

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2011**

# 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

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#### GROUP RESTRUCTURE

The structure of the Orbit group ("Orbit") has continued to evolve as we move forward on our journey to be great.

The leasehold management of the shared ownership homes has transferred from Orbit Group Limited to 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. Work is underway to transfer the management of Private Retirement Leasehold homes to Orbit South and Orbit Heart of England during 2011/12.

Heart of England Housing and Care Limited was sold to the Sanctuary Group on the 31 July 2010. In addition, three Registered Care Homes (2 owned by Orbit Group Limited and 1 by Orbit Heart of England) were also sold to the Sanctuary Group on the 31 March 2011.

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:

| <b>Name</b>           | <b>Role</b>        | <b>Appointed</b> | <b>Left</b> |
|-----------------------|--------------------|------------------|-------------|
| Ronald Foster (Chair) | Independent        | 10/02/00         | 31/03/11    |
| Barbara Bilson        | Independent        | 22/11/07         |             |
| Simon Goding          | Resident Member    | 01/10/07         |             |
| Vic Hester            | Independent        | 09/09/03         |             |
| Roger Jennings        | Independent        | 01/10/07         |             |
| 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 Squirrell        | Independent        | 10/03/10         |             |
| Russ Munton           | Resident Member    | 10/03/10         |             |
| Fran Beckett (Chair)  | Independent        | 01/04/11         |             |

#### EXECUTIVE OFFICERS

|           |                                    |
|-----------|------------------------------------|
| V Knibbs  | Managing Director                  |
| J Andrews | Director of Neighbourhood Services |
| D Collick | Director of Property Services      |
| M McCann  | Development Director               |
| S Olah    | 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**

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#### **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  
2 Cornwall Street  
Birmingham  
B3 2DL

#### **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

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

At the end of the year Orbit South Housing Association Limited owned and/or manages 15,500 homes situated in the east and south of England, predominantly in Kent, Surrey, 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**

To ensure delivery of our abiding ambition of "Building Brighter Futures for People and Communities", the Board and Executive revisited the purpose and principles of Orbit during the year.

***Orbit is a housing organisation building brighter futures for people and communities by investing in great services for over 70,000 people and providing great communities to live in.***

#### ***Purpose***

1. We are values-based organisations with the shared ambition of Building Brighter Futures for People and Communities.
2. We meet our ambition by providing great places to live, great services and investing in communities.
3. We make surpluses which we invest in achieving our ambition and we seek to grow to do more.

#### ***Principles***

1. We provide a range of housing and services to meet peoples' aspirations and needs.
2. We focus our resources in the areas where we will have most impact in achieving our ambition.
3. Running an efficient and effective organisation enables us to generate surpluses to meet our ambition.

#### ***Partnership***

1. Our business is based on partnership to deliver strategic strength, local delivery and a collaborative culture.
2. Our objectives are shaped, delivered and scrutinised in partnership with our customers.
3. We collaborate with councils, civil society, Government and other agencies to do more to help people and communities.

#### **Objectives**

We wish to be great in everything that we do and have set out the outcomes we believe will enable us to deliver great customer service, create great places and be a great organisation by 2013.

Our journey from Good to Great by 2013 focuses on these outcomes:

- **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.

Great will be assessed 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.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## OPERATING AND FINANCIAL REVIEW

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### Objectives (Continued)

- **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.

Great will be assessed 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.

Great will be assessed 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, 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 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 are linked and work towards this common purpose, creating a golden thread that aligns our effort, resources and people. They also support our collective and individual aspiration to make a real and demonstrable difference to people's lives.

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

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

The Comprehensive Spending Review has significant implications for the housing sector, and over the next 5 years there are a number of key issues that we need to manage. These include: -

- Massive pressure of the customers that we serve now, as they deal with the economic consequences of deficit reduction and the disproportionate impact that it will have on those on low incomes or those in marginal jobs or in receipt of benefits.
- A drive for enhanced Value for Money and efficiency in our sector as we seek to derive resources to be invested in service improvement, provision of new homes, and stepping in to support services lost in our communities
- The implementation of Localism and Big Society and the evolving role we may be able to play to enhance capacity and opportunity for our communities and support their aspirations or to develop them where none currently exists
- Responding to the pressure to provide new homes to meet the housing crisis in this country offering a broader mix of homes funded through a range of innovative financing solutions which will see the type of customers assist change and develop
- Preparing for the significant policy changes ahead most notably the welfare reform proposals which will impact on our customers and their communities along with the changes to Supporting People funding which assists some of the most vulnerable in society

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### OPERATING AND FINANCIAL REVIEW

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#### Objectives (Continued)

All of the above increases risk that must be addressed and managed and demands that we make best use of all of our resources including staff and technology and provide strong and effective leadership as we undertake this journey

These issues are reflected in our plans for 2011/12 and in particular through our focus on 4 ongoing strategic initiatives to enable us to deliver our plans by 2013. These are:

- **Customer First** – engaging and working with residents
- **Infrastructure** - investment in technology and tools to do the job
- **People** - investing in developing our people and the Orbit culture
- **Finances** - maximising our finances, VFM and growth of Orbit

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

#### OPERATING REVIEW

##### Performance in the Year

Financial performance in the year has outperformed budget, with a surplus for the year of £5.86 million compared to the budgeted surplus of £2.26 million. The variance was mainly as a result of lower interest costs £1.2 million and pension costs £0.9m.

The development programme has progressed well during the year with 221 new homes being transferred into management in the year. There are a further 700 homes under development and it is anticipated that 289 of these homes will be completed and come into management during 2011/12.

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

- Agreed the purchase of Orbit Group Limited's rented homes in the east region on 1<sup>st</sup> April 11, to ensure more effective use of resources and leading to ongoing savings.
- Implemented a further stage of the Office Strategy, with the closure of the Chatham office.
- Took over the management of all shared ownership leasehold properties in the south region from Orbit Group, creating efficiencies and increasing the localisation of services
- 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. Participating in the governments Future Jobs Fund initiatives offering work opportunities within the Orbit South teams.
- Entered into partnerships with 7 regionally based Credit Unions to reduce the financial exclusion of our residents
- Completed the business case for the regeneration of the Larner Rd estate in Bexley and submitted it to the HCA for funding.
- Met the requirement for all homes to achieve the Decent Homes standard slightly ahead of the Dec 2010 deadline
- Strengthened our governance through the appointment of a new Chair, and the creation of a residents Scrutiny Panel with direct links to the Strategic Board.
- Increased the level of resident engagement and influence across the organisation, ensuring that as services are developed residents are fully involved in the outcomes.

##### Dynamics of the Social Landlord

The drive to improve delivery and efficiency has continued throughout the last year. Orbit'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. Orbit 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 are in place for Orbit defining and delivering both efficiencies and savings.

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### OPERATING AND FINANCIAL REVIEW

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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. Rent restructuring has also had a significant effect on the sector, and Orbit continues to be mindful of its capped income and the need to increase efficiencies and economies.

Orbit South's Asset Management Strategy is linked to the Group's values and mission and covers all of its housing properties. The strategy takes account of both the future likely demand for the homes as well as the actual physical condition and lifecycle of the properties, enabling short, medium and long term planning. The Association works with a number of partners in carrying out reactive and planned maintenance and works with these partners to achieve effective and efficient delivery of works and value for money. During the year a new repairs and maintenance contract was procured covering both the east and south regions. This will result in long term efficiency savings and introduce new partnership working which will deliver more responsive service to residents

We recognise the need to work more closely and in partnership with our residents, and have agreed Orbit-wide Customer Service Standards with our residents and also have local standards in place within the Operating Associations. Moment of Truth surveys have been extended and retendered, and local Resident scrutiny mechanisms are in place. Our new Tenant Information Portal (TIPS) was launched in April 2011, to give our residents secure on-line access to their information for the first time.

Funds from both within Orbit South and the Group have been used to support a number of community initiatives. We have continued the youth inclusion football programme at Larner Road estate in Bexley with Charlton FC. This is flourishing and now hosts one of the national Kickz programmes. We have also support resident in Dover to develop a new play area for younger children, funding the initiative from the OS environmental improvement budget which is controlled by residents through their local residents forum.

#### **Investment for the future**

Orbit South is undergoing a significant restructure of its property services function. Commenced in 2010/11 and due to be fully implemented during 2011/12, the changes will ensure the team have the necessary skills to effectively manage this activity in the future

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.

The Orbit group is committed to delivering great services for its customers and has been implementing a customer first strategy since 2008. During the last year progress have been achieved in piloting the rollout of customer relationship management tools to all front line staff coupled with new mobile working technology. By the end of the year all key decisions had been taken and the implementation planned for the beginning of 2011/12

Orbit continues to develop new homes, and has signed up to and adopted the principles of the 2012 Construction Commitments, and has submitted an offer to the HCA for the 2011-15 Affordable Homes Programme.

