2019-20

Orbit Group

Annual Report and Financial Statements

For the year ended
31 March 2020

orbit building communities

Operating surplus
for the year

£130m

Last year £116m
(Operating margin %
40% Last year 36.8%)

Customer
satisfaction

87%

Last year 86%

Investment
in digital

£8.4m

Last year £3.4m

New properties
delivered

1,520

Last year 1,266

Community
investment

£5.7m

Last year £4.7m

Investment
in stock

£82.2m

Last year £81m

2 RoSPA
Gold Awards

THE SUNDAY TIMES
100
BEST NOT-FOR-PROFIT
ORGANISATIONS
TO WORK FOR
2020

Best Company to
Work For 46th Place

ORBIT
25

Orbit 25
New Corporate Strategy

Contents

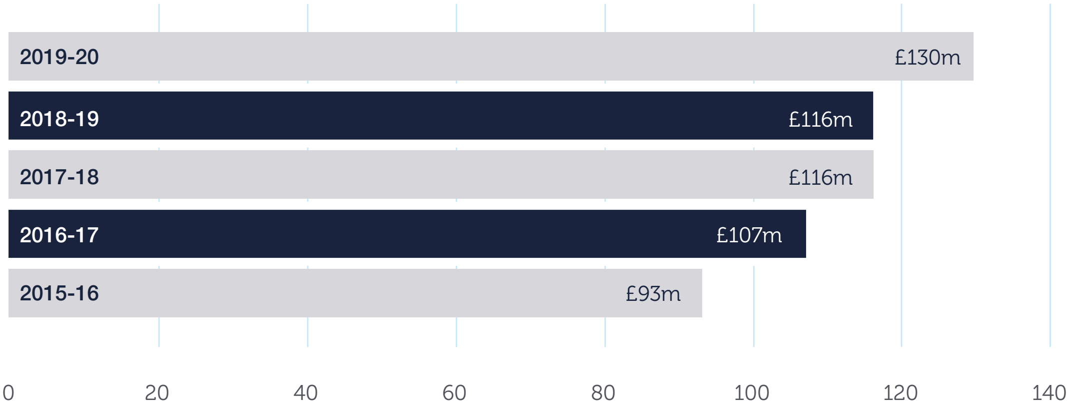
Five Year Summary of Financial Highlights

Statement of comprehensive income	**2019-20 £m**	**2018-19 £m**	**2017-18 £m**	**2016-17 £m**	**2015-16 £m**
Turnover	323	316	357	333	301
Operating costs and cost of sale	(232)	(230)	(266)	(249)	(228)
Surplus on sale of housing	45	30	25	23	20
Pension exit costs	(6)	-	-	-	-
Operating surplus	**130**	**116**	**116**	**107**	**93**
Operating margin %	**40.0%**	**36.8%**	**32.5%**	**32.1%**	**30.9%**

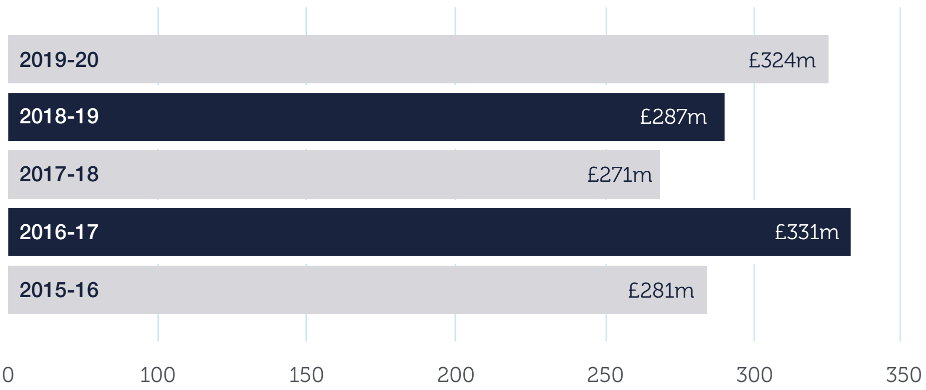
Statement of financial position					
Fixed assets	**2,688**	2,524	2,394	2,272	2,086
Creditors due after >1 year	**2,280**	2,175	1,957	1,928	1,816
Revenue reserves	**689**	601	573	487	423

Key indicators	**2019-20**	**2018-19**	**2017-18**	**2016-17**	**2015-16**
Properties	**44,753**	43,470	42,417	40,610	39,231
New homes built	**1,520**	1,266	2,030	1,788	1,750
Debt per unit (£k)	**39.7**	38.9	33.5	33.1	31.0
Months cash/secured loans available	**36**	36	36	36	14
Interest cover	**2.38**	2.39	3.09	3.07	2.95

Operating surplus (£m)



Investment in homes



Independent Auditors	Registered office
KPMG LLP	Garden Court
One Snowhill	Binley Business Park
Snow Hill Queensway	Harry Weston Road
Birmingham	Binley
B4 6GH	Coventry
	CV3 2SU

Co-operative and Community Benefit Society Number 28503R
Regulator of Social Housing Number L4123

Independent Living at St Bede's, Bedford

Group Chair's Introduction

For over 50 years Orbit has been committed to building high quality affordable homes within thriving communities where people can find the support they need to live safely and prosper. Building homes and communities to be proud of, whilst offering excellent customer service, continues to be the mainstay of Orbit's strategic goals. In delivering them, we uphold the highest principles of corporate and social responsibility and pursue sector leading standards at all times.

Orbit is one of the UK's largest builders of affordable housing and our profit for purpose ethos, coupled with our multi-million pounds investment programme, has seen a further 1,520 new homes built and £5.7 million invested back into our communities in the past year. Orbit's growing property portfolio now stands at almost 45,000 homes and our services reach over 100,000 people across the Midlands, the East and South East of the UK.

Our passion and commitment to consistently improve the design and quality of our homes has been recognised by the Royal Institute of Chartered Surveyors in their annual awards. We work closely with our partners to ensure we utilise all the available skills and resources to build even more high-quality affordable homes. We will continue to build on our expertise and capacity with government, local authorities and other housing associations through working in close partnership.

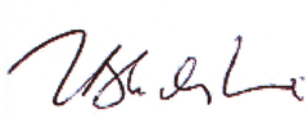
I am once again delighted to see so many examples of our commitment to making a difference to peoples' lives and the communities we live in. Our focus on the environment has continued under our Orbit Earth campaign with further reductions in our carbon footprint. Through our Breathing Space programme, we work with MIND and other local mental health organisations, so our customers can access free help and advice 24 hours a day. We will continue to invest in these and similar projects as part of Orbit's long-term commitment to improving people's lives and the environment.

Our vision to build thriving communities and make a real difference to our customers' lives is more relevant than ever before. In recent months, the many challenges faced by the UK housing sector have been eclipsed by the difficulties faced by the entire nation with the coronavirus pandemic.

Our commitment to the highest levels of customer service and our excellent relationships with local partners means we have been able to give direct and wide-ranging support to our customers and their communities in these difficult times.

We have invested in foodbanks which supply vulnerable and low-income households. We have provided grants for local charities to improve their ICT infrastructure so that they can continue to operate. We have made many thousands of wellbeing calls to our more vulnerable customers so they can access the support they need directly from Orbit through our Better Days programme and to ensure they are linked into local services.

As we embark on the next five years of our corporate plan we know there is always more that can be done. The demanding targets and objectives that define our next five-year strategy have been set in consultation with our customers and employees to ensure we continue to deliver our vision. I would like to thank my fellow board members, our employees and our partners for working so hard to ensure the organisation has remained operationally and financially strong, especially in these unprecedented times. We will continue to innovate and drive dynamic change in the housing sector, building homes where communities can thrive.



The Rt Hon.
Baroness Tessa Blackstone
Group Chair

The demanding targets and objectives that define our next five-year strategy have been set in consultation with our customers and employees to ensure we continue to deliver our vision.

Chief Executive's Report

Against the backdrop of significant economic and political uncertainty we have performed strongly through this turbulent period and delivered a successful set of results.

Our clear strategy, underpinned by our values-led and performance-driven culture, is reflected through our increasing customer service levels, the building of many more affordable homes and by investing more in life enhancing community-based programmes.

Further strides have been taken this year to embrace the latest technology, giving more customers the ability to access our services digitally. This has generated an increase in customer satisfaction, which now stands at 87%. We have delivered 1,520 new homes of which over 78% are much needed affordable homes throughout the Midlands, East and South East of the UK. Over £5.7 million has been invested in our communities this year, directly benefitting our customers and enhancing the environment where they live.

Our vision is that 'we lead in building thriving communities' and the achievements we have made this year have ensured that we continue to meet this aspiration.

Our financial strength and resilience could not be more important as we enter the uncertainty created by the global coronavirus pandemic. During the next 12 months we will maintain this stability and continue to focus on the fundamental principles that underpin the success of our organisation.

Our results

Orbit's operating profit for the year increased to £130 million (2019: £116 million) on a turnover of £323 million (2019: £316 million), resulting in an operating margin of 40% (2019: 36.8%). Excluding fixed asset sales, the operating profit for the year was higher than the prior year at £90 million, which equates to 28.0% (2019: £86 million and 27.3%).

Despite the multiple challenges faced by the UK housing market this year the underlying strength of the business has been demonstrated through our financial performance.

By focussing on value for money and managing our business efficiently we have been able to build our financial reserves, allowing us to support our vision for the long term. With revenue reserves now up to £689 million (2019: £601 million) and significant funding packages from the bond issue and the Homes England partnership totalling £579 million, we have the financial strength we need to deliver the targets we have set ourselves over the next five years.

Serving our customers

Orbit's customer promise demands that we are fully focused on the delivery of excellent services. We continually measure our performance against that promise and are pleased to report that our Customer Satisfaction score has increased to 87%.

One of our core objectives is to increase the provision of customer services online. The Orbit Apollo programme is a Microsoft dynamics IT enabled transformation programme that will meet the needs of our increasingly diverse customer base and enable more of our customers to interact with us via digital channels. In the last year, 62% of our contact with customers was online and the Apollo programme will transform our service with quicker, more integrated technology and data management.

The Group has invested £5.7 million into local communities through our Better Days programme and more than 3,000 people have seen real benefits. Through a range of projects, our customers have been able to enhance their skills in employment, digital technology, finance and money management. The programme creates significant social value by reducing financial and social pressures on households, whilst improving skills to build confidence and improve employment prospects.

Working with Big Society Capital, Orbit launched the Community Impact Partnership in 2018. This £2.9 million fund is the first of its kind, between four major housing groups (Orbit, Clarion, L&Q and Peabody), providing capital investment to social enterprises and charities to achieve a positive social and economic impact. To date, the partnership has committed to make investments totalling £717,000 in eight separate organisations, including grant funding to help organisations develop their proposals and business plans so they can secure further investment.


First time buyers at Moorland Glade, Rugby

Building homes and communities

We have completed a total of 1,520 new homes for all tenures, including social and affordable rent, shared ownership, private rent, retirement living and market sale. We are also pleased to report that over 78% of our delivery has been in affordable tenures including shared ownership and we now have almost 45,000 homes, owned and managed by Orbit. Since 2013, we have now delivered 10,743 new homes.

Our partnership with Homes England will see an additional 2,762 affordable new homes in development by 2022. The first 180 have already been completed and we have started work on a further 441, with a further 1,482 (total of 2,103) units identified and in various phases of planning and approval.

Aided by multi-tenure developments and the Homes England partnership Orbit is able to sustain a strong growth outlook and continue developing even in adverse housing markets. We currently have a total pipeline of 7,400 plots, compared to 6,300 last year, with which we will deliver new homes in the coming years.

We continue to focus on delivering the best possible service for our home-buying customers, and I was delighted that Orbit Homes achieved the 2020 Gold Award for Customer Satisfaction together with the Outstanding Achievement Award awarded by InHouse research.

A great place to work

Our ranking in the Sunday Times top 100 Best Companies to Work For (Not for Profit Listing) now stands at 46th, up from 77th in 2019. To have achieved such a significant improvement in just 12 months is recognition of our determination to make Orbit a great place to work and to retain the best people so that we can achieve our vision.

In a market where competition for the best talent is increasing, Orbit places significant importance on recruitment, engagement, development and retention of people. We are keen to support professional development, funding professional memberships and qualifications. We have now seen a total of 336 employees benefit from our leadership training and internal secondment programmes.

Aligning with our corporate values, we continue to seek employees from all generations and backgrounds to bring energy and drive to Orbit. A highly motivated and diverse workforce strengthens our business and ultimately benefits our customers.

To drive greater equality in our workplace we have introduced an eight-point action plan to help close the pay gap between male and female colleagues. Alongside robust salary benchmarking and alignment to ensure equal pay for the same level of job, we have increased maternity benefits, offering wider training opportunities for female employees and supporting a more agile way of working. The delivery of Project Apollo will also contribute to greater workplace flexibility by enabling our colleagues to work more effectively regardless of their location.

The graduate and apprentice programmes at Orbit are also a vital element in ensuring we continue to develop as an organisation in the future. The programmes include in-depth development plans, with graduates rotating to different teams and studying for external qualifications relevant to their chosen career.

Since the schemes were introduced in 2017, a total of 20 graduates and 26 apprentices have been recruited and have had a real impact within Orbit. The combination of high-quality training programmes and real work experience has seen our apprentices make the shortlist for two national awards, the CIH Housing Heroes and Inspire Awards, in 2019.

As well as promoting professional development and training we want our people to have long-term security and be able to build their careers at Orbit. We are a Living Wage employer and we have also introduced a new and enhanced pension scheme for the benefit of all employees.

Leading in building Thriving Communities

In 2013 we embarked on Orbit 2020, a business planning and transformation project, designed to shape the organisation and its future products and services. Orbit 2020 set six clear and challenging targets to be achieved by 2020. We are broadly on track to deliver these targets and we are now ready to begin the next stage of our development by launching a new five-year strategy, Orbit 2025, in which we have made a commitment to deliver new and more demanding objectives.

The Orbit Corporate Strategy 2020-2025 sets out the targets to realise our vision over the next five years. By combining a focused commercial outlook with a clear social purpose, we can continue to re-invest our surplus to meet our vision.

Outlook

We have a values-led and performance driven culture which is dynamic and agile and ready to meet future challenges. Our delivery model is now more effective and efficient, giving greater value for money and allowing more to be reinvested in the delivery of services, great homes and thriving communities.

Recent events have brought unprecedented commercial and practical challenges for everyone. Our response to the coronavirus pandemic was decisive, with a focus on customer and employee safety, whist continuing to deliver essential front-line services. Incident management team structures were deployed early in the process, allowing us to establish a more agile way of working within days.

Protecting our finances has also been a key priority during this uncertain time. Through our land-led development strategy, we are able to tightly control our working capital commitments across a number of sites and, supported by a strong liquidity position, our business remains resilient and ready to navigate the challenges ahead.

As Orbit's activity levels return steadily to normal through a phased remobilisation programme, we will capitalise on the strong platform we have established by embracing new technologies, skills and partnerships. During the crisis Orbit has utilised many new ways of working and it is good to see the use of digital technology leading us to smarter and greener opportunities.

The implementation of our new corporate strategy will see a continued focus on safety, quality, service and the environment whilst increasing engagement with our customers and partners to ensure Orbit adds real value to the local areas where we work, as we lead in building thriving communities.

Mark Hoyland
Group Chief Executive

Despite the multiple challenges faced by the UK housing market this year the underlying strength of the business has been demonstrated through our financial performance.

Group Board

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

Mark Hoyland
Group Chief Executive

David Weaver
Chair, Orbit Treasury Limited and Orbit Capital Plc

Stephen Stone
Chair, Orbit Homes

Stephen Howlett CBE, DL
Chair, Customer and Communities Board

Steve Brown FCA
Chair, Audit and Risk Assurance Committee

David Young CBE

Helen Gillett

Detailed information can be found about each Group Board member by visiting **orbitgroup.org.uk**

Executive Team

Mark Hoyland
Group Chief Executive

Jonathan Wallbank
Interim Group
Finance Director

Helen Moore
Managing Director
Orbit Homes

Afzal Ismail
Group Corporate
Services Director

Paul Richards
Group Customer
Services Director

Craig Wilcockson
Group People Director

Detailed information can be found about each Executive Director by visiting **orbitgroup.org.uk**

Operational & Strategic Review

As our 2020 strategy comes to fruition, below is a summary of performance since it was launched in 2013:
- Delivery of 10,743 new homes
- Improvement in customer satisfaction from 76% to 87%
- Provision of a full range of home ownership and rental options
- Investment of £28.5m in local communities
- Increased digital transactions from 5% to 62%
- Growth in turnover from £193m to £323m
- Sunday Times Top 100 Best Company (not for profit)

THE FUTURE - ORBIT COPORATE STRATEGY 2020-2025

The Orbit vison to lead in building thriving communities is the constant driving force of all our actions and planning. The Orbit 2025 plan will continue to build on the four strategic pillars of the organisation: Service, Property, Profit and People all underpinned by an ongoing commitment to best practice with regard to governance, risk, compliance and the environment. Driven, innovative, responsible, invest and achieving together are the values that epitomise Orbit and will ensure that the strategic targets are delivered.

Later this year, we will see the launch of our new 2025 strategy. This strategy will:

- **Deliver our best customer experience**
- **Provide significant further investment into our homes and communities**
- **Maintain our position as a leading UK developer of affordable homes**
- **Respond to the needs of a diverse and changing population**
- **Attract, retain and develop the very best people**
- **Reduce our impact on the environment**

OUR SERVICE

Our commitment to deliver high quality homes and build thriving communities is underpinned by our determination to provide our customers with great service. We are pleased to report that by constantly evaluating our performance against that promise of excellence, our customer satisfaction score has increased to 87%.

We have continued to invest in the resources and facilities necessary to deliver the best possible customer experience and the single location Customer Hub is now operational, following a £1 million investment. The Hub employs over 160 people to provide a frontline service to all our customers. By bringing together our customer service functions into one location we are able to deliver a fully coordinated and efficient solution for our customers.

The Property Management team provide a physical presence in all our communities to make each neighbourhood look and feel better. They engage with customers on a daily basis and have had a positive impact on our customers' lives through improving many of our estates. This has been further enhanced through the 18 accreditations awarded by RHS Britain in Bloom, the largest horticultural campaign in the United Kingdom which, in recent years, has increasingly assessed how all sectors of the local community are managing their local environment.

We have a robust strategic asset management plan and invest heavily in the properties we own, to ensure they meet our own high maintenance standards. In the last 12 months we have invested £82.2 million to improve and upgrade our existing stock, including fitting new boilers, general external property maintenance, upgrading kitchens and bathrooms and refurbishing interior décor.

Orbit delivered over 150,000 repairs and completed over 14,000 home improvement projects during the course of the past year, and we will continue to invest to ensure a constant improvement in the quality of homes.

Orbit's Tenancy Sustainment team offer a full range of support services specifically designed to help customers who may need additional assistance with their tenancy. This includes help with setting up utilities, claiming benefits, going back to work, getting involved in the local community or improving their wellbeing. Our tenancy coaches also provide access to our Better Days programme which delivers specialist support in relation to employment, digital technology, money, and wellbeing. We are also very proud to have been awarded a Leaders in Safeguarding accreditation, acknowledging our work in ensuring the safety and welfare of children and vulnerable adults in our communities.

The Orbit Apollo Project

Project Apollo, our IT enabled transformation programme, is the largest all-encompassing investment in our digital infrastructure that we have ever undertaken. Upgrading our technology enables the delivery of our long-term business growth plans and, by facilitating more coordinated end to end processes and working practices, allows us to provide customers with better access to all our services. Apollo will also promote easy to use online self-service channels, giving our customers more choice in how they interact with us and greater levels of engagement.

For our increasingly diverse customer base, Apollo will meet their needs and allow the majority of customer transactions to take place online. In the last year, 62% of our contact with customers was online and the Apollo programme will further support our ambition to meet the needs of our customers in ensuring we offer the right channel to the right customer.

Apollo also provides our employees with significantly upgraded digital tools and processes to help them work more efficiently and deliver enhanced customer service regardless of their location.

Better Days programme

Through our Better Days programme we invest money, services and support into the communities we serve by way of grants to counselling services, community groups and for one to one support.

By working closely with the key support networks in our communities we have been able to help over 70 different groups and organisations, who in turn have helped over 3,000 people. Orbit's Better Days programme was set up to provide targeted support to the customers in most need by concentrating on four principal areas – money, employment, wellbeing and digital. In total we have helped our customers secure over £6 million of the benefits and financial support they are entitled to. With help from the Orbit job coaches we are delighted to report that almost 300 of our customers have been able to secure employment and a further 1,200 people have successfully completed skills and employment training.

Community Impact Partnership

In 2018 Orbit announced its involvement in the Community Impact Partnership. The first of its kind, this initiative between four housing groups (Orbit, Clarion, L&Q and Peabody) was set up to provide grants and loans to charities and social enterprises operating within their respective communities.

The partnership extends the Community Investment offer of each partner, enabling housing associations to support enterprising organisations in ways traditional grant funding cannot. By offering additional ways to support organisations with a social purpose Orbit has developed from being a simple provider of grants to becoming a social investor within its communities.

