Orbit Group Limited

Financial Statements

2013 – 14

orbit group | building communities

For the Year Ended 31 March 2014

Industrial and Provident Society Number 28503R
Home and Communities Agency Number L4123

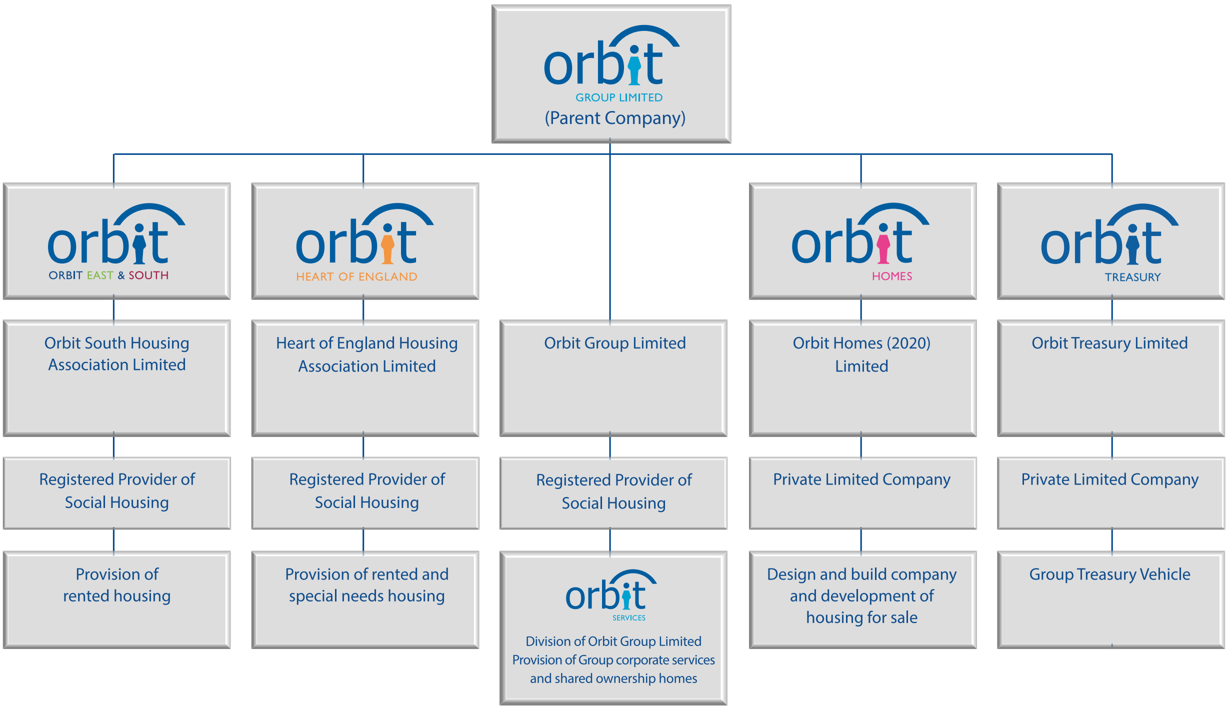
Erith Park
CGI

Contents

Operating and Financial Review

Group Structure & Overview

The Orbit Group is a family of organisations which work in partnership to manage 37,000 homes and serve 100,000 customers across the Midlands, East and South East. We have been growing and thriving for almost 50 years. Orbit Living is our housing management business comprising Orbit Heart of England, Orbit East and Orbit South. Orbit Homes is our development and sales organisation, building around 1,000 new homes a year, including market sale. Orbit Treasury is our funding vehicle, delivering more than 95% of our loan funding. Orbit Group Limited is the parent organisation of the Orbit Group - it includes Orbit Services which provides a range of professional and support services to both internal and external customers.



What we do:

Orbit offers a wide range of services and housing options to its customers, and provides professional and support services to more than 40 other housing organisations. Our core services include:

- General needs rented;
- Older persons housing including sheltered and very-sheltered schemes, private retirement schemes and extra-care;
- Low cost home ownership;
- Homes for market sale;
- HomeBuy, Help to Buy and Mortgage Rescue operations;
- Supported housing (including mother and baby, ex-offender, homeless, victims of domestic violence and mental health); and
- Care and Repair/Home Improvement Agencies.

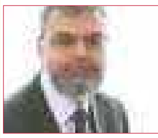
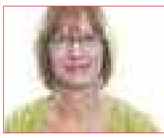
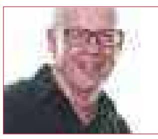
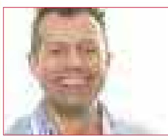
Operating and Financial Review

Board members, Executive Officers and Auditors

Board Members

Name	Position	Appointed	Retired
The Rt Hon Baroness Blackstone	Chair/ Non Exec Director	1st February 2013	
Professor Tony Crook	Deputy Chair/ Non Exec Director	1st October 2010	
Fran Beckett	Non Exec Director	1st April 2011	
Richard Berrett	Non Exec Director	10th July 2013	
Steve Brown	Non Exec Director	1st February 2013	
Chris Crook	Non Exec Director	6th December 2011	
Jackie Matthews	Non Exec Director	28th March 2007	31st March 2014
Paul Tennant	Executive Director	11th September 2012	
David Young	Non Exec Director	10th July 2013	

Executive Team

	Name	Role
	**Paul Tennant**	Chief Executive
	**Anne Turner**	Chief Operating Officer
	**Paul High**	Executive Director – Orbit Homes
	**Afzal Ismail**	Executive Director – Orbit Services
	**Vivien Knibbs**	Executive Director – Orbit Living
	**Tony Williams**	Executive Director – People
	**Boris Worrall**	Executive Director – Futures

	Independent Auditors	Principal Solicitors
Address	PricewaterhouseCoopers LLP Cornwall Court 19 Cornwall Street Birmingham B3 2DT	Towers and Hamlins 3 Bunhill Row London EC1Y 8YZ

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

Objectives and Strategy

We have a compelling social purpose; to improve the social, economic and environmental prospects of people and communities. We break this down into three key areas:

Vision

Purpose (Why we exist)	**Building Communities** By working together to improve the social, economic and environmental prospects of people and communities		
Passion (What we do)	**Housing Choice** Providing a wide range of homes to meet needs and aspirations	**Community Investment** Creating thriving and empowered communities	**Customer Offer** Enabling customers to make choices and take control
Resources (How we do it)	**People** Investing in our people, creating a dynamic culture of trust, enterprise and achievement	**Value** Maximising efficiency and resources through a commercial approach	**Futures** Harnessing insight, innovation and technology to create solutions
Principles	Live our Values Lead and influence Disciplined, open and accountable	Be 'One Team' Simplify and be consistent Make surpluses to re-invest	Innovate & change Learn from others Customer driven

This vision is delivered through the 2020 programme which sets out the long term strategy for Orbit, focused around the three key areas of housing choice, community investment and customer offer.

Our focus in 2014/15 will remain on delivering new homes to address the on-going housing crisis, and ensuring we provide excellent core services to our existing customers.

We have set a number of ambitious targets to achieve between now and 2020, and 2014/15 will see us further build on our achievements so far towards these:

	2014/15 priorities	2020 outcome
Housing Choice: Providing a wide range of homes to meet needs and aspirations	Our focus will be on delivery of the HCA programme, as well as ensuring the capacity is in place to deliver our aspirations for future years. This includes developing a range of options to enable customers to access housing which suits their needs.	Deliver 12,000 homes Provide a full range of home rental and ownership options Provide a flexible housing journey for customers
Community Investment: Creating thriving and empowered communities	We will further develop the work we do in our communities and ensure we are maximising and measuring the impact of the work we do. This includes generating and securing training and employment opportunities for our customers. We will seek external funding opportunities to invest further in our communities, particularly around fuel poverty and improving the energy efficiency of our properties.	Provide 10,000 training and capacity building activities to support empowerment, opportunities and jobs Deliver £30 million of investment into communities, including external funding Achieve a minimum energy rating of Band C in our homes (delivery date subject to Government funding)
Customer offer: Enabling customers to make choices and take control	We will continue to focus on getting the basic services right as we move to new ways of working, with a focus on simplification and consistency to improve efficiency and deliver value for money in all we do. Adoption of a 'digital by default' approach as we further develop self service options and new ways of working.	Ensure 75% of customer contacts are online Provide a range of tailored services which satisfy 90% of customers Provide financial and energy efficiency advice to 20,000 people

These priorities form the basis of the Group Business Plan, and drive the Business plans of each of the Group members. Each Board approves its own business plan, and subsequently monitors progress against the detailed delivery plans via regular performance reports.

Our business planning cycle has been developed around three phases to achieve our objectives by 2020, 2014/15 being the final year of phase 1:

1. ***Creating the platform 2013 - 2015:*** Simplification and consistency and getting the basics right to create the platform we will need to deliver our 2020 targets

2. ***Growth and delivery 2015 - 2017:*** Driving forward our plans as we start to achieve the 2020 targets while continuing to evolve and develop to meet new challenges and opportunities

3. ***Achieving our vision 2017 - 2020:*** Delivering our 2020 targets by maximising our organisational potential and performance to deliver the nine outcomes we set in 2013

Orbit is currently undergoing a major two-year organisational transformation programme in order to create the culture, systems and processes we will need to deliver our long-term targets. Delivery of our 2020 vision will be achieved through a culture which is driven by 'Profit for a Purpose' – we have defined this as maximising efficiency and resources through a commercial approach; harnessing insight and innovation; and investing in our people to create a dynamic culture of trust, enterprise and achievement.

Underpinning our commercial approach of 'Profit for a Purpose' are our values of honesty, respect, excellence, partnership and innovation which is the way we do things across every part of the organisation.

External Environment

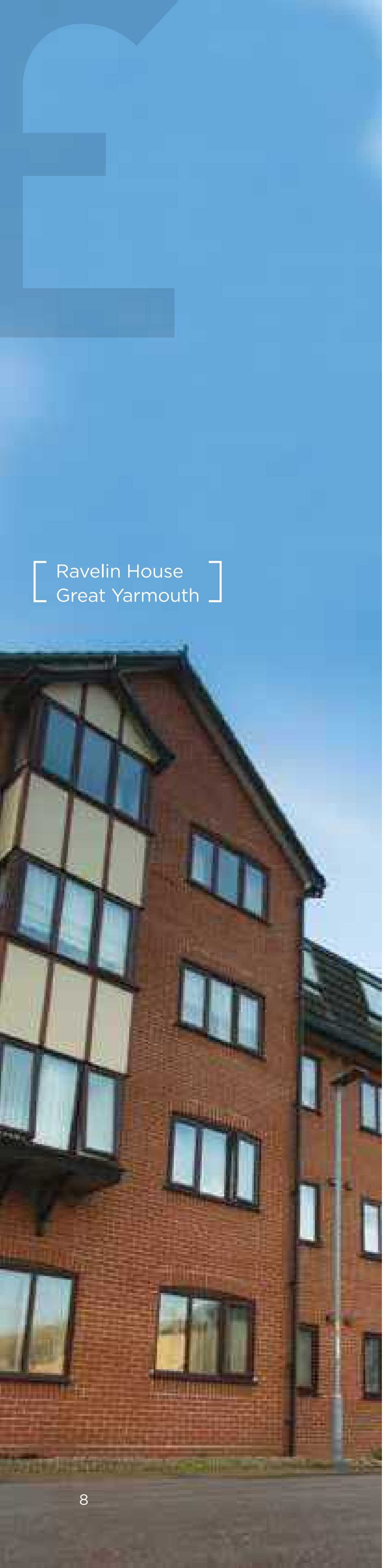
The external environment in 2014/15 will continue to provide a range of challenges and opportunities to Orbit. Although economic growth forecasts are now more positive, increasing costs of food and fuel, the impact of welfare reform and other pressures on the cost of living mean many of our customers still face difficult circumstances. In 2014/15 we will therefore continue our work to address the key issues facing our customers, including financial hardship, access to training and jobs and fuel poverty as part of our commitment to investing in our communities.

The recovering housing market and on-going growth in the private rented sector provide both challenge and opportunity, as we seek to contribute to redressing the underlying shortfall in housing supply. There is strong underlying demand for housing and house prices have increased significantly over the last 12 months, driven by an annual shortfall in new homes, but many face continuing difficulties in accessing mortgage funding.

Some of the key issues currently facing Orbit as we look to 2014/15 and beyond are:

Affordable Rents - Our current development contract with the HCA means we are seeing increasing numbers of affordable (up to 80% market rent) homes within our portfolio. Not only are many of our new homes being let on affordable tenancies, but we are also converting some of our older homes to affordable. We now have over 1,100 affordable tenancies, making up around 4% of our rented stock.

While these are an increasing trend, it should be noted, Orbit operates in a number of areas where affordable rents are less than or very similar to social rents. Conversely, in some areas where affordable is considerably more than social rents, we have taken a decision to apply 65% of market rents only, to ensure the properties remain affordable for our core customer base.



Welfare Reform Strategy - Our preparations and response to welfare reform has been extensive and enabled us to adapt our business plans and face the challenges head on a year before the Welfare Reform Act comes into operation. We are widely recognised as a leader in the field, have been nominated for numerous awards and had our communication materials adopted by many other organisations. Our strategy focuses on:

- Prevention of arrears and early interventions, seeing our investment paying off many times over;
- Vetting all potential customers to ensure they can afford and sustain their tenancy. This leads to support referrals where we identify any risk factors. Where a customer cannot afford the tenancy, any offer is withdrawn;
- A relentless information campaign enabling customers to make informed choices and maximise their income, or downsize to ensure they can afford their home and prevent losses to the business;
- Maximising the potential of our IT systems, so that customers falling behind with their rent are contacted immediately and referred to an internal specialist advice team if necessary; and
- Preparations for direct payment of benefits to customers are underway and we have reviewed our payment services provider to offer a broad range of innovative payment options.

Our arrears have decreased during 2013/14, despite the impact of the spare room subsidy (bedroom tax) and the overall cap on benefits.

Regulatory changes - The HCA is the regulatory body for registered providers (RPs) of social housing in England. With a statutory duty to minimise interference, it operates a system based on the principles of co-regulation. Under this system, RPs are required to meet both consumer and economic standards as set out in the Regulatory Framework, with the responsibility firmly lying with Boards. The regulator may intervene where there is a breach or potential breach of a consumer standard, which leads to the risk of 'serious detriment' to tenants.

A more proactive role is taken with regards to the economic standards, with assurance sought that they are adhered to. Periodically published regulatory judgements ensure the confidence of lenders and the like is maintained. The regulator will also identify RPs at greater risk of failure and intervene accordingly. Tenants' role in the co-regulatory approach is to hold Boards to account via scrutiny panels set up by their landlords. In recent times we have seen a diversification of the sector in terms of the services offered, with many RPs venturing into new business areas. This has prompted the HCA to revise its regulatory framework to ensure historic government subsidy is protected.

Risk Management

The Orbit Board maintains overall responsibility for strategic risk management. Our approach to risk management is based on good practice and the control environment to manage risk is continually reviewed and monitored by the Audit, Risk and Compliance Committee (ARAC) on behalf of the Orbit Board. All of our subsidiaries are required to implement the Orbit risk management framework and provide reports to their respective Boards.

The most recent review undertaken of our operating environment has identified the following 'Business Critical Risks', which are considered by the Group Board every six months:

Risk	Description and mitigation
Failure to deliver against government development contracts	Delivery of HCA/GLA contract targets is key to achieving our 12,000 homes ambition. The risk is mitigated through identification of schemes to meet contract targets and regular monitoring of progress against delivery of these.
Non achievement of housing sales	It is increasingly important to deliver our targeted housing property sales in an environment of reducing grant levels. The risks around non-delivery of sales are mitigated by management of the supply of units and regular monitoring of performance.
Failure to deliver financial assumptions	Failure to meet financial plan targets could impact on the viability of the Group and ability to deliver our targets. This is mitigated by regular financial monitoring and maintaining sufficient headroom against loan covenants.
Failure to mitigate against the impact of welfare reform	The potential impact of welfare reform on income and arrears levels is managed by a designated project group, with close monitoring of the impact on income and arrears levels. An efficiency review has also been completed of processes in this area.

These are reviewed by ARAC and the Executive Team every quarter, along with the following 'Strategic Risks':

1. Failure to deliver 2 year transition plan
2. Inability to deliver repairs service, including effective transition to outsource provider
3. Lack of skills and knowledge to diversify
4. Ineffective management of key health and safety risks
5. Failure by Orbit to embrace the need for cultural change and commerciality
6. Ineffective governance and leadership leading to poor business decisions

Performance for the year

Operational

In 2013/14 we completed the first year of our transformation programme towards our 2020 vision. Our key achievements this year were:

	2013/14 achievements	2020 outcome
Housing Choice: Providing a wide range of homes to meet needs and aspirations	We delivered 865 new homes We started to explore our options to develop private rented homes We started exploring a new way for people to move from renting to owning a share of their home	Deliver 12,000 homes Provide a full range of home rental and ownership options Provide a flexible housing journey for customers
Community Investment: Creating thriving and empowered communities	We provided nearly 1,000 training places, against a target of 600, and hit our target of providing 100 employment outcomes We achieved our target of investing £1.6 million into our communities We no longer have any F or G banded properties, and have started to put in place funding arrangements which will help to upgrade many of our homes in 2014-15	Provide 10,000 training and capacity building activities to support empowerment, opportunities and jobs Deliver £30 million of investment into communities, including external funding Achieve a minimum energy rating of Band C in our homes (delivery date subject to Government funding)
Customer offer: Enabling customers to make choices and take control	We began developing a new customer-friendly website to go live in Summer 2014 We achieved our target of providing fuel poverty advice to 500 customers and financial inclusion advice to 1,000 customers	Ensure 75% of customer contacts are online Provide a range of tailored services which satisfy 90% of customers Provide financial and energy efficiency advice to 20,000 people

The Agyei Family
Orbit Homes

The table below summarises our performance against the key performance indicators (KPIs) agreed by the Group Board:

	Target 2013/14	Target Achieved	Actual 2013/14	Actual 2012/13	Actual 2011/12
Homes					
1. Number of new affordable homes completed	694	Yes	754	865	874
2. First tranche sales income	£13.9m	Yes	£14.4m	£12.2m	£12.3m
3. Outright sales income	£26.1m	No	£21.1m	£6.6m	N/A
4. Void property sales	£14.4m	Yes	£15.6m	£14.4m	£2.3m
Customer					
5. Customer satisfaction with repairs	87%	No	78.5%	85.2%	85.7%
6. Net arrears	3%	Yes	2.7%	2.8%	N/A
7. Gas safety	100%	Yes	100%	99.9%	99.7%
8. Right first time	55%	Yes	57.7%	N/A	N/A

In 2013/14 we have achieved 6 of our 8 KPIs:

- Sales performance has been strong with both first tranche and void sales in excess of targeted levels. Outright sales performance is lower than the original target due to delays in delivery of some schemes but exceeded our revised forecast with a marked increase in quarter 4.
- Customer satisfaction with repairs has fallen during the year. There have been changes made in service provision, with Property Matters (the in-house maintenance provider in Orbit Heart of England) ceasing to operate on 31st March 2014 and a new service provider in place from April 2014, to ensure improved performance via a single, consistent way of working across Orbit.
- Arrears performance has exceeded target and improved from last year despite the impact of bedroom tax and continuing financial pressures for many of our customers, due to our on-going work to address the impact of welfare reform and process improvements made in the year.
- 100% compliance with gas servicing has been achieved across the Group for the first time this year.
- The 'Right first time' indicator measures the percentage of calls received by our Customer Service Centre where the customer's desired outcome is achieved from their call. Key progress in this area in the year has been around calls relating to payment of rent and booking repairs appointments.

In addition to these measures, our annual customer survey (STAR) rated customer satisfaction at 76.6% (2013: 79.3%). Whilst it is disappointing to see a decline, the changes made in 2013/14 around provision of the maintenance service put us in a better position to deliver excellent services to customers in the future.