### **FINANCIAL REVIEW**

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

At 31 March 2011, the balance sheet shows housing properties of £455.8 million, other tangible fixed assets of £2.2 million and other net liabilities of £13.2 million are financed by grants £239.8 million (53.9%), loans and long term creditors of £190.2 million (42.8%), pension liability of £1.5 million (0.3%) and accumulated reserves of £13.2 million (3.0%).

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.

The Association has adopted FRS17 (accounting for pensions) in full. The pension liability on the balance sheet at 31 March 2011 was £1.5 million (2010: £3.3 million).

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### OPERATING AND FINANCIAL REVIEW

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

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 an Orbit-wide policy, and is enacted through Orbit Treasury Limited.

#### **Cash flow and liquidity**

The cash inflow from operating activities during the year was £21.2 million (2010: £17.9 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.

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

During April 2011, the ownership of the Orbit East homes was transferred from Orbit Group Limited to Orbit South Housing Association Limited, to further align the ownership and management of our properties.

#### **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**



**Fran Beckett**  
**Chair**  
**18 August 2011**

## **ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

### **HOUSING ASSOCIATION GOVERNANCE**

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#### **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 Orbit East and South Board has adopted the National Housing Federation's 'Excellence in Governance' Code as its Code of Governance. We confirm that Orbit East and South Board complies with the Code of Governance in all material aspects.

The Orbit East and South Board continues to work on its Resident Scrutiny and Engagement Structures in order to strengthen compliance with the Code.

#### **Board of Management**

In the previous financial 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 South are committed to involving residents in decisions affecting their homes and in enabling them to influence the services we deliver. There are allocated resident positions on the Orbit East and South Board and on the regional Service Boards. In addition, both regions have recently set up scrutiny panels to further enhance the role of residents in the governance structure.

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

#### **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**

During the year 6 cases were referred to the Ombudsman Service, two of which were concluded by 31 March 2011. One case was upheld, resulting in a requirement to pay compensation. The other case was not upheld. The remaining four cases are still in progress. All recommendations made by the Ombudsman Service have been implemented.

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### HOUSING ASSOCIATION GOVERNANCE

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#### Responsibility for the System of Internal Control

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

#### **Scope of Assurance**

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

#### **Orbit Assurance Framework**

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

At a high level, the assurance framework brings together information from all significant parts of Orbit's business, including the subsidiary Associations. The framework comprises of different sources of assurance, the more significant ones being the Internal Audit Team, the Orbit Audit Committee, External Audit and the Executive Team. In addition, a major component of this assessment is the risk management framework.

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

The Sources of Assurance are briefly outlined below:

- **Orbit Audit Team** - An Internal Audit Plan approved by the Executive Team and the Orbit Audit Committee is in place and monitored by the Executive Team and Orbit Audit Committee. This includes the provision of 'specialist audits' using experts in areas such as treasury and IT audit. The plan covers financial and non-financial areas and the Orbit Audit Team provides independent assurances in all of the significant areas of Orbit's business. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from these reports. Additionally, as part of each audit review, the Group Audit Team follow up the previous year's recommendations and the extent to which these have been implemented and these form part of the Audit Report.
- **Orbit Audit Committee** - In accordance with good practice, the Orbit Audit Committee presented its annual report to each subsidiary Board which outline the extent of the Committee's work and the overview of the effectiveness of the control environment. To support good governance, the Risk & Business Development Director reports directly to the Chief Executive and has direct access to the Orbit Audit Committee. In addition, the Orbit Audit Committee reviews reports from management, internal auditors and external auditors to provide reasonable assurance that control procedures are being followed.
- **Governance** - The Orbit Group Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The Group Board also regularly reviews key performance indicators to assess the progress towards the achievement of key business objectives, targets and outcomes. In respect of Operating Associations, the Group Board also confirms that the relevant Managing Director prepared reports on Internal Controls Assurance and the Chief Executive presented a similar report on behalf of the Group to the August 2011 Orbit Audit Committee. In addition the Executive Team (ET) forms a key part in the governance process. It is also confirmed that all Boards and the ET met on a regular basis to discuss and conduct their own individual affairs during 2010/11 and the business has been formally documented in minutes of the meetings.

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### HOUSING ASSOCIATION GOVERNANCE

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- **Internal Regulatory Framework (IRF)** – Orbit has an IRF process as a means to internally regulate itself. The IRF process is split into three stages; desktop review, visits to boards and reporting and broadly covers an assessment of financial viability, governance and performance. Following on from the previous five years, the sixth year (2010/11) of the IRF process was completed and received by all Boards within Orbit. The IRF will be reviewed during 2011/12 to ensure it remains fit for purpose in the changed operating environment.

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

The control environment to manage these risks is continually evaluated and monitored by Orbit Audit Committee on behalf of the Orbit Group Board. Orbit Audit Committee monitors the implementation of the Orbit Strategy and plan for Risk Management. The overall responsibility for risk management across Orbit remains with the Orbit Group Board. The subsidiaries are required to implement the Orbit framework for risk management and provide reports to their respective Boards. The adequacy of this implementation and reporting is monitored by the Orbit Audit Committee.

The Orbit Group Board confirms that the Group's Strategic Risk map is reviewed by the Executive Team and Orbit Group Board on a regular basis throughout the year. The 2011/12 risk map has been formulated and takes account of the changed operating environment, Government policy and Orbit's ambitions.

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

- Orbit has adopted the NHF Code of Governance and new policies around probity to replace Schedule One of the Housing Act
- Orbit Standing Orders, which include appropriate Delegations of Authority, signatories and mandates. A copy of the Orbit Standing Orders is available to all staff and compliance is an implied term of an employee's contract of employment
- Annual appraisal procedures have been established and appropriate training and development opportunities are offered to all staff to maintain standards of performance
- Forecasts and budgets are prepared which allow the Orbit Group Board, Operating Association Boards and management to monitor the key business risks and financial objectives. Management accounts are prepared to provide relevant and up-to-date financial and other information. Significant variances from budgets are investigated and reported
- 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
- Relevant policies and procedures cover the range of activity within Orbit from Finance, IT and HR through to housing-related functions.

#### Data Protection Act

Orbit as a whole had 14 recorded incidents relating to information security during 2010/11, of which over 80% resulted in a breach of the Data Protection Act 1998. All incidents have resulted in positive and improved security systems and controls. No reported incident and breach required the engagement/consultation with the Information Commissioner.

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### HOUSING ASSOCIATION GOVERNANCE

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#### 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 Board has monitored and considered the outcomes arising as a consequence of the Association's Risk Management process and the corresponding reports from officers on the associated control environment.

The Board confirms that the process for identifying, evaluating and managing significant risks is 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**



**Fran Beckett**

**Chair**

**18 August 2011**

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD

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The Board present their report and audited financial statements for the year ended 31 March 2011.

### **The Association**

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

The Association manages a number of housing schemes providing accommodation for rent. At 31 March 2011 it owned housing properties with a historic cost of £455.8 million (2010: £417.4 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 'Extra Mile' awards, and Orbit Group Customer First Awards. We continue to train and develop our people by providing opportunities for in-house training and conferences, together with financial support to attend various professional and vocational courses.

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

We have in place leadership standards and a competency framework, and have now introduced 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 Executive Team, the Leadership Team and senior and first line managers within the Group are proving to be both popular and successful, and form part of our approach to developing our potential and growing our leaders.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD

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### Creditors Payment Policy

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

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

### Health and Safety

The Board 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. 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 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 period. 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 18 August 2011 at Horizon House, Eclipse Park, Sittingbourne Road, Maidstone, Kent ME14 3EN.