The first award was made to The Work People, Hastings – a social enterprise which provides career advice and job placements to over 1,600 candidates each year. Since that first award, the partnership has committed a further nine investments totalling £717,000 to eight separate organisations. Of that commitment a total of £342,000 has been disbursed and £52,000 has been given as additional grant funding to help organisations develop their proposals and business plans so they can secure further investment.

Orbit's Community Investment team, Coventry

Our IT business transformation programme is the largest all-encompassing investment in our digital infrastructure that we have ever undertaken.

OUR PROPERTY

Our ongoing commitment is to ensure the houses we build and the communities we create are aspirational to all, regardless of the type of tenure our customers choose. With significant funding packages secured - the £450 million bond issue and £129 million from the strategic partnership with Homes England - we have the financial resources to maintain our pivotal role in the growth of the UK housing sector.

In the past year, we completed a total of 1,520 new homes for all tenures, including social rent, shared ownership, private rent, retirement living and affordable and market rent. In November 2019 we reached the notable milestone with a total of over 44,700 homes now owned and managed by Orbit.

The strategic partnership with Homes England will see an additional 2,762 affordable new homes in development by 2022. So far, we have completed the first 180 and have started work on 441 properties. We have a secured pipeline to deliver a further 1,482 and we will continue working with Homes England to achieve our build target.

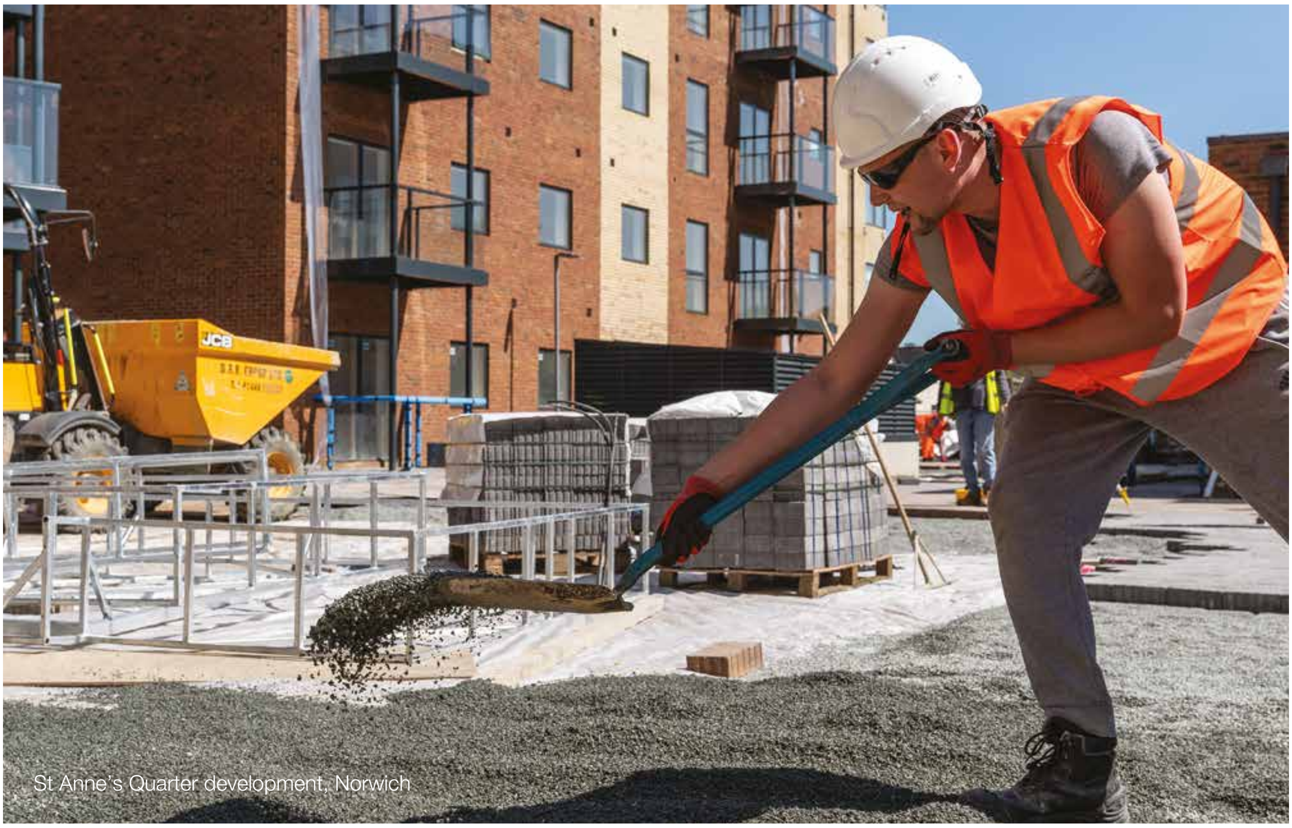
As well as meeting our own targets, Orbit is keen to work with and assist smaller housing associations. To this end, Trent & Dove Housing Association have joined Orbit as a Delivery Partner which will enable them to access the Strategic Partnership grant and work alongside us in delivering more affordable new homes.

The high standards of design and quality that we demand for the homes we build are a vital part of our commitment to creating thriving communities. Our 12-point approach to design pinpoints the obstacles to building successful communities and, from the layout of homes, to the use of environmentally-friendly and energy-efficient materials, Orbit is committed to setting new and higher standards for efficient, cost effective and successful design.

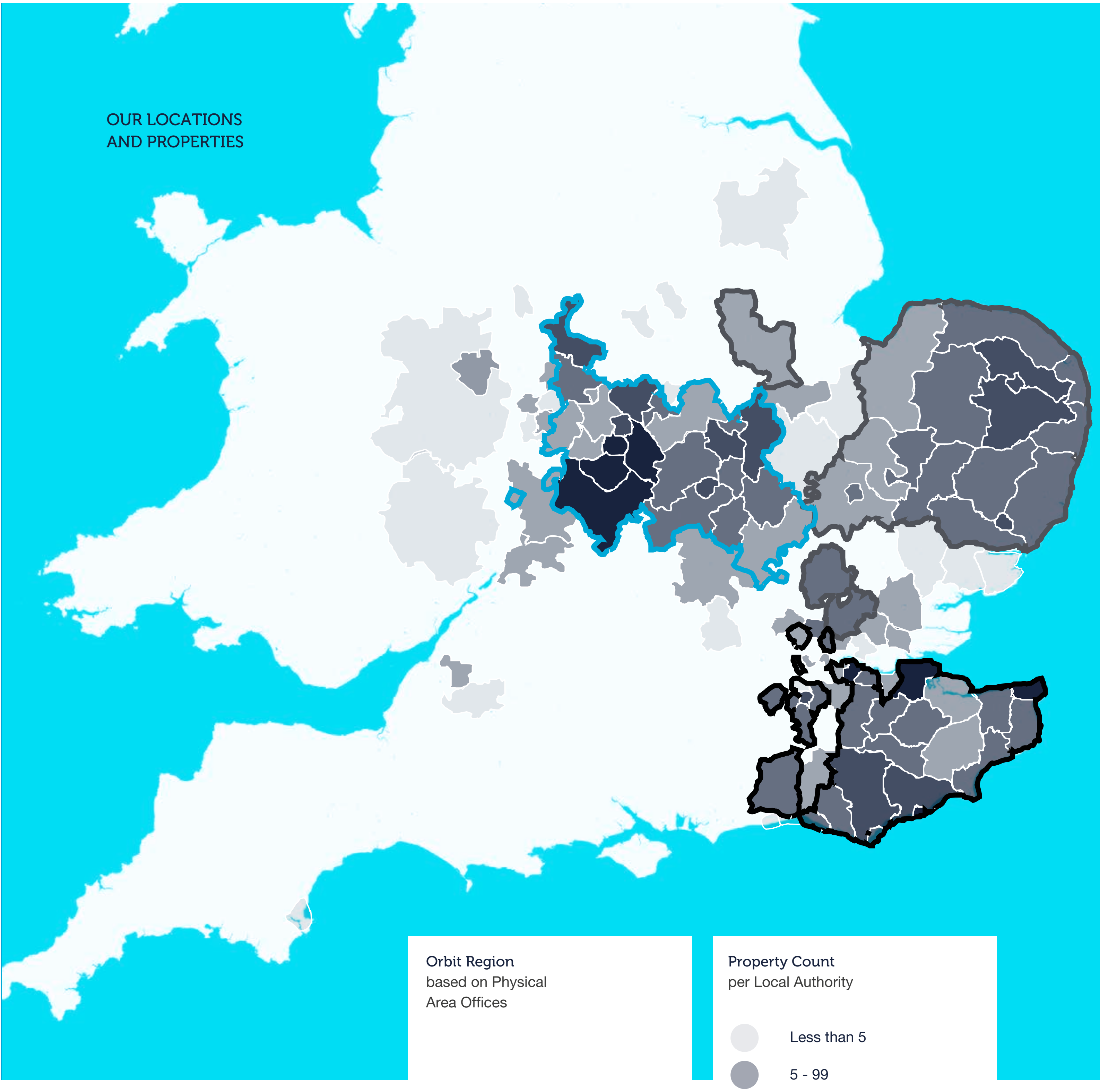
The evidence of this commitment can be seen with 76% of our homes now having an EPC rating of C or better. As further recognition of our commitment to quality and customer care our Erith Park development won Regeneration Property of the Year and our Fordham House development in Stratford-Upon-Avon won the Residential Property of the Year at the Royal Institute of Chartered Surveyors (RICS) awards in May 2019.

Chair of the judging panel for the RICS Awards, West Midlands, Bryony Martin of AECOM, said: “Orbit brought their experience of managing rental properties to create a scheme that delivers a modern interpretation of the local streetscape, high levels of customer care, a mixed community of tenants and commercial success. Quality specification choices reflect the project team’s long-term interest, including Smart technology and a four-storey feature living wall.”

Orbit is proud to offer a range of tenures on its sites, which cater for customers at all stages of their life journey.



St Anne’s Quarter development, Norwich



Orbit Region
based on Physical
Area Offices

- East
- Midlands
- South

Property Count
per Local Authority

- Less than 5
- 5 - 99
- 100 - 499
- 500 - 999
- 1000 or more

PROFIT FOR A PURPOSE

Statement of comprehensive income	2019-20 £m	2018-19 £m
Turnover	323	316
Operating costs and cost of sale	(232)	(230)
Surplus on sale of housing	45	30
Pension exit costs	(6)	-
Operating surplus	130	116
Operating margin %	40.0%	36.8%
Surplus for the year	72	41

Orbit has delivered turnover of £323 million, an increase of 2.2% compared to last year (2019: £316 million), with rental income net of void loss at £188 million. A total of 183 market sales properties and 329 shared ownership properties were sold resulted in property sales of £90 million.

Other operating costs were contained at £155 million, resulting in an operating profit of £130 million and an operating margin of 40.0%.

The operating surplus increased substantially by £14 million year on year. This was boosted primarily by the profits from fixed asset sales, which rose significantly to £45 million (2019: £30 million) as a result of the voluntary right to buy initiative, and more than offset the exceptional pension exit costs of £6 million, which were incurred on leaving the Social Housing Pension Scheme this year.
Our core social lettings business continues to grow with social housing turnover of £222 million (2019: £218 million). This reflects the increase in social housing properties more than making up for the 1% rent reduction required by legislation.

Pre-tax surplus for the year was £72 million (2019: £42 million), with the prior year being impacted by loan break costs of £28 million. Total comprehensive income reached £72 million (2019: £22 million) with actuarial gains relating to the defined benefit pension schemes broadly offsetting the adverse movement in hedged financial instruments. This contrasts to the previous year where pensions and hedging movements resulted in a £19 million charge.

Tangible fixed assets increased by £164 million to £2,688 million (2019: £2,524 million) with an increase of 1,283 to 44,753 properties at the year end. We have continued to develop much needed affordable shared ownership properties and market sale properties with an increase of £40 million in properties for sale and stock.

Creditors due after more than one year rose by £105 million reflecting the increase in borrowings required to fund the ongoing development programme, grants received from the Homes England Strategic Partnership and derivative movements reflecting year end market values.

Statement of financial position	2019-20 £m	2018-19 £m
Fixed assets	2,688	2,524
Properties for sale and stock	216	176
Creditors due after >1 year	2,280	2,175
Revenue reserves	689	601


Arden Quarter, Stratford-upon-Avon

OUR PEOPLE

Our values-led performance driven culture, continues to deliver great results. This has been recognised through our placing of 46th within the Sunday Times Top 100 Best Companies to Work For list. To have achieved such recognition, in only our second year of inclusion, reflects our determination to make sure Orbit is an employer of choice and a great place to work.

A well trained workforce is an essential foundation of any successful organisation and we provide all our employees with the opportunity to improve and develop their careers. Our Leadership Programme was put in place to identify and progress Orbit's next generation of leaders and, to date, 336 of our people have been through the programme.

Our commitment to diversity and equality means we must always provide all our employees with equal opportunity to fulfil their potential and achieve their career ambitions. The drive and enthusiasm that a diverse and highly motivated workforce provides our business benefits both our colleagues and, most importantly, our customers.

We introduced an eight-point action plan to help close the pay gap between male and female colleagues to achieve greater equality in our workplace. Alongside robust salary benchmarking and alignment to ensure equal pay for the same level of job, we have increased maternity benefits, offering wider training opportunities for female employees and supporting a more agile way of working. We are delighted to see our drive for equality recognised with Orbit having one winner and four nominations at this year's Inside Housing "Women in Housing" Awards. We also offer a range of support to our employees such as counselling, access to healthcare, agile working and we host regular wellbeing weeks.

Values

We are a values-based business and we are clear that it is our people who fulfil our purpose to improve the lives of our customers and their communities. To deliver on our promise of better homes, thriving communities and excellent customer service we endeavour to be the best employer we can be.

Our agile working culture ensures a better work life balance for our employees and enables us to attract the best people. Project Apollo, our IT enabled transformation programme, provides our people with easy to use and flexible IT support tools, enabling them to work more effectively and provide great customer service regardless of their location. We also continue to invest in the design of our work spaces, so that Orbit is a welcoming and rewarding place to work.

Our Employee Ambassadors represent all parts of the business and play a key role in shaping our culture and ensuring our employee engagement activities are fully coordinated. Every quarter we hold our Achieving Together briefings which provide updates on our performance, allowing us to focus collectively on our priorities and business objectives. These are important briefings where all employees are able to share information, ask questions and come together as one team to celebrate each other's achievements. The formal recognition of individual achievement also takes place through our Stars in Orbit programme which allows employees to nominate colleagues who have a made a significant contribution to the business.

Orbit in the community

Through our employee volunteering programme, Orbit donates one working day per employee each year to worthy causes, enabling our people to spend time supporting organisations which are close to their hearts. In the past year Orbit employees completed over 3,000 hours of volunteer work and our employees have painted, decorated, planted and litter-picked their way to supporting our local communities.

We continue to support a number of national and local charities with their work including MIND, Shelter, Macmillan Cancer Support and Prostate Cancer Awareness UK and have raised around £43,000 for these worthy causes. Our match-funding scheme also provides the opportunity for employees to double any money raised to support charities through sponsored events.

One of the highlights of our year is the Building Thriving Communities Awards, where we acknowledge the positive impact our customers are making in their communities. Celebrating these achievements is a fantastic way to highlight the excellent work that goes on in all the neighbourhoods where we work.

Orbit's home city of Coventry will be the UK City of Culture in 2021 and we are proud to be one of the major sponsors of this great event. We look forward to working with the City and all its partners on an exciting programme of activity and events, which are expected to bring great benefits to the region. It is anticipated that Coventry will see an extra 2.5 million visitors generating a positive economic impact of £350 million during the year.

Employees in Orbit's Greenhill Street office, Stratford-upon-Avon

COMPLIANCE & RISK

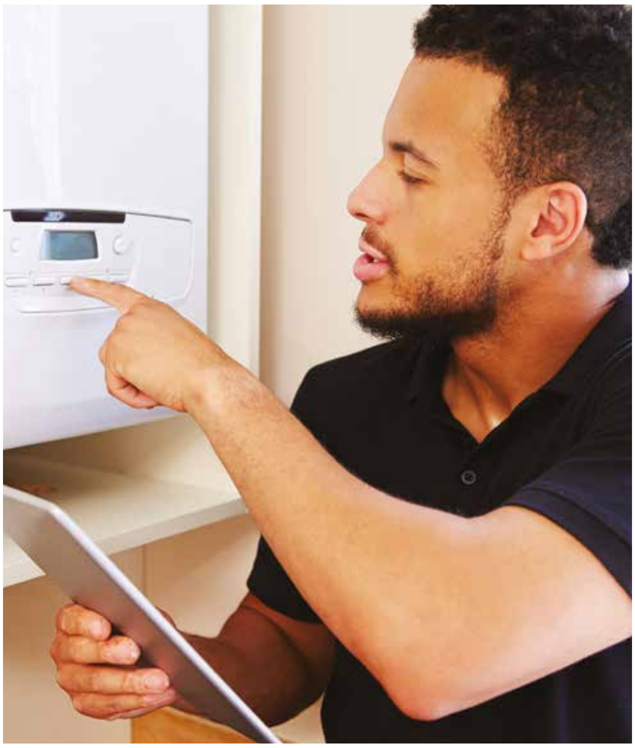
Everything we do is underpinned by our rigorous approach to governance, financial management and compliance. We are proud of the high standards we have achieved in these areas and we continue to maintain a strong health and safety culture.

Our employees understand that keeping our customers safe is the single most important thing we can do as a housing provider. It is a huge responsibility and an area where we are never complacent.

We work with various safety experts and organisations to ensure best practice across all areas of the business, and were one of the first housing associations in the country to be granted two RoSPA (Royal Society for the Prevention of Accidents) gold awards for customer safety and overall health and safety. Our work to constantly improve standards continues to be publicly recognised by the leading safety bodies that assess and manage health and safety in the UK, and we were pleased to win the Customer Services Excellence Awards at the annual Association of Safety and Compliance Professionals (ASCP) awards in May 2019.

We continue to partner with RoSPA on its 'Safer by design: framework to reduce serious accidental injury in new build homes'. Through evidence-based changes to home design, RoSPA aims to reduce the number of accidents in the home. Safer by design is closely aligned to our own design standards and we are RoSPA's lead housing association partner on this project.

Our Health and Safety team continue to report full compliance in all areas of safety including gas, fire risk, asbestos, and legionella. Most importantly, we have seen no serious injuries in any of our operations.



RESPONSIBLE BUSINESS

Our commitment to the wider society and environment is central to our mission and vision and improving the communities where we work is at the forefront of everything we do. Operating responsibly is key to our ethos, as is ensuring our contractors and suppliers operate responsibly too.

Our Environmental Impact

Orbit Earth was created with a vision to take achievable, but ambitious steps in reducing our carbon footprint. In committing to improving the environment, we pledge to help improve the lives of our customers now and in the future.

We constantly look at all areas of the business to see where we can make positive changes. From construction, day to day maintenance of our properties, management of our offices as well as the partners we work with, we will ensure that protecting the environment is everyone's responsibility.

In order to reduce our carbon footprint, we have been working in close partnership with the Carbon Trust to measure and understand the impact that our business has on the planet.

Through better understanding of our impact we have already been able to take a number of positive actions towards increasing our environmental sustainability. One significant change has been our switch to 100% renewable electricity across all our offices and communal areas and we have now made this a standard requirement in our future procurement of energy. Additionally, it is anticipated that our new vehicle fleet will initially show a reduction in CO_2 emissions of 20% and we will see more electric vehicles join the fleet over time as more options become available to us.

Our commitment to environmental sustainability has seen us invest to improve the energy efficiency of our homes. Our aim is to ensure that all our homes meet EPC levels A-C as a minimum requirement.

We will be taking significant steps to increase biodiversity across new developments and our existing communities. We are committed to ensuring that the green spaces we care for contain a rich variety of plant and animal life encouraging nature to grow and prosper as well as a space for our customers to enjoy and improve their wellbeing.

In 2019, we achieved recognition across a number of our green spaces from both the Britain in Bloom awards, and the Royal Horticultural Society's It's Your Neighbourhood awards. Many of these awards were as the result of our landscaping teams and our customers working in partnership to achieve this success.

Our partnership with BALI (British Association of Landscape Industries) ensures that our teams who are responsible for managing our green spaces adhere to the highest quality standards including environmental and ethical implications of the management of our landscapes.

We are committed to building good value, high-quality affordable homes and improving energy efficiency through draft-free, double-glazed windows and doors, installing wall and loft insulation as well as energy-efficient central heating. We have recently been trialling the 'Showersave' product, an environmentally-friendly waste-water heat recovery system which can reduce annual water consumption by almost 22,000 litres as well as including underfloor heating, low energy lighting and electric vehicle charging points into our development plans.

Putting our Orbit Earth programme into practice and demonstrating that it is everyone's responsibility has led to a range of employee driven environmental projects across our business. This has included the introduction of an online freecycle portal and paperless office teams. Furthermore, Skype and Teams enabled meetings, agile working and employee car-sharing schemes all continue to make contributions towards reducing the amount of unnecessary business miles travelled.

Across our estates we're actively creating pollinator-friendly pocket parks, encouraging bee-friendly flower beds and up-cycling hardwood from across our business to make bird boxes and bug hotels. We are also trialling electric grounds maintenance equipment and have installed our first composting bays with a local social enterprise to recycle and reuse green waste back into our estates.

