391	1,937	667	51,995
Less: Rent losses from voids	(855)	(83)	(64)	(1,002)
Net rents receivable	48,536	1,854	603	50,993
Other Income	383	23	-	406
TOTAL INCOME	48,919	1,877	603	51,399
EXPENDITURE				
Services	(4,903)	(723)	(256)	(5,882)
Management	(6,983)	(323)	(10)	(7,316)
Routine Maintenance	(10,241)	(422)	(46)	(10,709)
Planned Maintenance	(13,867)	(371)	(15)	(14,253)
Rent Losses from Bad Debts	(815)	(14)	(1)	(830)
Depreciation of Housing	(2,400)	(66)	-	(2,466)
Lease Charges	(37)	-	-	(37)
TOTAL EXPENDITURE	(39,246)	(1,919)	(328)	(41,493)
OPERATING SURPLUS/ (DEFICIT) ON LETTINGS	9,673	(42)	275	9,906

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

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

	2009			
	General Needs Housing £'000	Supported Housing £'000	Key Worker Accom. £'000	Total £'000
INCOME				
Rents receivable net of identifiable service charges	42,168	1,288	404	43,860
Service Charges	4,508	512	228	5,248
Gross Rent Receivable	<u>46,676</u>	<u>1,800</u>	<u>632</u>	<u>49,108</u>
Less: Rent losses from voids	(748)	(49)	(39)	(836)
Net rents receivable	<u>45,928</u>	<u>1,751</u>	<u>593</u>	<u>48,272</u>
Other Income	437	8	-	445
TOTAL INCOME	<u><u>46,365</u></u>	<u><u>1,759</u></u>	<u><u>593</u></u>	<u><u>48,717</u></u>
EXPENDITURE				
Services	(4,310)	(584)	(229)	(5,123)
Management	(7,698)	(381)	(377)	(8,456)
Routine Maintenance	(9,242)	(421)	(14)	(9,677)
Planned Maintenance	(15,540)	(603)	(11)	(16,154)
Rent Losses from Bad Debts	(173)	(21)	(1)	(195)
Depreciation of Housing	(2,343)	(50)	-	(2,393)
Lease Charges	(17)	-	-	(17)
Impairment	(58)	-	-	(58)
TOTAL EXPENDITURE	<u><u>(39,381)</u></u>	<u><u>(2,060)</u></u>	<u><u>(632)</u></u>	<u><u>(42,073)</u></u>
OPERATING SURPLUS/ (DEFICIT) ON LETTINGS	<u><u>6,984</u></u>	<u><u>(301)</u></u>	<u><u>(39)</u></u>	<u><u>6,644</u></u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

3b TURNOVER FROM NON-SOCIAL ACTIVITIES

	2010 £'000	2009 £'000
Lettings		
Commercial Premises	207	186
Other	57	29
	<u>264</u>	<u>215</u>

4 OPERATING SURPLUS

	Note	2010 £'000	2009 £'000
Operating Surplus is Stated after Charging/(Crediting)			
On Fixed Assets Other than Housing Properties:			
- Depreciation	12	130	129
- Provision for Impairment	12	1	22
Housing Properties Depreciation	11	2,466	2,393
(Surplus) on disposals	5	(11)	(24)
Operating Leases		-	-
Provision for Impairment		-	36
Auditor's Remuneration:			
- In their capacity as Auditors		31	59

5 SURPLUS ON SALE OF HOUSING PROPERTIES

	2010 £'000	2009 £'000
Proceeds from disposal	168	500
Cost of sales	(132)	(370)
Right to Buy clawbacks	(25)	(106)
Legal fees	-	-
Gain	<u>11</u>	<u>24</u>

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

6 DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

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

The Directors of the Association are its Board Members. Emoluments totalling £42k were paid to Directors during the year (2009: £Nil).

Expenses paid to, and on behalf of Board Members are shown below. These amounted to £16k (2009: £25k).