Other highlights in the year include:

- Being awarded the Help to Buy contracts for the West and East Midlands, expanding our position as one of the largest Help to Buy agents in the country. Help to Buy promotes and administers home ownership products, primarily for those who can't afford to buy homes on the open market.
- The acquisition of 268 units in one of our key operating areas – Stratford-upon-Avon - from The Guinness Partnership.
- Completion of the work to identify and profile our key nine community hubs – Coventry, Warwick, Stratford-upon-Avon, Norwich, Rugby, Bexley, Hastings, Thanet and Northants. These are the areas where we are able to play a leading or significant role in the local housing and community landscape and this work will be vital in informing our future plans.
- Developing our approach to community investment to allow us to deliver our target for 2020.
- Implementing a new rewards and benefits system in response to staff feedback.
- The sale of 449 units outside of our key operating areas to Notting Hill Housing Trust, as part of our on-going portfolio rationalisation.
- Helping 198 customers to stay in their homes, as part of over 1,000 completions we have achieved in the five years of operating the mortgage rescue scheme.

Bertie Terrace
Leamington Spa

Performance for the year

Financial summary

Income & Expenditure Account	2013/14 £m	2012/13 £m	2011/12 £m	2010/11 £m
Turnover	221	193	177	165
Operating surplus	62	46	47	42
Operating margin	**28%**	**24%**	**27%**	**25%**
Profit on sale of housing properties	36	23	11	1
Surplus as % turnover	30%	21%	19%	11%
Surplus excluding interest as % of turnover	44%	36%	33%	26%

Balance sheet	2013/14 £m	2012/13 £m	2011/12 £m	2010/11 £m
Tangible fixed assets	1,083	984	936	846
Net current assets	51	78	46	32
Total assets less current liabilities	**1,134**	**1,062**	**982**	**878**
Creditors due after more than one year	752	747	707	632
Designated reserves	9	9	8	7
Revenue reserves	373	306	267	239
	1,134	**1,062**	**982**	**877**

Key indicators	2013/14	2012/13	2011/12	2010/11
Interest cover	2.46	1.86	1.87	1.83
Debt per unit (£k)	24.2	23.8	22.4	20.7
Headroom above loan covenants(£m)	36.0	23.5	21.4	17.6
Months cash /secured loans available	30	24	19	18
Months approved loans available	30	36	27	18
Management costs as % of rent	25.5%	26.0%	26.1%	27.8%
Current tenant arrears	3.4%	4.4%	4.8%	5.4%
Void loss as % of rent	1.8%	1.6%	1.7%	1.4%

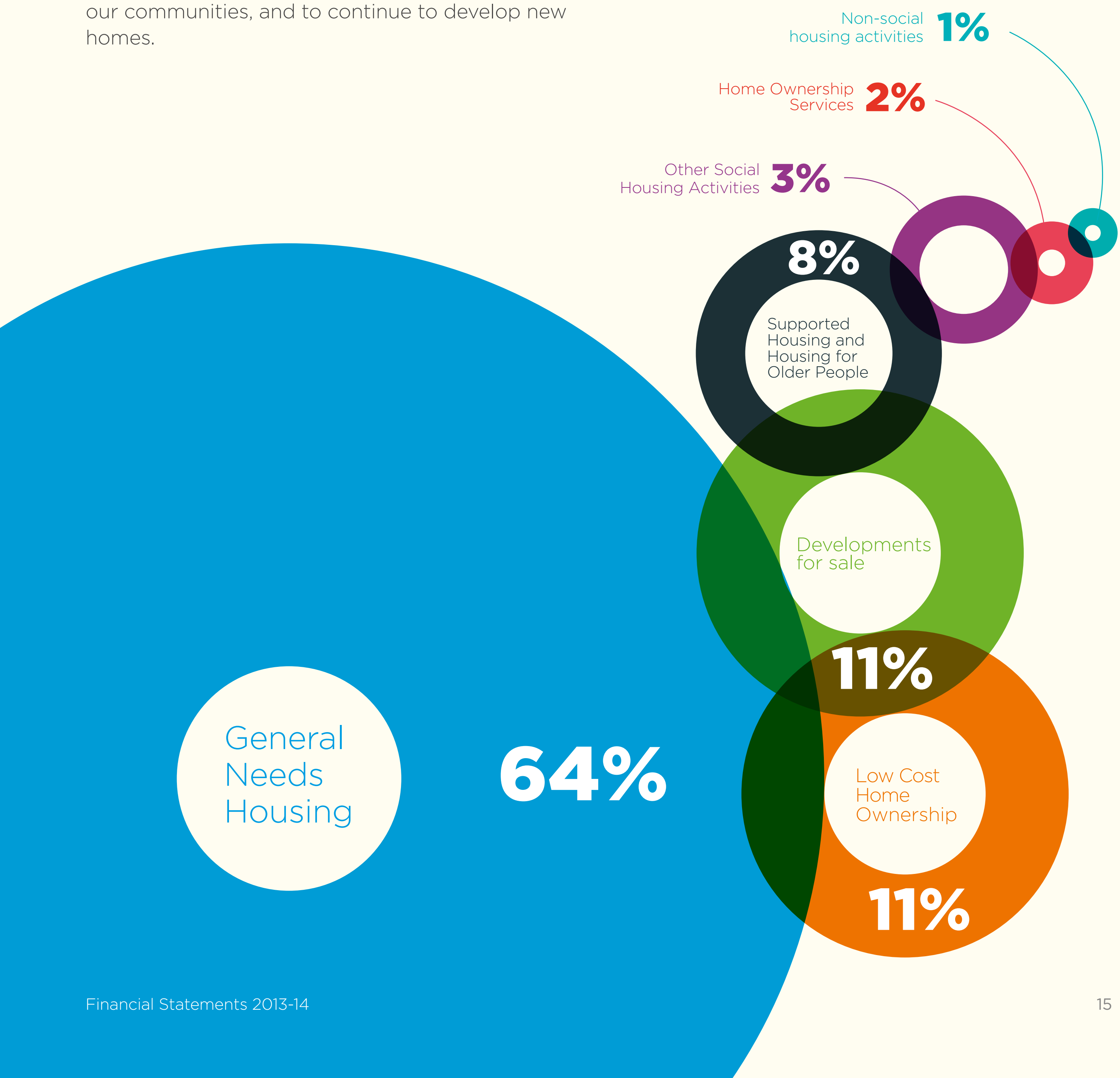
Orbit continues to build on its strong financial position, delivering an overall surplus for the year of £67 million (2013: £41 million.) Operating surplus was £62 million (2013: £46 million). Turnover was £221 million, an increase of £28 million from 2013. 53.2% of the overall surplus came from the sale of properties, primarily void sales, market sales and the disposal of a portfolio of 449 homes outside our key operating areas to Notting Hill Housing Trust. Our key financial indicators have all been achieved for the year and exceeded targeted levels.

The surplus generated will allow us to continue to reinvest; firstly in our existing properties through our annual maintenance programmes. We will also invest in improving services for our customers, in our communities, and to continue to develop new homes.

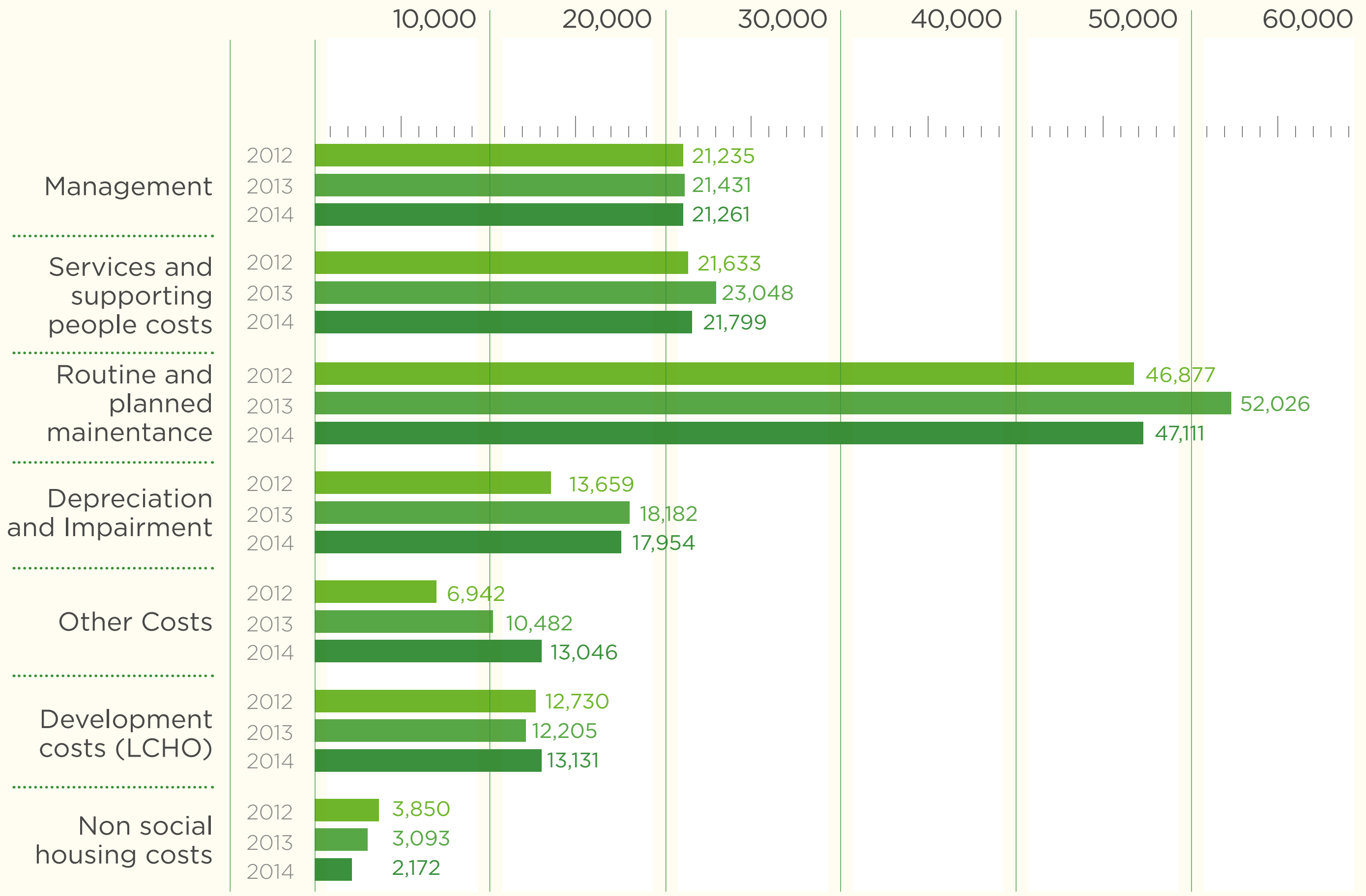
The balance sheet has also increased in strength with assets increasing to £1,081 million (2013: £984 million) and reserves to £382 million (2013: £315 million), with a total of 37,000 homes in management.

The principal accounting policies are set out in note 1. The key policies which have the most significant impact and/or require judgement are housing property components, capitalisation of interest, grants and provisions.

The majority of our income continues to be generated from our core business – the rented portfolio of general needs housing and housing for older people.



Operating Costs



Our largest area of expenditure continues to be the maintenance of our properties, which was £47 million in 2013/14. A further £14.2m was spent on the replacement of components (including kitchens, bathrooms and boiler replacements) which has been capitalised. Management costs have remained static year on year at £21m.

VALUE FOR MONEY

Statement from the Board

As the Board, we have ultimate accountability for driving and embedding value for money (VFM) across the business. We have been pleased with progress so far, but know there is a lot more work to do. We have really seen the VFM culture develop particularly over the last two years through the delivery of the 'Making it Count!' framework.

In particular, we have been pleased to see staff embracing the agenda through recording local savings and our staff complete honest self-assessments to help drive continual improvement. We have also seen a much stronger focus on understanding costs and begun to see impacts emerging.

VFM is now at the heart of our business plans and as a Board, we will be challenging the business to demonstrate strong delivery and transparency to our key stakeholders in the year ahead, building on the solid foundations already in place.

We receive regular reports providing performance against targets and Key Performance Indicators (KPIs). We have recognised room for improvement and the Board will specifically review and discuss VFM every six months in line with our Making it Count! VFM Action Plan 2014/15. This action plan demonstrates our drive and commitment to meet future objectives in the coming year.

To ensure we are open and transparent with self-assessments, we have sought challenge from our customers who will actively review our assessments.

In 2014/15, we aim to develop customer knowledge and further their involvement in our VFM activities by implementing a Customer VFM Group. This will be a further opportunity for customers to hold us to account on our VFM approach and activities, ensuring we are doing what we say we will do.

Taking into account the information in this self-assessment, we feel we have demonstrated our current plans and approach to VFM and therefore comply with the current HCA VFM Standard.

Our Strategic Approach to VFM

The Orbit Group Limited [1] ("Orbit") definition of VFM is "to fully satisfy agreed customer requirements, at the lowest internal cost" achieved by:

- Reducing our costs to get the same outputs
- Reducing other resources and inputs for the same outputs
- Getting greater outputs with improved quality for the same inputs

Orbit's strategic approach to VFM is outlined in our Making it Count! Value for Money framework. This guides our staff to obtain the maximum benefit from the products and services we procure or provide, with the resources available.

The Making it Count! Value for Money Framework can be found on our website www.orbit.org.uk.

The framework aligns key stages of effective business delivery to ensure Orbit's 2020 vision, laying the platform for VFM to play an integral role to ensure the 'right' activities, assets, deliverables and outcomes.

There was a strong theme of VFM running through our 2013/14 Business Plan with clear VFM commitments.

Our 'Organisation' Group Business Commitments stated, "We recognise the need for efficiency and the most effective use of resources which will be reflected in work undertaken throughout the Group. In particular we will be focused in the year on increasing income, driving down costs and establishing more effective ways of undertaking services".

VFM will remain a key priority in our future business plans as we develop and deliver our 2020 vision. We will focus on achieving top quartile performance, high levels of customer satisfaction with our services and deliver greater efficiency.

We produce an annual VFM Map that documents a programme of activity linked to our strategic objectives setting out clear targets and the value gains we have made. It also identifies objectives for generating income to fund key business priorities. The Senior Management Team own and monitor the Map.

The Making it Count! VFM Framework and our 2014/15 Business Plan can be found on our website www.orbit.org.uk.

Organisational Arrangements to Ensure Delivery of VFM

Governance

As a Board, we are responsible for our assets and resources and set our VFM strategy. We monitor progress against this through operational and financial performance, VFM actions plans and annual assessment. The Group Board oversees VFM with delegated authorities devolved to:

- Orbit Homes (build, development and sales);
- Orbit Living (Landlord Services including housing management and repairs);
- Strategic Support Services and Orbit Services (Corporate support centre) for the Group and external housing providers; and
- Orbit Treasury Limited (tasked with achieving funding needs to meet growth aspirations).

All Board reports include a specific section relating to VFM helping to ensure that VFM is a key consideration in our thinking and decision-making.

Our VFM Governance Framework can be found on our website www.orbit.org.uk.

[1] The company is a subsidiary of Orbit Group Limited collectively referred to as Orbit

Embedding VFM throughout the organisation

VFM is embedded within our culture and many staff have individual targets in their Personal Development Reviews for achieving and recording VFM gains.

Teams contribute to generate local savings and we will continue to improve our methods of recording savings.

We produce an internal staff e-zine 'Making a Difference' which promotes our local VFM gains. It includes savings updates, along with articles written by staff on how they have achieved VFM for their customers. We also record and celebrate savings on a VFM Money Tree.

Customer Involvement

Following full service reviews of OHE and OES in 2012/13 and 2013/14 respectively, customers are now at the heart of what we do. We are determined to ensure we shape our services for our customers by gaining their input and perspectives of their experiences. We have a long way to go, but we have made some progress including:

- Customer Involvement Service Improvement Group (SIG) – Holds the involvement service to account on a quarterly basis by monitoring spend against budget and reviewing impact assessments for all OHE's involvement activities. This provides customers with an ongoing opportunity to challenge our delivery outcomes and costs to ensure our involvement activities are as cost effective as possible.

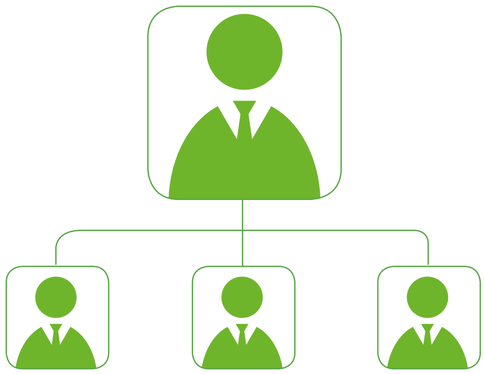
- Procurement of goods and services – Trained customers were involved in the shortlisting, recruitment and selection of new contractors for OHE's responsive repairs contract and heating contract 2013/14. Customers were also involved in the shortlisting, recruitment and selection of new contractors for our new website developers contract during 2013/14.

- Community Investment Funding Allocation – Trained customers have been involved in the evaluation and assessment of all OHE's fund applications during 2013/14, to ensure that funds were allocated appropriately to sources which would deliver cost effective outcomes. We will be reviewing our approach to this process in 2014/15.

- Customer Scrutiny – Completed comprehensive reviews of how a number of services were delivered in OES which included a number of VFM challenges which were discussed with service managers, and actions agreed where appropriate.

- Governance – through our Board, Operations Committee and Scrutiny structures, customers have the opportunity to influence and challenge on value for money matters. Regular information relating to costs is provided to the Customer Scrutiny Panel which supports the approach in an open and transparent way. Further information on scrutiny structures can be found later in this document under 'Resident Involvement'.

As part of delivering our plans for embedding VFM into all our involvement activities during 2014/15, we will also be establishing a dedicated customer group to focus on value for money, to provide customers with opportunities to challenge us, hold us to account and drive improvements in the future.



Performance Management

We have a comprehensive suite of business wide performance indicators (PIs). A number of our financial PIs help ensure VFM is part of day-to-day and strategic performance management, including void loss and gross arrears.

We use Geographic Information System (GIS) to enhance our ability to monitor performance more effectively. Staff have used the GIS system to produce a large number of maps to provide demographic, social, economic and housing market profiles of Orbit owned areas. Staff also use GIS to confirm operational analysis – such as repairs and ASB hotspots, to help managers understand where service resources are being drawn.

We have developed a Data and Reporting Tool (DART) to improve performance management across Orbit and to streamline the use of data to maximise its transparency and comparability.

DART allows us to be more efficient in the way we collate and present data, by increasing the automation of reporting and reducing the need for manual input, particularly in the production of standard monthly KPIs for Board and management reporting. The DART dashboards will be fully implemented during 2014/15 and provide real time information to enable staff to understand current performance.

Portfolio Management Group

We actively manage our portfolio; one stream of activity is focused on asset performance and we have a high-level stock appraisal system to inform our stock rationalisation, disposal and development strategies.

We have developed an innovative knowledge database to help us to deliver this which pulls together all we know about our property, the customers who live in our properties and the local community and financial performance including planned investment. This helps us to make consistently good decisions to benefit our customers and enables us to value our properties using Net Present Value techniques. Management operate analytical procedures to focus on both economic and social value to determine the drivers of current and future performance to inform our investment and divestment strategies.

Staff Reward Strategy

To ensure we drive efficient and effective behaviours from our staff to deliver our VFM approach successfully, we operate a recognition policy, which enables managers to reward their staff, where they have:

- Improved levels of customer service
- Shown an innovative approach in solving a problem
- Far exceeded expectations with regard to a specific service.

Operating performance incentives based on individual targets reward the right behaviours and leads to significant VFM gains.

Making it Count! Approach

Towards the end of 2013/14, we revised and improved our Project Management Framework to ensure we achieve VFM from our projects. Driving efficiencies through this agenda is vital to achieving our 2020 vision. We need to ensure we are aware of the costs and the benefits from the outset and measure our success effectively.

Our Project Management Framework provides guidance and a rigorous approach to ensure we focus our investment in both cash and time management, identifying the elements of a project which add the greatest value:

- A Great Idea form is submitted to the Project Management Office for all improvement/change projects

- Projects need a solid business case showing clear benefits to the business; the business case will be reviewed and challenged

- The benefits from all significant projects are monitored and validated by our internal audit team

- Significant variances from the audit are reviewed and a feedback loop increases our business planning skills for the future.

Our staff receive training and support in project management, for example, staff are offered support to identify and value the benefits which arise from their Great Idea.