Social impact

We are more than a landlord and housing provider and our profit for a purpose ethos enables us to invest in our communities to make a positive difference to people's lives. Since 2013, we have invested around £28.5 million back into our communities, supporting various local charities and delivering our Better Days programme.

When tendering for partners and suppliers, our procurement team includes a social value requirement, to ensure that we work with like-minded businesses who share our vision and values. Our procurement team actively identifies opportunities to further our social impact through working in partnership with our supply chain.

Over £300,000 has been invested into local community projects from our partners including Fortem, Mears, AD Group, Dodd Group, Bell Group, Southern Land Services, Shield Environmental, Just Ask and Anthony Collins Solicitors.

Through our repairs and maintenance contractors, Fortem and Mitie, we offer customers work experience, apprenticeship and training opportunities. Trades ranging from bricklaying to plumbing, offer skills for life and provide a valuable opportunity for our customers.

At Tanyard Farm in Coventry, Dodd Group supported the refurbishment of our community centre there through its 'Community Crew' who installed and decorated the kitchen, fitted replacement lighting and re-decorated the main communal areas.

VALUE FOR MONEY

Our Strategy

Delivering value for money is integral to Orbit's profit for a purpose ethos ensuring the most effective, efficient and economical use of resources to achieve the best services for our customers. Within this framework, and at the heart of our business, our vision is to build high quality affordable homes with diverse and thriving communities where people can find the support they need to live safely and prosper. Whilst achieving this we also look to create a great place to work for our employees. Our value for money culture is led by our Group Board and Executive Team; through approval of our value for money strategy, financial business plan and business change initiatives. It is embedded in our decision-making processes throughout our organisation, and we ensure our strategy adheres to the standards set by the Regulator of Social Housing (the Regulator).

Our continuing ambition to deliver long term value for money through efficient and effective processes and improving customer satisfaction has driven investment into our new IT enabled transformation programme, Project Apollo. The initial phase of delivery impacting Sales & Marketing, Finance, HR and Procurement is scheduled to go live in the first half of this financial year, with wider business integration to follow over future years. Once fully implemented this business transformation initiative is anticipated to deliver annual savings of c.£5 million; through more effective procurement processes, removal of legacy IT systems and more efficient and consistent processes and controls throughout our business.

A key outcome from the implementation of the Project Apollo programme is to modernise our technology allowing further improvements to our data quality to aid decision making, integration with our supply partners and facilitate provision of online customer services. Our aspiration is to increase online customer engagement from current levels of 62% to 75%, enhancing the ability of our business to meet the changing needs of our diverse customer base.

The Shaping Our Future programme was fully implemented by the end of the previous financial year, with the savings generated benefitting this financial year. This programme delivered £10 million of annualised savings. Whilst the restructure of our business facilitated the creation of the new Coventry based customer service centre, The Customer Hub, leading to a more effective customer journey and a more efficient use of resources.

In addition there is a programme reviewing maintenance procurement activity across our business and is set to deliver key savings. Initially, £0.1 million of annualised efficiency will be realised through the development of a Microsoft Dynamics based field service system. The system enables staff working on site to provide real time updates, capture photographs of work required, and create new jobs direct from their phones leading to prioritised workloads. Furthermore, improved procurement controls will ensure effective purchasing of goods and services. This is expected to yield further savings of £2.8 million in 2023 and c.£4 million annually from 2024.

The investment in these ongoing programmes are key to ensuring improved value for money for years to come.

Alongside this we believe that we can improve our operating efficiency by consolidating our operating areas, ensuring Orbit's stock is located with sufficient critical mass to provide economies of scale and allowing us to manage our estate more efficiently. This densification of our operating areas will also help us in our vision to build thriving communities, improve customer experience, promote wellbeing and social cohesion. Through a process of strategic asset management, we are continually seeking to strengthen the quality and location of our asset base through asset sale, direct investment, acquisition and stock swaps. This process is expected to lead to improved efficiencies in procurement and management through the concentration of properties in tighter geographical areas, furthermore, our continuing work on design standards to further improve the quality and consistency of build and maintenance activity within Orbit will yield additional benefits.

Additionally, Orbit continues to review existing processes to identify areas of opportunity. We undertook a lean review of our voids processes recently and following this established a void management team. This team is targeting a shortening of the void period and reducing costs incurred in turning properties around for re-let.

These strategic programmes and investments, alongside core business performance, have contributed to a strong financial position this year against a backdrop of ongoing economic uncertainty within the housing market as a result of Brexit and latterly the coronavirus. Our revenue of £323 million (2019: £316 million), achieved an operating profit of £130 million (2019: £116 million), and an operating margin of 40%, a 3.2% increase from 2019. Our strong underlying operating position has allowed for development activity within Orbit to deliver 1,520 new homes (2019: 1,266). Our ongoing strategic partnership with Homes England, provides grant funding to help Orbit play its part in addressing the housing crisis and efficiently deliver new homes. Furthermore, we have invested in excess of £82 million into our existing properties through repair, maintenance and compliance activity which will contribute to high quality, safer, and more efficient homes leading to increased customer satisfaction.

The financial planning process, approved by the Board, ensures that Orbit achieves a healthy balance between building high quality energy efficient homes where our customers are proud to live, maintaining our existing properties to a high standard, creating a great places for employees to work whilst continuing to protect the financial health of our business. The current coronavirus pandemic requires careful management to ensure we continue to retain this healthy balance whilst still ensuring we are implementing better ways of working. We are currently reviewing our response to this situation to identify further feasible adaptations to working practices in order to realise both financial and environment benefits without negatively impacting our business effectiveness.

Value for Money Metrics

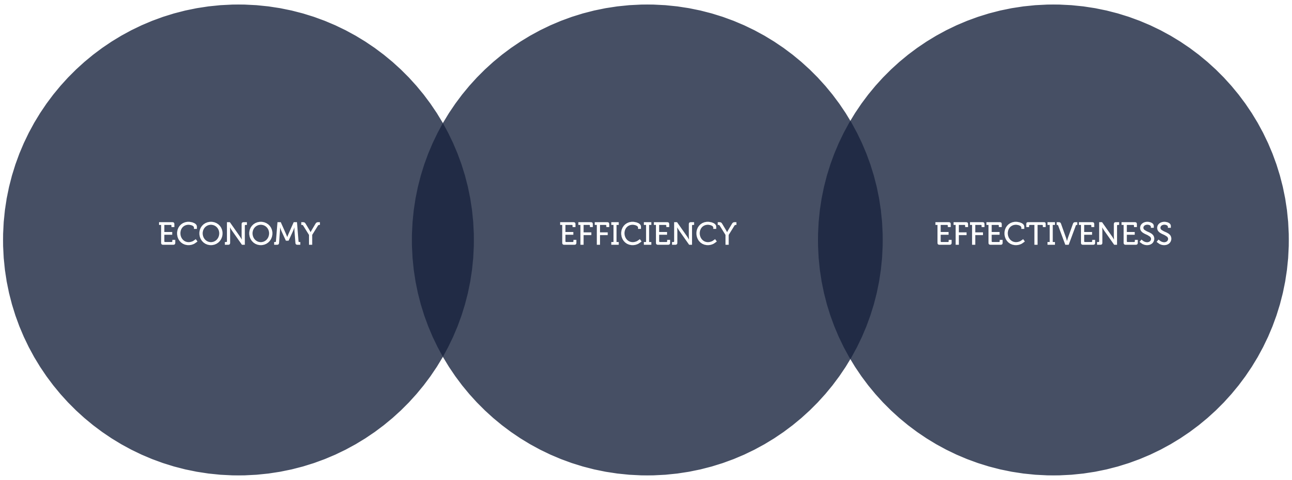
As well as the value for money metrics set out by the Regulator, we also report against our own internal metrics taking into consideration our social and environment commitments alongside the core thread of governance. These include measuring staff costs as percentage of turnover, rent collection, void rent loss, occupancy rates, customer satisfaction, investment in communities and the percentage of homes achieving efficiency band C. These additional metrics, coupled with the regulatory metrics, evaluate the performance of our value chain. All metrics can be aligned with Economy, Efficiency or Effectiveness. The three E's in the 'value chain' focus on differing aspects and are defined as follows:

Economy:
the degree to which objects are being purchased in the right quantity and at the right price, while having regard to quality.

Efficiency:
how efficiently the project is delivering its results, considering the rate at which inputs are converted to outputs and its cost-efficiency.

Effectiveness:
the quality of the work by assessing the rate at which outputs are converted into outcomes along with the impact this has.

Outlined below are some key highlights achieved this year as a result of our embedded value for money culture.



Economy

26.1% Operating Margin

£2.49 million procurement savings

113.7% EBITDA MRI

Efficiency

£1 million savings relating to advance software licencing payments

£11 million or £366,667 / year - capital cost savings for maintenance / repairs to hard surfaces, estimated from the myMaps programme, over a 30 year period

£15,000 - moving lone worker savings card to App format - introducing new technologies while making savings

100.6% - rents collection, reducing rent arrears

Effectiveness

Multi award winning company (RoSPA Gold Award, Sunday Times 100 Best Companies to Work (not for profit listing) placed 46th, West Midlands Finance Team of the Year)

3,000 hours of staff volunteering

Universal Credit arrears reduced to £774.20 per household (2019: £911.99)

Rent arrears decreased to 2.9% from 3.8% in 2019 due to improved cash collection processes

87% - Customer satisfaction

Benchmarking

To aid benchmarking this year, we have introduced a bespoke and more representative peer group for benchmarking purposes. This group has been carefully selected for geographic coverage and property portfolio size. Housing associations included in this benchmark group are as follows:

Midland Heart	**Optivo**
Platform Housing	**Home Group**
Live West	**Bromford**
Sovereign	**Notting Hill Genesis**
WM Housing	**Stonewater**

However, in order to ensure comparability to prior year reporting, we are also continuing to benchmark against the median for providers with over 30,000 units as defined by the Regulator of Social Housing.

Orbit is proud of its commitment and dedication to building new, environmentally conscious homes and thriving communities which contribute to addressing the current housing crisis, whilst also investing in existing properties at scale with the aim of improving customer experience and increasing energy efficiency. These activities are at the heart of both our current and future strategy.

We firmly believe that our strategy is the right one for us and for our customers. However, as a consequence, we do not benchmark as favourably against metrics such as operating margin, gearing, EBITDA, whilst headline social housing cost per unit is in line with our peers. Whilst we will always seek to deliver improved value for money year on year, we would not expect these scores to change significantly due to the nature of our core strategy and commitment of providing our customers with great places to live. Our future targets are currently under review as we respond to the coronavirus pandemic and as a result future targets have not been included in this value for money statement.

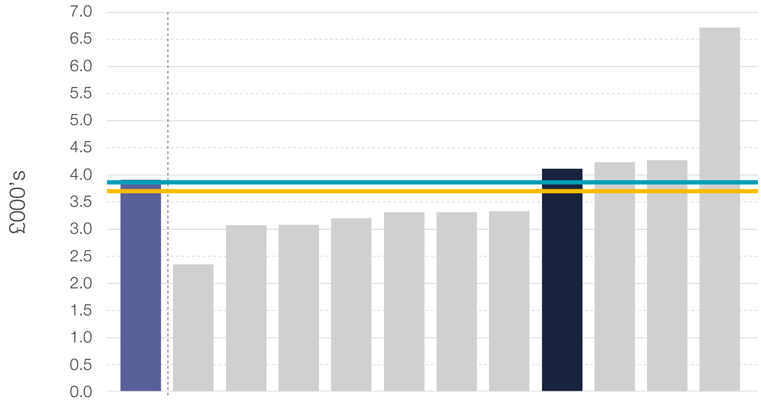
Providing good value services

We focus on customer delivery and to support this we have invested £1 million in our new Customer Hub to improve our service and our customers' experiences. Our approach has yielded benefits including improved customer satisfaction of 87% (2019: 86%) and reducing days to complete scheme repairs to 23.1 days (2019: 30.5 days).

Improved processes have seen increased levels of rent collection, securing 100.5% (2019: 99.9%) of rents due therefore reducing outstanding debts and improving our cashflow. These changes have resulted in a 20.1% reduction in the number of cases in arrears, consequently our gross rent arrears as a percentage of rents receivable has decreased to 2.9% (2019: 3.8%). In addition, rent lost due to void property has also decreased, falling to 1.8% (2019: 2.1%) and we are working to achieve even more improvements in this area. Throughout this year our home occupancy rate has been in excess of 98.1% (2019: 98.9%). This drop in occupancy is proportionate to our increase in void properties, as a result of an increase in the level of repairs.

Headline Social Housing Cost Per Unit (£000's)

The unit cost metric assesses the headline social housing cost per unit as defined by the Regulator



Value Chain Alignment	Key:	Orbit 2019: £3.912	Orbit 2020: £4.112
Economy	Peers 2019	Peer Average: £3.687	Benchmark: £3.880

Orbit has achieved a Headline Social Housing Cost Per Unit of £4.112, which is a £0.200 increase from prior year. This is £0.422 above our peer group average and is also above the benchmark for housing associations with 30,000+ units by £0.232.

This metric has increased year on year predominantly due to one off costs associated with SHPS pension exit. The removal of which would see this metric broadly flat year on year. Our continued investment in our homes aligns with our commitment to improve the quality of our estates and deliver against our design standards. Management costs have increased due to investment within our Customer Hub, which has improved our customer satisfaction. We have targeted efficiencies in our service charge and other costs to improve value for money for our customers.

Cost per unit (CPU)	Orbit 2020 (£000)	Orbit 2019 (£000)	Peer Average 2019 (£000)
Management cost per unit	£0.615	£0.521	£1.064
Service charge cost per unit	£0.539	£0.675	£0.528
Maintenance cost per unit	£1.356	£1.270	£1.056
Major repairs cost per unit	£1.027	£0.836	£0.703
Other social housing costs per unit	£0.575	£0.610	£0.336
Total	£4.112	£3.912	£3.687

Orbit has seen an increase in year on year expenditure regarding management, maintenance and major repairs costs per unit. This is in line with our strategy and shows our commitment to not only build, but also maintain, high quality affordable homes. There has however been a decrease in service charge and other social housing costs per unit, allowing us to reduce charges for our customers in these areas. The increase in management costs is largely driven by our Customer Hub and IT business transformation programme Project Apollo, with key upfront investments yielding returns in future years. Our other costs are also higher because of a combination of exceptional SHPS pension exit costs and our continued investment within communities via the Community Investment Fund. Additionally, as an investor in our staff we have now become a living wage employer and invested in leadership and development programmes for our people to forge long term careers.

Affordable, good quality homes

Orbit's financial strength supports our vision of building thriving communities and allows us to play our part in providing much needed homes. Orbit is committed to the development of new homes, whilst improved standards in existing properties has seen total investment in our properties this year of £271 million as shown in note 12 (2019: £208 million). We are proud to retain our status as a top 10 house builder within the sector as reported by Inside Housing, whilst our focus on quality and design has been recognised with two awards; Best Regeneration Project & Best Build for Rent Development.

As Orbit continues to develop new homes our primary focus remains on our core value of social housing. 78% of the homes Orbit built in the last 12 months have been social in nature, whilst open market activity continues to contribute to future social housing developments through profits generated being reinvested.

A detailed tenure split of the 1,520 new properties built is outlined below.

Number of builds by tenure type:

Total new homes built – 1,520 (2019: 1,266)

Affordable/Social Rent – 527 (2019: 629)

Shared Ownership - 581 (2019: 309)

Market Sale – 269 (2019: 188)

Private Rent – 64 (2019: 0)

Developed for others – 79 (2019: 140)

Our focus on delivery of high quality homes isn't restricted to development of new properties as we continue to invest in maintaining the quality of our existing stock portfolio. In the last 12 months, we have invested in excess of £40 million into our capital delivery programme to continue to maintain and improve standards for our customers.

In Orbit's development and maintenance activity we not only consider people and profit but we are also committed to improving the environmental aspect of our operations. This year with the support from the Carbon Trust, Orbit completed its carbon footprint for the business, looking at 2018/19 data. This has provided us with a clear baseline from which to build our environmental programme, set targets and prioritise our work, which will be focused on:

- climate action to become net zero carbon (by latest 2050);
- enhancement of our greenspaces to improve their quality and biodiversity; and
- building responsible partnerships to develop and manage a sustainable/ greener supply chain.

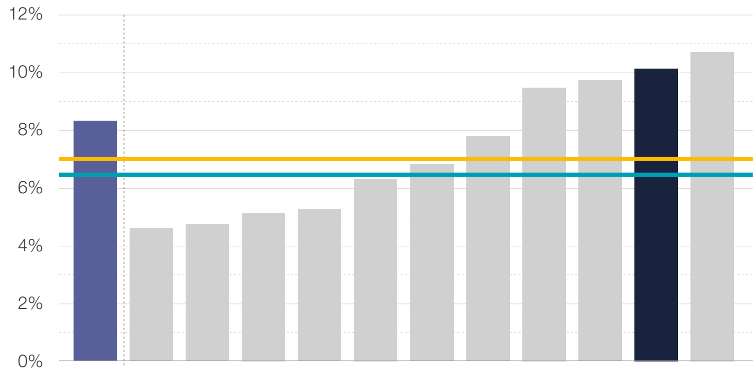
Critical to this is our energy efficiency programme to ensure our customers are comfortable and assets perform.

Some highlights for the year include:

- Continued energy efficiency programme, currently with 76% of our properties EPC C and above.
- 254 properties with solar panels installed generating an estimated 534,744k annual KWh in renewable energy.
- Installation of 1,196 energy efficient boilers, reducing the environmental impact and saving our customers an average of 10% off their monthly bill.
- Investment of £120,000 through a joint investment fund, Community Impact Partnership, into Paint360, a supplier providing paint to the trade with most of their paint products containing 95% recycled content.
- We are now using 100% renewable electricity across our estate (which includes owned offices and communal areas in schemes where Orbit directly purchases energy) which has reduced our carbon footprint by nearly 17% and will bring future cost savings to our customers.
- Offset our direct carbon impact of 5,044tCO_2e, while we continue to directly reduce our impact

Reinvestment (%)

Investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held



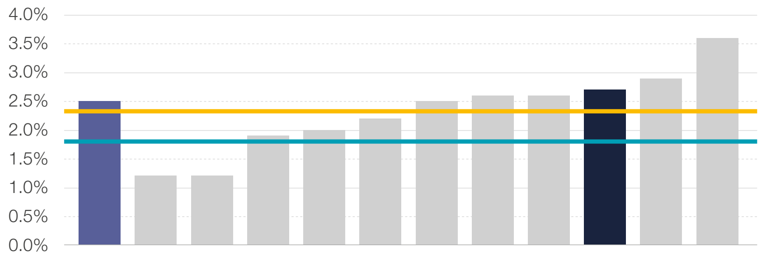
Value Chain Alignment	Key:	Orbit 2019: 8.3%	Orbit 2020: 10.1%
Efficiency	Peers 2019	Peer Average: 7.0%	Benchmark: 6.3%

Orbit's reinvestment percentage has increased by 1.8% to 10.1%, which equates to an additional £63 million from the prior year. This is 3.1% above our peer group average and 3.8% above the benchmark for housing associations with 30,000+ units.

This metric confirms Orbit's commitment to building thriving communities, demonstrating that we continue to excel in the development of new supply, whilst also increasing investment in existing housing stock, which allows us to maintain high quality properties for our customers. As a result, we have shown exceptional performance in this metric.

New Supply (Social) (%)

Number of new housing units acquired or developed in the year as a proportion of total social housing units and non-social housing units owned at period end



Value Chain Alignment	Key:	Orbit 2019: 2.5%	Orbit 2020: 2.7%
Effectiveness	Peers 2019	Peer Average: 2.3%	Benchmark: 1.8%

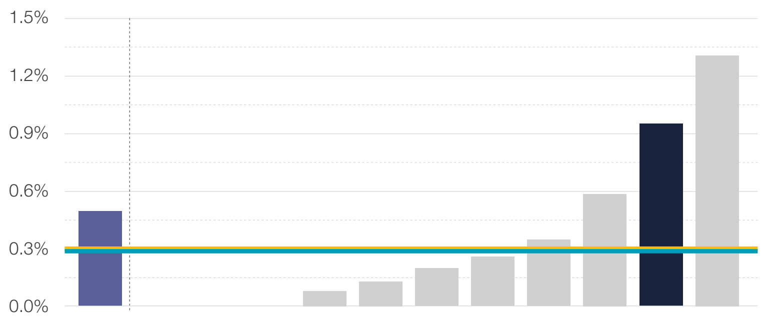
Orbit has achieved a New Supply Social percentage of 2.7%, which is an 8% increase from prior year. This is 0.4% above our peer group average and we have also exceeded the benchmark for housing associations with 30,000+ units by 0.9%.

We believe these metrics show Orbit's ongoing commitment to contribute to addressing the UK's housing crisis. 527 social/affordable rented homes were delivered during the year (2019: 629) as well as 581 shared ownership homes (2019: 309). This highlights Orbit's primary focus to deliver high quality affordable homes to meet a range of customer needs.

Team SpringBoard and Orbit welcomed local residents to take part in the first phase of planting green spaces in the heart of the community.