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

6 DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (CONTINUED)

	2010 £'000	2009 £'000
Travel Costs	7	6
Meeting Costs	6	11
Training	1	1
Accommodation and Hospitality	2	6
Periodicals and Magazines	-	1
	<u>16</u>	<u>25</u>

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

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

No payments or benefits, other than those permitted, were made to the persons referred to in Schedule 1 of the Housing Act 1996.

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

	2010 £'000	2009 £'000
Emoluments including pension contributions and benefits in kind	<u>-</u>	<u>125</u>
Emoluments excluding pension contributions paid to the highest paid Senior Executive	<u>-</u>	<u>76</u>

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

	2010 Number	2009 Number
£Nil - £70,000	20	20
£70,001 - £80,000	-	1
	2010 £	2009 £
Total expenses reimbursed to the senior executives not chargeable to United Kingdom income tax	<u>-</u>	<u>3,843</u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2010

6 DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (CONTINUED)

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

	2010 Number	2009 Number
Office Staff	22	32
Scheme Staff	20	20
	<u>42</u>	<u>52</u>
Full-time	32	39
Part-time	10	13
	<u>42</u>	<u>52</u>
Full Time Equivalents	<u>38</u>	<u>48</u>
	2010 £'000	2009 £'000
Staff costs for the Above		
Wages and salaries	937	1,206
Social security costs	76	98
Other pension costs	197	256
	<u>1,210</u>	<u>1,560</u>

7 PENSION COSTS

(a) Local Government Pension Scheme - KCC

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

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

Total employer contributions paid to the scheme for the year were £518k (2009: £260k).

Triennial actuarial valuation

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2010

7 PENSION COSTS (CONTINUED)

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

	2010	2009	2008
Rate of increase in salaries	5.4%	4.6%	5.1%
Rate of increase in pensions in payment and deferred pensions	3.9%	3.1%	3.6%
Discount rate applied to scheme liabilities	5.5%	6.9%	6.9%
Inflation assumption	3.9%	3.1%	3.6%

The inflation assumption is based on consideration of the difference in gross redemption yields of traditional and index-linked gilt edge securities as at 31 March 2010.

Salary increases are assumed to be 1.5% (2009: 1.5%, 2008: 1.5%) more than assumed inflation, in line with the assumption used in the latest formal valuation of the Fund.

Scheme assets

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

	Value at 2010 £000	Value at 2009 £000	Value at 2008 £000
Equities	4,045	2,690	3,360
Bonds	765	690	680
Gilts	55	-	-
Other – Property	383	370	520
Cash	219	330	280
Total Scheme Assets	<u>5,467</u>	<u>4,080</u>	<u>4,840</u>
Total Value of Scheme liabilities	(7,799)	(4,990)	(5,040)
Net pension liability	<u>(2,332)</u>	<u>(910)</u>	<u>(200)</u>
	Expected rate of return		
	2010	2009	2008
Equities	7.5%	7.0%	7.7%
Bonds	5.5%	5.4%	5.7%
Gilts	4.5%	-	-
Other – Property	5.5%	4.9%	5.7%
Cash	3.0%	4.0%	4.8%
Total Expected Returns	<u>6.9%</u>	<u>6.3%</u>	<u>7.0%</u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

7 PENSION COSTS (CONTINUED)

Analysis of amounts charged to Income and Expenditure

	2010 £'000	2009 £'000
Amount charged to operating costs		
Service Costs	89	140
Past Costs	-	60
Curtailments and settlements	222	10
	<u>311</u>	<u>210</u>
Expected return on Employers Assets	(256)	(350)
Interest on Pension Scheme Liabilities	329	350
	<u>73</u>	<u>-</u>