Operational Re-structure

We are redesigning the way we will deliver our services to improve the efficiency and impact of available resources. This means moving as many of our highest volume of interactions with customers (simple service, advice and information requests currently handled by our telephone Customer Service Centre and directly by members of staff) to 'self service' online channels, which are more convenient for many of our customers. We will continue to provide important services through the existing channels in parallel.

This then frees up resources to ensure that where more time and expertise is needed to provide customers with a service, or information or advice, staff can be more usefully targeted to be available to help and work with customers who need face to face or intensive service support.

[Booth Park
Northampton]

VFM Achievements and Successes

VFM Gains

In 2013/14, we achieved over £4.2m VFM gains including:

	Efficiency £000	How
Repairs	2,010	Better procurement and improved productivity
Procurement	996	Procurement led gains
Recovery of overcharges	257	Improved processes
Interest and other charges	223	Focused treasury management
Replacement customer incentive	400	More targeted incentives to drive the right behaviours
Boiler replacements and green energy projects	35	More efficient
Tax relief	275	Better tax planning

There are other non-cashable and softer gains including:

(i) Advertising value equivalent through in house production of articles for adoption by the media.

(ii) Reduction in net arrears since 2012/13 at no additional cost, due to system changes notwithstanding the effect welfare reform is having on our customers.

[Boughton Green Road Northampton]

What we are doing with the money we save

We reinvest our cashable VFM gains in our products and services, building new homes and investing in our communities.

Our headline reinvestment is in building new homes. In 2013/14, Orbit built 600 new homes without grant, made £0.2m initial investment in EERP (Energy Efficiency Renewal Programme) in our homes and an additional £1.6m in community investment and customer advice services.

Improving Social Value

Impact measurement is an integral part of delivering our 2020 vision and we will adhere to the following principles:

- We do not use impact measurement as a 'PR tool', therefore, where we use methodologies which monetise outcomes (e.g. social return on investment), we are open about what our assumptions are based on, and do not overclaim programme effects.

- We are committed to establishing a culture of impact measurement across the organisation and an impact measurement champion is responsible for driving this agenda. In 2014/15, in order to gain buy-in and foster ownership, staff will receive training and support to carry out evaluations.

During the year, we implemented a Social Impact Measurement Framework, which outlines the principles and our commitment to impact measurement across the organisation.

Orbit appreciates the social, economic and environmental impact of its decisions and activities. We want to make a real difference to people and the places where they live. See the website for our report on our headline impacts in 2013-14 entitled 'Building Communities'.

Customer Satisfaction Results

The latest STAR (Survey of Tenants and Residents) results show overall customer satisfaction with Orbit as their landlord at 77% (2012/13: 79.3%) which places us in the lower quartile (against peer group).

Compared to twelve months ago there has been a general decline in satisfaction (STAR survey 2014). Like most housing providers, a key driver relates to the repairs maintenance service. During the year, we took the decision to decommission Orbit's Direct Labour Organisation (Property Matters). We outsourced the service on 1 April 2014. The Board is targeting significant improvements in customer satisfaction with repairs in 2014/15.

Projected Improvements/Achievements

Strategic and Operational Reviews

In 2013/14, management carried out reviews of two key service areas in Orbit – income services and repairs contracting arrangements. The income services review has led to major change in the structure of the team, replacing two teams with different practices with one team that can deal with income collection activities in a more consistent and efficient way. This has freed up resources to expand our money advice and tenancy support services. These and other structural changes have achieved a net reduction in people costs £0.3m.

After three years in operation, the 'Pro Points' tenant reward scheme has ended and will be replaced with targeted incentives for customers resulting in annual savings of £0.4m.

We expect the outsourcing of repairs to improve customer satisfaction, and generate recurring savings of £0.6m per annum from 2014/15 over the remainder of the 5-year contract period.

In 2014/15, other VFM gains will include:

- Increased income from refurbished garages
- Increased income from feed-in tariffs
- Increased usage of webinars and video conferencing to reduce travel
- Increased efficiency from investment in new Human Resources system, e.g. electronic payslips and greater self-serve
- Reduced waste in processes through lean reviews

Beyond 2014/15 VFM will continue to grow, due to:

- Increasing the number and proportion of customer interactions on line e.g. introduce a repairs online service.

- Reduce the overall cost of developing a home through a series of connected lean reviews.

Digital by default

Our 2020 vision sets an ambition for 75% of our interactions with customers being online, rather than by telephone. Whilst around 65% of our customers are already 'digital ready' and use the internet for everyday transactions, around a third do not have access or the skills to confidently use the internet. This puts them at risk of being increasingly disadvantaged as the world moves to a more 'digital by default' or 'everything's online' way of working and communicating.

We are expanding the range of services accessed from our website, rather than customers having to phone the Customer Service Centre or visit an office to request information or a service. We are also investing in projects to help customers improve their digital skills and enable access to the internet.

Procurement projects

Orbit has a procurement team, which provides services to both external and internal customers. This provides the business with assurance over robust procurement delivering VFM.

Our procurement led VFM gains include:

	£000
Repairs and maintenance materials	323
Development consultancy	615
Fuel costs	34
Grounds maintenance services (for residents)	24

Making it Count! Value for Money Action Plan

The Making it Count! VFM Action Plan is an important part of our VFM Strategy. The plan addresses our weaknesses and provides a range of objectives to improve VFM.

We have structured proposed actions using the regulators key areas of assurance with each individual area colour coded to indicate our current level of self-assessed compliance. The ratings in brackets are taken from our self-assessment 2012/13.

AMBER Understanding the cost of delivering specific services and how these relate to benchmarks
(2013: AMBER)

AMBER The efficiency gains which have been and will be made and how these will be realised
(2013: AMBER)

GREEN A rigorous approach to assessing options for VFM improvements including potential benefits from alternative delivery models
(2013: AMBER)

GREEN Performance management and scrutiny functions are effective at driving and delivering improved performance with outcomes and outputs clearly measured
GREEN (OHE), **GREEN** (OES)
(2013: AMBER and GREEN respectively)

GREEN A robust approach to decision making on the use of resources, including an understanding of opportunity costs and clear evidence of delivery
(2013: GREEN)

GREEN An understanding of the return on assets and a strategy for maximising future returns
(2013: GREEN)

Key:
Green – full assurance
Amber – partial assurance i.e. we can demonstrate consistency and/or it is not fully embedded
Red – cannot provide assurance

The action plan is SMART (Specific, Measurable, Attainable, Realistic, Time bound) and contains agreed PIs to measure achievements.

Financial Overview

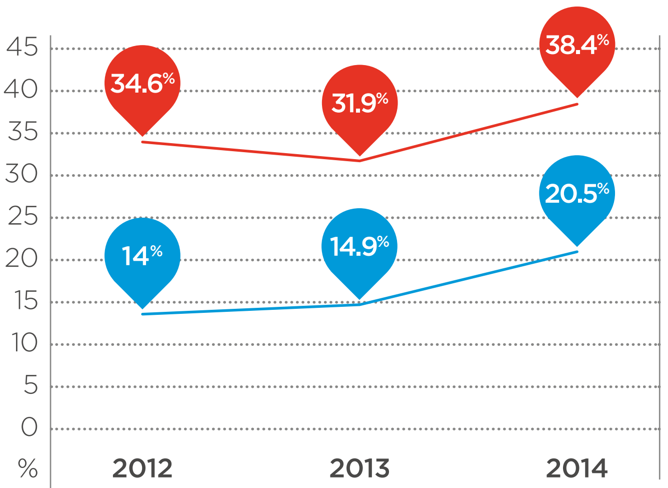
Orbit's finance team is structured to ensure that our financial systems are managed effectively and resources are allocated and spent in line with Business Plan objectives to enable us to achieve our VFM targets.

Our finance team regularly reviews our key financial processes and we prepare our accounts and have them audited within six months of the year-end. We then post them onto our website.

We report financial performance throughout the year to all levels within the organisation and financial performance forms part of the PI's monitored by our Board. Management monitor financial parameters at all levels of the organisation, via delegated responsibility to budget holders. Budget holders set and approve the budgets, before being approved by the SMT, the Executive Team and the Board. At each stage in the budgeting process, there is challenge to ensure VFM.

The following charts set out Orbit's financial performance:

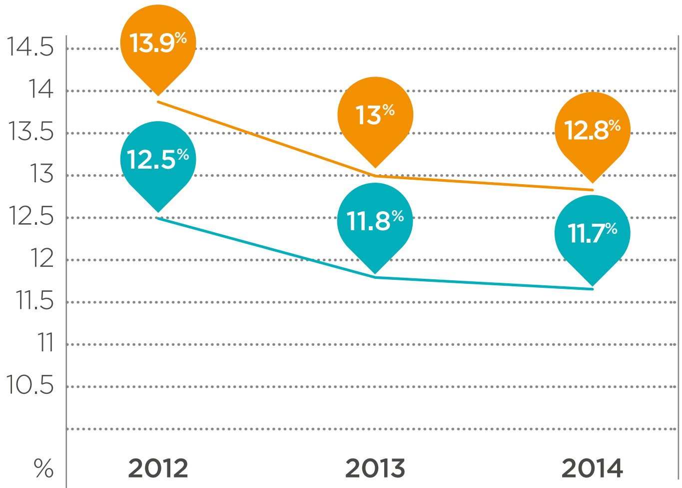
Performance 3 year trend



Surplus / Turnover (Social Housing)

Surplus / Turnover

Our surplus % has improved in 2014 primarily due to lower planned maintenance and management costs.

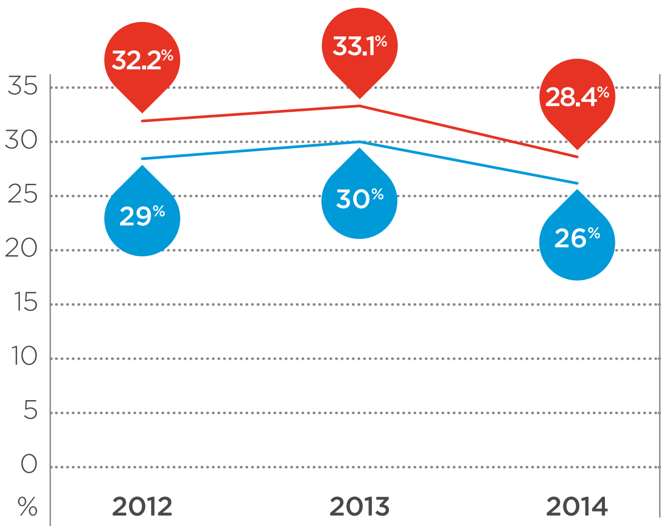


Management Costs / Rental Income

Management Costs / Turnover

The steady reduction in management costs % evidences growing efficiency.

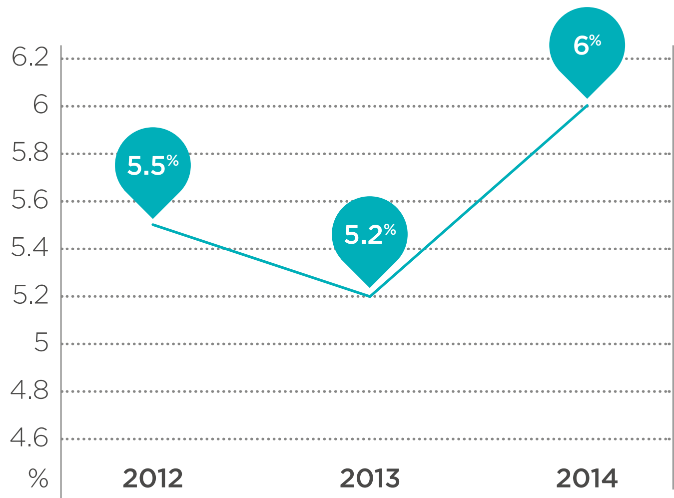
Glebe Road
Stratford-upon-Avon



Maintenance Costs / Rental Income

Maintenance Costs / Turnover

Overall, there is a slight improvement in maintenance costs % driven from our VFM gains and relatively low levels of planned maintenance. In 2014/15, the maintenance % is expected to increase due to planned maintenance and cyclical improvements.



Return on Assets

The increase in ROA[1] is attributable to a number of factors; the increase in rental income compared to cost inflation, efficiencies, low levels of planned maintenance and growing commercial income all contribute.

ROA is sensitive to new development and schemes in their early years will reduce the total business ROA.

The above three year trend information evidences a strong business on a journey of improving efficiency. We are determined to maximise VFM and our plan to 2020 shows there is a long way to go.

[1] Operating surplus as % of Net Book Value of social housing lettings property

Benchmarking

We benchmark and compare our costs and performance through HouseMark, M6 Benchmarking and other groups outside of the sector. This ensures we set challenging targets and learn from sector good practice.

In 2014/15, we will investigate and pilot a collaboration between Orbit and other Midlands based housing associations.

Management utilise benchmarking across the business. Management use a bespoke benchmark group of 40 comparable organisations using HouseMark data. Three areas we reviewed in the year using HouseMark core 2012/13 data and the consolidated position is described below. Further information can be found in the OHE and OES individual VFM self assessments.

(i) Responsive Repairs
Orbits responsive repairs performance is mixed. When we compared the performance of our direct labour organisation which serviced OHE we found the service is high cost and delivering poor performance. The responsive repairs service is outsourced in the rest of the business and comparison to HouseMark shows this is low cost delivering upper quartile performance. We expect outsourcing repairs in OHE in 2014/15 to reduce cost and deliver greater customer satisfaction.

(ii) Housing Management
We found our performance is mixed. Overall, our performance and cost is third. We reviewed this service in 2013/14 and we expect our restructure in 2014/15 to increase efficiency and improve customer satisfaction as we strengthen our focus on service areas that are important to our customers.

(iii) Income Collection
Overall Orbit's income collection is median to high cost delivering mixed performance. Performance in 2013/14 is stronger; we have seen a reduction in the level of arrears and we continue to support customers experiencing financial difficulty in the face of the cumulative pressure of welfare reform.

Orbit offers various advice and support including money advice. We are targeting greater efficiency and effectiveness in 2014/15 through continuous improvement.

Looking Forwards

Our business plan reflects income growth through organic growth in our core housing offer and our commercial offer comprising market sale, shared ownership and professional services. Through our VFM strategy in 2014/15, we are targeting increases in surplus using the following key value opportunities:

(i) Doing more for the same
(ii) Benefits realised from strategic projects
(iii) More focused portfolio management
(iv) Procurement
(v) Reduction of waste through lean reviews
(vi) Growing our income from our external sales

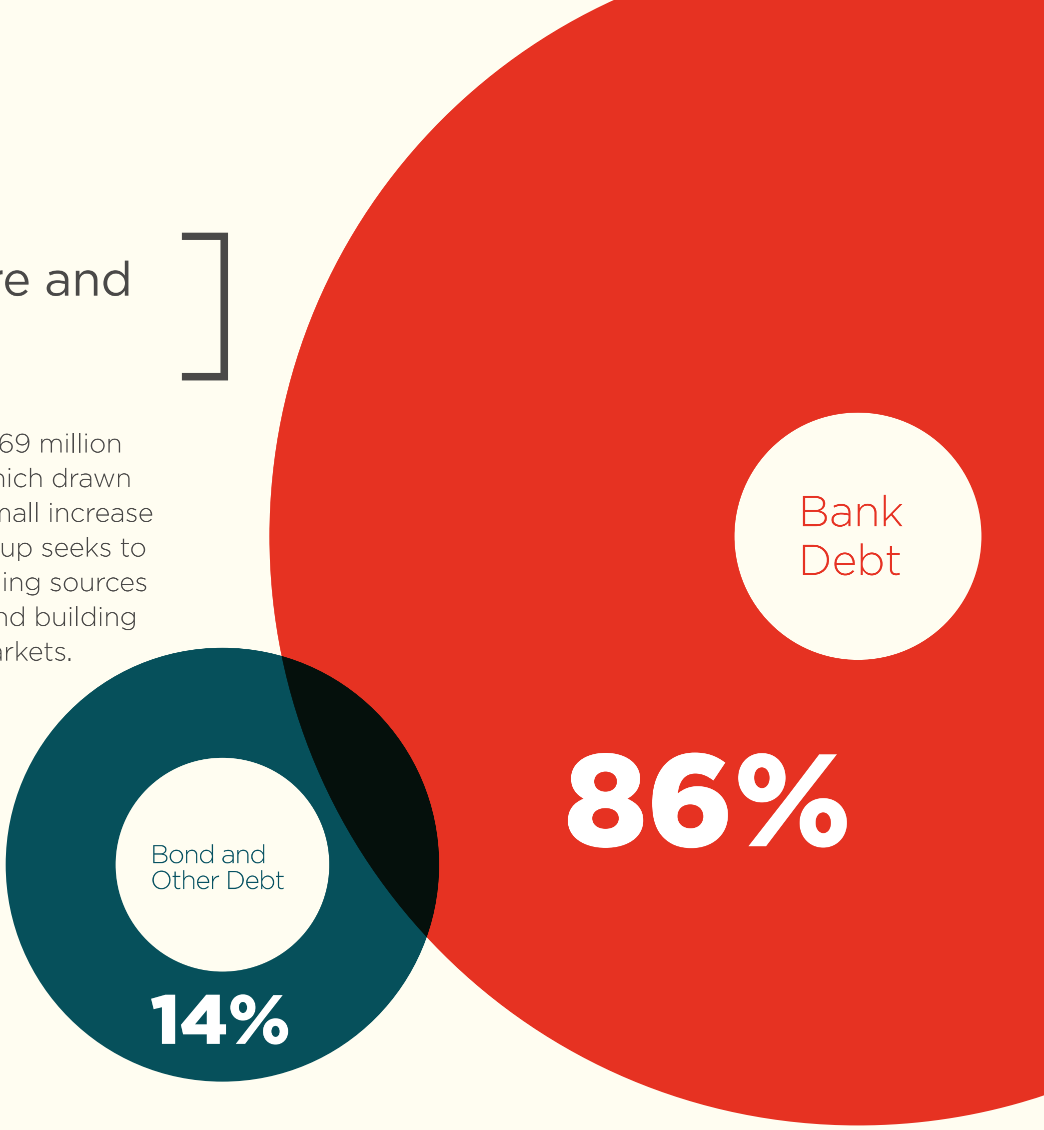
Our 2014/15 budget reflects challenging efficiency targets and our business plan targets progressive improvements in operating margin over the next three years. These value gains will be delivered through procurement savings and establishing more efficient processes through strategic reviews and continuous improvement.

Savings have already been reflected in our budget due to restructures (£0.3m) and a new tenant incentive scheme (£0.4m). Overall, Orbit's management costs will increase to £48.7m (2013/14 - £47m: an increase of £1.7m – 3.6%) which is compared to a 3.5% increase in the number of units in management on top of inflationary pressures. Maintenance will benefit from £0.6m savings arising from outsourcing the repairs and maintenance service in OHE. However, planned maintenance will grow significantly in 2014/15 due to an increase in the level of cyclical works and as the group pushes forward in its ambition to ensure all properties reach a minimum ECO rating benefiting our customers.

We expect ROA to reduce in 2014/15 as the increase in planned maintenance exceeds the benefit of real-terms cost reduction in operating costs.