New Supply (Non-Social) (%)

Number of new non-social housing units that have been acquired or developed in the year as a proportion of total social housing units and non-social housing units owned at period end



Value Chain Alignment	Key:	Orbit 2019: 0.5%	Orbit 2020: 0.9%
Effectiveness	Peers 2019	Peer Average: 0.3%	Benchmark: 0.3%

Orbit has achieved a New Supply Non-Social percentage of 1.0%, doubling our performance from prior year. This is 0.7% above both our peer group average and the benchmark for housing associations with 30,000+ units.

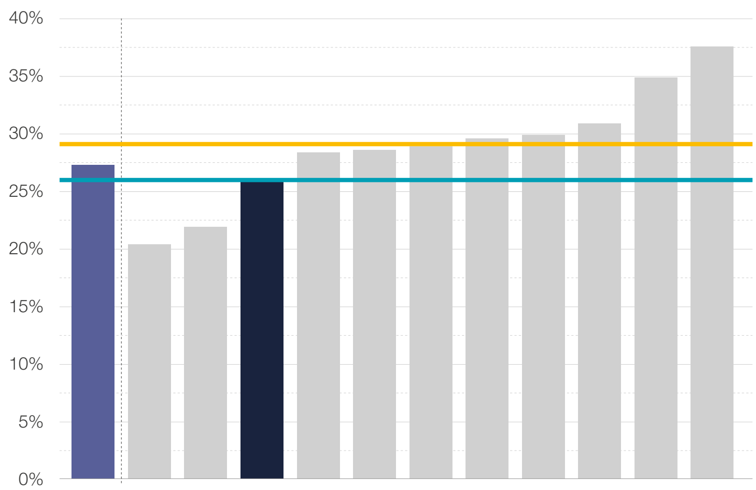
Orbit's increased performance in delivering homes for market sale has allowed for these profits to be reinvested into new affordable homes, as can be seen in our New Supply Social metric. Orbit has also developed additional market rent homes, which will help to further diversify our portfolio and meet the needs of a wide range of customers.

Profit For A Purpose

Orbit's financial delivery in the last 12 months has been strong, however we have not been immune to the uncertainty created as a result of Brexit. This has most notably been felt within open market property sales in lower levels of consumer confidence, however our reserves have continued to increase, and this coupled with our liquidity position leaves us well placed to deal with the current coronavirus pandemic.

Operating Margin Overall (%)

The Operating Margin, which excludes surplus on sale of housing properties, demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business.



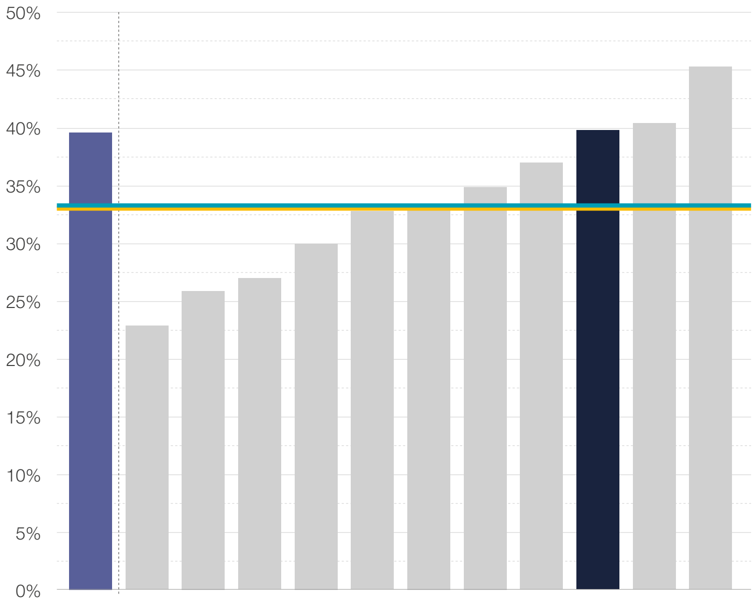
Value Chain Alignment	Key:	Orbit 2019: 27.3%	Orbit 2020: 26.1%
Effectiveness	Peers 2019	Peer Average: 29.1%	Benchmark: 25.8%

Our Operating Margin has been significantly impacted by one off costs associated with the SHPS pension exit. Excluding this would see our operating margin at 28.0%, ahead of prior year and only 1.1% below our peers. Orbit is committed to developing more new housing stock in order to alleviate the UK housing crisis. As operating margins on sales of houses are lower than for social housing letting, our overall operating margin is suppressed and runs at a lower rate than that of our peers.

Orbit has achieved an Operating Margin of 26.1%, which is 1.2% lower than prior year, and 3.0% below our peer group. However, it has exceeded the benchmark for housing associations with 30,000+ units by 0.3%.

Operating Margin (Social Housing Lettings (SHL) Only) %

Demonstrates the profitability of operating assets before exceptional expenses are taken into account.



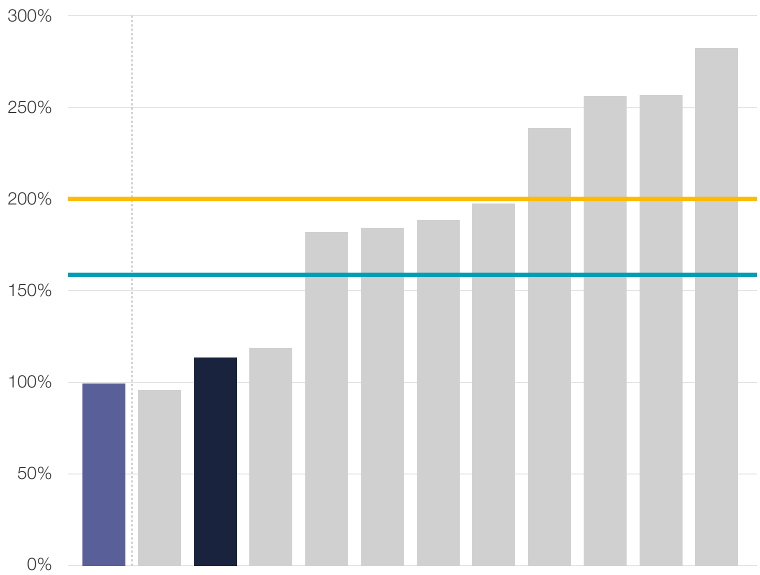
Orbit has achieved an Operating Margin (SHL) of 39.7%, which is a 0.2% increase from prior year. This is 6.9% above our peer group average and has also exceeded the benchmark for housing associations with 30,000+ units by 6.9%.

This metric demonstrates the strength of Orbit's underlying Value for Money strategy and ethos, highlighting our efficiency and effectiveness in the core social aspects of our business.

Value Chain Alignment	Key:	Orbit 2019:	Orbit 2020:
		39.5%	39.7%
Efficiency	Peers 2019	Peer Average:	Benchmark:
		32.8%	32.8%

EBITDA MRI (%)

Key indicator for liquidity and investment capacity. Measures the level of surplus that a registered provider generates compared to interest payable; the measure avoids any distortions stemming from the depreciation charge.



Value Chain Alignment	Key:	Orbit 2019:	Orbit 2020:
		99.5%	113.7%
Efficiency	Peers 2019	Peer Average:	Benchmark:
		200.4%	159.0%

Building new homes and creating thriving communities remains a core element in Orbit's Board approved strategy. We continue to develop homes to meet a variety of needs including market sales and those developed for social lettings.

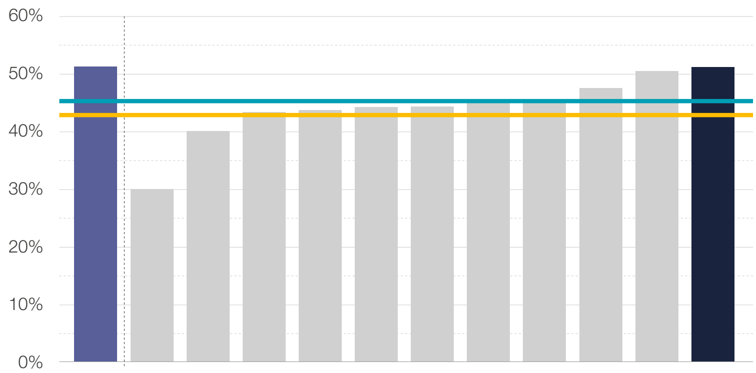
Our ongoing commitment to play our part in addressing the national housing crisis requires a significant amount of investment, increasing our level of drawn debt and consequently the amount of interest charged, which impacts this metric.

Our EBITDA MRI metric has improved year on year, by 14.2% to 113.7%, due to the prior year being impacted by loan break costs. However it remains lower than that of our peer group reflecting our strategic positioning and the higher volume of lower margin house sales that Orbit builds.

Orbit will continue to drive efficiencies and has a number of initiatives to lower costs through, as an example improved procurement activity, and the implementation of a new ERP system. Whilst these initiatives will improve efficiencies, Orbit remains committed to delivering new housing stock and improving the homes of current customers. This will put pressure on both the overall operating margin and EBITDA. Orbit will continue to measure the efficiency of its operations through close monitoring of the Social Housing Lettings operating margin.

Gearing (%)

This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance



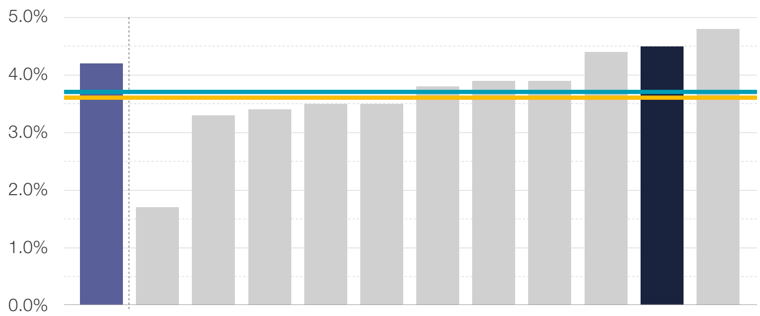
Value Chain Alignment	Key:	Orbit 2019: 51.4%	Orbit 2020: 51.3%
Efficiency	Peers 2019	Peer Average: 43.6%	Benchmark: 45.4%

Orbit's continued strategic commitment to playing its part in addressing the national housing crisis through developing new homes and creating thriving communities is reflected in this gearing metric. Furthermore we have actively chosen to increase the level of investment in our existing stock to improve the quality of our properties and estates.

As a result, we have leveraged our balance sheet to support our strategic objectives resulting in a gearing percentage of 51.3%, fractionally lower than prior year. This is 7.8% above our peer group average and 5.9% above the benchmark for housing associations with 30,000+ units.

Return on Capital Employed (%)

This metric compares the operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources. The ROCE metric would support registered providers with a wide range of capital investment programmes.



Value Chain Alignment	Key:	Orbit 2019: 4.2%	Orbit 2020: 4.5%
Efficiency	Peers 2019	Peer Average: 3.6%	Benchmark: 3.7%

Orbit's Return on Capital Employed percentage of 4.5%, is a 0.3% increase from prior year and 0.9% above our peer group average, and also 0.8% above the benchmark for housing associations with 30,000+ units.

This increase in performance is due to the growth of our asset base as a result of a combination of increased fixed assets through development of new homes, investment into existing stock and investment in our IT business transformation programme, Project Apollo.

Investing in our People

We have continued to invest in our employees; becoming a living wage employer, subsidising professional qualifications and subscriptions, attendance at conferences and seminars whilst ensuring employees undertake role specific training. In total we have spent £235,000 on these specific development activities enabling 309 employees development opportunities. Furthermore, 336 employees are benefiting from our internal leadership training or secondment programmes, developing our future leaders from within the organisation.

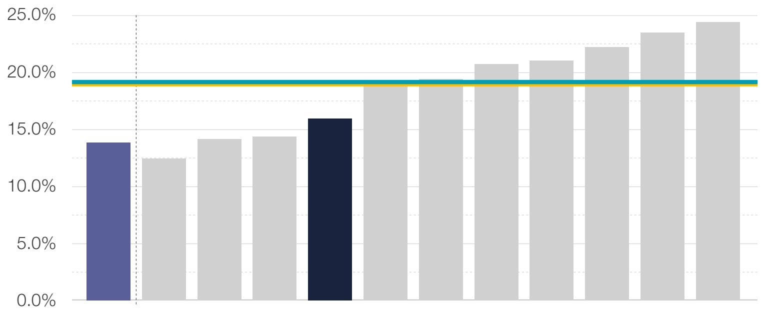
We place great importance on our employees' wellbeing and giving something back. To support this, we have introduced paid volunteering leave to enable our people to make a difference within our communities, resulting in a total of 3,000 volunteering hours being delivered during core working hours.

Orbit has increased both maternity and paternity leave, doubling the benefit with a further six weeks full pay offered for maternity and one further week offered at full pay for paternity leave.

We have also invested in making Orbit a great place to work, refurbishing a number of our offices to ensure a great working environment that meets our new Orbit standard, whilst rationalising offices has ultimately ensured an efficiency in our operation.

All of these actions demonstrate our commitment to making Orbit a great place to work, culminating in our top 50 placement (46th) in the Sunday Times 100 Best Companies to Work For, Not for Profit listing.

Staff costs as a percentage of turnover (%)



Value Chain Alignment	Key:	Orbit 2019: 13.9%	Orbit 2020: 16.0%
Effectiveness	Peers 2019	Peer Average: 19.2%	Benchmark: 19.3%

Orbit's staff costs are 16% of turnover which is a 2.1% increase on prior year, however is 3.2% lower than our peer average.

As highlighted, investment in our people is an integral part of our strategy and a key pillar in our success, however our continued focus on value for money ensures that we are utilising our people resources effectively to achieve our broader strategic objectives.

We have also seen significant donations in our charitable efforts, with £14,000 raised at the Orbit Golf Day, and additional funds raised for MIND with dress down days, matching donations and cake sales for Alzheimers.

Social Value

Orbit's continued investment in our customers and thriving communities can also be seen through the social value we create. In 2020, we invested £5.7 million directly into our communities through our Community Investment programme, (£4.7million in 2019). This was made up of £3.3 million of Orbit funding, which leveraged an additional £2.4 million of inward investment to enable us to increase our impact and generate additional value for money. Using the Housing Association Charitable Trust (HACT) social value calculator our programme created £7.9 million of social value. Key outcomes of the programme include:

- 1,049 customers provided with employment and skills training, with 252 people supported into work and now better off by an average £633 a month
- 1,042 grants awarded to individual customers totalling £198,000
- 1,017 customers supported to improve their mental health and reduce their social exclusion
- 753 customers improved their financial wellbeing through debt advice and financial resilience coaching
- 514 customers received individual tuition to learn and develop digital skills to get and stay online
- 1,002 customers received coaching to thrive in their tenancy

Orbit's Better Days programme set up to provide targeted support to the customers in most need by concentrating on four principal areas – money, employment, wellbeing and digital.

Peter's Village, development, Kent

Corporate Finance and Treasury

As at 31 March, the Group had £1,775 million of committed debt funding. Drawn funding totalled £1,478 million, an increase from 2019 (£1,437 million). The Group seeks to maintain diversification in its funding sources with 41% coming from 7 banks and building societies and 59% from capital markets.

Bank vs Other Debt

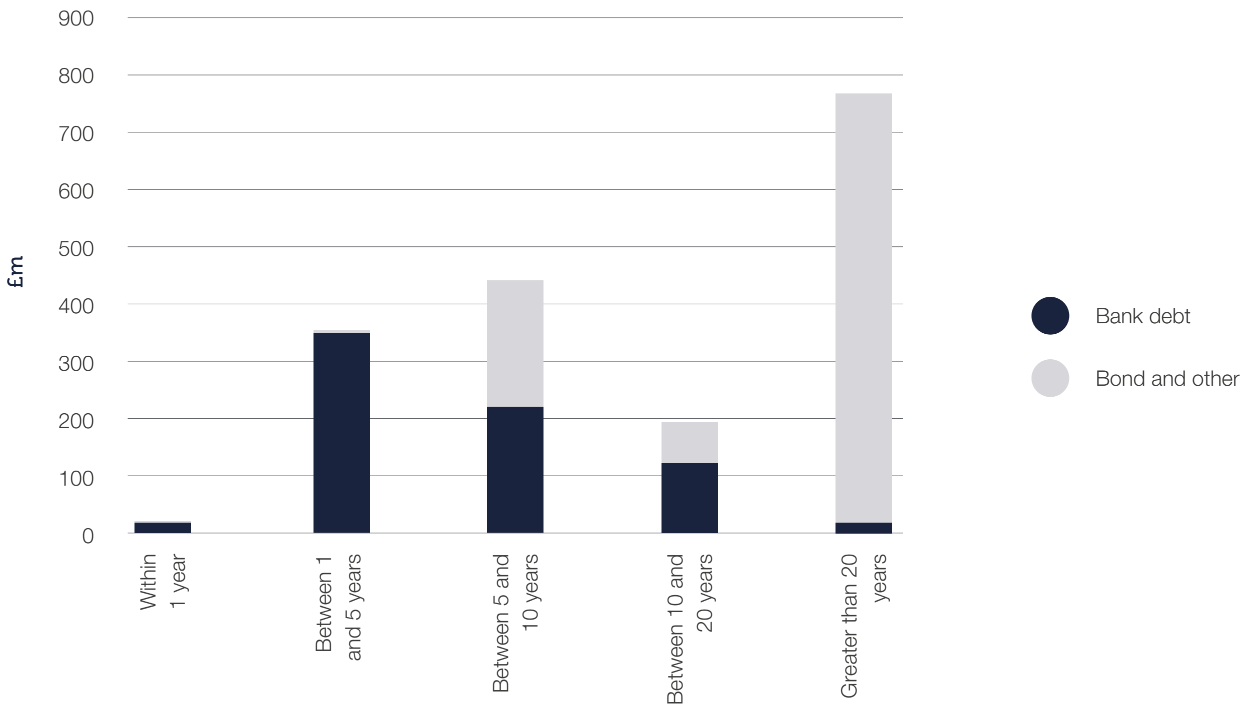
59%
Bond and Other Debt

41%
Bank Debt

The Group's re-financing risk in the next five years is £375 million, (21% of loan facilities) with over 79% of the Group's debt maturing after 5 years.

The Group has £19.7 million repayable within 1 year and £74.8 million between 1-2 years.

Debt repayment profile



Available liquidity

As at 31 March 2020, the Group maintained £297 million of committed undrawn facilities available for immediate drawing and £86.6 million of cash in hand, representing total available liquidity of £383.6 million.

These resources are considered sufficient to fund three years' worth of commitments.

£87 million

Cash

£297 million

Undrawn committed

Total committed funding

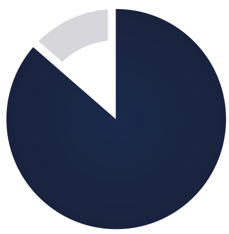
All committed facilities are secured by fixed charges.

At year end the Group held approximately 10,800 unencumbered properties available for use for new loans.

These properties are conservatively estimated to provide potential security for a further £774 million of new loans. This ability to raise new loans may enable us to develop a significant number of new homes in the future.

£297 million

Undrawn debt



£1,478 million

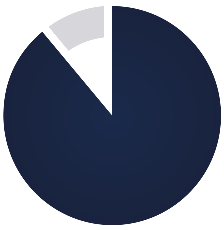
Drawn debt

Interest rate management

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 65% to 90% 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.

The Board regularly monitors interest rate risk and at the year-end this resulted in a portfolio that was 78% fixed.

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



89%
Fixed loans, embedded and standalone

10%
Callable and/or cancellable

1%
RPI

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, 89% of the Group's hedged activities were undertaken through fixed loans/bonds, embedded instruments and standalone swaps.

The Group's weighted average duration of standalone swaps is just over 11 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 at least annually, to ensure it underpins the budget and longer term financial plan. Detailed cash flow forecasts, key ratios and limits are all monitored regularly by either the Executive Team and/or Orbit Treasury Limited Board.

Cash Flows

The Group net cash inflow from operating activities during the year was £55.8 million (£2019: £65.7 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.