### 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 18 August 2011 and signed on its behalf by:**



**Vivien Knibbs**  
Secretary

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

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We have audited the financial statements of Orbit South Housing Association Limited for the year ended 31 March 2011. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 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 auditors' 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 and Auditor**

As more fully explained in the Statement of Board's Responsibilities set out on page 14, the association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the Audit of the Financial Statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion in Financial Statements**

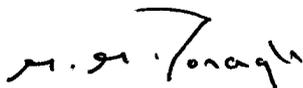
In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the association as at 31 March 2011 and of its surplus/(deficit) for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

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

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2003 require us to report to you if, in our opinion:

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



10 September 2011

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

~~18 August 2011~~

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### INCOME AND EXPENDITURE For the Year Ended 31 March 2011

|  | NOTES | 2011<br>£'000 | 2010<br>£'000 |
|--|-------|---------------|---------------|
| Turnover   | 2/3   | 54,724        | 53,322        |
| Operating Costs  | 2/3   | (41,060)      | (43,317)      |
| Operating Surplus  | 4     | 13,664        | 10,005        |
| Surplus on Sale of Housing Properties                            | 5     | 147           | 11            |
| <b>Surplus on Ordinary Activities before Interest</b>            |       | <b>13,811</b> | <b>10,016</b> |
| Interest Receivable and Similar Income                           | 8     | 4             | 2             |
| Interest Payable and Similar Charges                             | 9     | (7,869)       | (8,298)       |
| Other Income/(Expenditure)                                       |       | (87)          | (150)         |
| <b>Surplus/(deficit) on Ordinary Activities before Donations</b> |       | <b>5,859</b>  | <b>1,570</b>  |
| Donation receivable  |       | -             | 804           |
| Surplus/(deficit) on ordinary activities before taxation         |       | 5,859         | 2,374         |
| Tax on Surplus on ordinary activities                            | 10    | -             | -             |
| Surplus/(deficit) for the Financial Year                         |       | 5,859         | 2,374         |
| Transfer to Designated reserves                                  |       | (316)         | (293)         |
| Revenue Reserves brought forward                                 | 22    | 4,172         | 3,720         |
| Pension Scheme actuarial (loss)/gain                             | 7     | 860           | (1,629)       |
| <b>Revenue Reserves at 31 March</b>                              | 22    | <b>10,575</b> | <b>4,172</b>  |

All amounts derive from continuing operations.

### STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS For the Year Ended 31 March 2011

|  |   | 2011<br>£'000 | 2010<br>£'000 |
|--|---|---------------|---------------|
| <b>Surplus/(deficit) for the Financial Year</b>        |   | <b>5,859</b>  | <b>2,374</b>  |
| Transfer to Designated Reserve                         |   | (316)         | (293)         |
| Pension Scheme actuarial (loss)                        | 7 | 860           | (1,629)       |
| <b>Total recognised Surplus/(Deficit) for the year</b> |   | <b>6,403</b>  | <b>452</b>    |

**ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET**

At 31 March 2011

|  | NOTES | 2011            |                       | 2010            |                       |
|--|-------|-----------------|-----------------------|-----------------|-----------------------|
|  |       | £'000           | £'000                 | £'000           | £'000                 |
| <b>Tangible Fixed Assets</b>                                   |       |                 |                       |                 |                       |
| Housing Properties at Cost                                     | 11    | 455,771         |                       | 417,357         |                       |
| Less: Social Housing Grants                                    | 11    | (237,904)       |                       | (214,183)       |                       |
| Less: Other Public Grants                                      | 11    | (1,859)         |                       | (1,529)         |                       |
|  |       |                 | 216,008               |                 | 201,645               |
| Other Tangible Fixed Assets                                    | 12    |                 | 2,152                 |                 | 2,182                 |
|  |       |                 | <u>218,160</u>        |                 | <u>203,827</u>        |
| <b>Current Assets</b>  |       |                 |                       |                 |                       |
| Stock  |       | 5               |                       | 5               |                       |
| Debtors  | 13    | 8,821           |                       | 5,546           |                       |
| Investments & Short Term Deposits                              | 14    | -               |                       | -               |                       |
| Cash at Bank and in Hand                                       |       | 1,234           |                       | 497             |                       |
|  |       | <u>10,060</u>   |                       | <u>6,048</u>    |                       |
| <b>Creditors: Amounts falling due within one year</b>          | 15    | <u>(23,293)</u> |                       | <u>(23,509)</u> |                       |
| <b>NET CURRENT LIABILITIES</b>                                 |       |                 | (13,233)              |                 | (17,461)              |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |       |                 | <u><b>204,927</b></u> |                 | <u><b>186,366</b></u> |
| <b>Creditors: Amounts falling due after more than one year</b> |       |                 |                       |                 |                       |
| RCGF and DPF   | 16    |                 | 189,704               |                 | 176,019               |
| Pension Liability  | 17    |                 | 523                   |                 | 485                   |
|  | 21    |                 | 1,529                 |                 | 3,343                 |
| <b>Capital and Reserves</b>                                    |       |                 |                       |                 |                       |
| Called Up Share Capital  | 19    | -               |                       | -               |                       |
| Designated Reserves  | 20    | 2,596           |                       | 2,347           |                       |
| General Reserves   | 22    | 10,575          |                       | 4,172           |                       |
| <b>Association's Funds</b>                                     |       |                 | <u>13,171</u>         |                 | <u>6,519</u>          |
|  |       |                 | <u><b>204,927</b></u> |                 | <u><b>186,366</b></u> |

The financial statements on pages 16 to 44 were approved by the Board on 18 August 2011 and signed on its behalf by:

  
 .....  
**Fran Beckett**  
 CHAIR

  
 .....  
**Glyn Kyle**  
 BOARD MEMBER

  
 .....  
**Vivien Knibbs**  
 SECRETARY

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## CASHFLOW STATEMENT

For the Year Ended 31 March 2011

|  | 2011     |            | 2010     |              |
|--|----------|------------|----------|--------------|
|  | £'000    | £'000      | £'000    | £'000        |
| <b>NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 25)</b>                           |          | 21,167     |          | 17,900       |
| <b>Returns on Investments and Servicing of Finance</b>                               |          |            |          |              |
| Interest Received  | 87       |            |          |              |
| Interest Paid  | (8,521)  |            | (7,943)  |              |
| <b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>         |          | (8,434)    |          | (7,930)      |
| Taxation payment   | -        |            | (2)      |              |
| Donation from parent (Gift Aid)  | -        |            | 804      |              |
|  |          | -          |          | 802          |
| <b>Capital Expenditure and Financial Investment</b>                                  |          |            |          |              |
| Acquisition and Construction of Housing Properties                                   | (54,263) |            | (40,542) |              |
| Acquisition and Construction of Housing Properties on Restructure                    | -        |            | -        |              |
| Sale of Housing Properties   | 344      |            | 143      |              |
| Grants received  | 24,515   |            | 26,163   |              |
| Grants transferred on restructure  | -        |            | -        |              |
| Purchase of Other Fixed Assets   | (70)     |            | (176)    |              |
| Acquisition of Reserves on Restructure   | -        |            | -        |              |
| Sale of Other Fixed Assets   | -        |            | -        |              |
| <b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT ACTIVITIES</b> |          | (29,474)   |          | (14,412)     |
| <b>NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>          |          | (16,741)   |          | (3,640)      |
| <b>Management of Liquid Resources and Financing (Note 27 &amp; 28)</b>               |          |            |          |              |
| <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                                     | 59,892   |            | 40,558   |              |
| Intercompany Loans transferred on Restructure  | -        |            | -        |              |
| Housing Loans transferred on Restructure   | -        |            | -        |              |
| Housing Loans Repaid   | (42,414) |            | (37,400) |              |
| Loan Arrangement Fees  | -        |            | -        |              |
| <u>(iii) Pension Scheme Liability (Note 7)</u>                                       |          |            |          |              |
| Pension Scheme Contributions paid  | -        |            | -        |              |
| <b>NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>             |          | 17,478     |          | 3,158        |
| <b>DECREASE IN CASH AT BANK AND IN HAND (Note 28)</b>                                |          | <b>737</b> |          | <b>(482)</b> |

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011

---

### 1 PRINCIPAL ACCOUNTING POLICIES

#### Legal Status

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

#### Basis of Accounting

The financial statements 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, 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 except as modified by the revaluation of freehold and leasehold offices.

#### Group Services

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

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

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

#### Turnover

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

#### Operating Costs

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

#### Fixed Assets and Depreciation

Tangible fixed assets 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:

|   |                            |
|---|----------------------------|
| Housing properties: existing stock              | 1.26%                      |
| Housing properties: new stock from 2001 onwards | 1.00%                      |
| Housing properties rehabilitated                | 1.67%                      |
| Residential care homes                          | 3.33%                      |
| Freehold offices and commercial premises        | 2% - 4%                    |
| Leasehold offices                               | Over the life of the lease |
| Fixtures, fittings and other equipment          | 15%-25%                    |
| Computer equipment                              | 17%-33%                    |

Freehold land is not depreciated. 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 2011

---

### 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### **Housing Properties**

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 applicable grants, 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 SHG, are dealt with in current assets.

#### **Social Housing Grant (SHG) and Other Grants**

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

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

#### **Capitalisation of Interest and Administration Costs**

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

#### **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.

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011

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### 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### **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.

#### **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.

#### **Designated Reserves**

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

#### **Renewal Reserve**

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

#### **Works to Existing Housing Properties**

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

#### **Disposal Proceeds Fund**

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

#### **Recycling of Capital Grant**

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

#### **Value Added Tax**

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

#### **Taxation**

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

#### **Loan Finance Issue Costs**

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

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011

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### 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### **Property Managed by Agents**

Where an Association carries the majority of the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the Income and Expenditure Account. Where the agency carries the majority of the financial risk, the Income and Expenditure Account includes only that income and

expenditure which relates solely to the risk carried by the Association. In both cases, where revenue grants are claimed by the Association, these are included in the Income and Expenditure Account.