Capital Structure and Treasury Policy

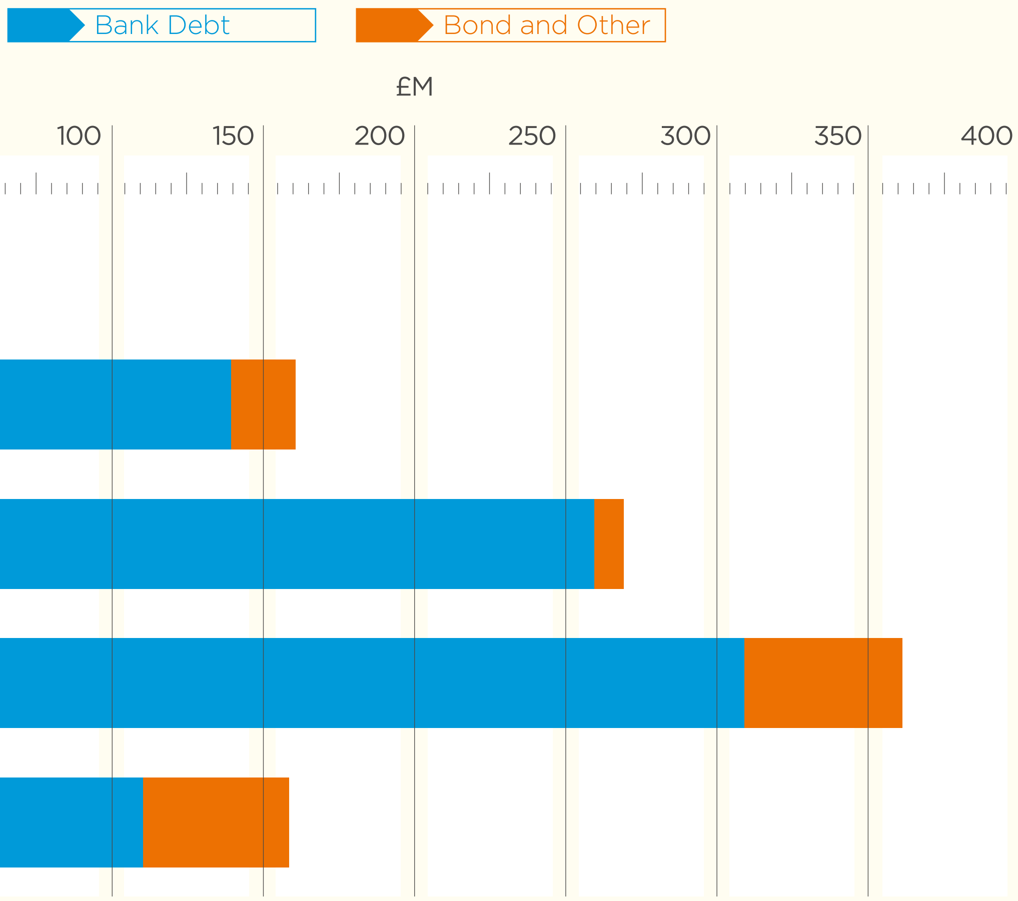
As at 31 March, the Group had £969 million of committed debt funding, of which drawn funding totalled £759 million, a small increase from 2013 (£748 million). The Group seeks to maintain diversification in its funding sources with 86% coming from 6 banks and building societies and 14% from capital markets.



Bank vs Other Debt

The group's re-financing risk in the next five years is £174 million, (18% of loan facilities) with over 82% of the Groups debt maturing after 5 years.

Debt Repayment Profile



As at 31 March, the Group maintained £210 million of committed undrawn facilities available for immediate drawing and £12.4 million of cash in hand, representing total liquidity of £239.5 million. These resources are considered sufficient to fund over two years' worth of commitments.

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

i. Sufficient cash to cover the next three months' forecast cash requirements;

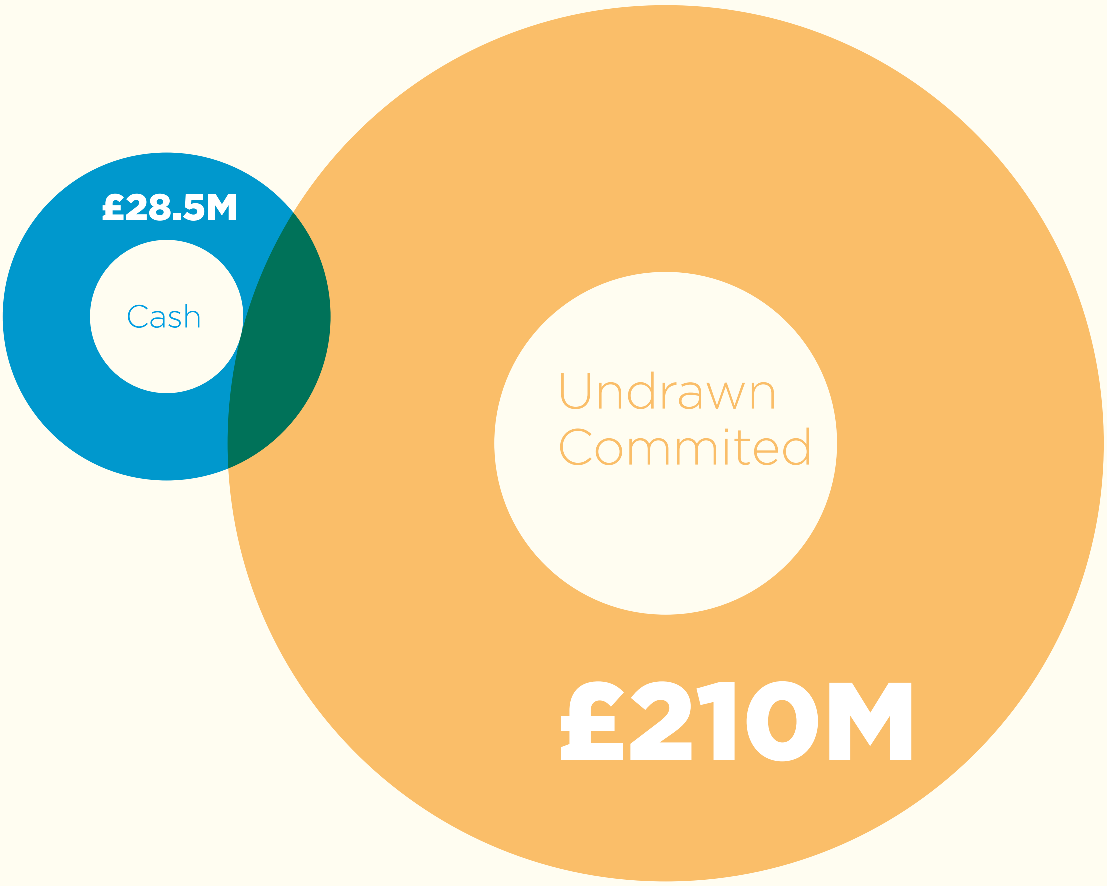
ii. Sufficient cash and secured loan facilities to cover the next twelve months' forecast cash requirement;

and

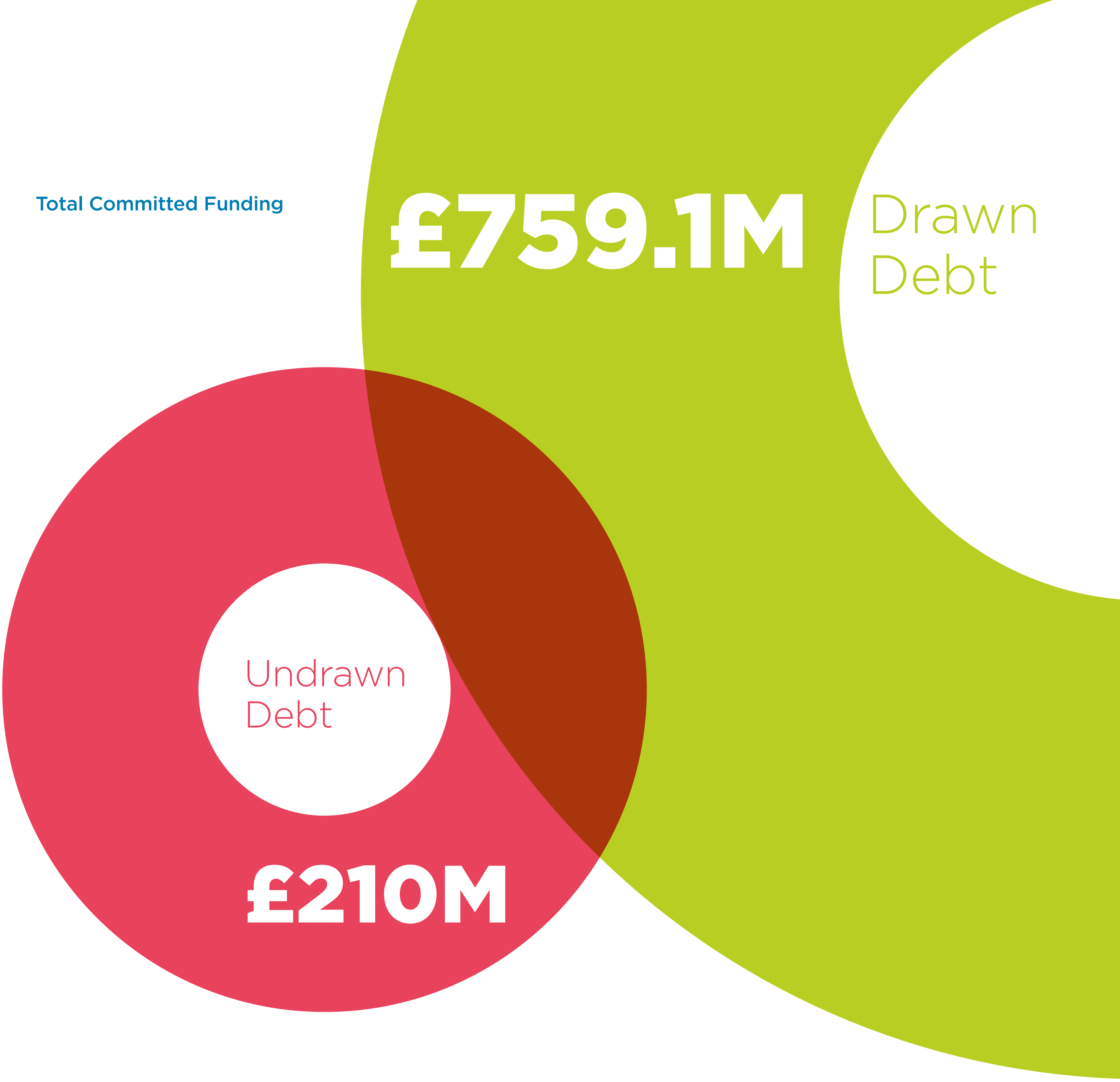
iii. Sufficient cash and committed loan facilities (secured and unsecured) to cover the higher of committed development spend and the next eighteen months' net forecast cash requirement.

All committed facilities are secured by fixed charges. At the year-end the Group held approximately 11,700 unencumbered properties available for use for new loans. These properties are conservatively estimated to provide potential security for a further £600 million of new loans. This ability to raise new loans may enable us to develop a significant number of new homes in the future.

Available Liquidity



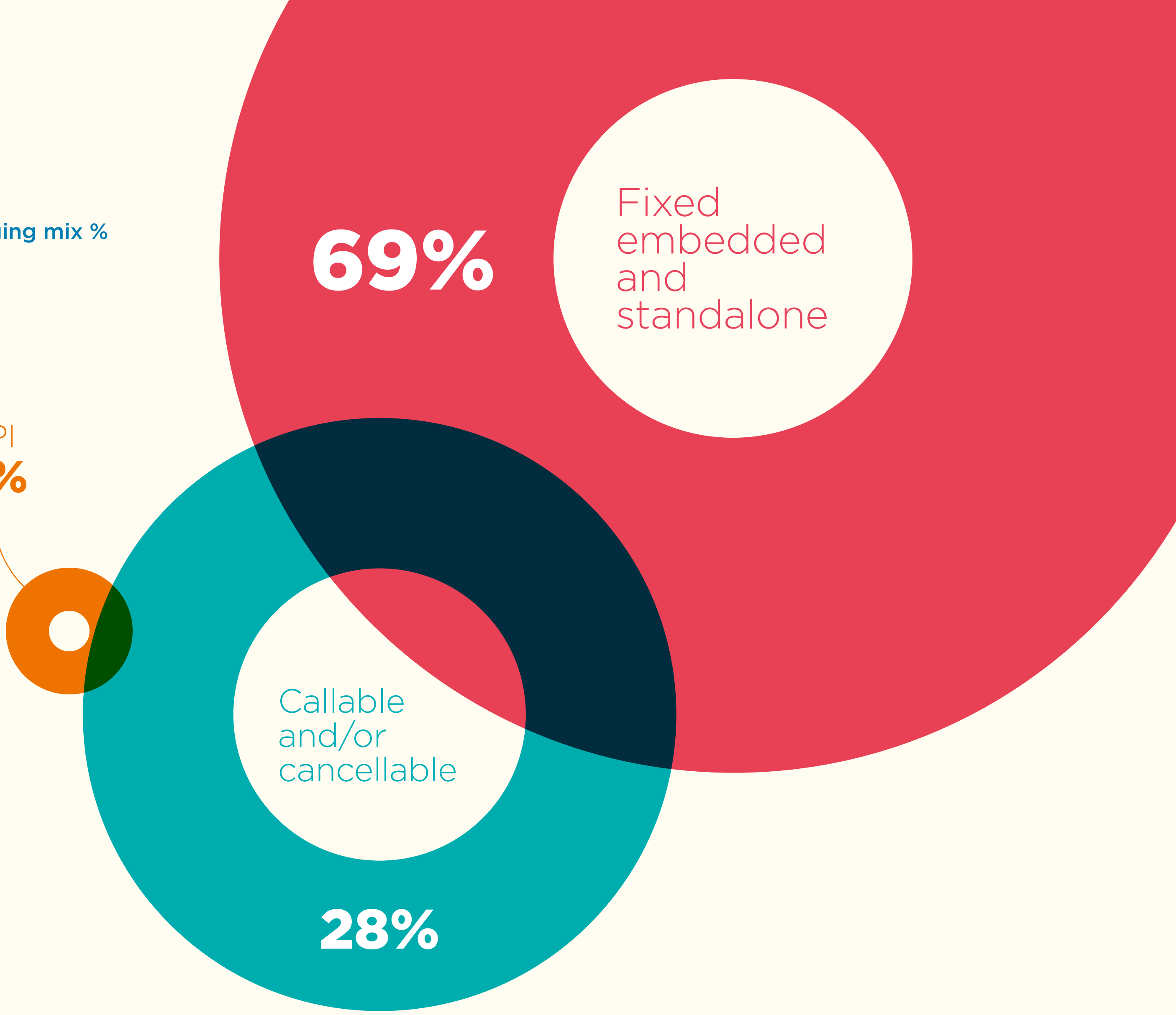
Total Committed Funding



The Group continues to be risk averse in its approach to interest rate management. Borrowing related to cash in hand is held at floating rates of interest. The Group targets a flexible policy of hedging 50% to 80% of its debt with predominantly fixed rate instruments and a small proportion of index linked instruments, with flexibility to depart from these parameters if circumstances make this appropriate.

During the year renegotiation with banks converted part of their Term loan into a Revolving Credit Facility (RCF) allowing cash balances to repay drawn loans. At the year-end this policy resulted in a portfolio that was 83% fixed, slightly higher than the normal level of c.80% following the drawdown of our private placement facility and repayment of variable rate revolving facilities. The Group's average interest cost for the year is 4.36% reflecting the fixed rate hedging noted above. The Group does not have any non-sterling or exchange rate exposures.

Hedging mix %



The Group maintains a desired interest rate profile through a mixture of embedded instruments (including fixed rate bank loans and bonds) and stand-alone swaps (including fixed and index linked derivatives with bank counterparties). As at the year-end, 69% of the Group's hedged activities were undertaken through embedded instruments and stand-alone swaps.

The Group's weighted average hedge duration is just under 16 years. This limits the impact of an increase in interest rates.

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

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

The Group's treasury strategy is reviewed and approved annually, to ensure it underpins the budget and longer term financial plan. Detailed cash flow forecasts, key ratios and limits are all monitored regularly by either Executive Team and/or OTL Board.

Cash Flows

The Group net cash inflow from operating activities during the year was £85.8 million (2013: £68.8 million). The principal sources of cash inflow remain rental income and proceeds from sale of housing properties. The principal sources of cash outflow for Orbit were the costs associated with the provision of housing accommodation, the acquisition and construction of housing properties and interest payable on loan facilities.

For Orbit Group Limited as an individual association, the net cash inflow from operating activities in 2014 was £3.8 million (2013: £15.9 million) primarily due to movements in debtors and creditor balances. The principal sources of cash inflow for the Association were the income from other Orbit members for support services, income from the provision of shared ownership housing accommodation and the sale of housing properties. The principal sources of cash outflow for the Association were the costs associated with the provision of support services and housing accommodation, the acquisition and construction of housing properties and interest payable on loan facilities.

[Great Blakenham Estate
Ipswich]

Da Vinci opening
Wellingborough

Housing Association Governance

Governance

Orbit Group Board and its Subsidiaries

The Board Members of Orbit Group Limited during the year are listed on page 4.

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

In addition to Orbit Group Limited, there are two further Registered Providers within Orbit – Heart of England Housing Association Limited (Orbit Heart of England) and Orbit South Housing Association Limited (Orbit South). From 1st April 2013, Orbit Heart of England and Orbit South were brought together under a single management structure with one Executive Director. At the same time, the Boards of these two legal entities were combined as a single shared Board arrangement to oversee the operational performance of the two legal entities.

The other two members of the Group are non-charitable wholly-owned subsidiaries of Orbit Group Limited. Orbit Treasury Limited (OTL) co-ordinates borrowing across the Group to enable more cost effective borrowing. Orbit Homes (2020) Limited builds houses for the Group's Registered Providers across a wide range of tenures as well as housing for market sale.

All Members of the Group remunerate their Board Members for undertaking their duties and responsibilities. The Boards delegate the day-to-day management of Orbit to the Group Chief Executive and the Executive Directors who form the Executive Team (ET). The ET met monthly throughout 2013/14 and the Directors attend meetings of the Group Board and subsidiary Boards.

Code of Governance

The Group has adopted the National Housing Federation's (NHF) 'Excellence in Governance' Code as the Code of Governance for its Registered Providers. Whilst our non-charitable subsidiaries are not required to comply with the Code, they undertake to adhere to the spirit of the Code. Orbit Group Limited complies with the Code of Governance in all material aspects. In those areas where we do not comply fully with the Code, we have provided a Statement to our Regulator. The Group has developed its own Probity and Severance policy, which picks up the key principles of the NHF's 'Excellence in Standards of Conduct' Code. In addition to this policy, the Group has its own Code of Conduct for Board Members.

Shareholding Policy

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

Committees of the Board

The Group Board is supported by two committees with specific responsibilities

Governance and Remuneration Committee - responsible for developing and maintaining Orbit's governance framework, which includes arrangements for the recruitment, induction, appraisal and development of Board Members and reviews the roles and responsibilities of Board Members. The Committee also considers the Group's policy on remuneration, contracts of employment and conditions of service generally for Executive Directors and recommends to Group Board the specific remuneration packages for each of the Directors, including pension rights and any compensation/severance payments. It also approves and keeps under review Orbit's Board Member Payment (Non-Executive Directors) structure and policies, including levels of payment, and recommends changes to the Group Board as necessary.

Audit and Risk Assurance Committee - considers the operations of internal audit and the appointment of external auditors, the scope of their work and their reports. The Committee monitors the implementation of the Group's Risk Management Strategy and Internal Audit Plans. It reports to the Group Board on the effectiveness of the internal control arrangements and considers the financial statements before they are presented to the Board for approval.

Resident Involvement

Orbit is committed to involving customers in decisions affecting their homes. There is representation from customers on the Orbit Living Strategic Board/Operations Committees, and an independent customer scrutiny function has been developed as part of the co-regulation agenda. This ensures Orbit meets regulatory requirements and good practice in terms of governance and customer involvement.

While the Customer Scrutiny panel reviews areas of the business and reports directly to the Operations Committees, a wider customer involvement programme is also in place, providing customers with a range of opportunities to examine, challenge, feed back and get involved in shaping improvements within the organisation. Moment of Truth surveys are regularly undertaken, with feedback from customers being used to drive service improvements. In addition, the Orbit Complaints and Compliments procedure is used to capture customer feedback more effectively and apply the learning.

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

Post Balance Sheet Events

Heart of England Housing Association Limited has been involved in a dispute relating to its properties. A settlement was reached in June 2014 and the association will receive the sum of £3.6m during 2014/15.

Going concern

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

On behalf of the Orbit Board

The Rt Hon Baroness Blackstone
Chair
31 July 2014

Responsibility for the System of Internal Control

The Orbit Group 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 Group Limited.

Orbit Assurance Framework

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

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

In addition, a major component of this assessment is the Internal Regulatory Framework (IRF). Orbit has an IRF process as a means to internally regulate itself. The IRF process is split into three stages; desktop review, visits to boards and reporting. The IRF broadly covers an assessment of financial viability, governance and performance.