History of experience gains and losses at end of year

	2010	2009	2008	2007	2006
Difference between the expected and actual return on scheme assets (£000)	1,154	(1,320)	(640)	(30)	653
% of scheme assets	21.1%	(32.3%)	(13.2%)	(0.6%)	14.5%
Experience Gains and (Losses) arising on the scheme liabilities (£000)	(5)	-	340	(15)	3
% of scheme liabilities	0.0%	-	6.7%	(0.2%)	0.0%
Actuarial (Loss)/Gain recognised in the statement of recognised surpluses/(deficits) £(000)	(1,557)	(760)	870	385	(137)
% of scheme liabilities	(19.9%)	(15.3%)	17.3%	6.2%	(2.3%)

Movement in surplus/deficit during the year

	2010 £'000	2009 £'000
(Deficit) in pension scheme at 1 April	(910)	(200)
Service Costs	(311)	(210)
Contributions	519	260
Net Return on Assets less interest on pension scheme liabilities	(73)	-
Actuarial Losses	<u>(1,557)</u>	<u>(760)</u>
Deficit in pension scheme at 31 March	<u>(2,332)</u>	<u>(910)</u>

(b) Social Housing Pension Scheme

The Orbit Group participates in the Social Housing Pension Scheme (SHPS) which is a member scheme of "The Pensions Trust for Charities and Voluntary Organisations", and also offers a Stakeholder pension scheme. Further details can be found in the Group financial statements.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2010

7 PENSION COSTS (CONTINUED)

(c) Local Government Pension Scheme – Bexley London Borough

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

The next tri-ennial valuation is for the year ending March 2013.

	12 months to 31/03/10	12 months to 31/03/09	12 months to 31/03/08	6 months to 30/09/07
Rate of increase in salaries	4.95%	5.05%	5.35%	4.85%
Rate of increase in pensions in payment and deferred pensions	3.20%	3.30%	3.60%	3.10%
Discount rate applied to scheme liabilities	5.50%	7.10%	6.10%	5.40%
Inflation assumption	3.20%	3.30%	3.60%	3.10%

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

Pension Liability

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

	Value at 31/03/10 £000	Value at 31/03/09 £000	Value at 30/09/08 £000
Equities	1,849	1,224	1,599
Government Bonds	156	183	208
Other Bonds	285	255	333
Other – Cash	37	44	58
Other	154	142	113
Total fair value of assets	2,481	1,848	2,311
Present value of scheme liabilities	(3,492)	(2,784)	(3,219)
Net pension liability	(1,011)	(936)	(908)
	Long Term Expected Rates of Return		
	31/03/10	31/03/09	30/09/08
Equities	7.5%	7.5%	7.5%
Government Bonds	4.5%	4.0%	4.6%
Other Bonds	5.2%	6.0%	6.1%
Other - Property	N/A	6.5%	6.5%
Other - Cash	0.5%	0.5%	5.3%
Other	7.5%	7.5%	7.5%

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

7 PENSION COSTS (CONTINUED)

Movement in deficit during the year:

	31/03/10 £'000	31/03/09 £'000	30/09/08 £'000
Deficit in scheme at beginning of year	(936)	(908)	(611)
<u>Movement during the year:</u>			
Current service cost	(3)	(9)	(6)
Contributions paid	77	77	59
Past service cost	-	-	(3)
Other finance costs	(77)	(43)	(6)
Actuarial loss	(72)	(53)	(341)
	<u>(1,011)</u>	<u>(936)</u>	<u>(908)</u>

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

	31/03/10 £'000	31/03/09 £'000	30/09/08 £'000
Current service cost	(3)	(9)	(6)
Past service (loss)	-	-	(3)
	<u>(3)</u>	<u>(9)</u>	<u>(9)</u>

Analysis of amounts charged to other financing costs:

	12 months to 31/03/10 £'000	12 months to 31/03/09 £'000	12 months to 31/03/08 £'000
Expected return on pension scheme assets	116	150	157
Interest on pension scheme liabilities	(193)	(193)	(163)
	<u>(77)</u>	<u>(43)</u>	<u>(6)</u>