Business overview

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

Orbit Group Ltd

- The parent company of the Orbit Group
- Registered Provider
- 7,025 units, the majority of which are shared ownership

Orbit Homes

- Provides design and build services, homes for market sale, shared ownership and rent, to Orbit Group Limited and its subsidiaries
- Incorporated 20 August 2009

Orbit South

- Registered Provider
- 19,622 units
- Owns and manages properties in the south, east and East Anglia
- Incorporated 10 June 1993

Heart of England

- Registered Provider
- 18,106 units
- Owns and manages properties throughout the midlands
- Incorporated 1 April 2008

Orbit Capital

- Issues asset backed securities
- Issuing entity of existing £250 million 3.500% due 2045 and £450 million 3.375% due 2048
- Incorporated 22 January 2015

Orbit Treasury

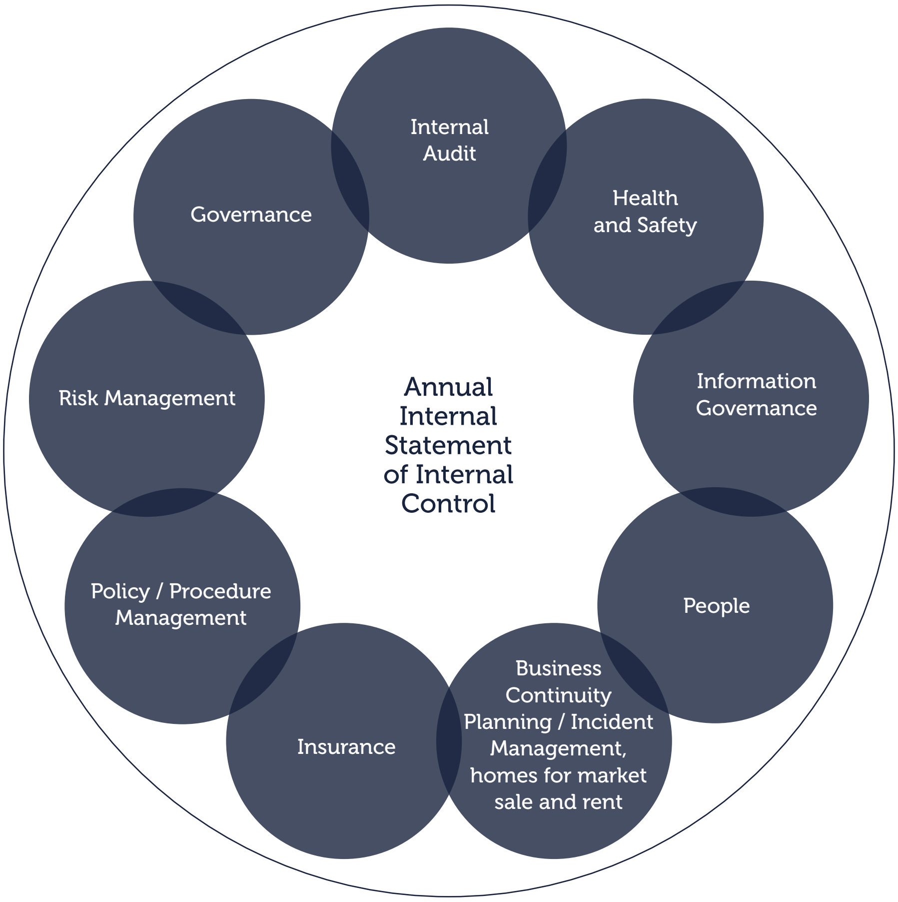
- Provides cost-effective treasury management to operating associations
- Incorporated 31 May 2007

Risk management

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

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

Risk Management is a fundamental element of our Internal Control Environment and Assurance Strategy, which feeds into our annual statement of internal controls.



Our approach to risk management encompasses all areas of our business and is underpinned by six key elements:

1) Clear understanding of our risk environment, incorporating internal and external factors.
2) Robust approach to identifying and monitoring key risks.
3) Putting in place early warning measures and risk triggers so that we can act before a risk materialises.
4) Close monitoring of our Strategic Business Critical Risks
5) Regular stress testing of our financial plan in line with the appetite set by the Board.
6) Clearly defined appetite for risk approved by the Board.

Risk analysis

The Senior Management Team with each subsidiary / division review their key risks three times each year; the outcomes of which are reported to their respective Boards. These risks are consolidated into business critical risks (BCR) which are reported to the Executive Team and Audit and Risk Assurance Committee (ARAC) three times a year and twice yearly to the Group Board.

We have identified 5 Business Critical Risks to the business, all of which are being effectively managed.

These are:

Business Critical Risks	Key mitigation strategies
1) Material change impacting upon the key assumptions within the Financial Plan including: • Reliance on market sales. • Revenue collection due to Universal Credit rollout / Coronavirus and inability to let properties leading to higher than planned void loss. • Cost impact of proposed building safety regulations covering buildings above 18 metres (27 units).	• Stress testing, scenario analysis, management action plans and Early Warning Indicators. • Focus on 'Risk and Opportunities' to offset any material financial impacts. • Robust budget management processes underpinned by continuous forecasting. • Brexit impact analysis completed. • A range of interventions contained within the Welfare Reform Strategy including most significantly the monitoring and management of Universal Credit arrears. • We have budgeted for £5m in 2020/21 for works required on the 27 buildings we own over 18 metres.
2) Condition of existing stock in a poor state leading to material financial impact and impact on growth aspiration.	Monitoring and reporting of: • Asset Management Strategy. • Capital Delivery Programme.
3) Negligence / poor working practices leading to an unsafe working environment for our employees and customers within our portfolio leading to regulatory intervention and legal action.	• Health & Safety Strategy underpinned by robust management system. • Dedicated compliance team within the Property Services division. • External Health & Safety expertise within the construction business for both market sale and affordable properties.
4) Unable to respond to a cyber-attack in an effective manner and existing business systems are not fit for purpose leading to a failure of governance in terms of performance monitoring and decision making.	• Disaster Recovery Plan and third party support in place. • Specific cyber security insurance in place. • New structure to the data and performance teams as part of the IT enabled transformation programme, Project Apollo. • Investment in new ICT platform, including privacy by design as part of Apollo. • Development of a Data Strategy.
5) The new Microsoft Dynamics Apollo implementation does not deliver to the requirements of the business, leading to significant disruption at go live.	• Agreed governance, risk and reporting structure in place to deliver the project. This includes oversight from an operational and strategic view, including Leadership Team, Executive Team and the Board. • Audit and Risk Assurance Committee oversee the risk management of this project on behalf of the Board.

Likelihood

Impact	Unlikely	Possible	Likely	Almost certain
Catastrophic				
Major	3	4, 5		
Moderate	2			1
Minor				

Risk appetite

At the centre of the risk management framework is our defined appetite for risk, which sets clear parameters within which to deliver our business objectives.

Stress testing

We have developed a workbook outlining five stress scenarios, each one identifying the impact on our business and the recovery plans in place to manage these. These scenarios are:
1) Economic downturn
2) Political pressures
3) Brexit – 'perfect storm'
4) Counterparty risk – bank failure
5) Property market collapse

During late March 2020 we undertook a coronavirus impact assessment on Orbit's financial plan and the results are reflected in the above table (risk 1). We are actively responding to the coronavirus within the business and have triggered our incident management procedures to deal with this.

More information on our coronavirus stress testing scenarios is included on page 56 within Note 1 to the financial statements under the going concern section.

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

Governance

Name	Appointed
The Rt Hon. Baroness Tessa Blackstone Chair	1 February 2013
Steve Brown FCA	1 February 2013
Chris Crook BSc Hons FRICS	6 December 2011 (retired 31 December 2019)
Helen Gillett	1 February 2019
Stephen Howlett CBE, DL	1 November 2018
Mark Hoyland MRICS	26 May 2018
David Weaver MBA	14 September 2016
David Young CBE, DBA	10 July 2013
Stephen Stone	1 April 2019

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

All members of the Group remunerate their board members for undertaking their duties and responsibilities. The boards delegate the day-to-day management to the Group Chief Executive and the Executive Directors who form the Executive team. The Executive team members are listed on page 13. The Executive team met at least monthly throughout 2019/20 and the Directors attend meetings of the Group Board and subsidiary boards.

Code of governance

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

Governance and Viability Standard

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

General Data Protection Regulation (GDPR)

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

Shareholding policy

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

Committees of the Board

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

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

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

Customer involvement

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

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

The key focus of the approach to involvement is making it easier for customers to participate in activities, thereby encouraging a wider range of people to take part. This ensures that involvement leads to better services and improved value for money. The annual report to customers summarises performance against the key regulatory standards.

Subsequent events

On 11 March 2020 the World Health Organisation declared the Coronavirus outbreak a global pandemic. Management recognise that this represents a current-period event that has required ongoing evaluation to determine the extent to which developments after the reporting date should be recognised in these financial statements.

Management have not identified any subsequent events to report.

Going concern

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

On behalf of the Orbit Board

The Rt Hon. Baroness Blackstone Chair

21 July 2020

Statement of internal control for Orbit Group

Purpose

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

Sources of assurance

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

- ✓ Internal audit including externally commissioned reviews
- ✓ Health and safety management system
- ✓ Insurance performance
- ✓ Management of personal data
- ✓ Business Continuity Planning and Incident Management System
- ✓ Corporate risk management and stress testing
- ✓ Governance / legal / regulatory compliance
- ✓ People management
- ✓ Policy / Procedure Management

Based on the risk and assurance work undertaken in 2019-20, the overall opinion is that Orbit's internal control (financial and non-financial) environment, supported by risk management and governance arrangements, is operating with sufficient effectiveness to provide reasonable assurance to Executive Management, the Audit and Risk Assurance Committee and Group Board

Outcomes

During 2019-20 the outcomes from key areas of assurance have been positive and management continues to recognise continuous improvement is fundamental, particularly as the operating environment for the sector evolves. It is important to note the following highlights:

1. External audit opinion is unqualified.
2. The outcomes from internal audit reviews have concluded that the system of internal control, governance and risk management, for the scope and areas reviewed, is operating effectively to provide adequate levels of assurance. Where weaknesses are identified they have either been addressed or management is in the process of addressing these.
3. The quality of the in-house internal audit team's work has been reviewed by the Chartered Institute of Internal Auditors. The review confirmed that the team adhere to the professional standards expected of all internal auditors.
4. The annual health and safety report confirmed that there is a robust Health and Safety management system and there is continuous focus on bedding in a strong safety culture from executive management. This has been confirmed by the awarding of a two RoSPA Gold Awards for Group Health & Safety and Customer Safety.
5. Insurance risks continue to be managed effectively with increase in premiums for 2020/21 due to organic growth of the business.
6. There is effective management of personal data, in line with the requirements of GDPR.
7. Business Continuity and Incident Management Plans are in place across all offices.
8. Our risk management strategy continues to provide insight into Orbit's business critical risks. Stress mitigations have been tested and are effective if key scenarios materialise.
9. Orbit's governance arrangements continue to be robust, confirmed by maintaining our G1 and V2 regulatory rating.

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

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

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

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Association and of the income and expenditure of the Group and the Association for that period.

In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- Assess the Group's and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Annual general meeting

The annual general meeting will be held on 23 September 2020.

Disclosure of information to auditors

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

Independent auditors

KPMG LLP was appointed as the external auditors for the year ended 31 March 2020. A resolution to re-appoint the Group's auditors for external audit services will be proposed at the annual general meeting.

The report of the Board was approved on 21 July 2020 and signed on its behalf by

Richard Wright
Secretary

Independent auditor's report to Orbit Group Limited

Opinion

We have audited the financial statements of Orbit Group Limited ("the association") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:
- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the group and the association as at 31 March 2020 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the association or to cease their operations, and as they have concluded that the group and the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the group business model and analysed how those risks might affect the group and association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the association will continue in operation.

Other information

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

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

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

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

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 49, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

12 August 2020

Statement of Comprehensive Income
For the year ended 31 March 2020

	Note	Group 2020 £m	Group As reanalysed 2019 £m	Association 2020 £m	Association As reanalysed 2019 £m
Turnover	2	**323.5**	316.4	**84.1**	83.0
Cost of sales	2	**(78.4)**	(70.5)	**(35.0)**	(32.2)
Operating costs	2	**(154.6)**	(159.4)	**(35.7)**	(34.1)
Surplus on sale of housing properties	7	**45.4**	29.9	**5.2**	5.0
(Loss)/gains on disposal of other fixed assets		**(0.3)**	0.1	**(0.5)**	(0.4)
Operating surplus before pension exit costs		**135.6**	116.5	**18.1**	21.3
SHPS pension exit costs	36	**(5.9)**	-	**(5.9)**	-
Operating surplus after pension exit costs	2&5	**129.7**	116.5	**12.2**	21.3
Income from shares in group undertakings		**-**	-	**1.7**	1.7
Interest receivable	8	**1.4**	4.5	**3.4**	2.5
Interest payable	9	**(50.4)**	(46.9)	**(6.9)**	(14.0)
Loan break costs		**-**	(27.6)	**-**	(0.6)
Other financing costs	9	**(2.4)**	(3.0)	**(0.6)**	(0.6)
Movement in fair value of financial instruments		**(5.7)**	(1.4)	**-**	-
Surplus before taxation		**72.6**	42.1	**9.8**	10.3
Taxation	10	**-**	(1.0)	**-**	-
Surplus for the year		**72.6**	41.1	**9.8**	10.3
Initial recognition of SHPS defined benefit scheme		**-**	(7.3)	**-**	(7.3)
Actuarial gain/(loss) in respect of pension schemes	36	**15.9**	(6.1)	**15.9**	(6.7)
Change in fair value of hedged financial instrument		**(16.3)**	(5.5)	**-**	-
Total comprehensive income		**72.2**	22.2	**25.7**	(3.7)

All amounts derive from continuing operations.

The accompanying notes form part of these financial statements.

The financial statements on pages 52 to 106 were approved by the Orbit Board and signed on its behalf by:

The Rt Hon. Baroness Blackstone
CHAIR

Steve Brown
BOARD MEMBER

Richard Wright
SECRETARY

21 July 2020

Statement of Changes in Reserves
For the year ended 31 March 2020

Group	Income and expenditure reserve £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total reserves £m
Balance as at 31 March 2018	**572.9**	-	**(55.0)**	**517.9**
Surplus for the year ended 31 March 2019	41.1	-	-	41.1
Initial recognition of SHPS defined benefit liability	(7.3)	-	-	(7.3)
Actuarial loss in respect of pension schemes	(6.1)	-	-	(6.1)
Change in fair value of hedged financial instruments	-	-	(5.5)	(5.5)
Balance as at 31 March 2019	**600.6**	**-**	**(60.5)**	**540.1**
Surplus for the year	72.6	-	-	72.6
Actuarial gain in respect of pension schemes	15.9	-	-	15.9
Change in fair value of hedged financial instruments	-	-	(16.3)	(16.3)
Balance as at 31 March 2020	**689.1**	**-**	**(76.8)**	**612.3**

Association	Income and expenditure reserve £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total reserves £m
Balance as at 31 March 2018	283.0	0.2	-	283.2
Surplus for the year ended 31 March 2019	10.3	-	-	10.3
Transfer from revaluation reserve	-	(0.2)	-	(0.2)
Initial recognition of SHPS defined benefit liability	(7.3)	-	-	(7.3)
Actuarial loss on pension liability	(6.7)	-	-	(6.7)
Balance as at 31 March 2019	**279.3**	-	-	**279.3**
Surplus for the year	9.8	-	-	9.8
Actuarial gain in respect of pension scheme	15.9	-	-	15.9
Balance as at 31 March 2020	**305.0**	-	-	**305.0**

The Group Income and Expenditure account include £23.8 million in respect to the net proceeds from the Voluntary Right to Buy pilot that will be reinvested in new properties.

Statement of Financial Position As at 31 March 2020

	Note	Group 2020 £m	Group 2019 £m	Association 2020 £m	Association 2019 £m
Fixed assets					
Tangible fixed assets	12&17	**2,688.0**	2,523.8	**424.4**	339.9
Investments – Homebuy loans receivable	16	**11.0**	11.9	**11.0**	11.9
Fixed asset investments	13	**6.3**	3.9	**44.0**	34
Intangible assets	14	**12.0**	4.9	**12.0**	4.9
Investment properties	15	**15.0**	15.0	**-**	-
		2,732.3	2,559.5	**491.4**	390.7
Debtors: amounts falling due after more than one year	19	**3.9**	2.2	**83.5**	64.6
Current Assets					
Properties for sale and stock	18	**215.6**	176.4	**64.9**	37.4
Trade and other debtors	19	**35.0**	25.4	**39.1**	73.6
Cash and cash equivalents		**87.9**	130.9	**78.7**	116.8
		338.5	332.7	**182.7**	227.8
Creditors:					
Amounts falling due within one year	20	**(167.8)**	(145.5)	**(171.9)**	(137.1)
Provisions falling due within one year	23	**(0.1)**	(0.1)	**-**	-
Net current assets		**170.6**	187.1	**10.8**	90.7
Total assets less current liabilities		**2,906.8**	2,748.8	**585.7**	546.0
Creditors: amounts falling due after more than one year					
Disposal Proceeds and Recycled Capital Grants Funds	24	**(14.3)**	(11.3)	**(5.4)**	(5.4)
Derivative liabilities	21	**(125.2)**	(104.9)	**-**	-
Other creditors	21	**(2,140.4)**	(2,059.4)	**(263.6)**	(231.4)
		(2,279.9)	(2,175.6)	**(269.0)**	(236.8)
Provisions for liabilities					
Net pension liability	36	**(13.9)**	(32.4)	**(11.7)**	(29.9)
Other provisions	23	**(0.7)**	(0.7)	**-**	-
Total net assets		**612.3**	540.1	**305.0**	279.3
Reserves					
Income and expenditure reserve		**689.1**	600.6	**305.0**	279.3
Cash flow hedge reserve		**(76.8)**	(60.5)	**-**	-
Total reserves		**612.3**	540.1	**305.0**	279.3

The financial statements on pages 52 to 106 were approved by the Orbit Board and signed on its behalf by:

The Rt Hon. Baroness Blackstone
CHAIR

Steve Brown
BOARD MEMBER

Richard Wright
SECRETARY

21 July 2020

Statement of Cash Flows
For the year ended 31 March 2020

	Note	Group 2020 £m	Group 2019 £m
Net cash generated from operating activities	29	**55.8**	65.7
Cash flow from investing activities			
Purchase of tangible fixed assets		**(221.5)**	(177.0)
Purchase of Investment property		**-**	-
Proceeds from sale of tangible fixed assets		**72.4**	43.8
Grants received		**79.0**	11.0
Interest received		**1.3**	4.5
Mortgages redeemed		**0.1**	0.2
Investment		**(2.5)**	(1.2)
Cash flow from financing activities			
Interest paid		**(63.3)**	(58.0)
Loan break costs		**-**	(27.6)
New secured loans		**83.2**	803.2
Repayment of borrowings		**(47.5)**	(583.3)
Net change in cash and cash equivalents		**(43.0)**	81.3
Cash and cash equivalents at beginning of the year	31	**130.9**	49.6
Cash and cash equivalents at end of the year	31	**87.9**	130.9

1. Principal accounting policies

Legal status

Orbit Group Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a not for profit Registered Provider of social housing as defined by the Housing and Regeneration Act 2008. Please refer to note 35 for information on the legal status of the other group undertakings.

Basis of accounting

These financial statements have been prepared under the historical cost basis of accounting, with the exception of derivative financial instruments and investment property which are stated at fair value, in accordance with the Statement of Recommended Practice for Registered Social Housing Providers (SORP) 2018, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. As a public benefit entity Orbit Group Limited has applied all paragraphs of FRS 102 which relate to public benefit entities in preparing the financial statements.

The presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Prior period reanalysis

In the prior year financial statements, the gain on disposal of other fixed assets and the movement in fair value of investment property was not recognised within the operating surplus of the Statement of Comprehensive Income, but instead, was disclosed in separate lines below operating surplus. These have been reanalysed in the current year within the Statement of Comprehensive Income and in note 2 to reflect the application of the Housing SORP 2018. There is no effect on the total comprehensive income of the prior year financial statements as a result of this reanalysis.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Group prepares a 30 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in March 2020 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and key risk metrics, with potential mitigating actions identified to reduce expenditure. Following the outbreak of the coronavirus pandemic the Group has undertaken a series of further scenario testing including severe but plausible downsides in the worst case assessment.

The Board, after reviewing the Group and Association budgets for 2020/21 and the Group's medium term financial position as detailed in the 30-year business plan including changes arising from the coronavirus pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board has considered:

- The property market – budget and business plan scenarios have taken into account lower numbers of property sales, reductions in sales values and reduction in development expenditure;
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential reductions in rent income from delayed new build properties;
- Liquidity – current available cash and unutilised loan facilities of £384 million which gives significant headroom for committed spend and other forecast cash flows that arise;
- The Group's ability to withstand other adverse scenarios such as an increase in the number of void properties and reduced fixed asset sales.

The Board believes the Group and Association have sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Significant management judgements

In the process of applying the Group and Association's accounting policies management has made certain judgements that have a significant impact on the financial statements. These are detailed below.

Impairment

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

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any impairment losses are changed to operating surplus.

Impairment reviews are carried out in accordance with section 14.6 of the SORP, with consideration of the following potential indicators of impairment:

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

1. Principal accounting policies (continued)

Segment reporting

Reporting of revenue and profit by segment is a requirement of FRS102 and SORP 2018. Management has determined that the Group's segments are Housing Management and Development. This segment information is however already disclosed in notes 2 and 3 and therefore no additional segment report has been prepared.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of asset, liabilities, income and expenses is provided below.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on its expected use of assets including any components. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

Grant amortisation

Grant received for the development of social housing, predominantly Social Housing Grant which is receivable from Homes England, is recognised in the statement of comprehensive income through amortisation over the weighted average estimated useful life of the property's structure and components.

Defined benefit obligation

Management's estimation of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rates and anticipation of future salary increases, Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in note 36).

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets including investment properties. This involves developing estimates and assumptions consistent with how market participants would price the instruments or assets. Management bases its assumption on observational data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from actual prices.

Arrears

Judgement is made around the recoverability of debt and provisions are based on the age and type of debt, Former arrears are provided in full. Current arrears are provided for based on age.

Basis of consolidation

The financial statements for Orbit Group Limited are the result of the consolidation of the financial statements of the Association and its subsidiaries during the year ended 31 March 2020. The subsidiaries consolidated are: Orbit South Housing Association Limited, Heart of England Housing Association Limited, Orbit Treasury Limited, Orbit New Homes Limited, Orbit Homes (2020) Limited, Orbit Gateway Limited and Orbit Capital plc.