The Group Board has delegated authority for the review of internal controls to the Audit & Risk Assurance Committee. The IRF report incorporates Internal Controls Assurance mechanisms from across the Group and is therefore presented to the Executive Team and the Audit & Risk Assurance 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:

Internal Audit Team

An Internal Audit Plan is approved and monitored by the Executive Team and the Audit & Risk Assurance 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 Internal 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 Internal 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.

Audit & Risk Assurance Committee

In accordance with good practice, the Audit & Risk Assurance Committee presented its annual report to the Board in September 2014 outlining the extent of the Committee's work and the overview of the effectiveness of the control environment. The Audit & Risk Assurance Committee reviews reports from management, internal auditors and external auditors to provide reasonable assurance that control procedures are being followed.

Governance

The 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 Orbit Group Board also regularly reviews Key Performance Indicators to assess the progress towards the achievement of key business objectives, targets and outcomes.

Internal Regulatory Framework (IRF)

In respect of Operating Associations, the Orbit Group Board also confirms that as part of the IRF, the relevant Managing Director reported their Internal Controls Assurance within their IRF Report. The Risk & Compliance Director presented a similar report on behalf of the Group to the July 2014 Audit & Risk Assurance Committee within the follow up IRF report.

In addition, the Executive Team (ET) forms a key part in the governance process. It is also confirmed that all Boards and the ET met on a regular basis to discuss and conduct their own individual affairs during 2013/14 and the business has been formally documented in minutes of the meetings.

Risk Management

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

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

The overall responsibility for risk management across Orbit remains with the Orbit 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 Audit & Risk Assurance Committee.

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

Culture

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

[Erith Park
CGI]

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

Fraud

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

Board's Conclusion

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

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

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

On behalf of the Orbit Board

The Rt Hon Baroness Blackstone
Chair
31 July 2014

Report of the Board

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

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

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

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

The Board is responsible for keeping proper accounting records, that are sufficient to show and explain the Group's and RSL's transactions and disclose with reasonable accuracy at any time the financial position of the Group and RSL and to enable it to ensure the financial statements comply with the Friendly and Industrial and Provident Societies Act 1968 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Landlords in England from April 2012. It is also responsible for safeguarding the assets of the Group and RSL and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Annual General Meeting

The annual general meeting will be held on 11 September 2014 at the Grange Holborn Hotel, 50-60 Southampton Row, London. WC1B 4AR.

Disclosure of information to Auditors

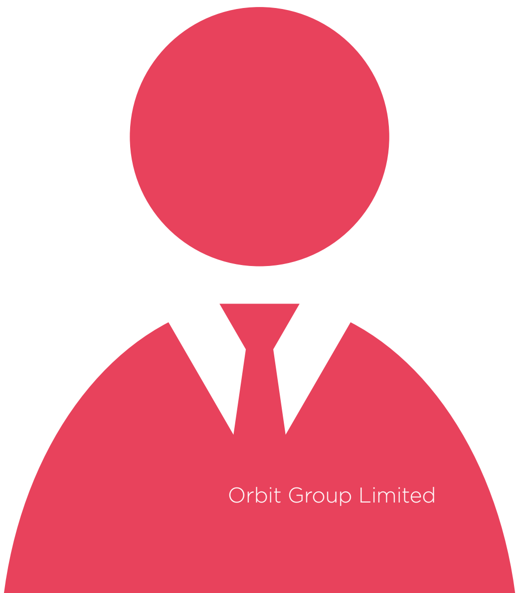
The Directors who held office at the date of approval of this statement confirm, so far as they are each aware, there is no relevant audit information of which the Group's independent auditors are unaware; and each Director has taken all the steps he/she ought to have taken as a Director to make himself/herself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

Independent Auditors

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

The report of the Board was approved on 31 July 2014 and signed on its behalf by:

Richard Wright
Secretary
31 July 2014



Independent Auditors' Report to the Members of Orbit Group Limited

for the Year Ended 31 March 2014

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:
- give a true and fair view of the state of the group's and of the association's affairs as at 31st March 2014 and of the group's and the association's surplus and cash flows for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group's financial statements and association's financial statements (the "financial statements"), which comprise:
- the group and association balance sheets as at 31st March 2014;
- the group and association income and expenditure accounts and statements of total recognised surpluses and deficits for the year then ended;
- the group and association statements of historical cost surpluses and deficits for the year then ended;
- the group and association cash flow statements for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Board has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the association's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the board; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Orbit Group Limited Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matters on which we are required to report by exception

Adequacy of accounting records, system of internal control and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the board

As explained more fully in the Statement of Board's Responsibilities set out on page 40, the Board is responsible for the preparation of the financial statements and for being satisfied that they 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the registered provider's members as a body in accordance with Section 87 (2) and Section 98(7) of the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008 and for no other purpose.We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Richard Bacon

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

Date: 14 August 2014

(a) The maintenance and integrity of the Orbit Group Limited's website is the responsibility of the board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

(c) The Co-operative and Community Benefit Societies Act 2014 ("the new Act") was effective from 1 August 2014, and consequently is referred to in our audit opinion above. The new Act replaces the Industrial & Provident Societies Acts 1965-2002, which were effective until 31 July 2014, and all societies that were incorporated under the Industrial & Provident Societies Act 1965 ("I&PS Act 1965") became Co-operative or Community Benefit Societies under the new Act. The change in Act has no impact on the form and content of the financial statements which were prepared in accordance with the Industrial & Provident Societies Acts 1965-2002, or on our audit work.

Consolidated and Association Income and Expenditure Accounts

As at 31 March 2014

		Group		Association	
	Note	2014 £000	2013 £000	2014 £000	2013 £000
Turnover	2	**220,658**	192,947	**67,532**	66,252
Operating Costs	2	**(136,474)**	(140,467)	**(62,147)**	(61,492)
Cost of Sale of Properties	2	**(22,489)**	(6,336)	**-**	-
Operating Surplus	5	**61,695**	46,144	**5,385**	4,760
Profit on sale of housing properties	7	**35,774**	23,323	**4,625**	1,405
Profit/(Loss) on sale of other fixed assets		**355**	(25)	**178**	(22)
Income from shares in Group Undertakings		**-**	-	**668**	201
Interest Receivable and Other Income	8	**524**	466	**1,624**	1,636
Interest Payable and Similar Charges	9	**(30,805)**	(28,436)	**(5,146)**	(4,793)
Other Financing Costs	38	**-**	(173)	**-**	-
Surplus on Ordinary Activities before Gift Aid and Taxation		**67,543**	41,299	**7,334**	3,187
Donations received from other Group Members		**-**	-	**15,773**	13,474
Donations Paid		**-**	(7)	**-**	(7)
Surplus on Ordinary Activities before Taxation		**67,543**	41,292	**23,107**	16,654
Tax on Surplus on Ordinary Activities	10	**(304)**	(239)	**-**	-
Surplus for the Year		**67,239**	41,053	**23,107**	16,654
Transfer from Revaluation Reserve	25	**-**	-	**114**	14
Transfer (to)/from Designated Reserves	26	**(1,051)**	(649)	**-**	(64)
Surplus for the Year after Transfer to Reserves		**66,188**	40,404	**23,221**	16,604
General Reserves at 1 April	27	**306,375**	267,048	**140,013**	123,409
Actuarial Gain/(Loss) taken to reserves	38	**796**	(1,077)	**-**	-
General reserves at 31 March		**373,359**	306,375	**163,234**	140,013

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

Note Of Historical Cost Surplus and Deficit

For the Year Ended 31 March 2014

	Group		Association	
	2014 £000	2013 £000	2014 £000	2013 £000
Reported Surplus on Ordinary Activities Before Taxation	**67,543**	**41,292**	**23,107**	16,654
Differences between Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year calculated on the Revalued Amount	**-**	**-**	**114**	14
Historical Cost Surplus on Ordinary Activities Before Taxation	**67,543**	**41,292**	**23,221**	16,668
Historical Cost Surplus on Ordinary Activities After Taxation	**67,239**	**41,053**	**23,221**	16,668

Statement of Total Recognised Surpluses and Deficits

For the Year Ended 31 March 2014

		Group		Association	
	Note	2014 £000	2013 £000	2014 £000	2013 £000
Surplus for the Year		**67,239**	41,053	**23,107**	16,654
Actuarial (Loss) on Pension Fund Assets	38	**796**	(1,077)	**-**	-
Total Recognised Surpluses for the Financial Year		**68,035**	39,976	**23,107**	16,654
Total gains recognised since last financial statement		**68,035**	39,976	**23,107**	16,654

Consolidated and Association Balance Sheets

As at 31 March 2014

		Group		Association	
	Note	**2014 £000**	**2013 £000**	**2014 £000**	**2013 £000**
Fixed Assets					
Housing Properties – Depreciated Cost	11	**1,807,410**	1,687,882	**206,773**	190,109
Less: Social Housing Grant	11	**(722,010)**	(702,706)	**(69,062)**	(68,067)
Other Capital Grants	11	**(18,123)**	(18,123)	**-**	-
		1,067,277	967,053	**137,711**	122,042
Investments	12	**800**	800	**22,000**	10,000
HomeBuy and Other Equity Loans	13	**17,446**	17,595	**17,446**	17,595
HomeBuy and Other Equity Grants	13	**(16,553)**	(17,005)	**(16,553)**	(17,005)
Other Fixed Assets	14	**13,680**	15,351	**8,650**	9,387
		1,082,650	983,794	**169,254**	142,019
Current Assets					
Properties for Sale	15	**19,715**	17,954	**19,715**	17,954
Stocks	16	**48,886**	36,786	**2**	315
Debtors	17	**22,805**	19,355	**51,884**	34,584
Investments	18	**16,500**	55,104	**16,500**	49,000
Cash at Bank and in Hand		**12,365**	11,990	**8,640**	6,760
		120,271	141,189	**96,741**	108,613
Creditors: Amounts falling due within one year	19	**(68,585)**	(63,216)	**(19,934)**	(16,044)
Provisions for Liabilities and Charges	20	**(400)**	-	**-**	-
NET CURRENT ASSETS		**51,286**	77,973	**76,807**	92,569
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,133,936**	1,061,767	**246,061**	234,588
Creditors: Amounts falling due after more than one year					
Disposal Proceeds and Recycled Capital Grants Funds	21	**8,799**	6,493	**3,872**	3,359
Other Creditors	22	**740,192**	731,139	**77,464**	89,569
		748,991	737,632	**81,336**	92,928
Pension Liability	38	**2,174**	8,763	**-**	-
Capital and Reserves					
Revaluation Reserve	25	**-**	-	**551**	665
Designated Reserves	26	**9,412**	8,997	**940**	982
Revenue Reserves	27	**373,359**	306,375	**163,234**	140,013
TOTAL RESERVES	28	**382,771**	315,372	**164,725**	141,660
		1,133,936	1,061,767	**246,061**	234,588

The financial statements on pages 43 to 98 were approved by the Orbit Board and signed on its behalf by:

The Rt Hon Baroness Blackstone
CHAIR

BOARD MEMBER

Richard Wright
SECRETARY

Date: 31 July 2014

Consolidated and Association Cash Flow Statements

For the Year Ended 31 March 2014

	Note	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	31	**73,370**	68,794	**3,816**	15,914
Returns on Investments and Servicing of Finance					
Interest Received		**557**	433	**1,624**	1,629
Dividends Received		**-**	-	**668**	201
Interest Paid		**(32,976)**	(29,135)	**(5,356)**	(5,100)
Net cash Outflow from Returns on Investments and Servicing of Finance		**(32,419)**	(28,702)	**(3,064)**	(3,270)
Donations (Paid)/Received		**-**	(7)	**3,263**	6,988
Taxation Paid		**(223)**	(196)	**-**	-
Net Cash (Outflow)/Inflow from Donation & Taxation		**(223)**	(203)	**3,263**	6,988
Capital Expenditure and Financial Investment					
Acquisition and Construction of Housing Properties		**(174,089)**	(116,486)	**(24,042)**	(18,580)
Housing and other fixed assets sold to other group members as part of restructure		**-**	-	**3,758**	4,324
Sale of Housing Properties		**49,627**	36,833	**7,488**	5,450
Grants Received		**33,650**	38,203	**3,627**	3,425
Mortgages Issued		**984**	(240)	**20**	(240)
Net movement on Equity Loans and Grants		**(236)**	(654)	**(238)**	(654)
Purchase of Other Fixed Assets		**(1,730)**	(2,470)	**(1,425)**	(1,573)
Sale of Other Fixed Assets		**1,578**	24	**576**	(2)
Investment in Subsidiary Company		**-**	-	**(12,000)**	(10,000)
Net cash (Outflow)/Inflow from Capital Expenditure and Financial Investment Activities		**(90,216)**	(44,790)	**(22,236)**	(17,850)
Net Cash (Outflow)/Inflow before Management of Liquid Resources and Financing		**(49,488)**	(4,901)	**(18,221)**	1,782
Management of Liquid Resources and Financing					
(i) Liquid Resources					
Decrease/(Increase) in Bank Deposits (with a maturity in excess of 24 hours)		**26,104**	(21,104)	**20,000**	(15,000)
(ii) Financing	32				
Housing Loans Received		**25,001**	49,348	**256,250**	137,447
Housing Loans Repaid		**(13,359)**	(342)	**(268,649)**	(102,931)
Loan Arrangement Fees Paid		**(383)**	(1,208)	**-**	-
		11,259	47,798	**(12,399)**	34,516
NET CASH INFLOW/(OUTFLOW) FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING		**37,363**	26,694	**7,601**	19,516
(DECREASE)/INCREASE IN CASH	33	**(12,125)**	21,793	**(10,620)**	21,298

Notes To The Consolidated and Association Financial Statements

For the Year Ended 31 March 2014

1. Principal Accounting Policies

Legal status

Orbit Group Limited is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Homes & Communities Agency (HCA) as a not for profit Registered Provider of social housing as defined by the Housing and Regeneration Act 2008.

Basis of accounting

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

Basis of consolidation

The financial statements for Orbit Group Limited are the result of the consolidation of the financial statements of the Association and its subsidiaries during the year ended, Orbit South Housing Association Limited, Heart of England Housing Association Limited (Orbit Heart of England), Orbit Treasury Limited, Orbit New Homes Limited and Orbit Homes (2020) Limited. Uniform accounting policies have been adopted across the group, and profits/losses and balances on intra group transactions have been eliminated on consolidation.

Turnover

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

Properties for sale

Properties developed for outright sale are included in Turnover and Cost of Sales. Properties developed for shared ownership sale are divided into first tranche sales and other sales. First tranche sales are included in Turnover and Cost of Sales. Subsequent tranches are not included in Turnover and Cost of Sales, but are shown as a separate item after the operating surplus in the Income and Expenditure Account. All other sales of fixed asset properties are dealt with in this latter way.

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

Revenue recognition

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

Operating costs

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

1. Principal Accounting Policies (continued)

Value added tax

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

Liquid resources

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

Housing properties

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

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

Freehold land and the associated element of grant is not depreciated.

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

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

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

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

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

Social housing and other grants

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

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

Capitalisation of interest and administration costs

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

Hidden Green
Bishops Itchington

1. Principal Accounting Policies (continued)

Other tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost, less accumulated depreciation and capital grants. Certain Orbit Group Limited offices were valued in February 1997 on the basis of their Open Market Value for existing use. On adoption of Financial Reporting Standard 15 "Tangible Fixed Assets", the Association has followed the transitional provisions to retain the book value of the offices which were revalued in 1997, but not to adopt a policy of revaluation in the future.

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

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

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

Stock and work in progress

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

Investment in subsidiary undertakings

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

Leased assets

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

Pension costs

Orbit Group Limited participates in the Social Housing Pension Scheme (SHPS), the full details are given in note 38 to the financial statements. For the purposes of the financial statements this scheme is accounted for on a defined contribution basis. Orbit Group Limited also offered a Stakeholder pension scheme for employees who were not eligible to join SHPS because of the nature of their contract of employment.

The scheme available is The Pensions Trust – Standard Life Stakeholder Pension Plan. Employees were able to join the scheme if they met the earnings criteria at which point the Association matched the employee's contribution, up to a maximum of 5%.

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services. The disclosures in the financial statements follow the requirements of FRS17.

Orbit South Housing Association Limited and Heart of England Housing Association Limited operate defined benefit funded pension schemes. The assets of the schemes are held separately from those of the association in independently administered funds. The requirements of FRS17

1. Principal Accounting Policies (continued)

Retirement Benefits are now fully reflected in the financial statements and associated notes. Note 38 provides a summary of the pension valuation report, together with prior year statements which state last year's revenue and reserves. For funding purposes, surpluses or deficiencies are dealt with as advised by the actuary.

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

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

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

Impairment

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

Disposals of housing properties

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

Designated reserves

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

Renewal reserve

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

1. Principal Accounting Policies (continued)

Works to existing housing properties

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

Disposal proceeds fund

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

Recycling of capital grant

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

Service charge sinking funds

Service charge sinking funds are dealt with as creditors.

Taxation

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

Loan finance issue costs

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

Property managed by agents

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

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.

1. Principal Accounting Policies (continued)

HomeBuy

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

(a) The SHG is recycled

(b) The SHG is written off, if a loss occurs

(c) The Association keeps any surplus

As there is no net cost to the Association, the fixed asset investments and related SHG are disclosed as a note.

FirstBuy

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

(a) The proportion of the sale proceeds relating to the SHG funded equity share are returned to the HCA.

(b) The Association keeps any surplus arising on the proportion of the sale proceeds relating to the remaining retained equity share not funded by SHG.

The fixed asset investments not funded by SHG are shown within Housing Properties.

Mortgage rescue

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

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

The loans and associated grants are disclosed as 'Other Equity Loans and Grants' in note 13 to the financial statements.

Negative goodwill

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

Supporting people income and costs

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

Provisions

Provisions are recognised where the Group and/or Association has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Details of provisions are shown in note 20 to the financial statements.