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

	12 months to 31/03/10 £'000	12 months to 31/03/09 £'000	12 months to 31/03/08 £'000
Actual return less expected return on pension scheme assets	567	(574)	(231)
Liability Gain	-	-	110
Gain/(Loss) on change of assumptions underlying the present value of the scheme liabilities	(639)	525	(220)
Revaluation of balance sheet	-	(4)	-
	<u>(72)</u>	<u>(53)</u>	<u>(341)</u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2010

7 PENSION COSTS (CONTINUED)

History of experience gains and losses:

	12 Months to 31/03/10 £'000	12 months to 31/03/09 £'000	12 months to 31/03/08 £'000
Actual return less expected return on scheme assets	567	(574)	(231)
% of scheme assets at year end	22.9%	(31.1%)	(10.0%)
Experience loss arising on scheme liabilities	(639)	525	-
% of scheme liabilities at year end	(18.3%)	18.9%	-
Total actuarial gain recognised in statement of total recognised surpluses and deficits	(72)	(53)	(341)
% of scheme liabilities	(2.1%)	(1.9%)	(10.6%)

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £'000	2009 £'000
Interest Receivable from Unlisted Investments	<u>2</u>	<u>42</u>

9 INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £'000	2009 £'000
On Bank Loans, Overdrafts and Other Loans		
Redeemed in year	-	-
Repayable within 5 years, by instalments	1,007	1,376
Repayable by instalments wholly or partly, in more than 5 Years	7,059	7,602
Loan refinancing costs	-	-
Derivative interest	-	-
Other Interest	243	298
	<u>8,309</u>	<u>9,276</u>
Capitalised interest	<u>(11)</u>	<u>(143)</u>
	<u>8,298</u>	<u>9,133</u>

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

10 TAXATION

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

11 TANGIBLE FIXED ASSETS

	Housing Properties for Letting		Supported Housing		Care Estabs	Total
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	£'000	£'000
COST						
At 1 April 2009	377,298	25,103	10,881	1,072	858	415,212
Reclassification	(5)	1	4	-	-	-
Additions	(33)	26,000	21	-	-	25,988
Transfer on completion	19,611	(19,611)	1,072	(1,072)	-	-
Disposals	(26)	-	-	-	-	(26)
At 31 March 2010	396,845	31,493	11,978	-	858	441,174
LESS: GRANTS						
At 1 April 2009	(180,628)	(8,742)	(4,987)	-	(814)	(195,171)
Reclassification	2	(1)	(1)	-	-	-
Grants Receivable	(13)	(20,791)	-	-	-	(20,804)
Transfers on completion	(9,348)	9,348	-	-	-	-
Transfer To Recycled Capital Grant Fund	203	60	-	-	-	263
At 31 March 2010	(189,784)	(20,126)	(4,988)	-	(814)	(215,712)
DEPRECIATION ON HOUSING PROPERTIES						
At 1 April 2009	(20,545)	-	(491)	-	-	(21,036)
Charge for the Year	(2,400)	-	(66)	-	-	(2,466)
Eliminated in respect of Disposals	3	-	-	-	-	3
At 31 March 2010	(22,942)	-	(557)	-	-	(23,499)

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

11 TANGIBLE FIXED ASSETS (CONTINUED)

	Housing Properties for Letting		Supported Housing		Care Estabs	Total
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	£'000	£'000
IMPAIRMENT ON HOUSING PROPERTIES						
At 1 April 2009	(225)	-	(93)	-	-	(318)
Charge for the Year	-	-	-	-	-	-
At 31 March 2010	(225)	-	(93)	-	-	(318)
NET BOOK AMOUNT						
At 31 March 2010	183,894	11,367	6,340	-	44	201,645
At 31 March 2009	175,900	16,361	5,310	1,072	44	198,687

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

11 TANGIBLE FIXED ASSETS (CONTINUED)

During the year total expenditure on works to existing properties was £21 million. None of this has been capitalised.