Uniform accounting policies have been adopted across the Group, and surpluses/deficits and balances on intra group transactions have been eliminated on consolidation.

Turnover

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

Valuation of Fordham House

Our market rented property, Fordham House is disclosed as an investment property and valued by external valuers. This year the valuers held the valuation at £15 million, however in compliance with RICS guidance have included a statement relating to material valuation uncertainty due to the current impacts of the coronavirus. Management has reflected this valuation in these financial statements for the following reasons; the valuation is prepared on consistent RICS parameters with prior years and the valuation includes comprehensive benchmarking of rents and uses prudent assumptions on rates of return. Fordham House is a long term investment property whereas the pandemic impacts are widely believed to be more temporary for the economy. The property has retained high occupancy levels, both before and during the pandemic, with low void levels, and low arrears. The property is designed to minimise repairs and repair costs. We are also seeing considerable interest from the public in properties to let during this challenging period.

1. Principal accounting policies (continued)

Properties for sale

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

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

Revenue recognition

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

Operating costs

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

Value Added Tax

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

Liquid resources

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

Development costs

Initial capitalisation of development costs is based on management judgement that the development scheme is likely to proceed. Costs capitalised in this way are regularly reviewed and any costs identified as abortive are charged to the statement of comprehensive income.

Housing properties

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

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

1. Principal accounting policies (continued)

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

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

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

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

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

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

Works to existing housing properties

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

Government and other grants

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

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

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

Capitalisation of interest and administration costs

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

Investment properties

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

Other tangible fixed assets and depreciation

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

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

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

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

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

1. Principal accounting policies (continued)

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is charged on a straight line basis of 4-10 years over the expected economic useful life of the asset.

Stock and work in progress

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

Investment in subsidiary undertakings

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

Leased assets

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

Pension costs

Orbit Group Limited participated in the Social Housing Pension Scheme (SHPS), a multi-employer defined benefit pension scheme up until 30 September 2019.

From 1 October 2019 Orbit Group Limited established a new defined benefit pension scheme, the Orbit Group Defined Benefit Pension Scheme, administered by The Pensions Trust Retirement Solutions.

More details are given in note 36 to the financial statements.

Orbit Group Limited participated in the defined contribution section of SHPS up until 30 September 2019.

From 1 October 2019 Orbit Group Limited set up a new defined contribution scheme, the Orbit Group Retirement Plan, a master trust administered by Aviva.

From 1 October 2019 Orbit Group Limited set up a new defined contribution scheme, the Flexible Retirement Plan, a master trust administered by The Pensions Trust Retirement Solutions.

The cost charged to the statement of comprehensive income for the defined benefit schemes represents the Group's contributions to these schemes in the financial year in which they fall due.

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

Orbit South Housing Association Limited operated two defined benefit local government pension schemes operated by the London Borough of Bexley and Kent County Council.

1. Principal accounting policies (continued)

On 31 March 2019 Orbit South Housing Association exited the Bexley scheme and settled all outstanding liabilities.

The assets of the Kent scheme are held separately from those of the Association in an independently administered fund.
The requirements of FRS102 are fully reflected in the financial statements and associated notes. Note 37 provides more detail. For funding purposes, surpluses or deficits are dealt with as advised by the actuary.

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

Actuarial gains and losses are recognised in the statement of comprehensive income.

The difference between the fair value of the assets held in the defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Association's statement of financial position as a pension scheme liability. Changes in the defined benefit pension scheme liability arising from factors other than cash contribution by the association are charged to the statement of comprehensive income in accordance with FRS 102.

Service charge sinking funds

Service charge sinking funds are disclosed within creditors.

Property managed by agents

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

Taxation

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

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

Deferred tax assets and liabilities are not discounted.

Interest-bearing borrowings classified as basic financial instruments

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

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

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

Derivative financial instruments

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

1. Principal accounting policies (continued)

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income.

However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Fair value hedges

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

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

Cash flow hedges

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

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

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

Movement in fair value of financial instruments

Hedge accounting

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

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

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

Debt instruments (loan portfolio)

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

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

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

Bond finance

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

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 percentages of the proceeds are repaid. The loans are financed by an equal amount of SHG. On repayment:

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

Mortgage rescue

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

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

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

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

Group	2020				
	Turnover £m	Cost of sales £m	Operating costs £m	Surplus on sale of housing £m	Operating surplus/(deficit) £m
Social housing lettings (note 3)	221.9	-	(133.9)	-	88.0
Other social housing activities					
Properties for sale	5.4	(5.4)	-	-	-
Home ownership services	4.1	-	(5.5)	-	(1.4)
First tranche sales	32.7	(29.6)	-	-	3.1
Other	2.6	-	(10.7)	-	(8.1)
Total	44.8	(35.0)	(16.2)	-	(6.4)
Surplus on sale of housing	-	-	-	45.4	45.4
Loss on sale of property, plant and equipment - other	-	-	-	(0.3)	(0.3)
Total social housing activities	266.7	(35.0)	(150.1)	45.1	126.7
Non-social housing activities					
Other	5.3	-	(4.5)	-	0.8
Developments for sale	51.5	(43.4)	-	-	8.1
Total non-social housing activities	56.8	(43.4)	(4.5)	-	8.9
Total social and non-social housing before pension exit costs	**323.5**	**(78.4)**	**(154.6)**	**45.1**	**135.6**
SHPS pension exit costs	-	-	(5.9)	-	(5.9)
Total social and non-social housing	**323.5**	**(78.4)**	**(160.5)**	**45.1**	**129.7**

Group	2019				
	Turnover £m	Cost of sales £m	Operating costs £m	Surplus on sale of housing £m	Operating surplus/(deficit) £m
Social housing lettings (note 3)	218.2	-	(131.9)	-	86.3
Other social housing activities					
Properties for sale	6.4	(6.4)	-	-	-
Home ownership services	3.8	-	(7.2)	-	(3.4)
First tranche sales	35.3	(28.4)	-	-	6.9
Charges for support services	0.1	-	(2.1)	-	(2.0)
Other	2.1	-	(13.0)	-	(10.9)
Total	47.7	(34.8)	(22.3)	-	(9.4)
Surplus on sale of housing	-	-	-	29.9	29.9
Gain on sale of property, plant and equipment - other	-	-	-	0.1	0.1
Total social housing activities	265.9	(34.8)	(154.2)	30.0	106.9
Non-social housing activities					
Other	7.0	-	(5.2)	-	1.8
Developments for sale	43.5	(35.7)	-	-	7.8
Total non-social housing activities	50.5	(35.7)	(5.2)	-	9.6
Total social and non-social housing	**316.4**	**(70.5)**	**(159.4)**	**30.0**	**116.5**

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

Association	**2020**				
	Turnover £m	**Cost of sales £m**	**Operating costs £m**	**Surplus on sale of housing £m**	**Operating surplus/(deficit) £m**
Social housing lettings (note 3)	20.8	-	(7.8)		13.0
Other social housing activities				-	
Properties for sale	5.5	(5.5)	-	-	-
Home ownership services	1.3	-	(2.7)	-	(1.4)
First tranche sales	32.5	(29.5)	-	-	3.0
Group recharges	23.9	-	(23.9)	-	-
Other	0.1	-	(1.3)	-	(1.2)
Total	63.3	(35.0)	(27.9)	-	0.4
Surplus on sale of housing	-	-	-	5.2	5.2
Loss on sale of property, plant and equipment - other	-	-	-	(0.5)	(0.5)
Total social housing activities	84.1	(35.0)	(35.7)	4.7	18.1
Non-social housing activities	**-**	-	-	**-**	**-**
Total social and non-social housing before pension exit costs	**84.1**	**(35.0)**	**(35.7)**	**4.7**	**18.1**
SHPS pension exit costs	**-**	-	(5.9)	**-**	(5.9)
Total social and non-social housing	**84.1**	**(35.0)**	**(41.6)**	**4.7**	**12.2**

Association	**2019**				
	Turnover £m	**Cost of sales £m**	**Operating costs £m**	**Surplus on sale of housing £m**	**Operating surplus/(deficit) £m**
Social housing lettings (note 3)	19.1	-	(6.6)	-	12.5
Other social housing activities					
Properties for sale	3.8	(3.8)	-	-	-
Home ownership services	1.2	-	(1.9)	-	(0.7)
First tranche sales	35.3	(28.4)	-	-	6.9
Group recharges	23.1	-	(23.1)	-	-
Other	0.4	-	(2.5)	-	(2.1)
Total	63.8	(32.2)	(27.5)	-	4.1
Surplus on sale of housing	-	-	-	5.0	5.0
Loss on sale of property, plant and equipment - other	-	-	-	(0.4)	(0.4)
Total social housing activities	82.9	(32.2)	(34.1)	-	21.2
Non-social housing activities	0.1	-	-	-	0.1
Total social and non-social housing	**83.0**	**(32.2)**	**(34.1)**	**4.6**	**21.3**

3. Income and expenditure from social housing lettings

Group	General needs housing £m	Supported housing and housing for older people £m	Low cost home ownership £m	2020 £m	2019 £m
Income					
Rent receivable net of service charges	158.2	13.9	15.8	**187.9**	**185.6**
Service charge income	10.0	8.5	2.5	**21.0**	**23.3**
Amortisation of social housing and other capital grants	10.0	1.5	0.8	**12.3**	**8.7**
Other income from lettings	-	-	0.7	**0.7**	**0.6**
	178.2	23.9	19.8	**221.9**	**218.2**
Expenditure					
Management	(17.5)	(3.9)	(2.5)	**(23.9)**	**(20.2)**
Service charge costs	(9.6)	(8.7)	(2.7)	**(21.0)**	**(26.1)**
Routine maintenance	(31.7)	(2.4)	-	**(34.1)**	**(29.9)**
Planned maintenance	(16.7)	(1.5)	(0.5)	**(18.7)**	**(19.2)**
Bad debts	(1.2)	-	-	**(1.2)**	**(1.8)**
Depreciation of housing properties	(29.4)	(3.1)	(2.3)	**(34.8)**	**(33.5)**
Impairment of housing properties	-	-	-	**-**	**0.1**
Other costs	(0.2)	-	-	**(0.2)**	**(1.3)**
Operating costs on social housing lettings	(106.3)	(19.6)	(8.0)	**(133.9)**	**(131.9)**
Surplus on social housing lettings	71.9	4.3	11.8	**88.0**	**86.3**
Void losses	(2.9)	(0.8)	-	**(3.7)**	**(4.4)**

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

Association	**General needs housing £m**	**Low cost home ownership £m**	**2020 £m**	**2019 £m**
Income				
Rent receivable net of service charges	0.8	15.8	**16.6**	15.2
Service charge income	0.1	2.6	**2.7**	2.5
Amortisation of social housing and other capital grants	-	0.8	**0.8**	0.7
Other income from lettings	-	0.7	**0.7**	0.7
	0.9	19.9	**20.8**	19.1
Expenditure				
Management	-	(2.5)	**(2.5)**	(1.2)
Service charge costs	(0.1)	(2.4)	**(2.5)**	(2.6)
Routine maintenance	(0.1)	-	**(0.1)**	(0.1)
Planned maintenance	(0.1)	(0.2)	**(0.3)**	(0.2)
Bad debts	-	-	**-**	(0.1)
Depreciation of housing properties	(0.2)	(2.2)	**(2.4)**	(2.4)
Operating costs on social housing lettings	(0.5)	(7.3)	**(7.8)**	(6.6)
Surplus on social housing lettings	0.4	12.6	**13.0**	12.5
Void losses	-	-	**-**	-

4. Staff Costs

	Group and Association	
	2020 Number	2019 Number
Average number employed		
Office staff	**1,012**	933
Scheme staff	**153**	164
	1,165	1,097
Full time	**1,053**	923
Part time	**112**	174
	1,165	1,097
Full time equivalents	**1,155**	1,077

A full time equivalent would be 35 hours per week.

	Group and Association	
	2020 £m	2019 £m
Staff costs for the above		
Wages and salaries	**44.6**	38.0
Social security costs	**4.5**	3.9
Other pension costs	**2.5**	2.2
	51.6	44.1

	Group and Association	
	2020 Number	2019 Number
Number employed at 31 March		
Office staff	**1,042**	967
Scheme staff	**161**	140
	1,203	1,107

4. Staff Costs (continued)

Directors and key management personnel emoluments

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

Salary banding	Group	
	2020 Number	2019 Number
£70,001- £80,000	**-**	2
£80,001- £90,000	**-**	2
£90,001- £100,000	**3**	3
£100,001- £110,000	**8**	3
£110,001- £120,000	**5**	1
£120,001- £130,000	**2**	4
£130,001- £140,000	**3**	2
£140,001- £150,000	**2**	1
£150,001- £160,000	**-**	1
£160,001- £170,000	**1**	1
£170,001- £180,000	**-**	2
£180,001- £190,000	**2**	1
£190,001- £200,000	**-**	3
£200,001- £210,000	**3**	-
£210,001- £220,000	**1**	-
£330,000- £340,000	**-**	1
£360,001- £370,000	**1**	-
Total	**31**	27

5. Operating Surplus

	Group		Association	
	2020 £m	2019 £m	2020 £m	2019 £m
Operating surplus is arrived at after charging/(crediting)				
Depreciation of housing properties	**34.8**	33.5	**2.4**	2.5
Depreciation of fixed assets	**2.6**	2.6	**2.3**	2.2
Amortisation of social housing grant	**(12.3)**	(8.7)	**(0.8)**	(0.8)
Impairment of housing properties	**-**	(0.1)	**-**	-
Impairment of other tangible fixed assets	**(0.1)**	-	**-**	-
Operating lease rentals	**0.7**	1.0	**-**	0.1
Auditors' remuneration (excluding VAT)				
Fees payable to the Association's auditors for the audit of the financial statements	**0.1**	0.1	**-**	-
Non-audit services				
Fees payable to the Association's auditors for other services	**-**	0.1	**-**	0.1
Total non-audit services	**-**	0.1	**-**	0.1

The audit fee for the year ended 31 March 2020 was £105,108 (2019: £99,125)

6. Directors emoluments

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

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

	Group		Association	
Group Board Members (non-executive)	**2020 £000**	**2019 £000**	**2020 £000**	**2019 £000**
The Rt Hon. Baroness Blackstone	**30**	30	**30**	30
A Crook (retired 30 September 2018)	**-**	11	**-**	11
F Beckett (retired 31 March 2019)	**-**	16	**-**	16
S Brown	**12**	12	**12**	12
C Crook (retired 31 December 2019)	**12**	16	**12**	16
A Hobart (resigned 9 September 2018)	**-**	4	**-**	4
D Weaver	**17**	17	**17**	17
D Young	**10**	11	**10**	11
S Howlett	**16**	4	**16**	4
H Gillett	**10**	2	**10**	2
S Stone (appointed 1 April 2019)	**12**	-	**12**	-
Total	**119**	123	**119**	123

	Group		Association	
	2020 £000	**2019 £000**	**2020 £000**	**2019 £000**
Aggregate emoluments (including pension contributions) paid to or received by directors who are executive staff members including salaries, honoraria and other benefits	**1,705**	1,420	**1,705**	1,420
Aggregate emoluments of the highest paid director excluding pension contributions / payments in lieu of pension included in aggregate emoluments of directors who are executive staff members	**344**	311	**344**	311

The Group Chief Executive was a member of SHPS until 30 September 2019, and then the Orbit Group Retirement plan from 1 October 2019. He was a member on the same terms as all other staff that are also members; no enhanced or special terms apply. Expenses paid during the year to Board Members amounted to £15,000 (2019: £20,000).

7. Surplus on sale of fixed assets - housing properties

Group	2020				2019		
	Letting £m	VRTB £m	Shared equity £m	Total £m	Letting £m	Shared equity £m	Total £m
Disposal proceeds	34.7	26.6	14.5	**75.8**	36.4	11.8	48.2
Carrying value of fixed assets	(14.8)	(9.8)	(11.1)	**(35.7)**	(13.3)	(8.4)	(21.7)
	19.9	16.8	3.4	**40.1**	23.1	3.4	26.5
Capital grant recycled	3.0	2.8	1.9	**7.7**	3.4	1.6	5.0
Disposal procceeds fund and grant abated	(2.4)	-	-	**(2.4)**	(0.4)	-	(0.4)
Right To Buy Clawback	-	-	-	**-**	(1.2)	-	(1.2)
Surplus on disposal	20.5	19.6	5.3	**45.4**	24.9	5.0	29.9

Association	2020		2019	
	Shared equity £m	Total £m	Shared equity £m	Total £m
Disposal proceeds	14.4	**14.4**	11.8	11.8
Carrying value of fixed assets	(11.1)	**(11.1)**	(8.4)	(8.4)
	3.3	**3.3**	3.4	3.4
Capital grant recycled	1.9	**1.9**	1.6	1.6
Surplus on disposal	5.2	**5.2**	5.0	5.0

8. Interest receivable and other income

	Group		Association	
	2020 £m	**2019 £m**	**2020 £m**	**2019 £m**
Interest receivable and other income	**1.4**	4.5	**3.4**	2.5

9. Interest payable

	Group		Association	
	2020 £m	**2019 £m**	**2020 £m**	**2019 £m**
Loans and bank overdrafts	**60.0**	55.9	**9.7**	**15.3**
Interest payable capitalised on housing properties under construction	**(9.6)**	(9.0)	**(2.8)**	**(1.3)**
	50.4	46.9	**6.9**	**14.0**
Capitalisation rate used to determine the finance costs capitalised during the period	**4.06%**	4.06%	**4.06%**	**4.06%**
Other financing costs				
Loan arrangement fees	**1.8**	2.3	**-**	**-**
Defined benefit pension charge	**0.6**	0.7	**0.6**	**0.6**
	2.4	3.0	**0.6**	**0.6**

10. Tax on surplus on ordinary activities

The only members of the Group liable to a tax charge or credit throughout the year ended 31 March 2020 were Orbit Homes (2020) Limited, Orbit Treasury Limited and Orbit Capital plc. Orbit Group Limited obtained charitable status with effect from 3 April 2006. From that point, its principal sources of income and gains have been exempt from corporation tax and accordingly, no deferred tax assets have been recognised in the statement of financial position of the Association at either 31 March 2020 or 31 March 2019.

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

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

		Group		Association
	2020	2019	2020	2019
	£m	£m	£m	£m
(a) Analysis of (credit)/charge in year:				
Current tax:				
UK corporation tax on profits of the year	**-**	1.0	**-**	-

The current tax charge for the year is lower than the standard rate of Corporation Tax in the UK of 19% (2019: 19%).
The differences are explained below:

		Group		Association
	2020	2019	2020	2019
	£m	£m	£m	£m
(b) Factors affecting tax charge for current year				
Surplus on ordinary activities before taxation	**72.6**	42.1	**9.8**	10.3
Tax charge at 19% (2019: 19%) thereon	**13.8**	8.1	**1.9**	2.0
Non taxable (surpluses) (primarily charitable exemptions)	**(13.5)**	(7.1)	**(1.9)**	(2.0)
Capital allowances less than depreciation	**0.3**	-	**-**	-
Adjustment to tax charge in respect of previous year	**(0.6)**	-	**-**	-
Current tax (credit)/charge for the year	**-**	1.0	**-**	-

(c) Factors that may affect future tax charges:

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. A further reduction to 17% for the year starting 1 April 2020 was announced at Budget 2016.

At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%.

11. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group		Association	
	2020 £m Assets	2019 £m Assets	2020 £m Assets	2019 £m Assets
Total (assets) as at 1 April and 31 March	**(0.3)**	(0.3)		-

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

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

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

The deferred tax asset is calculated using the tax rate of 17% of the carrying value at 31 March 2019 (£1,729,200) and spread over the remaining six year period, resulting in £49,000 of future tax release per year to the statement of comprehensive income.

12. Housing properties

Group	Housing properties for letting		Supported housing	Low cost home ownership		Non-social housing	
	Complete	In development	Complete	Complete	In development	Complete	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 April 2019	2,272.5	141.6	60.6	277.7	66.5	2.6	2,821.5
Additions	37.5	83.2	4.3	1.2	144.7	-	270.9
Transfer on completion	81.2	(81.2)	-	92.9	(92.9)	-	-
Transfer to stock/WIP	-	-	-	(43.7)	(7.0)	-	(50.7)
Disposals	(19.4)	-	(1.2)	(8.9)	-	-	(29.5)
At 31 March 2020	2,371.8	143.6	63.7	319.2	111.3	2.6	3,012.2
Less: accumulated depreciation							
At 1 April 2019	(264.4)	-	(17.9)	(18.8)	-	(0.2)	(301.3)
Eliminated on disposal	5.6	-	0.4	0.5	-	-	6.5
Depreciation	(29.5)	-	(1.7)	(2.3)	-	-	(33.5)
At 31 March 2020	(288.3)	-	(19.2)	(20.6)	-	(0.2)	(328.3)
Less: provisions for impairment							
At 1 April 2019	(3.2)	-	-	(0.1)	(0.9)	-	(4.2)
At 31 March 2020	(3.2)	-	-	(0.1)	(0.9)	-	(4.2)
Net book amount							
At 31 March 2020	**2,080.3**	**143.6**	**44.5**	**298.5**	**110.4**	**2.4**	**2,679.7**
At 31 March 2019	2,004.9	141.6	42.7	258.8	65.6	2.4	2,516.0

12. Housing properties (continued)

Additions to properties during the year include capitalised interest and finance costs of £9.6 million (2019: £9.0 million) and development administration costs/project management fees of £7.4 million (2019: £71.8 million). The Group reviewed its properties for impairment and there was a charge of £Nil (2019: £Nil) to the statement of comprehensive income. During the year the total expenditure on works to existing properties was £81.8 million (2019: £71.8 million) of which £40 million (2019: £32.2 million) has been capitalised.