#### **Loan Interest Costs**

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

#### **Derivative Financial Instruments**

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

#### **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 2011**

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

|  | <b>2011</b>               |                                      |   |
|--|---------------------------|--------------------------------------|---|
|  | <b>Turnover<br/>£'000</b> | <b>Operating<br/>Costs<br/>£'000</b> | <b>Operating<br/>Surplus/<br/>(Deficit)<br/>£'000</b> |
| <b>SOCIAL HOUSING LETTINGS (Note 3a)</b>       | <u>52,484</u>             | <u>(39,005)</u>                      | <u>13,479</u>   |
| <b>Other Social Housing Activities</b>         |                           |                                      |   |
| Managed Associations                           | 697                       | (544)                                | 153   |
| Home Ownership Services                        | 626                       | (843)                                | (217)   |
| Supporting People                              | 643                       | (654)                                | (11)  |
| <b>Non-Social Housing Activities (Note 3b)</b> |                           |                                      |   |
| Other  | 274                       | (14)                                 | 260   |
|  | <u>54,724</u>             | <u>(41,060)</u>                      | <u>13,664</u>   |
|  |                           |                                      |   |
|  | <b>2010</b>               |                                      |   |
|  | <b>Turnover<br/>£'000</b> | <b>Operating<br/>Costs<br/>£'000</b> | <b>Operating<br/>Surplus/<br/>(Deficit)<br/>£'000</b> |
| <b>SOCIAL HOUSING LETTINGS (Note 3a)</b>       | <u>51,399</u>             | <u>(41,493)</u>                      | <u>9,906</u>  |
| <b>Other Social Housing Activities</b>         |                           |                                      |   |
| Managed Associations                           | 473                       | (242)                                | 231   |
| Home Ownership Services                        | 648                       | (884)                                | (236)   |
| Supporting People                              | 538                       | (664)                                | (126)   |
| <b>Non-Social Housing Activities (Note 3b)</b> |                           |                                      |   |
| Other  | 264                       | (34)                                 | 230   |
|  | <u>53,322</u>             | <u>(43,317)</u>                      | <u>10,005</u>   |

**ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 March 2011

**3a INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS**

|  | 2011                                 |                               |                                  |                 |
|--|--------------------------------------|-------------------------------|----------------------------------|-----------------|
|  | General<br>Needs<br>Housing<br>£'000 | Supported<br>Housing<br>£'000 | Key<br>Worker<br>Accom.<br>£'000 | Total<br>£'000  |
| <b>INCOME</b>  |                                      |                               |                                  |                 |
| Rents receivable net of identifiable service charges | 45,371                               | 1,540                         | 437                              | 47,348          |
| Service Charges                                      | 4,672                                | 496                           | 252                              | 5,420           |
| <b>Gross Rent Receivable</b>                         | <u>50,043</u>                        | <u>2,036</u>                  | <u>688</u>                       | <u>52,767</u>   |
| Less: Rent losses from voids                         | (619)                                | (46)                          | (59)                             | (724)           |
| Net rents receivable                                 | 49,424                               | 1,990                         | 630                              | 52,043          |
| Other Income   | 398                                  | 42                            | -                                | 440             |
|  | <u>49,822</u>                        | <u>2,032</u>                  | <u>630</u>                       | <u>52,484</u>   |
| <b>TOTAL INCOME</b>                                  |                                      |                               |                                  |                 |
| <b>EXPENDITURE</b>                                   |                                      |                               |                                  |                 |
| Services   | (4,974)                              | (732)                         | (196)                            | (5,902)         |
| Management   | (6,398)                              | (341)                         | (5)                              | (6,744)         |
| Routine Maintenance                                  | (10,979)                             | (409)                         | (36)                             | (11,424)        |
| Planned Maintenance                                  | (11,521)                             | (393)                         | (9)                              | (11,923)        |
| Rent Losses from Bad Debts                           | (420)                                | (10)                          | -                                | (430)           |
| Depreciation of Housing                              | (2,453)                              | (86)                          | -                                | (2,539)         |
| Lease Charges  | (43)                                 | -                             | -                                | (43)            |
|  | <u>(36,788)</u>                      | <u>(1,971)</u>                | <u>(246)</u>                     | <u>(39,005)</u> |
| <b>TOTAL EXPENDITURE</b>                             |                                      |                               |                                  |                 |
| <b>OPERATING SURPLUS/<br/>(DEFICIT) ON LETTINGS</b>  | <u>13,034</u>                        | <u>61</u>                     | <u>384</u>                       | <u>13,479</u>   |

**ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2011**

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

|  | <b>2010</b>                                    |  |  |                        |
|--|--|--|--|------------------------|
|  | <b>General<br/>Needs<br/>Housing<br/>£'000</b> | <b>Supported<br/>Housing<br/>£'000</b> | <b>Key<br/>Worker<br/>Accom.<br/>£'000</b> | <b>Total<br/>£'000</b> |
| <b>INCOME</b>  |  |  |  |                        |
| Rents receivable net of identifiable service charges | 44,948   | 1,457                                  | 425  | 46,830                 |
| Service Charges                                      | 4,443  | 480                                    | 242  | 5,165                  |
| <b>Gross Rent Receivable</b>                         | <b>49,391</b>                                  | <b>1,937</b>                           | <b>667</b>                                 | <b>51,995</b>          |
| 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                    |
| <b>TOTAL INCOME</b>                                  | <b>48,919</b>                                  | <b>1,877</b>                           | <b>603</b>                                 | <b>51,399</b>          |
| <b>EXPENDITURE</b>                                   |  |  |  |                        |
| 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)                   |
| <b>TOTAL EXPENDITURE</b>                             | <b>(39,246)</b>                                | <b>(1,919)</b>                         | <b>(328)</b>                               | <b>(41,493)</b>        |
| <b>OPERATING SURPLUS/<br/>(DEFICIT) ON LETTINGS</b>  | <b>9,673</b>                                   | <b>(42)</b>                            | <b>275</b>                                 | <b>9,906</b>           |

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011

### 3b TURNOVER FROM NON-SOCIAL ACTIVITIES

|                     | 2011<br>£'000 | 2010<br>£'000 |
|---------------------|---------------|---------------|
| <b>Lettings</b>     |               |               |
| Commercial Premises | 234           | 207           |
| Other               | 40            | 57            |
|                     | <u>274</u>    | <u>264</u>    |

### 4 OPERATING SURPLUS

|   | Note | 2011<br>£'000 | 2010<br>£'000 |
|---|------|---------------|---------------|
| <b>Operating Surplus is Stated after Charging/(Crediting)</b> |      |               |               |
| <b>On Fixed Assets Other than Housing Properties:</b>         |      |               |               |
| - Depreciation  | 12   | 120           | 130           |
| - Provision for Impairment                                    | 12   | -             | 1             |
| Housing Properties Depreciation                               | 11   | 2,561         | 2,466         |
| (Surplus) on disposals  | 5    | (147)         | (11)          |
| Operating Leases  |      | -             | -             |
| Provision for Impairment                                      |      | -             | -             |
| <b>Auditor's Remuneration:</b>                                |      |               |               |
| - In their capacity as Auditors                               |      | 24            | 31            |

### 5 SURPLUS ON SALE OF HOUSING PROPERTIES

|                        | 2011<br>£'000 | 2010<br>£'000 |
|------------------------|---------------|---------------|
| Proceeds from disposal | 698           | 168           |
| Cost of sales          | (506)         | (132)         |
| Right to Buy clawbacks | (45)          | (25)          |
| Legal fees             | -             | -             |
|                        | <u>147</u>    | <u>11</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 £46k were paid to Directors during the year (2010: £42k).

Expenses paid to, and on behalf of Board Members are shown below. These amounted to £24k (2010: £16k).