Additions to properties include capitalised interest costs of £11k (2009: £143k).

The Association reviewed its assets for impairment and £Nil (2009: £36k) of provisions for impairment were made during the year.

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

	2010 £'000	2009 £'000
Within housing properties and work in progress	<u>20,541</u>	<u>9,900</u>
The Net Book Value of Housing and Other Properties (note 12) comprises:		
Freehold Land and Buildings	203,529	200,531
Long Leasehold Land and Buildings	<u>111</u>	<u>114</u>
	<u>203,640</u>	<u>200,645</u>
Housing properties	201,645	198,687
Other – freehold offices	1,884	1,844
Other – Commercial premises	<u>111</u>	<u>114</u>
	<u>203,640</u>	<u>200,645</u>

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2010

12 OTHER TANGIBLE FIXED ASSETS

	Freehold Offices £'000	Commercial Premises £'000	Motor Vehicles £'000	Equipment & Fixtures £'000	Total £'000
COST					
At 1 April 2009	2,310	150	24	1,344	3,828
Additions	85	-	-	91	176
At 31 March 2010	2,395	150	24	1,435	4,004
LESS: DEPRECIATION					
At 1 April 2009	(444)	(36)	(24)	(1,165)	(1,669)
Charge for the Year	(44)	(3)	-	(83)	(130)
At 31 March 2010	(488)	(39)	(24)	(1,248)	(1,799)
LESS: IMPAIRMENT					
At 1 April 2009	(22)	-	-	-	(22)
Charge for Year	(1)	-	-	-	(1)
At 31 March 2010	(23)	-	-	-	(23)
NET BOOK AMOUNT					
At 31 March 2010	1,884	111	-	187	2,182
At 31 March 2009	1,844	114	-	179	2,137

13 DEBTORS

	2010 £'000	2009 £'000
Rents and Service charges	4,475	3,617
Provision for Bad Debts	(759)	(468)
Net Rental Debtors	3,716	3,149
Amounts Due from Fellow Subsidiary	-	-
Service Charges due from Leaseholders	585	156
Prepayments and Accrued Income	241	-
Debtors due in more than one year	314	578
Provision – bad debts	(36)	(25)
Grants Receivable	-	-
Other Debtors	726	644
	5,546	4,502
Debtors after one year included above	314	578

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

14 OTHER INVESTMENTS AND SHORT TERM DEPOSITS

	2010 £'000	2009 £'000
Short Term Bank Deposits maturing in less than 24 hours	-	-
	<u>-</u>	<u>-</u>

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Trade Creditors	3,955	5,560
Rents Received in Advance	988	601
Amounts Due to Other Group Members	12,447	8,805
Loans from Group Companies	3,301	5,078
Housing Loans (Note 18)	271	242
Other Creditors	660	1,239
Disposal Proceeds Fund (Note 17)	327	429
Grants Received in Advance	-	-
Accruals and Deferred Income	1,560	1,868
Other taxation and social security payable	-	2
	<u>23,509</u>	<u>23,824</u>

Housing Loans shown above are net of £Nil loan arrangement fees carried forward (2009: £Nil)

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010 £'000	2009 £'000
Leaseholder Maintenance and Renewal Provisions	1,022	976
Intra Group Loan	156,535	151,358
Bank Loans	13,176	13,447
Amounts due to other Group Members	4,858	7,730
Other Creditors	428	412
Accruals and Deferred Income	-	94
	<u>176,019</u>	<u>174,017</u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

17 DISPOSAL PROCEEDS AND RECYCLED CAPITAL GRANT FUNDS

	RCGF £000	DPF £000	TOTAL £000
At 1 April 2009	-	1,166	1,166
Buy back of RTB property	-	(27)	(27)
Grants Recycled	-	108	108
Interest Accrued	-	6	6
Transfers to other Group Members	-	(441)	(441)
	<hr/>	<hr/>	<hr/>
At 31 March 2010	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Due within one year	-	327	327
Due after more than one year	-	485	485
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	-	812	812

18 HOUSING LOANS AND FINANCE LEASE OBLIGATIONS

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

The Loan from Orbit Treasury Limited is secured by fixed charges on individual properties. The interest rates ranged between 2.40% and 5.15% for the year ended 31 March 2010.