Association	Housing properties for letting	Low cost home ownership		
	Complete £m	Complete £m	In development £m	Total £m
Cost				
At 1 April 2019	15.6	272.6	66.4	354.6
Additions	-	1.2	111.4	112.6
Transfer on completion	-	92.9	(92.9)	-
Transfer to other group members	-	-	33.3	33.3
Transfer to stock/WIP	-	(43.7)	(7.0)	(50.7)
Disposals	-	(8.7)	-	(8.7)
At 31 March 2020	15.6	314.3	111.2	441.1
Less: accumulated depreciation				
At 1 April 2019	(1.3)	(18.6)	-	(19.9)
Eliminated on disposal	-	0.5	-	0.5
Depreciation	(0.2)	(2.3)	-	(2.5)
At 31 March 2020	(1.5)	(20.4)	-	(21.9)
Less: provisions for impairment				
At 1 April 2019	-	(0.1)	(1.0)	(1.1)
At 31 March 2020	-	(0.1)	(1.0)	(1.1)
Net book amount				
At 31 March 2020	**14.1**	**293.8**	**110.2**	**418.1**
At 31 March 2019	14.3	253.9	65.4	333.6

Additions to properties during the year include capitalised interest and finance costs of £2.8 million (2019: £1.3 million) and development administration costs/project management fees of £3.8 million (2019: £2.0 million). The Association reviewed its properties for impairment and there was a charge of £Nil to statement of comprehensive income for 2020 (2019: £Nil).

	Group		Association	
	2020 £m	2019 £m	2020 £m	2019 £m
The net book value of housing and other properties comprises:				
Freehold land and buildings	**2,675.2**	2,511.2	**414.4**	329.8
Long leasehold land and buildings	**11.2**	10.7	**8.6**	7.6
	2,686.4	2,521.9	**423.0**	337.4

13. Investments

	Group		Association	
	2020 £m	2019 £m	2020 £m	2019 £m
Monies deposited with Affordable Housing Finance Plc	**6.3**	3.9	**-**	-
Investment in preference shares of Orbit Homes (2020) Limited	**-**	-	**34.0**	34.0
Investment in ordinary shares of Orbit Homes (2020) Limited	**-**	-	**10.0**	-
Investment in ordinary shares of Orbit Capital plc*	**-**	-	**-**	-
Investment in Community Impact Partnership CIC**	**-**	-	**-**	-
Total	**6.3**	3.9	**44.0**	34.0

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

*Investment in ordinary shares of Orbit Capital plc by the Association was £13,000 (2019: £13,000).

**Investment in 1 share of Community Impact Partnership CIC by Orbit Gateway Limited £1 (2019: £1).

14. Intangible assets

	Group	Association
Cost	**£m**	**£m**
At 1 April 2019	10.6	10.6
Additions	8.4	8.4
Disposals	(5.1)	(5.1)
At 31 March 2020	13.9	13.9
Amortisation		
At 1 April 2019	(5.7)	(5.7)
Charge for the year	(0.8)	(0.8)
Eliminated on disposal	4.6	4.6
At 31 March 2020	(1.9)	(1.9)
Net book amount		
At 31 March 2020	**12.0**	**12.0**
At 31 March 2019	4.9	4.9

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

Group	2020 £m	2019 £m
At 1 April	**15.0**	14.6
Transfer from housing properties	**-**	0.4
Increase in value	**-**	-
At 31 March	**15.0**	15.0

The fair value of the investment properties at 31 March 2020 have been arrived at following an independent valuation performed by Avison Young, professional external valuers. The full valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation – Global Standards effective 31 January 2020 and is compliant with the requirements of FRS 102. The assets have been valued using the comparable methods of valuation. The market for the properties were investigated; sales evidence was collated and adjusted to take account of the situation, layout and specification of the properties. Please refer to page 57 for more information.

In valuing investment properties, a yield profile as below was applied:

Net initial yield	4.09%
Nominal equivalent yield	4.87%
Reversionary yield	4.90%

16. HomeBuy and other equity loans

Group and Association

	2020			2019		
	HomeBuy loans £m	**Other equity loans £m**	**Total £m**	**HomeBuy loans £m**	**Other equity loans £m**	**Total £m**
Loan advanced to borrowers at April	8.7	3.2	**11.9**	9.7	3.3	**13.0**
Interest receivable	-	-	**-**	-	(0.1)	**(0.1)**
Repaid during the year	(0.8)	(0.1)	**(0.9)**	(0.9)	(0.1)	**(1.0)**
Loan advanced to borrowers at 31 March	7.9	3.1	**11.0**	8.8	3.1	**11.9**

17. Other fixed assets

Group	Freehold offices £m	Leasehold offices £m	Commercial premises £m	Furniture, fixtures & equipment £m	Total £m
Cost					
At 1 April 2019	1.9	11.0	0.5	11.6	25.0
Additions	-	2.1	-	0.6	2.7
Disposals	(0.6)	-	-	(0.5)	(1.1)
Reclassified to intangible assets	-	-	-	0.1	0.1
Write offs		(0.3)	-	(0.5)	(0.8)
At 31 March 2020	1.3	12.8	0.5	11.3	25.9
Less: accumulated depreciation					
At 1 April 2019	(0.8)	(5.7)	(0.2)	(8.9)	(15.6)
Charge for year	-	(0.6)	-	(1.2)	(1.8)
Disposals	0.3	-	-	0.5	0.8
Write offs	-	-	-	0.5	0.5
At 31 March 2020	(0.5)	(6.3)	(0.2)	(9.1)	(16.1)
Less: provisions for impairment					
At 1 April 2019	(0.1)	(1.5)	-	-	(1.6)
Charge for year	0.1	-	-	-	0.1
At 31 March 2020	-	(1.5)	-	-	(1.5)
Net book amount					
At 31 March 2020	**0.8**	**5.0**	**0.3**	**2.2**	**8.3**
At 31 March 2019	1.0	3.8	0.3	2.7	7.8

17. Other fixed assets (continued)

Association	Freehold offices £m	Leasehold offices £m	Furniture, fixtures & equipment £m	Total £m
Cost				
At 1 April 2019	0.3	7.1	6.7	14.1
Additions	-	1.7	-	1.7
Write offs	-	(0.3)	(0.5)	(0.8)
At 31 March 2020	0.3	8.5	6.2	15.0
Less: accumulated depreciation				
At 1 April 2019	(0.1)	(3.3)	(3.9)	(7.3)
Write offs	-	-	0.5	0.5
Charge for year	-	(0.4)	(1.0)	(1.4)
At 31 March 2020	(0.1)	(3.7)	(4.4)	(8.2)
Less: provisions for impairment				
At 1 April 2019	-	(0.5)	-	(0.5)
At 31 March 2020	-	(0.5)	-	(0.5)
Net book amount				
At 31 March 2020	**0.2**	**4.3**	**1.8**	**6.3**
At 31 March 2019	0.2	3.3	2.8	6.3

18. Properties for sale

	Group		Association	
	2020 £m	2019 £m	2020 £m	2019 £m
Housing properties for sale	**-**	0.6	**-**	0.6
Shared ownership - completed properties	**13.2**	3.1	**13.2**	3.1
Shared ownership - under construction	**51.7**	33.7	**51.7**	33.7
Market sale - completed properties	**22.7**	11.7	**-**	-
Market sale - under construction	**128.0**	127.3	**-**	-
	215.6	176.4	**64.9**	37.4

The above figures include capitalised interest of £0.7 million (2019: £0.3 million) for the Group and the Association.

19. Debtors

	Group		Association	
Due within one year:	2020 £m	2019 £m	2020 £m	2019 £m
Rental debtors	**7.7**	9.3	**0.7**	0.5
Less: provision for doubtful debts	**(3.2)**	(3.3)	**(0.2)**	(0.2)
	4.5	6.0	**0.5**	0.3
Amounts due from subsidiaries	**-**	-	**30.7**	66.9
Prepayments and accrued Income	**7.7**	5.3	**6.0**	3.3
Taxation and social security	**3.3**	1.8	**-**	-
Other debtors	**19.5**	12.3	**1.9**	3.1
	35.0	25.4	**39.1**	73.6
Due after more than one year:				
Other debtors	**3.9**	2.2	**0.3**	0.3
Amounts due from subsidiaries	**-**	-	**83.2**	64.3
	3.9	2.2	**83.5**	64.6

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

20. Creditors: amounts falling due within one year

	Group		Association	
	2020 £m	2019 £m	2020 £m	2019 £m
Housing loans (note 25)	**19.7**	44.6	**5.7**	4.8
Trade creditors	**33.2**	28.0	**16.2**	9.4
Amounts due to group undertakings	**-**	-	**90.6**	102.2
Other creditors including taxation and social security	**7.0**	15.0	**3.3**	7.9
Accruals and deferred income	**27.3**	24.9	**0.2**	-
Rents received in advance	**6.0**	5.3	**0.4**	0.2
Grants received in advance	**42.7**	3.8	**40.8**	0.6
RCGF and DPF within one year (note 24)	**18.8**	14.4	**13.1**	10.3
HomeBuy and other equity grants	**0.8**	0.9	**0.8**	0.9
Deferred capital grant (note 22)	**12.3**	8.6	**0.8**	0.8
Total	**167.8**	145.5	**171.9**	137.1

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

	Group		Association	
	2020 £m	2019 £m	2020 £m	2019 £m
Housing loans (note 25)	**754.4**	690.8	**182.0**	160.3
Derivatives financial liabilities	**125.2**	104.9	**-**	-
Deferred capital grant (note 22)	**664.1**	647.0	**68.4**	57.6
Deferred income for renewals and maintenance contributions	**12.9**	11.7	**3.8**	3.4
HomeBuy and other equity grants	**9.4**	10.1	**9.4**	10.1
Bond finance (note 25)	**689.8**	689.4	**-**	-
Other creditors	**1.7**	1.9	**-**	-
RCGF and DPF more than one year (note 24)	**14.3**	11.3	**5.4**	5.4
Loan premium Affordable Homes Plc	**8.1**	8.5	**-**	-
Total	**2,279.9**	2,175.6	**269.0**	236.8

Housing loans shown above are net of £5.0 million loan arrangement fees carried forward (2019: £2.9 million) and swap buy-out cancellation fees of £4.6 million (2019: £4.9 million).

Bond finance shown above is net of £3.7 million arrangement fees carried forward (2019: £3.9 million), discount costs of £10.0 million (2019: £10.3 million) and issue price premium of £3.5 million (2019: £3.6 million).

22. Deferred capital grant

	Group		Association	
	2020 £m	2019 £m	2020 £m	2019 £m
At 1 April	**655.6**	658.9	**58.4**	57.0
Grant received in the year	**37.9**	8.1	**13.1**	3.0
Transfer to RCGF and DPF	**(6.9)**	(3.7)	**(2.0)**	(1.7)
Transfer from intercompany	**-**	(0.1)	**-**	0.6
Elimination on the disposal of assets	**2.1**	1.0	**0.5**	0.3
Released to income in the year	**(12.3)**	(8.6)	**(0.8)**	(0.8)
At 31 March	**676.4**	655.6	**69.2**	58.4
Analysed as:				
Amounts to be released within 1 year	**12.3**	8.6	**0.8**	0.8
Amounts to be released in more than 1 year	**664.1**	647.0	**68.4**	57.6
Total	**676.4**	655.6	**69.2**	58.4

23. Provisions for liabilities

Group	1 April 2019 £m	Provided in year £m	Released in year £m	31 March 2020 £m
Dilapidations and renewals	0.1	-	-	**0.1**
Water rates	0.7	-	-	**0.7**
	0.8	-	-	**0.8**

Analysed as:	Group		Association	
	2020 £m	2019 £m	2020 £m	2019 £m
Amounts to be released within 1 year	**0.1**	0.1	**-**	-
Amounts to be released in more than 1 year	**0.7**	0.7	**-**	-
	0.8	0.8	**-**	-

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

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

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

Group	RCGF £m	DPF £m	Total £m
At 1 April 2019	25.3	0.4	**25.7**
Grants recycled	8.5	-	**8.5**
Interest accrued	0.2	-	**0.2**
Utilised in the year	(0.9)	(0.4)	**(1.3)**
At 31 March 2020	33.1	**-**	**33.1**

Analysed as:

Group	RCGF £m	DPF £m	Total £m
Within one year	18.8	-	**18.8**
After more than one year	14.3	-	**14.3**
At 31 March 2020	33.1	**-**	**33.1**

Association	RCGF £m	Total £m
At 1 April 2019	15.7	**15.7**
Grants recycled	2.7	**2.7**
Interest accrued	0.1	**0.1**
At 31 March 2020	18.5	**18.5**

Analysed as:

Association	RCGF £m	Total £m
Within one year	13.1	**13.1**
After more than one year	5.4	**5.4**
At 31 March 2020	18.5	**18.5**

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

25. Housing loans and bond finance

	Group		Association	
	2020 £m	**2019 £m**	**2020 £m**	**2019 £m**
Due within one year				
Orbit Treasury Limited	**-**	-	**4.8**	4.0
Greenwich NatWest	**0.9**	0.8	**0.9**	0.8
Bank/building society loans	**18.8**	43.8	**-**	-
	19.7	44.6	**5.7**	4.8
Due after more than one year				
Orbit Treasury Limited	**-**	-	**139.3**	116.8
Orbit Capital plc	**-**	-	**34.9**	34.9
Bond finance	**700.0**	700.0	**-**	-
Bank/building society loans	**650.4**	583.9	**-**	-
Affordable Homes Plc	**100.0**	100.0	**-**	-
Greenwich NatWest	**7.8**	8.6	**7.8**	8.6
	1,458.2	1,392.5	**182.0**	160.3
	1,477.9	1,437.1	**187.7**	165.1

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

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

25. Housing loans and bond finance (continued)

Note (a)

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

	Group		Association	
	2020 £m	**2019 £m**	**2020 £m**	**2019 £m**
In one year or less, on demand	**19.7**	19.6	**5.7**	4.8
Repayable by instalments:				
- more than one year but not more than two years	**19.8**	19.7	**5.8**	4.9
- in more than two years but not more than five years	**60.2**	59.8	**21.0**	17.9
- in more than 5 years	**304.9**	311.1	**155.3**	137.5
	384.9	390.6	**182.1**	160.3
Repayable other than by instalments:				
- in one year or less	**-**	25.0	**-**	-
- in more than one year but not more than two years	**149.3**	62.9	**-**	-
- in more than two years but not more than five years	**-**	94.0	**-**	-
- in more than 5 years	**924.0**	845.0	**-**	-
	1,073.3	1,026.9	**-**	-
	1,477.9	1,437.1	**187.8**	165.1

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

25. Housing loans and bond finance (continued)

The interest rate profile at 31 March 2019 was:

	Total £m	Variable rate £m	Fixed rate £m	Weighted average rate over term %	Weighted average term until maturity Years
Group					
Instalment loans	**453.9**	94.3	359.6	4.91	17.1
Non-instalment loans	**1,024.0**	-	1,024.0	3.23	22.5
	1,477.9	94.3	1,383.6	3.75	20.9
Association					
Instalment loans	**187.7**	144.1	43.6	5.24	23.0

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

	Group 2020 £m
Expiring in less than one year	-
Expiring in more than one year but not more than two years	5.7
Expiring in more than two years	291.0
Undrawn committed facilities	296.7

Hedge Accounting (Group)

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

	2020					
	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to < 2 years £m	2 < 5 years £m	5 years and over £m
Interest rate swaps:						
Assets	-	14.4	1.4	0.9	3.0	9.1
Liabilities	76.7	(112.9)	(10.0)	(9.8)	(26.4)	(66.7)
	76.7	(98.5)	(8.6)	(8.9)	(23.4)	(57.6)

	2019					
	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to < 2 years £m	2 < 5 years £m	5 years and over £m
Interest rate swaps:						
Assets	-	39.2	2.4	2.4	7.8	26.5
Liabilities	60.4	(123.2)	(10.4)	(10.0)	(27.6)	(75.2)
	60.4	(84.0)	(8.0)	(7.6)	(19.8)	(48.7)

25. Housing loans and bond finance (continued)

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

2020	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to < 2 years £m	2 < 5 years £m	5 years and over £m
Interest rate swaps:						
Assets	-	5.2	0.3	0.2	0.8	3.9
Liabilities	48.5	(40.1)	(2.4)	(2.4)	(7.1)	(28.3)
	48.5	(34.9)	(2.1)	(2.2)	(6.3)	(24.4)

2019	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to < 2 years £m	2 < 5 years £m	5 years and over £m
Interest rate swaps:						
Assets	-	13.4	0.5	0.5	1.9	10.4
Liabilities	44.5	(42.5)	(2.4)	(2.4)	(7.1)	(30.7)
	44.5	(29.1)	(1.9)	(1.9)	(5.2)	(20.3)

Fair values

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

	2020		2019	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Loan	468.3	609.8	421.7	559.9
Bond	853.6	1,138.2	854.4	1,002.5
Embedded swap	156.0	61.6	161.0	54.3
	1,477.9	1,809.6	1,437.1	1,616.7

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

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

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

25. Housing loans and bond finance (continued)

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

	2020 £m	2019 £m
Barclays £75m	**27.0**	23.8
Lloyds £135m	**55.1**	44.7
RBS £40m	**1.1**	1.4
Dexia £19m	**9.2**	7.7
	92.4	77.6

The following swap contracts do not qualify for hedge accounting.

	2020 £m	2019 £m
Barclays £10m	**9.6**	8.0
Lloyds £30m	**18.6**	15.5
Dexia £15m	**4.6**	3.9
	32.8	27.4

Total fair value of derivatives	**125.2**	105.0

The total movement in fair value of derivatives in the year was £20,335k (2019: £4,224k) of which £16,315k (2019: £5,467k) were recognised in other comprehensive income representing the effective component of the swap with the ineffective component of £1,423k credit (2018: £81k deficit) representing the shortfall of the fair value of hedging instruments over the change in the fair value of expected cash flows together with £5,443k (2019: £1,162k) fair value movement of swap contracts that don't qualify for hedge accounting.

Financial risk management

The Company's operations expose it to a variety of financial risks. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company and Group by monitoring levels of debt finance and related finance costs. The key risks are as follows:

Interest rate risk
At 31 March 2020, 94% of the company's debt was fixed or hedged. Orbit Capital Plc arranged its second public bond issue on 7 June 2018 raising £450 million which was used to restructure the Group's existing debt portfolio and provide long term funding to support the Group strategy. Orbit has £94 million of variable debt funding, of which £45 million is held in Orbit Treasury Limited, which could be exposed to rises in LIBOR rates. If LIBOR were to increase by 0.50%, then the impact would be additional interest costs of £225 thousand to the statement of comprehensive income. Any such costs can be recovered from the Associations.

Liquidity risk
The Company actively lends the full amount of the loans it has itself borrowed, thus the entity has assets to fully offset its liabilities and interest receivable to offset its interest payable.

Credit risk
The liabilities to funders are secured by a legal charge over property assets owned by the Associations with a value in excess of total borrowings. This includes mark to market liabilities resulting from interest rate hedging instruments. The Associations have entered into a guarantee with the Company over future interest payments, including payments due under interest rate hedging instruments and the property security. The carrying amount of the funding liabilities represents the maximum value exposed to credit risk. At the end of the financial year the credit rating of A3 stable from Moody's remained in place.

Intercompany funding arrangements

Orbit Group Limited along with the other operating associations within the Group, has entered into an intra group loan agreement with Orbit Treasury Limited. The Associations provide security for the loans entered into by Orbit Treasury Limited on their behalf in the form of their social housing assets. The Associations, as part of this arrangement, also agree to cover all costs associated with the funding including any associated hedging arrangements such as interest rate swaps.

26. Called up share capital

	Group		Association	
	2020 £	2019 £	2020 £	2019 £
Issued and fully paid shares of £1 each				
At 1 April 2019	**8**	8	**8**	8
Issued	**-**	-	**-**	-
Surrendered	**-**	-	**-**	-
At 31 March 2020	**8**	8	**8**	8

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

27. Capital commitments

	Group		Association	
	2020 £m	2019 £m	2020 £m	2019 £m
Capital expenditure which has been contracted for but has not been provided for in the financial statements	**505.9**	502.9	**131.3**	155.1
Capital expenditure which has been authorised under authority from the Orbit board but has yet to be	**329.0**	362.2	**87.0**	82.2
Contracted for	**834.9**	865.1	**218.3**	237.3

Orbit expects these commitments to be financed with:

	Group		Association	
	2020 £m	2019 £m	2020 £m	2019 £m
Social Housing Grant	**93.2**	99.9	**19.1**	16.8
Committed loan facilities and reserves	**137.8**	207.1	**0.4**	74.0
Proceeds from sale of properties	**603.9**	558.1	**198.8**	146.5
	834.9	865.1	**218.3**	237.3

28. Contingent liabilities

As at 31 March 2020, there were £32 million contingent liabilities within either the Group or the Association (2019: £32 million).