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011

### 6 DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (CONTINUED)

|                               | 2011<br>£'000 | 2010<br>£'000 |
|-------------------------------|---------------|---------------|
| Travel Costs                  | 10            | 7             |
| Meeting Costs                 | 8             | 6             |
| Training                      | 1             | 1             |
| Accommodation and Hospitality | 5             | 2             |
| Periodicals and Magazines     | -             | -             |
|                               | <u>24</u>     | <u>16</u>     |
| <b>Gain</b>                   | <u>24</u>     | <u>16</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:

|  | 2011<br>£'000 | 2010<br>£'000 |
|--|---------------|---------------|
| Emoluments including pension contributions and benefits in kind                      | <u>-</u>      | <u>-</u>      |
| Emoluments excluding pension contributions paid to the highest paid Senior Executive | <u>-</u>      | <u>-</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:

|  | 2011<br>Number | 2010<br>Number |
|--|----------------|----------------|
| £Nil - £70,000   | 20             | 20             |
| £70,001 - £80,000  | -              | -              |
|  | 2011<br>£      | 2010<br>£      |
| Total expenses reimbursed to the senior executives not chargeable to United Kingdom income tax | <u>-</u>       | <u>-</u>       |

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011

#### 6 DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (CONTINUED)

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

|                       | <b>2011</b>   | <b>2010</b>   |
|-----------------------|---------------|---------------|
|                       | <b>Number</b> | <b>Number</b> |
| Office Staff          | 20            | 22            |
| Scheme Staff          | 15            | 20            |
|                       | <u>35</u>     | <u>42</u>     |
| Full-time             | 28            | 32            |
| Part-time             | 7             | 10            |
|                       | <u>35</u>     | <u>42</u>     |
| Full Time Equivalents | <u>33</u>     | <u>38</u>     |
|                       | <b>2011</b>   | <b>2010</b>   |
|                       | <b>£'000</b>  | <b>£'000</b>  |
| Wages and salaries    | 805           | 937           |
| Social security costs | 66            | 76            |
| Other pension costs   | 174           | 197           |
|                       | <u>1,045</u>  | <u>1,210</u>  |

#### 7 PENSION COSTS

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

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

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

Total employer contributions paid to the scheme for the year were £196k (2010: £518k).

##### 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 2011

### 7 PENSION COSTS (CONTINUED)

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

|   | 2011 | 2010 | 2009 |
|---|------|------|------|
| Rate of increase in salaries                                  | 5.0% | 5.4% | 4.6% |
| Rate of increase in pensions in payment and deferred pensions | 2.7% | 3.9% | 3.1% |
| Discount rate applied to scheme liabilities                   | 5.5% | 5.5% | 6.9% |
| Inflation assumption – CPI                                    | 2.7% | N/A  | N/A  |
| Inflation assumption – RPI                                    | 3.5% | 3.9% | 3.1% |

The RPI inflation assumption is based on consideration of the difference in gross redemption yields of traditional and index-linked gilt edge securities as at 31 March 2011. This measure has traditionally over-estimated future increases in RPI, so a further deduction 0.25% was applied to get the RPI assumption of 3.5%. As future pension increases are expected to be based on CPI a further assumption has been made that CPI will be 0.8% below RPI at 2.7%.

Salary increases are assumed to be 1.5% (2010: 1.5%, 2009: 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<br>at<br>2011<br>£000    | Value<br>at<br>2010<br>£000 | Value<br>at<br>2009<br>£000 |
|-----------------------------------|--------------------------------|-----------------------------|-----------------------------|
| Equities                          | 4,280                          | 4,045                       | 2,690                       |
| Bonds                             | 742                            | 765                         | 690                         |
| Gilts                             | 57                             | 55                          | -                           |
| Other – Property                  | 514                            | 383                         | 370                         |
| Cash                              | 114                            | 219                         | 330                         |
| Total Scheme Assets               | <u>5,707</u>                   | <u>5,467</u>                | <u>4,080</u>                |
| Total Value of Scheme liabilities | (6,703)                        | (7,799)                     | (4,990)                     |
| Net pension liability             | <u>(996)</u>                   | <u>(2,332)</u>              | <u>(910)</u>                |
|                                   | <b>Expected rate of return</b> |                             |                             |
|                                   | 2011                           | 2010                        | 2009                        |
| Equities                          | 7.4%                           | 7.5%                        | 7.0%                        |
| Bonds                             | 5.5%                           | 5.5%                        | 5.4%                        |
| Gilts                             | 4.4%                           | 4.5%                        | -                           |
| Other – Property                  | 5.4%                           | 5.5%                        | 4.9%                        |
| Cash                              | 3.0%                           | 3.0%                        | 4.0%                        |
| Total Expected Returns            | <u>6.9%</u>                    | <u>6.9%</u>                 | <u>6.3%</u>                 |

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011

### 7 PENSION COSTS (CONTINUED)

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

|  | 2011<br>£'000 | 2010<br>£'000 |
|--|---------------|---------------|
| <b>Amount charged to operating costs</b> |               |               |
| Service Costs                            | 166           | 89            |
| Past Costs                               | (755)         | -             |
| Curtailments and settlements             | 13            | 222           |
|  | <u>(576)</u>  | <u>311</u>    |
| Expected return on Employers Assets      | (365)         | (256)         |
| Interest on Pension Scheme Liabilities   | 423           | 329           |
|  | <u>(518)</u>  | <u>73</u>     |

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

|   | 2011   | 2010    | 2009    | 2008    | 2007   |
|---|--------|---------|---------|---------|--------|
| Difference between the expected and actual return on scheme assets (£000)                   | 1      | 1,154   | (1,320) | (640)   | (30)   |
| % of scheme assets  | 0.0%   | 21.1%   | (32.3%) | (13.2%) | (0.6%) |
| Experience Gains and (Losses) arising on the scheme liabilities (£000)                      | (361)  | (5)     | -       | 340     | (15)   |
| % of scheme liabilities   | 5.4%   | 0.0%    | -       | 6.7%    | (0.2%) |
| Actuarial (Loss)/Gain recognised in the statement of recognised surpluses/(deficits) £(000) | 621    | (1,557) | (760)   | 870     | 385    |
| % of scheme liabilities   | (9.3%) | (19.9%) | (15.3%) | 17.3%   | 6.2%   |

#### Movement in surplus/deficit during the year

|  | 2011<br>£'000 | 2010<br>£'000  |
|--|---------------|----------------|
| <b>(Deficit) in pension scheme at 1 April</b>                    | (2,332)       | (910)          |
| Service Costs  | (179)         | (311)          |
| Contributions  | 197           | 519            |
| Past Service Gain  | 755           | -              |
| Net Return on Assets less interest on pension scheme liabilities | (58)          | (73)           |
| Actuarial Gains/(Losses)   | <u>621</u>    | <u>(1,557)</u> |
| <b>Deficit in pension scheme at 31 March</b>                     | <u>(996)</u>  | <u>(2,332)</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 2011

### 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<br>to 31/03/11 | 12 months<br>to 31/03/10 | 12 months<br>to 31/03/09 | 12 months<br>to 31/03/08 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Rate of increase in salaries                                     | 4.30%                    | 4.95%                    | 5.05%                    | 5.35%                    |
| Rate of increase in pensions in payment<br>and deferred pensions | 2.80%                    | 3.20%                    | 3.30%                    | 3.60%                    |
| Discount rate applied to scheme liabilities                      | 5.40%                    | 5.50%                    | 7.10%                    | 6.10%                    |
| Inflation assumption – CPI                                       | 2.80%                    | N/A                      | N/A                      | N/A                      |
| Inflation assumption - RPI                                       | 3.30%                    | 3.20%                    | 3.30%                    | 3.60%                    |

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<br>31/03/11<br>£000 | Value at<br>31/03/10<br>£000 | Value at<br>30/09/09<br>£000 |
|-------------------------------------|------------------------------|------------------------------|------------------------------|
| Equities                            | 1,974                        | 1,849                        | 1,224                        |
| Government Bonds                    | 202                          | 156                          | 183                          |
| Other Bonds                         | 297                          | 285                          | 255                          |
| Property                            | 90                           | -                            | -                            |
| Other – Cash                        | 25                           | 37                           | 44                           |
| Other                               | 139                          | 154                          | 142                          |
| Total fair value of assets          | <u>2,727</u>                 | <u>2,481</u>                 | <u>1,848</u>                 |
| Present value of scheme liabilities | <u>(3,260)</u>               | <u>(3,492)</u>               | <u>(2,784)</u>               |
| Net pension liability               | <u>(533)</u>                 | <u>(1,011)</u>               | <u>(936)</u>                 |

|                  | Long Term Expected Rates of Return |          |          |
|------------------|------------------------------------|----------|----------|
|                  | 31/03/11                           | 31/03/10 | 30/09/09 |
| Equities         | 7.5%                               | 7.5%     | 7.5%     |
| Government Bonds | 4.4%                               | 4.5%     | 4.0%     |
| Other Bonds      | 5.1%                               | 5.2%     | 6.0%     |
| Other - Property | 6.5%                               | N/A      | 6.5%     |
| Other - Cash     | 0.5%                               | 0.5%     | 0.5%     |
| Other            | 7.5%                               | 7.5%     | 7.5%     |

**ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2011**

**7 PENSION COSTS (CONTINUED)**

Movement in deficit during the year:

|   | <b>31/03/11</b><br><b>£'000</b> | <b>31/03/10</b><br><b>£'000</b> | <b>30/09/09</b><br><b>£'000</b> |
|---|---------------------------------|---------------------------------|---------------------------------|
| Deficit in scheme at beginning of year  | (1,011)                         | (936)                           | (908)                           |
| <b><u>Movement during the year:</u></b> |                                 |                                 |                                 |
| Current service cost                    | (5)                             | (3)                             | (9)                             |
| Contributions paid                      | 74                              | 77                              | 77                              |
| Past service gain                       | 199                             | -                               | -                               |
| Other finance costs                     | (29)                            | (77)                            | (43)                            |
| Actuarial gain/(loss)                   | <u>239</u>                      | <u>(72)</u>                     | <u>(53)</u>                     |
| Deficit at the end of the year          | <u>(533)</u>                    | <u>(1,011)</u>                  | <u>(936)</u>                    |

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

|  | <b>31/03/11</b><br><b>£'000</b> | <b>31/03/10</b><br><b>£'000</b> | <b>30/09/09</b><br><b>£'000</b> |
|--|---------------------------------|---------------------------------|---------------------------------|
| Current service cost                       | (5)                             | (3)                             | (9)                             |
| Past service Gain                          | <u>199</u>                      | <u>-</u>                        | <u>-</u>                        |
| Total credit/(charge) to operating surplus | <u>194</u>                      | <u>(3)</u>                      | <u>(9)</u>                      |

**Analysis of amounts charged to other financing costs:**

|  | <b>12 months</b><br><b>to 31/03/11</b><br><b>£'000</b> | <b>12 months</b><br><b>to 31/03/10</b><br><b>£'000</b> | <b>12 months</b><br><b>to 31/03/09</b><br><b>£'000</b> |
|--|--|--|--|
| Expected return on pension scheme assets | 160  | 116  | 150  |
| Interest on pension scheme liabilities   | <u>(189)</u>   | <u>(193)</u>   | <u>(193)</u>   |
| Net finance charge                       | <u>(29)</u>  | <u>(77)</u>  | <u>(43)</u>  |

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

|   | <b>12 months</b><br><b>to 31/03/11</b><br><b>£'000</b> | <b>12 months</b><br><b>to 31/03/10</b><br><b>£'000</b> | <b>12 months</b><br><b>to 31/03/09</b><br><b>£'000</b> |
|---|--|--|--|
| Actual return less expected return on pension scheme assets                                 | 139  | 567  | (574)  |
| Gain/(Loss) on change of assumptions underlying the present value of the scheme liabilities | 100  | (639)  | 525  |
| Revaluation of balance sheet  | <u>-</u>   | <u>-</u>   | <u>(4)</u>   |
|   | <u>239</u>   | <u>(72)</u>  | <u>(53)</u>  |

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2011

#### 7 PENSION COSTS (CONTINUED)

History of experience gains and losses:

|  | 12 Months<br>to 31/03/11<br>£'000 | 12 months<br>to 31/03/10<br>£'000 | 12 months<br>to 31/03/09<br>£'000 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| Actual return less expected return on scheme assets  | 139                               | 567                               | (574)                             |
| % of scheme assets at year end   | 5.1%                              | 22.9%                             | (31.1%)                           |
| Experience gain/(loss) arising on scheme liabilities   | 100                               | (639)                             | 525                               |
| % of scheme liabilities at year end  | 3.1%                              | (18.3%)                           | 18.9%                             |
| Total actuarial gain/(loss) recognised in statement of total recognised surpluses and deficits | 239                               | (72)                              | (53)                              |
| % of scheme liabilities  | 7.3%                              | (2.1%)                            | (1.9%)                            |

#### 8 INTEREST RECEIVABLE AND SIMILAR INCOME

|   | 2011<br>£'000 | 2010<br>£'000 |
|---|---------------|---------------|
| Interest Receivable from Unlisted Investments | <u>4</u>      | <u>2</u>      |

#### 9 INTEREST PAYABLE AND SIMILAR CHARGES

|   | 2011<br>£'000 | 2010<br>£'000 |
|---|---------------|---------------|
| <b>On Bank Loans, Overdrafts and Other Loans</b>                |               |               |
| Redeemed in year  | -             | -             |
| Repayable within 5 years, by instalments                        | 864           | 1,007         |
| Repayable by instalments wholly or partly, in more than 5 Years | 6,726         | 7,059         |
| Loan refinancing costs  | -             | -             |
| Derivative interest   | -             | -             |
| Other Interest  | <u>362</u>    | <u>243</u>    |
|   | 7,952         | 8,309         |
| Capitalised interest  | <u>(83)</u>   | <u>(11)</u>   |
|   | <u>7,869</u>  | <u>8,298</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 2011**

**11 TANGIBLE FIXED ASSETS**

|   | Housing Properties for Letting |                         | Supported Housing |                         | Care Estabs  | Total            |
|---|--------------------------------|-------------------------|-------------------|-------------------------|--------------|------------------|
|   | Complete<br>£'000              | In Development<br>£'000 | Complete<br>£'000 | In Development<br>£'000 | £'000        | £'000            |
| <b>COST</b>                               |                                |                         |                   |                         |              |                  |
| At 1 April 2010                           | 396,845                        | 31,493                  | 11,978            | -                       | 858          | 441,174          |
| Reclassification                          | (1,034)                        | -                       | 1,034             | -                       | -            | -                |
| Additions                                 | 11                             | 41,139                  | -                 | -                       | -            | 41,150           |
| Transfer on completion                    | 23,526                         | (23,526)                | -                 | -                       | -            | -                |
| Disposals                                 | (209)                          | -                       | -                 | -                       | -            | (209)            |
| <b>At 31 March 2011</b>                   | <b>419,139</b>                 | <b>49,106</b>           | <b>13,012</b>     | <b>-</b>                | <b>858</b>   | <b>482,115</b>   |
| <b>LESS: GRANTS</b>                       |                                |                         |                   |                         |              |                  |
| At 1 April 2010                           | (189,784)                      | (20,126)                | (4,988)           | -                       | (814)        | (215,712)        |
| Reclassification                          | -                              | -                       | -                 | -                       | -            | -                |
| Grants Receivable                         | 8                              | (24,003)                | -                 | -                       | -            | (23,995)         |
| Transfers on completion                   | (13,526)                       | 13,526                  | -                 | -                       | -            | -                |
| Transfer To Recycled Capital Grant Fund   | 27                             | (151)                   | -                 | -                       | -            | (124)            |
| Disposals                                 | 67                             | -                       | -                 | -                       | -            | 67               |
| <b>At 31 March 2011</b>                   | <b>(203,208)</b>               | <b>(30,754)</b>         | <b>(4,988)</b>    | <b>-</b>                | <b>(814)</b> | <b>(239,764)</b> |
| <b>DEPRECIATION ON HOUSING PROPERTIES</b> |                                |                         |                   |                         |              |                  |
| At 1 April 2010                           | (22,942)                       | -                       | (557)             | -                       | -            | (23,499)         |
| Charge for the Year                       | (2,475)                        | -                       | (86)              | -                       | -            | (2,561)          |
| Eliminated in respect of Disposals        | 14                             | -                       | -                 | -                       | -            | 14               |
| <b>At 31 March 2011</b>                   | <b>(25,403)</b>                | <b>-</b>                | <b>(643)</b>      | <b>-</b>                | <b>-</b>     | <b>(26,046)</b>  |

**ORBIT SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2011**

**11 TANGIBLE FIXED ASSETS (CONTINUED)**

|   | Housing Properties for Letting |                         | Supported Housing |                         | Care Estabs | Total          |
|---|--------------------------------|-------------------------|-------------------|-------------------------|-------------|----------------|
|   | Complete<br>£'000              | In Development<br>£'000 | Complete<br>£'000 | In Development<br>£'000 | £'000       | £'000          |
| <b>IMPAIRMENT ON HOUSING PROPERTIES</b> |                                |                         |                   |                         |             |                |
| At 1 April 2010                         | (225)                          | -                       | (93)              | -                       | -           | (318)          |
| Charge for the Year                     | 21                             | -                       | -                 | -                       | -           | 21             |
| At 31 March 2011                        | <u>(204)</u>                   | <u>-</u>                | <u>(93)</u>       | <u>-</u>                | <u>-</u>    | <u>(297)</u>   |
| <b>NET BOOK AMOUNT</b>                  |                                |                         |                   |                         |             |                |
| At 31 March 2011                        | <u>190,324</u>                 | <u>18,352</u>           | <u>7,288</u>      | <u>-</u>                | <u>44</u>   | <u>216,008</u> |
| At 31 March 2010                        | <u>183,894</u>                 | <u>11,367</u>           | <u>6,340</u>      | <u>-</u>                | <u>44</u>   | <u>201,645</u> |

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011

#### 11 TANGIBLE FIXED ASSETS (CONTINUED)

During the year total expenditure on works to existing properties was £19.7 million. None of this has been capitalised.