The Greenwich Natwest loan is secured by fixed charges on individual properties. The loan is repayable half yearly in instalments. The interest rates are between 10.7% and 11.9% and the final instalments fall to be repaid in 2026 and 2032. The Parent has agreed to reimburse Orbit South the difference between these higher interest rates and the average interest rate for loans made through OTL. In 2009/10 this equated to a donation of £804k.

	2010 £'000	2009 £'000
Due Within One Year:		
Orbit Treasury Limited	3,301	5,078
Greenwich Natwest Limited	272	242
	<hr/>	<hr/>
	3,573	5,320
Due After More Than One Year:		
Orbit Treasury Limited	156,535	151,358
Greenwich Natwest Limited	13,175	13,447
	<hr/>	<hr/>
	169,710	164,805
Total Housing Loans	<hr/> <hr/>	<hr/> <hr/>
	173,283	170,125

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

18 HOUSING LOANS AND FINANCE LEASE OBLIGATIONS (CONTINUED)

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

	2010 £'000	2009 £'000
In one year or less:	<u>3,573</u>	<u>5,320</u>
Repayable in instalments:		
In more than one year but not less than two years	6,907	5,350
In more than two years but not more than five years	11,059	16,264
In more than five years	151,744	143,191
	<u>169,710</u>	<u>164,805</u>

None of the loans are repayable other than in instalments.

The interest rate profile of Orbit South at 31 March 2010 was:

	Total £'000	Variable £'000	Fixed rate £'000	Weighted average Rate %	Weighted Average term of fixing in years
Instalment loans	<u>173,283</u>	<u>60,814</u>	<u>112,469</u>	<u>4.70%</u>	<u>25</u>

19 CALLED UP SHARE CAPITAL

	2010 £	2009 £
Shares of £1 Each, allotted, issued and fully paid		
At 1 April 2009	20	22
Issued	3	2
Cancelled during the year	(3)	(4)
At 31 March 2010	<u>20</u>	<u>20</u>

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

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

20 DESIGNATED RESERVES

	At the Beginning of the year £'000	Transfer to provisions £'000	Release of provision during the year £'000	At 31 March 2010 £'000
Renewal of Furniture and equipment	1,978	293	(111)	2,160
Insurance	187	-	-	187
	<u>2,165</u>	<u>293</u>	<u>(111)</u>	<u>2,347</u>

21 PENSION LIABILITY

	At the Beginning of the year £'000	Transfer to provisions £'000	Transfer to General Reserves £'000	At 31 March 2010 £'000
Pension Liability				
Retirement Benefit Obligation- KCC scheme	910	1,557	(135)	2,332
Bexley scheme	936	72	3	1,011
	<u>1,846</u>	<u>1,629</u>	<u>(132)</u>	<u>3,343</u>

22 RECONCILIATION OF MOVEMENTS IN FUNDS

	2010 General Reserve £'000	2009 General Reserve £'000
Opening funds	3,720	6,417
Surplus/(Deficit) for year	2,374	(1,721)
Designated Reserves	(293)	(163)
FRS17 Actuarial loss	<u>(1,629)</u>	<u>(813)</u>
Closing funds	<u>4,172</u>	<u>3,720</u>

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

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

23 CAPITAL COMMITMENTS

	2010	2009
	£'000	£'000
Capital Expenditure which has been contracted for but has not been provided for in the financial statements	58,814	13,761
Capital Expenditure which has been authorised under authority from the Board but has yet to be contracted for	<u>18,324</u>	<u>19,870</u>
	<u>77,138</u>	<u>33,631</u>
The Association expects these commitments to be financed with:		
Social Housing Grant	28,228	16,028
Committed Loan Facilities	<u>48,910</u>	<u>17,603</u>
	<u>77,138</u>	<u>33,631</u>

24 CONTINGENT LIABILITIES

There were contingent liabilities as at 31 March 2010 of £Nil (2009: £200k).