Stock acquisitions previously undertaken include original government grant funding of £33 million (2019: £33 million) which has an obligation to be recycled in accordance with the original grant funding terms and conditions.

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

29. Cash flow from operating activities

	Group	
	2020 **£m**	**2019** **£m**
Surplus for the year	**72.6**	41.1
Sale of tangible fixed assets	**(45.1)**	(30.0)
Increase in value of investment property	**-**	-
Interest payable	**50.4**	46.9
Loan break costs	**-**	27.6
Interest receivable	**(1.4)**	(4.5)
Movement in fair value of financial instruments	**5.7**	1.3
Other financing cost	**2.4**	3.0
Depreciation charge on other fixed assets	**2.6**	2.2
Depreciation charge on housing properties	**27.0**	26.1
Add back cost of sale - other fixed assets	**(0.1)**	-
Add back cost of sale for housing properties	**3.4**	8.6
Amortisation of grant on housing properties	**(12.3)**	(8.6)
Provision for impairment on other fixed assets	**(0.1)**	(0.1)
Movement in other provisions	**-**	(3.9)
Increase in bad debt provision	**-**	0.6
Increase in stocks	**(39.3)**	(60.6)
Adjustment for pension funding	**(2.7)**	(2.3)
(Increase)/decrease in debtors	**(11.1)**	6.7
Increase in creditors	**2.8**	11.3
Tax paid	**1.0**	0.3
Net cash inflow from operating activities	**55.8**	65.7

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

	Group	
	2020 £m	**2019 £m**
(Decrease)/increase in cash in the year	**(42.9)**	81.3
Increase in bank deposits (with a maturity in excess of 24 hours)	**2.5**	-
Other changes	**3.5**	(2.5)
Loans and bond finance received	**(88.4)**	(807.5)
Loans repaid	**47.5**	583.3
Loan arrangement fees	**2.8**	-
Change in net debt	**(75.0)**	(145.4)
Net debt at 1 April	**(1,299.9)**	(1,154.5)
Net debt at 31 March	**(1,374.9)**	(1,299.9)

31. Analysis of changes in net debt

Group	**1 April 2019 £m**	**Cash flows £m**	**Other changes £m**	**31 March 2020 £m**
Cash at bank and in hand	20.9	(4.9)	-	**16.0**
Bank deposits less than 24 hours	110.0	(38.1)	-	**71.9**
	130.9	(43.0)	-	**87.9**
Bank deposits in excess of 7 days	-	2.5	3.9	**6.4**
Housing loans due within one year	(44.6)	44.6	(19.7)	**(19.7)**
Housing loans due after one year	(692.4)	(85.5)	19.7	**(758.2)**
Bond finance	(700.0)	-	-	**(700.0)**
Loan premium	(5.3)	-	0.7	**(4.6)**
Loan and bond arrangement fees	11.5	2.8	(1.1)	**13.2**
	(1,299.9)	(78.6)	3.5	**(1,375.0)**

32. Financial commitments

Operating leases

At 31 March 2020 Orbit was committed to making total minimum future repayments of leases in respect of operating leases other than land and buildings:

	Group		Association	
	2020 £m	2019 £m	2020 £m	2019 £m
Leases which expire				
Within 1 year	**0.9**	1.0	**0.3**	0.3
Within 2 - 5 years	**1.6**	1.9	**1.0**	1.2
After 5 years	**0.9**	1.4	**0.8**	1.4
Total	**3.4**	4.3	**2.1**	2.9

33. Number of units under development at 31 March 2020

	Group		Association	
	Total 2020 No.	Total 2019 No.	Total 2020 No.	Total 2019 No.
General needs	**1,616**	1,800	**-**	-
Low cost home ownership	**1,105**	1,691	**1,105**	1,691
Properties for market sale	**24**	88	**-**	-
Total housing units	**2,745**	3,579	**1,105**	1,691

34. Property portfolio

	Group		Association	
	2020	2019	**2020**	2019
	Units	Units	**Units**	Units
Social				
Social Rent General needs	**24,365**	24,948	**117**	117
Affordable rent	**5,486**	5,086	**-**	-
Supported Housing				
- Social Rent Supported Housing	**3,403**	3,450	**-**	-
- Affordable Rent Supported Housing	**116**	75	**-**	-
- Care Homes	**12**	15	**-**	-
Low cost home ownership (LCHO)	**5,520**	5,085	**5,263**	4,822
Total Social Housing Units (excluding Leasehold)	**38,902**	38,659	**5,380**	4,939
Leasehold	**2,037**	1,997	**505**	561
Total Social Housing Units	**40,939**	40,656	**5,885**	5,500
Non-Social				
Market rent	**123**	92	**10**	-
Private retirement schemes	**1,111**	1,111	**-**	-
Non-social Leasehold	**323**	-	**252**	-
Retained Freehold	**2,227**	1,584	**878**	678
Commercial units	**30**	27	**-**	-
Total non-social housing units	**3,814**	2,814	**1,140**	678
Total Social and Non-Social Housing Units	**44,753**	43,470	**7,025**	6,178

35. Subsidiary organisations, associates and related party transactions

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

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

35. Subsidiary organisations and related party transactions (continued)

Non-controlling interests

Orbit Gateway Limited has a 25% interest in Community Impact Partnership CIC, a community interest company set up with a consortium of other housing associations; Peabody, Clarion Group and L and Q.

Transactions with non-regulated Group members

During the year the Association has transacted with three fellow group subsidiaries not regulated by the Regulator of Social Housing, Orbit Homes (2020) Ltd, Orbit Treasury Ltd and Orbit Capital plc. Orbit Homes (2020) Ltd provides design and build services to the Group. During the year the Association made payments totalling £33.3 million (2019: £18.4 million) to Orbit Homes (2020) Ltd for the purchase of housing property assets and has an outstanding creditor balance with Orbit Homes (2020) Ltd of £21.0 million (2019: £2.2 million) and outstanding debtors of £84.7 million (2019: £66.6 million).

Orbit Group Limited also transacted with the new Community Impact Partnership (CIP) incurring expenditure of £23,419 (2019: £60,489) on its behalf and donated £57,976 (2019: £12,500) to the entity.

Orbit Treasury Ltd and Orbit Capital plc provide a funding on lending service to Group members. During the year the Association paid interest costs to Orbit Treasury plc totalling £6.5 million (2019: £13.2 million) and fees of £0.7 million (2019: £0.6 million). The Association also paid interest costs of £1.2 million (2019: £0.8 million) to Orbit Capital plc. The allocation of these costs is based upon the level of debt required and secured by the housing properties held by the Association.

Related party transactions

The Orbit Heart of England Board includes a member who is employed by We Are Digital Ltd, which is contracted to deliver digital training to Orbit residents in their homes or at Orbit offices. During the year Orbit made payments of £368,000 (2019: £263,000) to this supplier. At 31 March 2020 there were no amounts outstanding.

The Orbit Treasury Limited and Orbit Capital Plc Boards include a member who is an employee of Accord Housing Group. During the year Orbit received payments of £26,000 from Accord (2019: £Nil). An amount outstanding at 31 March 2020 of £4,000 is shown in trade debtors (2019: £Nil).

A number of the Board members are tenants/leaseholders of the Association or Group. Their tenancies/leases are on normal commercial terms and the members cannot use their position to their advantage. In the current year payments in aggregate to Orbit totalled £20,000 (2019: £19,000). The outstanding amount owed at 31 March 2020 was £1,000 (2019: £nil).

The Association is exempt from the requirements of Financial Reporting Standard FRS 102 'Related Party Disclosures' to disclose transactions between Group undertakings as all companies are under the control of the board of the parent company. Included with debtors (note 19) and creditors (note 21) are the amounts owed to and owed by other group members.

The Pension Trust, as administrator of the Social Housing Pension Scheme, and Kent County Council and Bexley London Borough as administrators of the Local Government Pension Scheme, are both considered to be related parties. Transactions with these entities are as set out in note 36.

36. Pension costs

Movement in pension cost liabilities during the year

	Group		Association	
	2020 £m	2019 £m	2020 £m	2019 £m
Net deficit at 1 April LGPS	**(2.5)**	(3.0)	**-**	-
Net deficit at 1 April SHPS	**(29.9)**	(18.2)	**(29.9)**	(18.2)
Initial recognition of SHPS defined benefit liability	**-**	(7.3)	**-**	(7.3)
Contributions	**3.1**	3.0	**3.0**	2.9
Other financing costs	**(0.7)**	(0.7)	**(0.6)**	(0.6)
Net return on assets less interest on pension scheme liabilities	**(0.1)**	(0.1)	**(0.1)**	-
Impact of settlements and curtailments	**0.3**	-	**-**	-
Actuarial gain/(loss)	**15.9**	(6.1)	**15.9**	(6.7)
Deficit in pension scheme at 31 March	**(13.9)**	(32.4)	**(11.7)**	(29.9)

Social Housing Pension Scheme (SHPS) - defined benefit scheme

The Association participated in the Social Housing Pension Scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. On 30 September 2019 the Association exited from this scheme and transferred the scheme assets to a new scheme - the Orbit Group Defined Benefit Pension Scheme.

Orbit Group Defined Benefit Pension Scheme

From 1 October 2019 the company operated a defined benefit scheme in the UK. This is a separate trustee administered fund set up on 1 October 2019 following the transfer of assets and obligations from the Social Housing Pension Scheme (SHPS). The scheme holds the pension scheme assets to meet long term pension liabilities. Scheme liabilities have been based on data provided for the SHPS actuarial valuation as at 30 September 2019, and have been updated to 31 March 2020 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The impact of Guaranteed Minimum Pension (GMP) equalisation is 0.07% of liabilities which is estimated at £78,000 and is included in the disclosures.

Present values of SHPS defined benefit obligation, fair value of assets and defined benefit asset (liability) (Group and Association)

	31 March 2020 £m	31 March 2019 £m
Fair value of plan assets	**90.2**	87.6
Present value of defined benefit obligation	**(101.9)**	(117.5)
Deficit in plan	**(11.7)**	(29.9)
Defined benefit liability to be recognised	**(11.7)**	(29.9)

36. Pension costs (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

	31 March 2020 £m
Defined benefit obligation at the start of the year	117.5
Expenses	0.1
Interest expense	2.5
Actuarial gains due to changes in financial assumptions	(15.2)
Benefits paid and expenses	(3.0)
Defined benefit obligation at the end of the year	**101.9**

Reconciliation of opening and closing balances of the fair value of plan assets

	31 March 2020 £m
Fair value of plan assets at the start of the year	87.6
Interest income	1.9
Actuarial gains due to changes in financial assumptions	0.7
Contributions by the employer	3.1
Benefits paid and expenses	(3.1)
Fair value of plan assets at the end of the year	90.2

The actual return on the plan assets (including any changes in share of assets) over the year ended 31 March 2020 was £7.7 million.

Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)

	31 March 2020 £m
Net interest expense	0.7

36. Pension costs (continued)

Defined benefit costs recognised in Other Comprehensive Income

	31 March 2020 £m
Experience on plan assets (excluding amounts included in net interest cost)-gain	0.7
Experience gains and losses arising on the plan liabilities	2.7
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	12.5
Total amount recognised in other comprehensive income – gain	15.9

Assets

	31 March 2020 £m	**31 March 2019 £m**
Absolute Return	**-**	7.6
Apollo	**2.1**	-
Alternative Risk Premia	**-**	5.1
Ares SIF	**5.3**	-
BLK LMF Short Real Profile	**6.4**	-
BLK LMF Long Nominal Profile	**8.7**	-
BLK LMF Long Real Profile	**15.0**	-
Corporate Bond Fund	**-**	4.1
Credit Relative Value	**-**	1.6
Distressed Opportunities	**-**	1.6
Emerging Markets Debt	**1.6**	3.0
Fixed Interest Corporate	**9.3**	-
Fund of Helge Funds	**-**	0.4
GIP Gemini	**1.1**	
Global Equity	**3.9**	14.7
Hayfin	**1.0**	-
Inflation linked	**0.1**	-
Infrastructure	**4.3**	4.6
Insurance-Linked Securities	**2.4**	2.5
King Street	**1.0**	-
Liability Driven Investment	**-**	32.1
Long Lease Property	**3.0**	1.3
MAN	**1.3**	-
Net Current Assets	**-**	0.1
Other Assets – Cash & Debtors/Creditors	**10.8**	-
Pimco	**1.6**	-
Private Debt	**-**	1.2
Property	**1.7**	2.0
Risk Premium	**1.4**	-
Risk Sharing	**1.8**	2.6
Ruffer	**2.9**	-
Secure Income	**2.4**	3.1
TwentyFour	**1.1**	-
Total assets	**90.2**	87.6

36. Pension costs (continued)

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key Assumptions

	31 March 2020 % per annum	**31 March 2019 % per annum**
Discount Rate	**2.35%**	2.31
Inflation (RPI)	**2.60%**	3.29
Inflation (CPI)	**1.60%**	2.29
Salary Growth	**-**	3.29
Allowance for commutation of pension for cash at retirement	**75% of maximum allowance**	**75% of maximum allowance**

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2020	**22.0**
Female retiring in 2020	**23.7**
Male retiring in 2040	**23.3**
Female retiring in 2040	**25.0**

36. Pension costs (continued)

Other pension schemes operated by Orbit South Housing Association Limited

Local Government Pension Scheme – Kent County Council and Bexley London Borough

The Association participates in The Local Government Pension Scheme (LGPS defined benefit statutory scheme) which is administered by Kent County Council (KCC). These figures have been prepared in accordance with Financial Reporting Standard 102 (FRS102). Total employer contributions paid to the scheme for the year were £17,000 (2019: £16,000). The estimated impact of the recent McCloud judgement has been recognised as a past service cost. The impact on the total liabilities as at 31 March 2020 from this judgement is estimated to be £18,000 (or 0.2% as a percent of total liabilities).

The Association also participated in the Local Government Pension Scheme (LGPS defined benefit statutory scheme) administered by the London Borough of Bexley. The Association withdrew from this scheme at 31 March 2019 following the settlement of all current and future liabilities.

Triennial actuarial valuation

Triennial actuarial valuations of the LGPS are performed by an independent, professionally qualified actuary. The most recent valuation of KCC's scheme was completed as at 31 March 2019. This actuarial valuation was certified on 18 December 2019 and used financial assumptions that comply with FRS102. The Association has a funding surplus of £1,136,000 at 31 March 2019 compared to a funding surplus of £400,000 at 31 March 2016.

Actuarial assumptions used for the Kent County Council LGPS scheme

The major financial assumptions used by the actuary in the FRS 102 valuation as at 31 March 2020 are:

	2020	2019
Rate of increase in salaries	**3.00%**	3.90%
Rate of increase in pensions in payment and deferred pensions	**2.00%**	2.40%
Discount rate applied to scheme liabilities	**2.35%**	2.40%
Inflation assumption - CPI	**2.00%**	2.40%
Inflation assumption - RPI	**2.80%**	3.40%

The estimate of the duration of the employer liabilities is 18 years.

36. Pension costs (continued)

Life Expectancy from age 65 (years)

		2020 Number	2019 Number
Retiring today	Males	**21.8**	22.0
	Females	**23.7**	24.0
Retiring in 20 years	Males	**23.2**	23.7
	Females	**25.2**	25.8

Scheme Assets

	31 March 2020 £m	31 March 2019 £m
Equities	**4.9**	7.6
Government bonds	**0.1**	0.4
Other bonds	**1.0**	1.2
Property	**1.1**	1.5
Other – cash	**0.2**	0.2
Absolute return fund	**0.7**	0.7
Other	**-**	1.0
Total fair value of assets	**8.0**	12.6
Present value of scheme liabilities	**(10.3)**	(15.0)
Net pension liability	**2.3**	(2.4)

36. Pension costs (continued)

Statement of financial position as at 31 March 2019

	31 March 2020 £m	31 March 2019 £m
Present value of the defined benefit obligation	**10.3**	15.0
Fair value of fund assets (bid value)	**(8.0)**	(12.6)
Net defined benefit liability	**2.3**	2.4

Scheme liabilities

	2020 £m
Opening defined benefit obligation	**15.0**
Removal of Bexley obligation	**(3.9)**
Interest cost	**0.3**
Change in financial assumptions	**(0.7)**
Change in demographic assumptions	**(0.1)**
Estimated benefits paid net of transfers in	**(0.3)**
Closing defined benefit obligation	**10.3**

Reconciliation of opening and closing balances of fair value scheme assets

	2020 £m
Opening fair value of scheme assets	**12.6**
Removal of Bexley LGPS assets	**(3.6)**
Interest on assets	**0.2**
Return on assets less interest	**(0.9)**
Estimated benefits paid net of transfers in and including unfunded	**(0.3)**
Fair value of scheme assets at the end of the year	**8.0**

36. Pension costs (continued)

Analysis of amounts charged to income and expenditure

	2020 £m	2019 £m
Amounts charged to operating costs	**5.9**	-
Net interest on the defined liability	**0.1**	0.1

Movement in deficit during the year

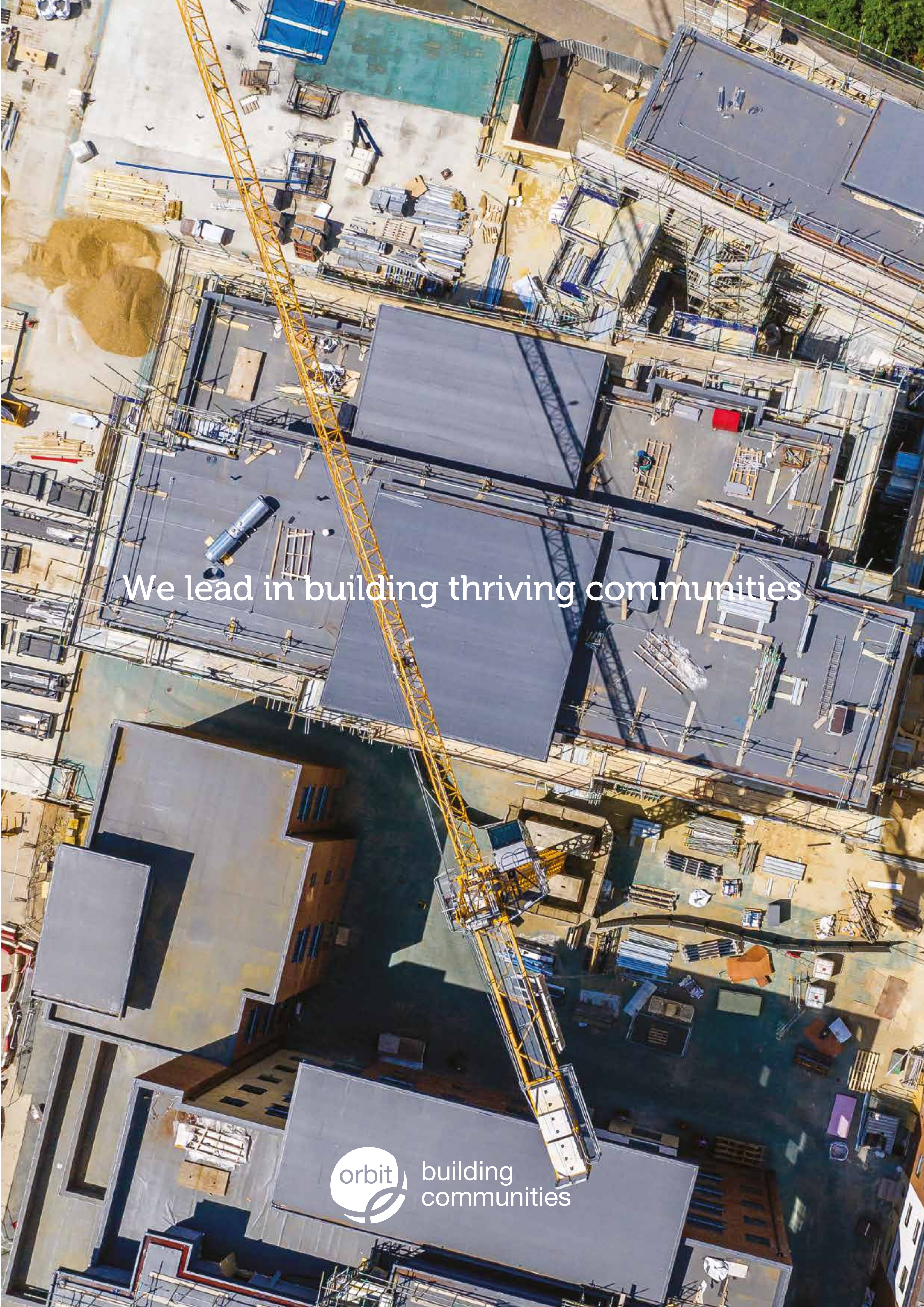
	2020 £m	2019 £m
Deficit in pension scheme at 1 April 2019	**(2.4)**	(3.0)
Settlement of Bexley LGPS obligation	**0.3**	
Contributions	**-**	0.1
Net interest	**(0.1)**	
Net return on assets less interest on pension scheme liabilities	**(0.9)**	(0.1)
Actuarial gains	**0.8**	0.6
Deficit in pension scheme at 31 March 2020	**(2.3)**	(2.4)

37. Non-consolidated management arrangements

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

38. Post balance sheet events

There were no post balance sheet events.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