Additions to properties include capitalised interest costs of £83k (2010: £11k) and development administration costs of £1,516k (2010: £882k).

The Association reviewed its assets for impairment and £Nil (2010: £Nil) 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:

|  | <b>2011</b><br><b>£'000</b> | <b>2010</b><br><b>£'000</b> |
|--|-----------------------------|-----------------------------|
| Within housing properties and work in progress                                 | <u>24,052</u>               | <u>20,541</u>               |
| <b>The Net Book Value of Housing and Other Properties (note 12) comprises:</b> |                             |                             |
| Freehold Land and Buildings  | 217,812                     | 203,529                     |
| Long Leasehold Land and Buildings  | <u>108</u>                  | <u>111</u>                  |
|  | <u>217,920</u>              | <u>203,640</u>              |
| Housing properties   | 215,969                     | 201,645                     |
| Other – freehold offices   | 1,843                       | 1,884                       |
| Other – Commercial premises  | <u>108</u>                  | <u>111</u>                  |
|  | <u>217,920</u>              | <u>203,640</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 2011

### 12 OTHER TANGIBLE FIXED ASSETS

|                               | Freehold<br>Offices<br>£'000 | Commercial<br>Premises<br>£'000 | Motor<br>Vehicles<br>£'000 | Equipment<br>& Fixtures<br>£'000 | Total<br>£'000 |
|-------------------------------|------------------------------|---------------------------------|----------------------------|----------------------------------|----------------|
| <b>COST</b>                   |                              |                                 |                            |                                  |                |
| At 1 April 2010               | 2,395                        | 150                             | 24                         | 1,435                            | 4,004          |
| Additions                     | -                            | -                               | -                          | 78                               | 78             |
| Disposals                     | -                            | -                               | (5)                        | (3)                              | (8)            |
| <b>At 31 March 2011</b>       | <b>2,395</b>                 | <b>150</b>                      | <b>19</b>                  | <b>1,510</b>                     | <b>4,074</b>   |
| <b>LESS: DEPRECIATION</b>     |                              |                                 |                            |                                  |                |
| At 1 April 2010               | (488)                        | (39)                            | (24)                       | (1,248)                          | (1,799)        |
| Correction opening<br>balance | (8)                          | -                               | -                          | 8                                | -              |
| Charge for the Year           | (46)                         | (3)                             | -                          | (71)                             | (120)          |
| Depreciation on disposals     | -                            | -                               | 5                          | 1                                | 6              |
| <b>At 31 March 2011</b>       | <b>(542)</b>                 | <b>(42)</b>                     | <b>(19)</b>                | <b>(1,310)</b>                   | <b>(1,913)</b> |
| <b>LESS: IMPAIRMENT</b>       |                              |                                 |                            |                                  |                |
| At 1 April 2010               | (23)                         | -                               | -                          | -                                | (23)           |
| Charge for Year               | 14                           | -                               | -                          | -                                | 14             |
| At 31 March 2011              | (9)                          | -                               | -                          | -                                | (9)            |
| <b>NET BOOK AMOUNT</b>        |                              |                                 |                            |                                  |                |
| At 31 March 2011              | <b>1,844</b>                 | <b>108</b>                      | <b>-</b>                   | <b>200</b>                       | <b>2,152</b>   |
| At 31 March 2010              | <b>1,884</b>                 | <b>111</b>                      | <b>-</b>                   | <b>187</b>                       | <b>2,182</b>   |

### 13 DEBTORS

|                                       | 2011<br>£'000 | 2010<br>£'000 |
|---------------------------------------|---------------|---------------|
| Rents and Service charges             | 4,076         | 4,475         |
| Provision for Bad Debts               | (750)         | (759)         |
| Net Rental Debtors                    | <u>3,326</u>  | <u>3,716</u>  |
| Amounts Due from Fellow Subsidiary    | -             | -             |
| Service Charges due from Leaseholders | 26            | 585           |
| Prepayments and Accrued Income        | 273           | 241           |
| SHG Receivable                        | 4,388         | -             |
| Debtors due in more than one year     | 350           | 314           |
| Provision – bad debts                 | (49)          | (36)          |
| Other Debtors                         | 507           | 726           |
|                                       | <u>8,821</u>  | <u>5,546</u>  |
| Debtors after one year included above | <u>350</u>    | <u>314</u>    |

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011

### 14 OTHER INVESTMENTS AND SHORT TERM DEPOSITS

|   | 2011<br>£'000 | 2010<br>£'000 |
|---|---------------|---------------|
| Short Term Bank Deposits maturing in less than 24 hours | -             | -             |
|   | <u>-</u>      | <u>-</u>      |

### 15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|  | 2011<br>£'000 | 2010<br>£'000 |
|--|---------------|---------------|
| Trade Creditors                            | 3,888         | 3,955         |
| Rents Received in Advance                  | 1,210         | 988           |
| Amounts Due to Other Group Members         | 5,498         | 12,447        |
| Loans from Group Companies                 | 3,058         | 3,301         |
| Housing Loans (Note 18)                    | 305           | 271           |
| Other Creditors                            | 3,600         | 660           |
| Disposal Proceeds Fund (Note 17)           | 288           | 327           |
| Grants Received in Advance                 | 4,270         | -             |
| Accruals and Deferred Income               | 1,176         | 1,560         |
| Other taxation and social security payable | -             | -             |
|  | <u>23,293</u> | <u>23,509</u> |

Housing Loans shown above are net of £Nil loan arrangement fees carried forward (2010: £Nil)

### 16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|  | 2011<br>£'000  | 2010<br>£'000  |
|--|----------------|----------------|
| Leaseholder Maintenance and Renewal Provisions | 1,197          | 1,022          |
| Intra Group Loan                               | 174,528        | 156,535        |
| Bank Loans                                     | 12,871         | 13,176         |
| Amounts due to other Group Members             | 366            | 4,858          |
| Other Creditors                                | 394            | 428            |
| Accruals and Deferred Income                   | 348            | -              |
|  | <u>189,704</u> | <u>176,019</u> |

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011

#### 17 DISPOSAL PROCEEDS AND RECYCLED CAPITAL GRANT FUNDS

|                                  | RCGF<br>£000 | DPF<br>£000 | TOTAL<br>£000 |
|----------------------------------|--------------|-------------|---------------|
| <b>At 1 April 2010</b>           | -            | 812         | 812           |
| Purchase of Rented Units         | -            | (523)       | (523)         |
| Grants Recycled                  | -            | 404         | 404           |
| Interest Accrued                 | -            | 5           | 5             |
| Transfers to other Group Members | -            | 113         | 113           |
|                                  | <hr/>        | <hr/>       | <hr/>         |
| <b>At 31 March 2011</b>          | <hr/>        | <hr/>       | <hr/>         |
|                                  | -            | 811         | 811           |
| Due within one year              | -            | 288         | 288           |
| Due after more than one year     | -            | 523         | 523           |
|                                  | <hr/>        | <hr/>       | <hr/>         |
|                                  | -            | 811         | 811           |

#### 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 1.73% and 5.15% for the year ended 31 March 2011.

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.

|                                      | 2011<br>£'000 | 2010<br>£'000 |
|--------------------------------------|---------------|---------------|
| <b>Due Within One Year:</b>          |               |               |
| Orbit Treasury Limited               | 3,058         | 3,301         |
| Greenwich Natwest Limited            | 305           | 272           |
|                                      | <hr/>         | <hr/>         |
|                                      | 3,363         | 3,573         |
| <b>Due After More Than One Year:</b> |               |               |
| Orbit Treasury Limited               | 174,527       | 156,535       |
| Greenwich Natwest Limited            | 12,871        | 13,175        |
|                                      | <hr/>         | <hr/>         |
|                                      | 187,398       | 169,710       |
| <b>Total Housing Loans</b>           | <hr/>         | <hr/>         |
|                                      | 190,761       | 173,283       |

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011

#### 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:

|   | 2011<br>£'000  | 2010<br>£'000  |
|---|----------------|----------------|
| <b>In one year or less:</b>                         | <u>3,363</u>   | <u>3,573</u>   |
| <b>Repayable in instalments:</b>                    |                |                |
| In more than one year but not less than two years   | 6,763          | 6,907          |
| In more than two years but not more than five years | 10,471         | 11,059         |
| In more than five years                             | 170,164        | 151,744        |
|   | <u>187,398</u> | <u>169,710</u> |

None of the loans are repayable other than in instalments.