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

	2010	2009
	£'000	£'000
Operating Surplus	10,005	6,585
Bad Debt Provision Increase/(Decrease)	291	(339)
Provision for Impairment	1	58
Depreciation	2,596	2,522
Increase in stocks	-	(4)
Decrease in pension scheme liability	(282)	(118)
Increase in Debtors	(1,336)	(4,378)
Decrease in Creditors	6,625	(1,211)
Intercompany transactions	<u>-</u>	<u>-</u>
Net Cash Inflow from Operating Activities	<u>17,900</u>	<u>3,115</u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2010

26 ANALYSIS OF MOVEMENTS IN GRANTS

	Social Housing Grant £'000	Other Capital Grants £'000	Total £'000
At 1 April 2008	184,944	327	185,271
Cash received	7,130	-	7,130
Transferred from Group in Work in Progress	3,558	-	3,558
Movement in Net Current Assets	(813)	-	(813)
Released from RCGF and DPF	25	-	25
At 1 April 2009	<u>194,844</u>	<u>327</u>	<u>195,171</u>
Cash received	6,942	-	6,942
Transferred from Group in Work in Progress	13,862	-	13,862
Released from RCGF and DPF	(263)	-	(263)
At 31 March 2010	<u>215,385</u>	<u>327</u>	<u>215,712</u>

27 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2010 £'000	2009 £'000
Increase in cash in the year	(482)	(186)
Decrease in Bank Deposits (with a Maturity in Excess of 24 Hours)	-	-
Loans received	(40,558)	(28,680)
Loans redeemed	37,400	19,896
Increase in Net Debt	<u>(3,640)</u>	<u>(8,970)</u>
Net Debt at 1 April 2009	<u>(169,146)</u>	<u>(160,176)</u>
Net Debt at 31 March 2010	<u>(172,786)</u>	<u>(169,146)</u>

28 ANALYSIS OF CHANGES IN NET DEBT

	1 April 2009 £'000	Cash Flows £'000	Other Changes £'000	31 March 2010 £'000
Cash at Bank and in Hand	979	(482)	-	497
Housing Loans due within One Year	(5,320)	-	1,748	(3,572)
Housing Loans Due After One Year	<u>(164,805)</u>	<u>(3,158)</u>	<u>(1,748)</u>	<u>(169,711)</u>
	<u>(169,146)</u>	<u>(3,640)</u>	<u>-</u>	<u>(172,786)</u>

ORBIT SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

29 FINANCIAL COMMITMENTS

Operating Leases

As at 31 March 2010 Orbit South Housing Association Limited was committed to making the following payments during the year in respect of operating leases other than land and buildings.

	2010 £'000	2009 £'000
Leases which expire within one year	8	-
Leases which expire within 2-5 years	87	47
	<u>95</u>	<u>47</u>

30 PROPERTY PORTFOLIO - OWNED AND MANAGED STOCK

	2010 No.	2009 No.
General Needs	10,031	9,886
Supported Housing	902	902
Key Worker	156	156
Total Owned by Orbit South Housing Association	<u>11,089</u>	<u>10,944</u>
Leasehold	822	819
Managed - key worker	227	226
Leasehold and Other Managed	<u>1,049</u>	<u>1,045</u>
Total Social Housing Units	<u>12,138</u>	<u>11,989</u>
Commercial Units	3	3
Total Non-Social Housing Units	<u>3</u>	<u>3</u>
Stock in Development as at 31 March 2009		
General Needs	<u>410</u>	<u>326</u>

31 ULTIMATE PARENT ENTITY

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

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

32 RELATED PARTY TRANSACTIONS

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