2. Turnover, Cost of Sales, Operating Costs and Operating Surplus by Class of Business

Group – Current Year

	Turnover £000	Operating costs £000	Cost of sales £000	Operating Surplus/ (Deficit) £000
Social Housing Lettings	165,600	(101,994)	-	63,606
Other Social Housing Activities:				
Managed associations	83	(27)	-	56
Developments for sale	25,286	-	(22,489)	2,797
Home Ownership services	4,326	(4,365)	-	(39)
LCHO First Tranche Sales	14,300	(13,131)	-	1,169
Surplus arising on settlement of pension liabilities	-	699	-	699
Other	6,480	(12,098)	-	(5,618)
Supporting people – Contract income (Block)	837	(1,938)	-	(1,101)
Supporting people – Contract income (Block Gross)	1,253	(1,448)	-	(195)
	52,565	(32,308)	(22,489)	(2,232)
	218,165	(134,302)	(22,489)	61,374
Non-social housing activities	2,493	(2,172)	-	321

Group – Prior Year

	Turnover £000	Operating costs £000	Cost of sales £000	Operating Surplus/ (Deficit) £000
Social Housing Lettings	157,050	(106,941)	-	50,109
Other Social Housing Activities				
Managed associations	1,494	(1,009)	-	485
Developments for sale	7,231	-	(6,336)	895
Home Ownership services	3,967	(4,828)	-	(861)
LCHO First Tranche Sales	12,134	(12,205)	-	(71)
Other	5,524	(8,563)	-	(3,039)
Supporting people – Contract income (Block)	1,360	(2,272)	-	(912)
Supporting people – Contract income (Block Gross)	1,366	(1,556)	-	(190)
	33,076	(30,433)	(6,336)	(3,693)
	190,126	(137,374)	(6,336)	46,416
Non-social housing activities	2,821	(3,093)	-	(272)

2. Turnover, Cost of Sales, Operating Costs and Operating Surplus by Class of Business (continued)

Association - Current Year

	Turnover £000	Operating costs £000	Cost of sales £000	Operating Surplus/ (Deficit) £000
Social Housing Lettings	10,103	(3,138)	-	6,965
Other Social Housing Activities				
Home Ownership services	598	(517)	-	81
LCHO First Tranche Sales	14,300	(13,131)	-	1,169
Group Recharges	40,793	(40,950)	-	(157)
Other	1,472	(4,320)	-	(2,848)
	57,163	(58,918)	-	(1,755)
	67,266	(62,056)	-	5,210
Non-social housing activities	266	(91)	-	175

Association – Prior Year

	Turnover £000	Operating costs £000	Cost of sales £000	Operating Surplus/ (Deficit) £000
Social Housing Lettings	9,551	(3,452)	-	6,099
Other Social Housing Activities				
Home Ownership services	534	(409)	-	125
LCHO First Tranche Sales	12,134	(12,226)	-	(92)
Group Recharges	39,992	(39,946)	-	46
Other	3,784	(5,379)	-	(1,595)
	56,444	(57,960)	-	(1,516)
	65,995	(61,412)	-	4,583
Non-social housing activities	257	(80)	-	177

3. Income and Expenditure from Social Housing Lettings

Group

	General Needs Housing £000	Keyworker Accomm. £000	Supported Housing and Housing for Older People £000	Low Cost Home Ownership £000	2014 £000	2013 £000
Rent receivable net of identifiable service charges	132,483	325	10,471	7,937	151,216	143,295
Service charge Income	7,860	259	4,230	1,093	13,442	12,865
Other income from lettings	415	-	27	500	942	890
Turnover from social housing lettings	140,758	584	14,728	9,530	165,600	157,050
Expenditure						
Management	(17,287)	(27)	(2,521)	(1,399)	(21,234)	(20,422)
Service charge costs	(9,030)	321	(4,270)	(1,069)	(14,048)	(14,392)
Routine maintenance	(28,329)	(14)	(1,656)	-	(29,999)	(27,655)
Planned maintenance	(16,093)	(14)	(1,005)	-	(17,112)	(24,372)
Bad debts	(1,100)	(10)	(96)	-	(1,206)	(1,105)
Depreciation of housing properties	(15,619)	(45)	(1,235)	(858)	(17,757)	(16,263)
Impairment of housing properties	-	-	(219)	22	(197)	(1,919)
Other costs	(441)	-	-	-	(441)	(813)
Operating costs on social housing lettings	(87,899)	211	(11,002)	(3,304)	(101,994)	(106,941)
Operating surplus on social housing lettings	52,859	795	3,726	6,226	63,606	50,109
Void losses	(1,965)	(96)	(565)	(25)	(2,651)	(2,349)

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

Association

	General Needs Housing £000	Keyworker Accomm. £000	Supported Housing and Housing for Older People £000	Low Cost Home Ownership £000	2014 £000	2013 £000
Rent receivable net of identifiable service charges	573	-	-	7,937	8,510	8,212
Service charge Income	-	-	-	1,093	1,093	904
Other income from lettings	-	-	-	500	500	435
Turnover from social housing lettings	573	-	-	9,530	10,103	9,551
Expenditure						
Management	(101)	-	-	(1,399)	(1,500)	(1,385)
Service charge costs	-	-	-	(1,069)	(1,069)	(893)
Routine maintenance	(38)	-	-	-	(38)	(93)
Planned maintenance	(12)	-	-	-	(12)	(7)
Bad debts	(16)	-	-	-	(16)	(9)
Depreciation of housing properties	(132)	-	-	(858)	(990)	(1,050)
Impairment of housing properties	-	-	-	22	22	(15)
Impairment transfer to other group members	465	-	-	-	465	-
Operating costs on social housing lettings	166	-	-	(3,304)	(3,138)	(3,452)
Operating surplus on social housing lettings	739	-	-	6,226	6,965	6,099
Voids	-	-	-	25	25	94

4. Staff costs

	Group		Association	
	2014 Number	2013 Number	2014 Number	2013 Restated Number
Average Number Employed				
Office Staff	**924**	909	**890**	869
Scheme Staff	**346**	358	**330**	337
Operatives	**95**	148	**94**	146
	1,365	1,415	**1,314**	1,352
Full-time	**1,025**	1,084	**986**	1,035
Part-time	**340**	331	**328**	317
	1,365	1,415	**1,314**	1,352
Full time Equivalents	**1,272**	1,319	**1,224**	1,262

A full time equivalent would be 35 hours per week.

	Group		Association	
	2014 Number	2013 Number	2014 Number	2013 Restated Number
Staff Costs for the Above				
Wages and Salaries	**33,529**	33,798	**32,281**	32,486
Social Security Costs	**3,299**	3,125	**3,179**	3,026
Other Pension Costs	**1,778**	2,713	**1,662**	1,243
	38,606	39,636	**37,122**	36,755

	Group		Association	
	2014 Number	2013 Number	2014 Number	2013 Restated Number
Number employed at 31 March				
Office staff	**931**	927	**898**	888
Scheme staff	**340**	349	**324**	331
Operatives	**87**	149	**86**	147
	1,358	1,425	**1,308**	1,366

4. Staff costs (continued)

Directors and Senior Staff emoluments - FTE

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

	Group	
Band	2014 Number	2013 Number
Over £190k	1	1
Over £180k	-	-
Over £140k	2	1
Over £130k	2	-
Over £120k	-	3
Over £110k	1	2
Over £100k	5	2
Over £90k	4	4
Over £80k	8	8
Over £70k	11	9
Over £60k	17	24
Total	**51**	**54**

5. Operating surplus

	Group		Association	
	2014 £000	2013 £000	2014 £000	2013 £000
Operating Surplus is stated after charging/(crediting)				
Housing Properties:				
- Depreciation Charge	**16,058**	15,037	**990**	1,050
- Impairment Charge/(Credit)	**863**	1,919	**121**	15
Other Fixed Assets:				
- Depreciation - Owned Assets	**2,181**	2,216	**1,841**	1,607
- Depreciation - Leased Assets	**177**	174	**-**	-
- Impairment (credit)	**(9)**	(43)	**-**	(43)
- (Profit)/Loss on Disposal	**(201)**	25	**5**	22
Operating Leases - Other	**460**	849	**72**	37
Group Auditor's Remuneration:				
- In their Capacity as Auditors	**82**	82	**12**	14
- In Respect of Other Services	**5**	39	**2**	29
Other Auditor's Remuneration:				
- In their Capacity as Auditors	**13**	15	**5**	5
- In Respect of Other Services	**59**	-	**59**	-
FRS17: Retirement Benefits:				
Actuarial valuation based on net service costs/ contribution (net credit)	-	(19)	**-**	-

6. Directors emoluments

The Directors of the Association are its Board Members and the Chief Executive.

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

	Group		Association	
	2014 £000	2013 £000	2014 £000	2013 £000
J Ball	**4**	4	**-**	-
F Beckett	**16**	14	**16**	14
R Berrett	**6**	-	**6**	-
The Rt Hon Baroness Blackstone	**22**	4	**22**	4
S Brown	**9**	1	**9**	1
A Crook	**10**	10	**10**	10
C Crook	**13**	13	**13**	13
R Dahlberg	**-**	14	**-**	14
L Dennish	**2**	4	**-**	-
L Dexter	**2**	3	**-**	-
H Devy	**5**	1	**-**	1
J Dickinson	**4**	4	**-**	-
D Ghandi	**5**	2	**-**	-
R Hyde	**2**	3	**-**	-
J Hopes	**4**	4	**-**	-
D Kelly	**-**	1	**-**	-
G Kyle	**4**	4	**-**	-
M Lawrence	**-**	4	**-**	-
S Margrave	**3**	-	**-**	-
M Marron	**-**	7	**-**	7

6. Directors emoluments (continued)

	Group		Association	
	2014 £000	2013 £000	**2014 £000**	2013 £000
K Massey	**-**	7	**-**	7
J Matthews	**8**	8	**8**	8
T McGlone	**4**	4	**-**	-
V Nicholls	**4**	4	**-**	-
E Potter	**-**	19	**-**	19
M Robertson-Smith	**4**	4	**-**	-
G Richardson	**5**	1	**-**	-
T Sawyer	**-**	3	**-**	-
A Squirell	**4**	4	**-**	-
K Strong	**3**	-	**-**	-
N Topping	**5**	5	**-**	-
M Wellington	**-**	4	**-**	-
V Williamson	**-**	4	**-**	-
L Williams	**-**	1	**-**	-
D Young	**6**	-	**6**	-
Total	**154**	165	**90**	98

	Group		Association	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Aggregate emoluments (including pension contributions) paid to or received by Directors who are executive staff members including salaries, honoraria and other benefits	**975**	933	**975**	933
Aggregate emoluments of the highest paid Director excluding pension contributions included in aggregate emoluments of Directors who are executive staff members	**191**	182	**191**	182

The Group Chief Executive is a member of SHPS on the same terms as all other staff who are also members - no enhanced or special terms apply. Expenses paid during the year to Board Members amounted to £46k (2013: £91k).

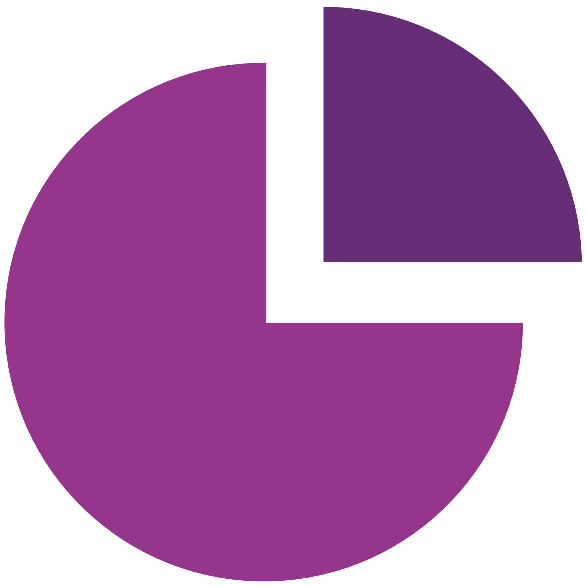
7. Profit on sale of housing properties

Group

	2014			2013		
	Letting £000	Shared Equity £000	Total £000	Letting £000	Shared Equity £000	Total £000
Proceeds from disposal	**42,085**	**10,502**	**52,587**	33,587	5,112	38,699
Cost of disposals	**(10,958)**	**(5,855)**	**(16,813)**	(11,677)	(3,699)	(15,376)
Profit on Disposal	**31,127**	**4,647**	**35,774**	21,910	1,413	23,323

Association

	2014			2013		
	Letting £000	Shared Equity £000	Total £000	Letting £000	Shared Equity £000	Total £000
Proceeds from disposal	**214**	**10,502**	**10,716**	451	5,112	5,563
Cost of disposals	**(206)**	**(5,885)**	**(6,091)**	(430)	(3,728)	(4,158)
Profit on Disposal	**8**	**4,617**	**4,625**	21	1,384	1,405



8. Interest receivable and other income

	Group		Association	
	2014	**2013**	**2014**	**2013**
	£000	**£000**	**£000**	**£000**
Interest receivable from unlisted investments	**524**	466	**1,624**	1,636

9. Interest payable and similar charges

	Group		Association	
	2014	**2013**	**2014**	**2013**
	£000	**£000**	**£000**	**£000**
On Bank Loans, Overdrafts and Other Loans				
Repayable within 5 years, by instalments	**2,482**	920	**-**	-
Repayable by instalments wholly or partly, in more than 5 years	**27,530**	26,435	**5,025**	4,662
Repayable, other than by instalments, in more than 5 years	**1,550**	1,550	**-**	-
	31,562	28,905	**5,025**	4,662
Other Interest	**1,212**	1,360	**331**	311
Capitalised Interest	**(1,855)**	(1,715)	**(210)**	(180)
Deferred income credit (See Note 23b)	**(114)**	(114)	**-**	-
Total	**30,805**	28,436	**5,146**	4,793

The bank base rate average for the year (adjusted for margins) of 0.75% (2013: 0.75%) was used for the purpose of calculating capitalised interest.

10. Tax on surplus on ordinary activities

The only members of the Group subject to taxation throughout the year ended 31 March 2014 were Orbit New Homes Limited, Orbit Homes (2020) Limited and Heart of England Housing Association Limited. Orbit Group Limited obtained charitable status with effect from 3 April 2006. From that point, its principal sources of income and gains have been exempt from corporation tax and accordingly, no deferred tax assets have been recognised in the balance sheet of the Association at either 31 March 2013 or 31 March 2014. Other Group members are all charities for tax purposes.

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

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

10. Tax on surplus on ordinary activities (continued)

	Group		Association	
	2014 £000	2013 £000	2014 £000	2013 £000
(a) Analysis of charge in year:				
Current tax:				
UK corporation tax on profits of the year	**329**	239	-	-
Adjustment in respect of previous year	**(25)**	-	-	-
	304	239	-	-

There is no deferred tax for the year, either recognised or unrecognised (2013: £Nil).

The current tax charge for the year is lower (2013: lower) than the standard rate of Corporation Tax in the UK of 23% (2013: 24%). The differences are explained below:

	Group		Association	
	2014 £000	2013 £000	2014 £000	2013 £000
(b) Factors affecting tax charge for current year				
Surplus on ordinary activities before taxation	**67,543**	41,292	**23,107**	16,654
Tax Charge at 23% (2013: 24%) thereon	**15,535**	9,910	**5,315**	3,997
Non taxable (surpluses) (primarily charitable exemptions)	**(15,367)**	(9,688)	**(5,315)**	(3,997)
Capital allowances less than depreciation	**161**	1	**-**	-
Adjustment to tax charge in respect of previous year	**(25)**	16	**-**	-
Current tax charge for the year	**304**	239	**-**	-

(c) Factors that may affect future tax charges:

Reductions to the UK corporation tax rate were announced in the March 2012 Budget. The changes propose to reduce the rate by 1% per annum to 24% from 1 April 2012 and by a further 1% to 23% from 1 April 2013. The changes were substantively enacted on 3 July 2012.

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

11. Housing properties

Group

	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Other Social Housing	Non social Housing	
	Complete £000	In Development £000	Complete £000	In Development £000	Complete £000	In Development £000	Complete £000	Complete £000	Total £000
Cost									
At 1 April 2013	1,486,816	75,661	55,862	-	169,932	14,892	999	1,601	1,805,763
Reclassifications	(129)	63	-	-	-	-	-	-	(66)
Additions	40,835	98,914	1,098	-	6,977	32,044	-	-	179,868
Transfer on completion	66,142	(66,142)	-	-	15,206	(15,206)	-	-	-
Transfer to stock	-	-	-	-	(13,478)	(1,543)	-	-	(15,021)
Disposals	(24,648)	-	(3,736)	-	(5,131)	-	-	-	(33,515)
At 31 March 2014	1,569,016	108,496	53,224	-	173,506	30,187	999	1,601	1,937,029
Less: Grants									
At 1 April 2013	(596,033)	(29,225)	(28,055)	-	(64,824)	(1,878)	(814)	-	(720,829)
Reclassifications	68	-	(2)	-	-	-	-	-	66
Receivable	(8,878)	(20,852)	(21)	-	(1,714)	(2,318)	-	-	(33,783)
Disposals	12,194	-	2,708	-	2,275	-	-	-	17,177
Transfer on completion	(19,873)	19,873	-	-	(1,346)	1,346	-	-	-
Transfer (from) / to RCGF and DPF	(49)	(2,426)	-	-	(90)	(199)	-	-	(2,764)
At 31 March 2014	(612,571)	(32,630)	(25,370)	-	(65,699)	(3,049)	(814)	-	(740,133)
Less: Accumulated Depreciation									
At 1 April 2013	(100,189)	-	(7,921)	-	(5,100)	-	(61)	(51)	(113,322)
Eliminated on disposals	4,483	-	570	-	130	-	-	-	5,183
Depreciation	(14,091)	-	(1,046)	-	(912)	-	-	(9)	(16,058)
At 31 March 2014	(109,797)	-	(8,397)	-	(5,882)	-	(61)	(60)	(124,197)
Less: Provisions for impairment									
At 1 April 2013	(3,506)	-	(93)	-	(118)	(842)	-	-	(4,559)
(Charge)/credit for the year	(277)	(465)	-	-	22	(143)	-	-	(863)
At 31 March 2014	(3,783)	(465)	(93)	-	(96)	(985)	-	-	(5,422)
Net Book Amount									
At 31 March 2014	842,865	75,401	19,364	-	101,829	26,153	124	1,541	1,067,277
At 31 March 2013	787,088	46,436	19,793	-	99,890	12,172	124	1,550	967,053

11. Housing properties (continued)

Additions to properties during the year include capitalised interest and finance costs of £0.5 million (2013: £0.5 million) and development administration costs / project management fees of £3.2 million (2013: £4.1million). The Group reviewed its properties for impairment and there was a charge of £1.9 million (2013: £0.5 million credit) to the Income and Expenditure Account. During the year the total expenditure on works to existing properties was £51.1 million of which £14.2 million has been capitalised.

Association	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Other Social Housing	Non social Housing	
	Complete £000	In Development £000	Complete £000	In Development £000	Complete £000	In Development £000	Complete £000	Complete £000	Total £000
Cost									
At 1 April 2013	16,111	-	-	-	165,438	14,892	-	-	196,441
Additions	588	-	-	-	6,905	4,290	-	-	11,783
Transfer on completion	-	-	-	-	15,206	(15,206)	-	-	-
Transfer to stock	-	-	-	-	(13,478)	(1,543)	-	-	(15,021)
Transfer to other group members	(1,401)	-	-	-	72	27,754	-	-	26,425
Disposals	(518)	-	-	-	(5,066)	-	-	-	(5,584)
At 31 March 2014	14,780	-	-	-	169,077	30,187	-	-	214,044
Less: Grants									
At 1 April 2013	(4,199)	-	-	-	(61,990)	(1,878)	-	-	(68,067)
Receivable	-	-	-	-	(1,714)	(2,318)	-	-	(4,032)
Disposals	309	-	-	-	2,239	-	-	-	2,548
Transfer on completion	-	-	-	-	(1,346)	1,346	-	-	-
Transfer to/(from) RCGF and DPF	-	-	-	-	(90)	(199)	-	-	(289)
Transfer to other group members	779	-	-	-	-	-	-	-	779
At 31 March 2014	(3,111)	-	-	-	(62,901)	(3,049)	-	-	(69,061)

11. Housing properties (continued)

Association

	Housing Properties for Letting		Supported Housing		Low Cost Home Ownership		Other Social Housing	Non social Housing	
Less: Accumulated Depreciation	**Complete £000**	**In Development £000**	**Complete £000**	**In Development £000**	**Complete £000**	**In Development £000**	**Complete £000**	**Complete £000**	**Total £000**
At 1 April 2013	(315)	-	-	-	(5,057)	-	-	-	(5,372)
Eliminated on disposals	43	-	-	-	128	-	-	-	171
Depreciation	(89)	-	-	-	(901)	-	-	-	(990)
At 31 March 2014	(361)	-	-	-	(5,828)	-	-	-	(6,191)
Less: Provisions for impairment									
At 1 April 2013	-	-	-	-	(118)	(842)	-	-	(960)
(Charge)/Credit for the year	-	-	-	-	22	(143)	-	-	(121)
At 31 March 2014	-	-	-	-	(96)	(985)	-	-	(1,081)
Net Book Amount	-								
31 March 2014	11,308	-	-	-	100,252	26,153	-	-	137,711
31 March 2013	11,597	-	-	-	98,273	12,172	-	-	122,042

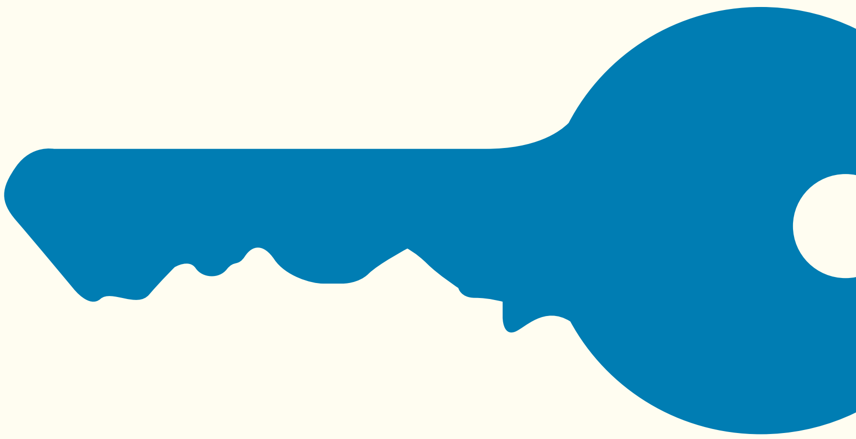
Additions to properties during the year include capitalised interest and finance costs of £0.2 million (2013: £0.2 million) and development administration costs/project management fees of £0.9 million (2013: £0.8 million). The Association reviewed its properties for impairment and there was a charge of £121k to the Income and Expenditure Account for 2014 (2013: charge of £15k). However, within this there was a credit of £465k which was a reallocation of an impairment charge against stock related to housing properties.