The interest rate profile of Orbit South at 31 March 2011 was:

|                  | Total<br>£'000 | Variable<br>£'000 | Fixed rate<br>£'000 | Weighted<br>average<br>Rate<br>% | Weighted<br>Average term<br>of fixing<br>in years |
|------------------|----------------|-------------------|---------------------|----------------------------------|---|
| Instalment loans | <u>190,761</u> | <u>85,082</u>     | <u>105,679</u>      | <u>4.10%</u>                     | <u>24</u>   |

#### 19 CALLED UP SHARE CAPITAL

|   | 2011<br>£ | 2010<br>£ |
|---|-----------|-----------|
| <b>Shares of £1 Each, allotted, issued and fully paid</b> |           |           |
| At 1 April 2010   | 20        | 20        |
| Issued  | 1         | 3         |
| Cancelled during the year                                 | (1)       | (3)       |
|   | <u>20</u> | <u>20</u> |
| <b>At 31 March 2011</b>                                   | <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 2011**

**20 DESIGNATED RESERVES**

|                                    | At the<br>Beginning<br>of the year<br>£'000 | Transfer to<br>provisions<br>£'000 | Release<br>of<br>provision<br>during<br>the year<br>£'000 | At<br>31 March<br>2011<br>£'000 |
|------------------------------------|---|------------------------------------|---|---------------------------------|
| Renewal of Furniture and equipment | 2,160                                       | 316                                | (67)  | 2,409                           |
| Insurance                          | 187   | -                                  | -   | 187                             |
|                                    | <u>2,347</u>                                | <u>316</u>                         | <u>(68)</u>   | <u>2,596</u>                    |

**21 PENSION LIABILITY**

|  | At the<br>Beginning<br>of the year<br>£'000 | Transfer to<br>provisions<br>£'000 | Transfer<br>to<br>General<br>Reserves<br>£'000 | At<br>31 March<br>2011<br>£'000 |
|--|---|------------------------------------|--|---------------------------------|
| <b>Pension Liability</b>                     |   |                                    |  |                                 |
| Retirement Benefit Obligation-<br>KCC scheme | 2,332                                       | (621)                              | (715)  | 996                             |
| Bexley scheme                                | 1,011                                       | (239)                              | (239)  | 533                             |
|  | <u>3,343</u>                                | <u>(860)</u>                       | <u>(954)</u>                                   | <u>1,529</u>                    |

**22 RECONCILIATION OF MOVEMENTS IN FUNDS**

|                            | 2011<br>General<br>Reserve<br>£'000 | 2010<br>General<br>Reserve<br>£'000 |
|----------------------------|-------------------------------------|-------------------------------------|
| <b>Opening funds</b>       | 4,172                               | 3,720                               |
| Surplus/(Deficit) for year | 5,859                               | 2,374                               |
| Designated Reserves        | (316)                               | (293)                               |
| FRS17 Actuarial loss       | 860                                 | (1,629)                             |
|                            | <u>10,575</u>                       | <u>4,172</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 2011

#### 23 CAPITAL COMMITMENTS

|   | 2011<br>£'000 | 2010<br>£'000 |
|---|---------------|---------------|
| Capital Expenditure which has been contracted for but has not been provided for in the financial statements   | 70,145        | 58,814        |
| Capital Expenditure which has been authorised under authority from the Board but has yet to be contracted for | <u>6,354</u>  | <u>18,324</u> |
|   | <u>76,499</u> | <u>77,138</u> |
| The Association expects these commitments to be financed with:  |               |               |
| Social Housing Grant  | 27,756        | 28,228        |
| Committed Loan Facilities   | <u>48,743</u> | <u>48,910</u> |
|   | <u>76,499</u> | <u>77,138</u> |

#### 24 CONTINGENT LIABILITIES

There were contingent liabilities as at 31 March 2011 of £Nil (2010: £Nil).

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

|   | 2011<br>£'000 | 2010<br>£'000 |
|---|---------------|---------------|
| Operating Surplus                         | 13,664        | 10,005        |
| Bad Debt Provision Increase/(Decrease)    | (9)           | 291           |
| Provision for Impairment                  | (35)          | 1             |
| Depreciation                              | 2,675         | 2,596         |
| Increase in stocks                        | -             | -             |
| Decrease in pension scheme liability      | (1,041)       | (282)         |
| Decrease in Debtors                       | 1,122         | (1,336)       |
| Decrease in Creditors                     | 4,791         | 6,625         |
| Intercompany transactions                 | -             | -             |
| Net Cash Inflow from Operating Activities | <u>21,167</u> | <u>17,900</u> |

# ORBIT SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2011

### 26 ANALYSIS OF MOVEMENTS IN GRANTS

|  | Social<br>Housing<br>Grant<br>£'000 | Other<br>Capital<br>Grants<br>£'000 | Total<br>£'000 |
|--|-------------------------------------|-------------------------------------|----------------|
| <b>At 1 April 2009</b>                     | 194,844                             | 327                                 | 195,171        |
| Cash received                              | 6,942                               | -                                   | 6,942          |
| Transferred from Group in Work in Progress | 13,862                              | -                                   | 13,862         |
| Movement in Net Current Assets             | -                                   | -                                   | -              |
| Released from RCGF and DPF                 | (263)                               | -                                   | (263)          |
| <b>At 1 April 2010</b>                     | <u>215,385</u>                      | <u>327</u>                          | <u>215,712</u> |
| Cash received                              | 13,518                              | -                                   | 13,518         |
| Transferred from Group in Work in Progress | 10,477                              | -                                   | 10,477         |
| Movement in Net Current Assets             | (67)                                | -                                   | (67)           |
| Released from RCGF and DPF                 | 124                                 | -                                   | 124            |
| <b>At 31 March 2011</b>                    | <u>239,437</u>                      | <u>327</u>                          | <u>239,764</u> |

### 27 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

|   | 2011<br>£'000    | 2010<br>£'000    |
|---|------------------|------------------|
| Increase in cash in the year                                      | 737              | (482)            |
| Decrease in Bank Deposits (with a Maturity in Excess of 24 Hours) | -                | -                |
| Loans received  | (59,892)         | (40,558)         |
| Loans redeemed  | 42,414           | 37,400           |
| Increase in Net Debt  | <u>(16,741)</u>  | <u>(3,640)</u>   |
| Net Debt at 1 April 2010  | <u>(172,786)</u> | <u>(169,146)</u> |
| <b>Net Debt at 31 March 2011</b>                                  | <u>(189,527)</u> | <u>(172,786)</u> |

### 28 ANALYSIS OF CHANGES IN NET DEBT

|                                   | 1 April<br>2010<br>£'000 | Cash<br>Flows<br>£'000 | Other<br>Changes<br>£'000 | 31 March<br>2011<br>£'000 |
|-----------------------------------|--------------------------|------------------------|---------------------------|---------------------------|
| Cash at Bank and in Hand          | 497                      | 737                    | -                         | 1,234                     |
| Housing Loans due within One Year | (3,572)                  | 271                    | (61)                      | (3,362)                   |
| Housing Loans Due After One Year  | <u>(169,711)</u>         | <u>(17,749)</u>        | <u>61</u>                 | <u>(187,399)</u>          |
|                                   | <u>(172,786)</u>         | <u>(16,741)</u>        | <u>-</u>                  | <u>(189,527)</u>          |

## ORBIT SOUTH HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011

#### 29 FINANCIAL COMMITMENTS

##### Operating Leases

As at 31 March 2011 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.

|                                      | 2011<br>£'000 | 2010<br>£'000 |
|--------------------------------------|---------------|---------------|
| Leases which expire within one year  | 5             | 8             |
| Leases which expire within 2-5 years | 155           | 87            |
|                                      | <u>160</u>    | <u>95</u>     |

#### 30 PROPERTY PORTFOLIO - OWNED AND MANAGED STOCK

|   | 2011<br>No.   | 2010<br>No.   |
|---|---------------|---------------|
| General Needs   | 10,250        | 10,031        |
| Supported Housing                                     | 902           | 902           |
| Key Worker  | 156           | 156           |
| <b>Total Owned by Orbit South Housing Association</b> | <u>11,308</u> | <u>11,089</u> |
| Leasehold   | 822           | 822           |
| Managed - key worker                                  | 227           | 227           |
| <b>Leasehold and Other Managed</b>                    | <u>1,049</u>  | <u>1,049</u>  |
| <b>Total Social Housing Units</b>                     | <u>12,357</u> | <u>12,138</u> |
| Commercial Units                                      | 3             | 3             |
| <b>Total Non-Social Housing Units</b>                 | <u>3</u>      | <u>3</u>      |
| <b>Stock in Development as at 31 March 2011</b>       |               |               |
| General Needs   | <u>700</u>    | <u>410</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](http://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.