11. Housing properties (continued)

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

	Group		Association	
	2014 £000	2013 £000	2014 £000	2013 £000
Within Housing Properties and Stocks	**34,228**	**33,602**	**2,318**	2,270
The Net Book Value of Housing and Other Properties (Note 14) comprises:				
Freehold Land and Buildings	**1,061,637**	964,340	**133,835**	118,206
Long Leasehold Land and Buildings	**11,835**	12,385	**8,603**	9,017
Short Leasehold Land and Buildings	**343**	419	**-**	-
	1,073,815	977,144	**142,438**	127,223

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



12. Investments

	Group		Association	
	2014 £000	2013 £000	2014 £000	2013 £000
Monies deposited with Funding for Homes Ltd	**800**	800	**-**	-
Investment in Preference Shares of Orbit Homes (2020) Limited	**-**	-	**22,000**	10,000
Total	**800**	800	**22,000**	10,000

In October 1993, the Group raised loans totalling £16 million through the financial intermediary, Funding for Homes Limited. It is a condition of the funding that all members raising monies through this means must deposit 5% of the proceeds, which in the Orbit Group's case amounts to £800k as a common guarantee against default.

During the year ended 31 March 2014, Orbit Group Limited invested £12m (2013: £10m) in 5% Redeemable Preference Shares in Orbit Homes (2020) Limited, a wholly owned subsidiary company.

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

13. HomeBuy and Other Equity Loans and Grants

Group and Association	2014			2013		
	HomeBuy Loans/ Grants £000	**Other Equity Loans/ Grants £000**	**Total £000**	**HomeBuy Loans/ Grants £000**	**Other Equity Loans/ Grants £000**	**Total £000**
Grants received from the Homes & Communities Agency	**(13,671)**	**(2,253)**	**(15,924)**	(14,964)	(1,412)	(16,376)
Grants received from Recycled Capital Grant Fund	**(629)**	**-**	**(629)**	(629)	-	(629)
Grants Received Total	**(14,300)**	**(2,253)**	**(16,553)**	(15,593)	(1,412)	(17,005)
Loans Advanced to Borrowers	**14,300**	**3,146**	**17,446**	15,593	2,002	17,595
	-	**893**	**893**	-	590	590

14. Other Fixed Assets

Group

	Freehold Offices £000	Leasehold Offices £000	Commercial Premises £000	Motor Vehicles £000	Furniture, Fixtures & Equipment £000	Total £000
Cost						
At 1 April 2013	3,839	11,120	590	52	14,204	29,805
Additions	-	196	-	-	1,529	1,725
Reclassifications	(502)	-	-	-	-	(502)
Disposals	(57)	(435)	(47)	(33)	(1,285)	(1,857)
At 31 March 2014	3,280	10,881	543	19	14,448	29,171
Less: Accumulated Depreciation						
At 1 April 2013	(970)	(3,292)	(149)	(52)	(8,943)	(13,406)
Charge for Year	(124)	(461)	(18)	-	(1,742)	(2,345)
Reclassifications	158	-	-	-	-	158
Eliminated on Disposal	57	139	21	33	891	1,141
At 31 March 2014	(879)	(3,614)	(146)	(19)	(9,794)	(14,452)
Less: Provisions for impairment						
At 1 April 2013	(10)	(1,038)	-	-	-	(1,048)
Charge/(credit) for year	9	-	-	-	-	9
At 31 March 2014	(1)	(1,038)	-	-	-	(1,039)
NET BOOK AMOUNT						
At 31 March 2014	2,400	6,229	397	-	4,654	13,680
At 31 March 2013	2,859	6,790	441	-	5,261	15,351

The net book value includes £Nil (2013: £Nil) of furniture, fixtures and equipment held under finance leases. Depreciation charged in the year on these assets amounted to £Nil (2014: £Nil).

14. Other Fixed Assets (continued)

Certain of the Orbit Group Limited offices were revalued in February 1997 on the basis of their Open Market Value for existing use. The valuations were carried out by Messrs Shortland Horne, Chartered Surveyors. On adoption of Financial Reporting Standard 15 "Tangible Fixed Assets", the Association has followed the transitional provisions to retain the book value of the offices which were revalued in 1997, but not to adopt a policy of revaluation in the future. These modified historical cost values are retained subject to the requirement to test assets for impairment. If the offices had not been revalued they would have been included in Orbit Group Limited balance sheet at £Nil (2013: £Nil). The difference between the revalued amounts of the offices and their depreciated costs are as follows:

	Freehold Offices	Leasehold Offices	Total
	£000	£000	£000
Depreciated Historical Cost	-	-	-
Revalued Amount	551	-	551
Difference as at 31 March 2014	551	-	551
Difference as at 31 March 2013	665	-	665

Association

	Freehold Offices	Leasehold Offices	Commercial Premises	Motor vehicles	Furniture, Fixtures & Equipment	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2013	758	7,219	-	-	8,313	16,290
Additions	-	161	-	-	1,287	1,448
Disposals	-	(435)	-	-	(202)	(637)
At 31 March 2014	758	6,945	-	-	9,398	17,101
Less: Accumulated Depreciation						
At 1 April 2013	(279)	(1,479)	-	-	(4,107)	(5,865)
Charge for Year	(42)	(279)	-	-	(1,520)	(1,841)
Eliminated on Disposal	-	139	-	-	154	293
At 31 March 2014	(321)	(1,619)	-	-	(5,473)	(7,413)
Less: Provisions for impairment						
At 1 April 2013	-	(1,038)	-	-	-	(1,038)
NET BOOK AMOUNT						
At 31 March 2014	437	4,288	-	-	3,925	8,650
At 31 March 2013	479	4,702	-	-	4,206	9,387

The net book value includes £Nil (2013: £Nil) of furniture, fixtures and equipment held under finance leases. Depreciation charged in the year on these assets amounted to £Nil (2013: £Nil).

15. Properties for sale

	Group		Association	
	2014 £000	2013 £000	2014 £000	2013 £000
Housing properties for Sale	**3,939**	3,188	**3,939**	3,188
Shared Ownership - Completed Properties	**2,948**	3,712	**2,948**	3,712
Shared Ownership - Under Construction	**12,828**	11,054	**12,828**	11,054
	19,715	17,954	**19,715**	17,954

The above figures include capitalised interest of £210k (2013: £108k) for the Group and the Association.

16. Stocks

	Group		Association	
	2014 £000	2013 £000	2014 £000	2013 £000
Work in Progress	**48,872**	36,323	**-**	-
Land Banking	**-**	311	**-**	311
Consumable Stocks	**14**	152	**2**	4
	48,886	36,786	**2**	315

Included within Work in Progress is capitalised interest of £1,727k (2013: £1,941k).

17. Debtors

	Group		Association	
	2014 £000	2013 £000	2014 £000	2013 £000
Rental Debtors	**7,745**	9,077	**472**	519
Less: provision for doubtful debts	**(2,274)**	(2,248)	**(22)**	(17)
	5,471	6,829	**450**	502
Amounts due from Subsidiaries	**-**	-	**46,443**	29,636
Prepayments and Accrued Income	**2,348**	3,132	**722**	1,712
SHG Receivable	**5,136**	645	**274**	54
Other Debtors	**9,850**	8,749	**3,934**	2,680
	22,805	19,355	**51,823**	34,584
Debtors after one year included in Debtors above:				
Other Debtors	**1,835**	2,386	**1,102**	1,124
Amounts due from Subsidiaries	**-**	-	**16,050**	17,100
	1,835	2,386	**17,152**	18,224

18. Current Asset Investments

	Group		Association	
	2014 £000	2013 £000	2014 £000	2013 £000
Other Investments and Cash – Short Term Deposits comprise:				
– Maturing in less than 24 hours	**16,500**	29,000	**16,500**	29,000
– Maturing in excess of 7 days	**-**	26,104	**-**	20,000
Total	**16,500**	55,104	**16,500**	49,000

19. Creditors: Amounts Falling Due Within One Year

	Group		Association	
	2014 £000	2013 £000	2014 £000	2013 £000
Housing Loans	**16,613**	13,209	**2,612**	913
Trade Creditors	**17,455**	15,473	**3,038**	4,114
Amounts due to Group Undertakings	**-**	-	**6,865**	3,304
Other Creditors including Taxation and Social Security	**9,036**	9,182	**4,985**	5,362
Accruals & Deferred income	**17,278**	19,357	**33**	532
Rents Received in Advance	**3,214**	3,114	**251**	199
Grants Received in Advance	**2,651**	853	**471**	-
RCGF and DPF Within One Year (Note 21)	**2,338**	2,028	**1,679**	1,620
Total	**68,585**	63,216	**19,934**	16,044

20. Provisions

	Group		Association	
	2014 £000	2013 £000	2014 £000	2013 £000
Restructuring	**400**	-	**-**	-
Total	**400**	-	**-**	-

21. Disposal proceeds and recycled capital grant funds

Disposal Proceeds and Recycled Capital Grant Fund - Group

	RCGF £000	DPF £000	TOTAL £000
At 1 April 2013	7,932	589	8,521
Grants recycled	4,324	288	4,612
Interest accrued	49	3	52
Utilised in the year	(1,640)	(408)	(2,048)
At 31 March 2014	10,665	472	11,137

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

	RCGF £000	DPF £000	TOTAL £000
Within one year	2,335	3	2,338
After more than one year	8,330	469	8,799
At 31 March 2014	10,665	472	11,137

Disposal Proceeds and Recycled Capital Grant Fund - Association

	RCGF £000	DPF £000	TOTAL £000
At 1 April 2013	4,979	-	4,979
Grants recycled	2,183	-	2,183
Interest accrued	29	-	29
Utilised in the year	(1,640)	-	(1,640)
At 31 March 2014	5,551	-	5,551

Amount due for repayment to the Homes & Communities Agency – Association

	RCGF £000	DPF £000	TOTAL £000
Within one year	1,679	-	1,679
After more than one year	3,872	-	3,872
At 31 March 2014	5,551	-	5,551

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

22. Other Creditors: Amounts Falling Due After More Than One Year

	Group		Association	
	2014 £000	2013 £000	2014 £000	2013 £000
Housing Loans	**733,661**	725,111	**75,753**	88,152
Deferred Income Credit	**450**	564	**-**	-
Advanced Maintenance and Renewal Contributions	**5,036**	4,336	**1,711**	1,417
Other Creditors	**1,045**	1,128	**-**	-
Total	**740,192**	731,139	**77,464**	89,569

Housing loans shown above are net of £2,477k loan arrangement fees carried forward (2013: £2,914k) and Swap buy-out cancellation fees of £6,426k (2013: £6,302k).

23. Housing loans and finance lease obligations

	Group		Association	
	2014 £000	2013 £000	2014 £000	2013 £000
Due within one year				
Orbit Treasury Limited	**-**	-	**2,612**	913
Greenwich NatWest	**431**	384	**-**	-
Bank/Building Society Loans	**9,200**	9,200	**-**	-
Homes & Community Agency	**6,982**	3,625	**-**	-
	16,613	13,209	**2,612**	913
Due after more than one year				
Orbit Treasury Limited	**-**	-	**75,753**	88,152
Bank/Building society loans	**714,850**	699,050	**-**	-
Homes and Community Agency	**-**	7,132	**-**	-
Greenwich NatWest	**11,715**	12,145	**-**	-
Debenture stock	**16,000**	16,000	**-**	-
	742,565	734,327	**75,753**	88,152
	759,178	747,536	**78,365**	89,065

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

23. Housing loans and finance lease obligations (continued)

Note (a)

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

	Group		Association	
	2014	**2013**	**2014**	**2013**
	£000	**£000**	**£000**	**£000**
In one year or less, on demand	**16,613**	13,209	**2,612**	913
Repayable by instalments:				
- more than one year but not more than two years	**10,113**	9,630	**2,612**	913
- In more than two years but not more than five years	**69,827**	63,428	**7,836**	2,739
- In more than 5 years	**569,375**	610,887	**65,305**	84,500
	649,315	683,945	**75,753**	88,152
Repayable other than by instalments:				
- In more than two years but not more than five years	**28,250**	13,082	**-**	-
- In more than 5 years	**65,000**	37,300	**-**	-
	93,250	50,382	**-**	-
	759,178	747,536	**78,365**	89,065

The Greenwich Natwest (formerly Orchardbrook Ltd), bank and certain other loans were secured by fixed charges on individual properties. The Funding for Homes Ltd bond is now secured by a fixed charge over certain assets of the Group and a cash deposit. The loans from Greenwich Natwest are paid in half yearly instalments. The interest rates are 10.7% and 11.9% and the final instalments fall to be repaid in 2026 and 2032. These loans were originally made to Orbit Group Limited, but were assigned to other group members as part of the group restructure.

The bank and other loans are repaid in instalments at fixed and variable rates of interest ranging from 0.75% to 11.9%. The final instalments fall to be repaid in the period 2016 to 2037.

Note (b)

As a result of raising loans totalling £16 million through the financial intermediary Funding for Homes Ltd, the Association received an additional sum of £2.8 million, representing a net discount on the market price of the stock on issue. The Funding for Homes Ltd loan was assigned to another group member as part of the group restructure, and the deferred income credit will be released to the Income and Expenditure Account to offset against loan interest charges over the life of the loans (25 years from October 1993).

Note (c)

In accordance with FRS13 where an interest rate Swap has been used to convert floating rate borrowing to fixed rate, the debt has been shown as fixed rate.

23. Housing loans and finance lease obligations (continued)

The interest rate profile at 31 March 2014 was:

	Total £m	Variable rate £m	Fixed rate £m	Weighted Average Rate %	Weighted average term of fixing in years
Group					
Instalment loans	**659.0**	**109.7**	**549.3**	**3.94**	**24**
Non instalment loans	**100.1**	**15.0**	**35.1**	**5.58**	**8**
	759.1	**124.7**	**584.4**	**4.35**	**26**
Association					
Instalment loans	**78.4**	**48.7**	**29.7**	**6.37**	**24**

At 31 March 2014 following borrowing facilities were available to be drawn from Orbit Treasury Limited:

	Group 2014 £m
Undrawn committed facilities	210.0
	210.0

24. Called up share capital

	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
Issued and Fully Paid Shares of £1 each				
At 1 April 2013	**8**	8	**8**	8
Issued	**2**	3	**2**	3
Surrendered	**(2)**	(3)	**(2)**	(3)
At 31 March 2014	**8**	8	**8**	8

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

25. Revaluation reserve

Association

	At beginning of the year £000	Transfer to I&E account £000	At end of year £000
Revaluation of Offices	665	(114)	**551**

26. Designated reserves

Group

	At beginning of the year £000	Transfer to/ (from) I&E account £000	Release of provision during the year £000	At end of year £000
Neighbourhood Investment Fund	679	-	(42)	637
Renewal of furniture and equipment	7,055	437	(594)	6,898
Insurance Reserve	490	-	-	490
Community Investment Fund	773	614	-	1,387
At 31 March 2014	8,997	1,051	(636)	9,412
At 31 March 2013	8,298	649	50	8,997

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

Association

	At beginning of the year £000	Transfer to/ I&E account £000	Release of provision during the year £000	At end of year £000
Neighbourhood Investment Fund	679	-	(42)	637
Insurance Reserve	303	-	-	303
At 31 March 2014	982	-	(42)	940
At 31 March 2013	922	64	(4)	982

27. Revenue Reserves

	Group		Association	
	2014	2013	2014	2013
	£000	£000	£000	£000
Opening Balance	**306,375**	267,048	**140,013**	123,409
Surplus for the year (after transfer to reserves)	**66,188**	40,404	**23,221**	16,604
Actuarial gain/(loss) on pension scheme	**796**	(1,077)	**-**	-
Closing Balance	**373,359**	306,375	**163,234**	140,013

28. Reconciliation in Movements in Funds

	Group		Association	
	2014	2013	2014	2013
	£000	£000	£000	£000
Opening Funds	**315,372**	275,346	**141,660**	125,010
Surplus for the Financial Year	**67,239**	41,053	**23,107**	16,654
Designated reserves transferred to other Group Members & released to I & E	**(636)**	50	**(42)**	(4)
Actuarial gain/(loss) on pension scheme	**796**	(1,077)	**-**	-
Closing Funds	**382,771**	315,372	**164,725**	141,660

29. Capital commitments

	Group		Association	
	2014	2013	2014	2013
	£000	£000	£000	£000
Capital Expenditure which has been contracted for but has not been provided for in the financial statements	**234,532**	196,091	**45,201**	40,037
Capital Expenditure which has been authorised under authority from the Orbit Board but has yet to be contracted for	**218,326**	210,205	**44,386**	44,344
	452,858	406,296	**89,587**	84,381

The company expects these commitments to be financed with:

	Group		Association	
	2014	2013	2014	2013
	£000	£000	£000	£000
Social Housing Grant	46,686	**36,446**	5,788	2,961
Committed loan facilities	206,752	**207,434**	15,203	8,056
Proceeds from sale of properties	199,420	**162,416**	68,596	73,364
	452,858	**406,296**	89,587	84,381

30. Contingent Liabilities

As at 31 March 2014, there were no contingent liabilities within either the Group or the Association (2013: £Nil).

31. Reconciliation of operating surplus to net cash inflow from operating activities

	Group		Association	
	2014 £000	**2013 £000**	**2014 £000**	**2013 £000**
Operating Surplus	**61,695**	46,144	**5,385**	4,760
Depreciation charge on other fixed assets	**2,187**	2,390	**1,840**	1,607
Depreciation charge on Housing Properties	**16,058**	15,037	**990**	1,050
Provision for impairment on Housing Properties	**863**	1,919	**121**	15
Provision for impairment on other fixed assets	**(9)**	(43)	**-**	(43)
Provision for impairment on stocks	**(57)**	-	**-**	-
Movement in other provisions	**(400)**	(16)	**(14)**	(6)
(Decrease)/Increase in Bad Debt Provision	**75**	(77)	**5**	16
Decrease/(Increase) in Stocks	**506**	135	**2**	(3)
Adjustment for Pension Funding	**(5,793)**	(19)	**-**	-
(Increase)/Decrease in Debtors	**(51)**	(3,709)	**6,913**	1,326
Increase/(Decrease) in Creditors	**(1,068)**	6,983	**(11,384)**	7,196
Release of designated reserves	**(636)**	50	**(42)**	(4)
Net Cash Inflow from Operating Activities	**73,370**	68,794	**3,816**	15,914

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

	Group		Association	
	2014 £000	**2013 £000**	**2014 £000**	**2013 £000**
(Decrease)/Increase in Cash in the year	**(12,125)**	21,793	**(10,620)**	21,298
(Decrease)/Increase in Bank Deposits (with a maturity in excess of 24 hours)	**(26,104)**	21,104	**(20,000)**	15,000
Other changes	**(695)**	(629)	**-**	-
Loans received	**(25,001)**	(49,348)	**(256,250)**	(137,447)
Loans repaid	**13,359**	342	**266,950**	102,931
Loan arrangement fees	**383**	1,208	**-**	-
Change in Net Debt	**(50,183)**	(5,530)	**(19,920)**	1,782
Net Debt at 1 April	**(671,226)**	(665,696)	**(33,305)**	(35,087)
Net Debt at 31 March	**(721,409)**	(671,226)	**(53,225)**	(33,305)

33. Analysis of changes in net debt

Group

	At beginning of the year £000	Cash Flows £000	Other Changes £000	At end of the year £000
Cash at Bank and in Hand	11,990	375	-	**12,365**
Bank deposits – less than 24 hours	29,000	(12,500)	-	**16,500**
	40,990	(12,125)	-	**28,865**
Bank deposits – in excess of 7 days	26,104	(26,104)	-	**-**
Housing Loans due within one year	(13,209)	(3,403)	-	**(16,612)**
Housing Loans due after one year	(734,327)	(8,239)	-	**(742,566)**
Loan arrangement fees	9,216	383	(695)	**8,904**
	(671,226)	(49,487)	(695)	**(721,409)**

Association

	At beginning of the year £000	Cash Flows £000	Other Changes £000	At end of the year £000
Cash at Bank and in Hand	6,760	**1,880**	-	**8,640**
Bank deposits – less than 24 hours	29,000	**(12,500)**	-	**16,500**
	35,760	**(10,620)**	-	**25,140**
Bank deposits – in excess of 7 days	20,000	**(20,000)**	-	**-**
Housing Loans due within one year	(913)	**-**	(1,699)	**(2,612)**
Housing Loans due after one year	(88,152)	**10,700**	1,699	**(75,753)**
	(33,305)	**(19,920)**	-	**(53,225)**

34. Financial Commitments

Operating Leases

At 31 March 2014 the Group was committed to making the following payments during the next year in respect of operating leases other than land and buildings, primarily for motor vehicles:

	Group		Association	
	2014 £000	2013 £000	2014 £000	2013 £000
Leases which Expire				
Within 1 year	**122**	153	**105**	104
Within 2 – 5 years	**724**	1,145	**350**	374
Total	**846**	1,298	**455**	478

35. Subsidiary organisations

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

Organisation	Status	Principal Activity	Country of Incorporation	Basis of Control by Parent Undertaking
Registered under the Industrial and Provident Societies Acts 1965 - 1978				
Orbit South Housing Association Limited (trading as Orbit East & South)	Registered Housing Association and Industrial and Provident Act Society	Provision of rented housing	England & Wales	Control of membership of the Board plus nominal shareholding
Heart of England Housing Association Limited (trading as Orbit Heart of England)	Registered Housing Association and Industrial and Provident Act Society	Provision of rented and special needs housing	England & Wales	Control of membership of the Board plus nominal shareholding
Registered under the Companies Act 2006				
Orbit Treasury Limited	Private Limited Company	Group Treasury Vehicle	England & Wales	Ownership of all issued share capital
Orbit New Homes Limited	Private Limited Company	Development of housing for sale	England & Wales	Ownership of all issued share capital
Orbit Homes (2020) Limited	Private Limited Company	Design and build company and development of housing for sale	England & Wales	Ownership of all issued share capital

35. Subsidiary organisations (continued)

Transactions with non regulated group members

During the year the Association has transacted with two fellow group subsidiaries not regulated by the HCA, Orbit Homes (2020) Ltd and Orbit Treasury Ltd. Orbit Homes (2020) Ltd provides design and build services to the group. During the year the Association made payments totalling £27.8m to Orbit Homes (2020) Ltd for the purchase of Housing Property assets and has an outstanding creditor balance with Orbit Homes (2020) Ltd of £4.2m and outstanding debtors of £16.1m.

Orbit Treasury Ltd provides a funding on-lending service to group members. During the year the Association paid interest costs totalling £5.0m (2013: £4.7m) and fees of £0.3m (2013: £0.3m). The allocation of these costs is based upon the level of debt required and secured by the Housing Properties held by the Association.

Related Party Transactions

The Orbit Heart of England and Orbit South Boards also include a member who is an elected representative of South Norfolk District Council. The Group undertakes transactions with the Council at arms length in the normal course of business.

The Association is exempt from the requirements of Financial Reporting Standard 8 'Related Party Disclosures' to disclose transactions between Group undertakings as all companies are under the control of the Board of the Parent Company. There were no other related party transactions to disclose under FRS 8. Included with Debtors (note 17) and Creditors (note 19) are the amounts owed to and owed by other group members.

36. Number of units under development at end of year

	OHL	OGL	OHE	OSHA	2014 TOTAL
General Needs	-	-	580	900	**1,480**
Low Cost Home Ownership	-	434	-	-	**434**
Intermediate Rent	-	-	-	-	**-**
Properties for Market Sale	382	-	-	-	**382**
Total Social Housing Units	**382**	**434**	**580**	**900**	**2,296**

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

37. Property portfolio

	OGL	OHE	OSHA	TOTAL
General needs	-	12,386	12,844	**25,230**
Affordable Rent	-	211	893	**1,104**
Intermediate Rent	130	74	207	**411**
Supported Housing	-	1,748	1,590	**3,338**
Total Owned by Orbit	**130**	**14,419**	**15,534**	**30,083**
Low Cost Home Ownership	**3,132**	**12**	**26**	**3,170**
Leasehold	572	751	1,386	**2,709**
Private Retirement Schemes	-	458	653	**1,111**
Owned	-	5	-	**5**
Managed on behalf of others	107	2	120	**229**
Leasehold and Other Managed	**678**	**1,216**	**2,159**	**4,054**
Total Social Housing Units	**3,941**	**15,647**	**17,719**	**37,307**
Market Rent	-	10	-	**10**
Commercial Units	-	15	4	**19**
Total Non Social Housing Units	**-**	**25**	**4**	**29**
Total Units	**3,941**	**15,672**	**17,723**	**37,336**

38. Pension costs

Social Housing Pension Scheme - Defined Benefit Scheme

Orbit participates in the Social Housing Pension Scheme (SHPS) (the scheme). The Scheme is funded and contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

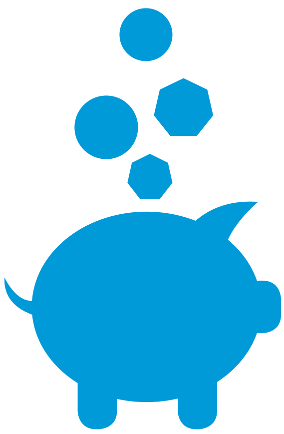
The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,718 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,151 million, equivalent to a past service funding level of 70.0%.

Social Housing Pension Scheme – Defined Contribution Scheme

From 1 October 2010, Orbit Group Limited has operated a defined contribution scheme with SHPS, which is open to existing and new members of staff. As at 31 March 2014 there were 1,080 active members of the Scheme employed by the Group.

Total employer contributions paid to the scheme for the year were £1,754k (2013: £311k). There were no outstanding or prepaid contributions at 31 March 2014 (2012: nil). Employer contributions to the scheme of £148k (2013: £126k) were included in creditors and paid after the year end.



38. Pension costs (continued)

Other Pension Schemes Operated by Orbit Group Members

Movement in pension cost liabilities during the year

	Group	
	2014 £000	2013 £000
Net deficit at 01 April	**(8,763)**	(7,532)
Service costs	**(30)**	(319)
Contributions	**112**	338
Unfunded pensions payments	**2**	-
Net Return on Assets less interest on pension scheme liabilities	**-**	(173)
Actuarial Gain / (Loss)	**796**	(1,077)
Gain arising on settlement of liabilities	**699**	-
Settlement of liabilities	**5,010**	-
(Deficit) in pension scheme at 31 March	**(2,174)**	(8,763)

Other Pension Schemes Operated by Orbit South Housing Association Limited

(a) Local Government Pension Scheme – Kent County Council

The Association participates in The Local Government Pension Scheme (LGPS defined benefit statutory scheme) which is administered by Kent County Council (KCC). 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 £49k (2013: £116k).

Triennial actuarial valuation

Triennial actuarial valuations of the LGPS are performed by an independent, professionally qualified actuary using the projected unit method as required by FRS17. 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 2013, with the next formal valuation due for the year ended 31 March 2016.

38. Pension costs (continued)

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

	2014	2013	2012
Rate of increase in salaries	**4.60%**	4.80%	4.70%
Rate of increase in pensions payment and deferred pensions	**2.80%**	2.60%	2.50%
Discount rate applied to scheme liabilities	**4.50%**	4.40%	4.60%
Inflation assumption – CPI	**2.80%**	2.60%	2.50%
Inflation assumption – RPI	**3.60%**	3.40%	3.30%

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

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of FRS17 and with consideration of the duration of the Employer liabilities. This is consistent with the approach used at the last accounting date.

This measure has historically overestimated future increases in the RPI and so in the past a deduction of 0.25% has been made to get to the RPI assumption. However, the evidence for this in more recent periods is weaker and no deduction has been made at 31 March 2014. The RPI assumption is therefore 3.6% (2013: 3.4%). As future pension increases are expected to be based on CPI rather than RPI a further assumption is that this will be 0.8% below RPI i.e 2.8% (2013: 2.6%).

Salary increases are assumed to increase at 1.8% (2013: 1.4%) per annum above CPI in addition to a promotional scale. A short term overlay from 31 March 2013 to 31 March 2015 has been allowed for salaries to rise in line with CPI.

Life Expectancy from age 65 (years)

		2014	2013
Retiring today	Males	**22.7**	20.1
	Females	**25.1**	24.1
Retiring in 20 years	Males	**24.9**	22.1
	Females	**27.4**	26.0

38. Pension costs (continued)

Scheme assets

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

	Value at 31 March 2014 £000	Value at 31 March 2013 £000	Value at 31 March 2012 £000
Equities	**4,781**	4,678	4,278
Bonds	**741**	856	578
Gilts	**67**	-	58
Other – Property	**673**	527	578
Target Return Portfolio	**270**	264	116
Cash	**202**	264	173
Total scheme assets	**6,734**	6,589	5,781
Total Value of Scheme Liabilities	**(8,237)**	(8,651)	(7,871)
Net Pension Liability	**(1,503)**	(2,062)	(2,090)

Scheme Liabilities

	Year to 31 March 2014 £000	Year to 31 March 2013 £000
Opening defined benefit obligation	**8,651**	7,871
Service cost	**30**	123
Interest cost	**373**	357
Actuarial loss/(gain)	**(437)**	507
Estimated benefits paid net of transfers in	**(385)**	(238)
Contributions by Scheme participants	**7**	33
Unfunded pension payments	**(2)**	(2)
Closing defined benefit obligation	**8,237**	8,651

38. Pension costs (continued)

Expected Return on Assets

Expected rate of return

	2014	2013	2012
Equities	**7.00%**	6.00%	6.30%
Bonds	**4.20%**	4.10%	4.60%
Gilts	**3.60%**	3.00%	3.30%
Other – Property	**5.80%**	4.00%	4.30%
Target Return Portfolio	**5.80%**	4.50%	4.70%
Cash	**3.40%**	0.50%	3.00%
Total Expected Returns	**6.40%**	5.30%	5.80%

Reconciliation of opening and closing balances of fair value scheme assets

	2014 £000	2013 £000
Opening fair value of Scheme assets at the end of the year	**6,589**	5,781
Expected return on Scheme assets	**341**	331
Actuarial gains/(losses)	**135**	568
Contributions by employer including unfunded	**49**	116
Contributions by Scheme participants	**7**	33
Estimated benefits paid net of transfers in and including unfunded	**(387)**	(240)
Fair value of Scheme assets at the end of the year	**6,734**	6,589

Analysis of amounts charged to Income and Expenditure

	2014 £000	2013 £000
Amounts charged to operating costs		
Service Costs	**30**	123
Expected return on Employer's assets	**341**	331
Interest on Pension Scheme Liabilities	**(373)**	(357)
	(32)	(26)

38. Pension costs (continued)

History of experience gains and losses at end of year

	2014	2013	2012	2011	2010
Difference between the expected and actual return on scheme assets (£'000)	**135**	568	(229)	(193)	1,154
% of scheme assets	**2.00%**	8.60%	(4.00%)	(3.40%)	21.10%
Experience gains and (losses) arising on the scheme liabilities (£'000)	**795**	(1)	-	(167)	(5)
% of scheme liabilities	**9.70%**	-%	-%	(2.50%)	(0.10%)
Actuarial (loss)/gain recognised in the statement of recognised surpluses/(deficits) ('£'000)	**572**	61	(1,168)	621	(1,557)
% of scheme liabilities	**6.94%**	0.10%	(14.80%)	9.30%	(20.00%)

Movement in surplus during the year

	2014 £000	2013 £000
(Deficit) in pension scheme at 1 April	**(2,062)**	(2,090)
Service Costs	**(30)**	(123)
Contributions	**47**	116
Past Service Gain	**2**	-
Net Return on Assets less interest on pension scheme liabilities	**(32)**	(26)
Actuarial Gains/(Losses)	**572**	61
(Deficit) in pension scheme at 31 March	**(1,503)**	(2,062)

(b) Local Government Pension Scheme – Bexley London Borough

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

The next triennial valuation is for the year ended 31 March 2016

	2014	2013	2012
Rate of increase in salaries	**3.90%**	3.90%	3.80%
Rate of increase in pensions payment and deferred pensions	**2.40%**	2.40%	2.30%
Discount rate applied to scheme liabilities	**4.30%**	3.70%	4.60%
Inflation assumption – CPI	**2.40%**	2.40%	2.30%

38. Pension costs (continued)

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

Life Expectancy from age 65 (years)

		2014	2013
Retiring today	Males	**23.0**	22.3
	Females	**25.4**	24.9
Retiring in 20 years	Males	**25.3**	24.2
	Females	**28.3**	26.9

Scheme assets

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

	Value at 31 March 2014 £000	Value at 31 March 2013 £000	Value at 31 March 2012 £000
Equities	**1,826**	1,770	1,610
Government Bonds	**-**	-	82
Other Bonds	**270**	317	207
Property	**278**	185	180
Other – Cash	**43**	38	34
Other	**453**	621	535
Total fair value of assets	**2,870**	2,931	2,648
Present Value of Scheme Liabilities	**(3,541)**	(3,923)	(3,420)
Net Pension Liability	**(671)**	(992)	(772)

38. Pension costs (continued)

Expected Return on Assets

Long term expected rates of return

	2014	2013	2012
Equities	**7.00%**	7.00%	7.00%
Government Bonds	**3.40%**	2.80%	3.10%
Other – Bonds	**4.30%**	3.90%	4.10%
Other – Property	**6.20%**	5.70%	6.00%
Other – Cash	**0.50%**	0.50%	0.50%
Other	**7.00%**	7.00%	7.00%
Expenses deduction	**0.40%**	0.41%	0.41%
Overall expected return	**6.17%**	6.09%	6.09%

Reconciliation of opening and closing balances of fair value scheme assets

	2014 £000	2013 £000
Opening fair value of Scheme assets	**2,931**	2,648
Expected return on Scheme assets	**172**	158
Actuarial gains/(losses)	**(13)**	236
Contributions by employer including unfunded	**65**	69
Contributions by Scheme participants	**-**	1
Estimated benefits paid net of transfers in and including unfunded	**(285)**	(181)
Fair value of Scheme assets at the end of the year	**2,870**	2,931

Analysis of other pensions costs charged in arriving at operating surplus

	2014 £000	2013 £000	2012 £000
Current service cost	**-**	(5)	(5)
Past service gain	**-**	-	-
Total (charge)/credit to operating surplus	**-**	(5)	(5)

38. Pension costs (continued)

Analysis of amounts charged to other financing costs

	2014 £000	2013 £000	2012 £000
Expected return on pension scheme assets	**172**	158	174
Interest on pension scheme liabilities	**(140)**	(154)	(172)
Net finance charge	**32**	4	2

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

	2014 £000	2013 £000	2012 £000
Actual return less expected return on pension scheme assets	**(13)**	236	(155)
(Loss)/gain on change of assumptions underlying the present value of the scheme liabilities	**237**	(524)	(134)
	224	(288)	(289)

History of experience gains and losses

	2014	2013	2012
Difference between the expected and actual return on scheme assets (£'000)	**(13)**	236	(155)
% of scheme assets	**0.50%**	8.10%	(5.90%)
Experience (losses) and gains arising on the scheme liabilities (£'000)	**237**	(524)	(134)
% of scheme liabilities	**6.70%**	(13.40)%	(3.90%)
Actuarial (loss)/gain recognised in the statement of recognised surpluses/(deficits) ('£'000)	**224**	(288)	(289)
% of scheme liabilities	**6.30%**	(7.30%)	(8.50%)

Movement in deficit during the year

	2014 £000	2013 £000
(Deficit) in pension scheme at 1 April	**(992)**	(772)
Service Costs	**-**	(5)
Contributions	**65**	69
Other finance costs	**32**	4
Actuarial (Losses)	**224**	(288)
(Deficit) in pension scheme at 31 March	**(671)**	(992)

38. Pension costs (continued)

Other Pension Schemes Operated by Heart of England Housing Association Limited

Local Government Pension Scheme – Warwickshire County Council

During the year the Association recognised a multi employer defined benefit scheme for staff, the assets of which are held in separately administered funds under the Local Government Superannuation Scheme operated by Warwickshire County Council.

During 2012/13 the Association made a decision to exit the Local Government Scheme operated by Warwickshire County Council, with effect from 31 March 2013. The final settlement of £5,010k was paid in 2013/14 releasing a surplus of £699k to the income & expenditure account (note 2). The Association has no further liabilities in respect of this scheme. Prior year comparatives are included in this note for information.

The financial assumptions underlying the valuation were as follows:

	2014	2013	2012
Pension Increase Rate	-%	2.80%	2.50%
Salary Increase Rate *	-%	5.10%	4.80%
Discount Rate	-%	4.50%	4.80%
Retail Price Inflation	-%	3.20%	-%
Consumer Prices Index (CPI)	-%	2.40%	2.50%
Expected Return on Assets	-%	5.20%	5.50%

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

Commutation

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

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

	Value at 31 March 2014 £000	Value at 31 March 2013 £000	Value at 31 March 2012 £000
Equities	-	8,781	7,620
Bonds	-	2,165	2,039
Property	-	1,083	1,073
Total	-	12,029	10,732

38. Pension costs (continued)

Expected Return on Assets

	Expected rates of return at 31 March		
	2014	2013	2012
Equities	-%	5.80%	6.30%
Bonds	-%	3.50%	3.90%
Property	-%	3.90%	4.40%
Cash/Liquidity	-%	3.00%	3.50%
Total	-%	5.20%	5.70%

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

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

	2014 £000	2013 £000	2012 £000
Share of assets in the Fund	-	12,029	10,732
Estimated liabilities in the Fund	-	(17,738)	(15,402)
Share of deficit in the Fund	-	(5,709)	(4,670)

Reconciliation of opening and closing balances of fair value scheme assets

	2014 £000	2013 £000
Opening fair value of Scheme assets	-	10,732
Expected return on Scheme assets	-	583
Contributions from members	-	53
Contributions by employer	-	153
Actuarial gains/(losses)	-	989
Estimated benefits paid	-	(481)
Fair value of Scheme assets at the end of the year	-	12,029

38. Pension costs (continued)

Reconciliation of present value of scheme liabilities is shown below:

	2014 £000	2013 £000
Opening defined benefit obligation	-	15,402
Current Service Cost	-	191
Interest on obligation	-	734
Contributions by members	-	53
Actuarial losses	-	1,839
Estimated benefits paid	-	(481)
Closing defined benefit obligation	-	17,738

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

	2014 £000	2013 £000
Deficit in pension scheme at 1 April	**(5,709)**	(4,670)
Movement in the year		
Operating charge – Current service cost	-	(191)
Settlement of liabilities	**5,010**	-
Contributions	-	153
Finance Income		
Expected return on Pension Fund assets	-	583
Interest on Pension scheme liabilities	-	(734)
Total Finance Charge	-	(151)
Actuarial loss	-	(850)
Gain arising on settlement of liabilities	**699**	-
Net deficit at 31 March	-	(5,709)

The actuarial loss is further analysed as follows:

	2014 £000	2013 £000
Actuarial gain on pension scheme assets	-	989
Experience losses arising on scheme liabilities	-	(1,839)
	-	(850)

38. Pension costs (continued)

Reconciliation to the balance sheet at 31 March

	2014 £000	2013 £000
Net Assets		
Net assets excluding pension liability	-	44,531
Pension liability	-	(5,709)
Net assets including pension liability	-	38,822
Reserves		
Income and expenditure reserve excluding pension liability	-	41,585
Pension liability	-	(5,709)
Income and expenditure reserve including pension liability	-	35,876

	2014 £000	2013 £000	2012 £000
Difference between the expected and actual return on scheme assets:			
Amount £000	-	989	(843)
Percentage of scheme assets	-%	8.2%	(7.9%)
Experience gains and losses arising on the scheme liabilities:			
Amount £000	-	(1,839)	(558)
Percentage of scheme liabilities	-%	10.4%	3.6%
Total amount recognised gains and losses			
Amount £000	-	(850)	(1,401)
Percentage of scheme liabilities	-%	4.8%	9.1%

39. Non consolidated management arrangements

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