

ORBIT TREASURY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011



Building Brighter Futures...

for people and communities



ORBIT TREASURY LIMITED

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**Company Registration
Number 06264601**

ORBIT TREASURY LIMITED

EXECUTIVE OFFICERS AND AUDITORS

NON-EXECUTIVE DIRECTORS

The following are Non-Executive Directors of the Company and have served for the year as shown:

Name

Jackie Matthews	Chair
Rosemary Hyde	
Peter Cleland	(Resigned 26 May 2010)
Lynn Dexter	(Appointed 14 April 2010)

EXECUTIVE DIRECTORS

The following are Executive Directors of the Company and have served for the year as shown:

Name

Paul Tennant	Group Chief Executive
Anne Turner	Group Finance and Resources Director

EXECUTIVE OFFICERS

The Company does not directly employ any staff. The Executive Officers and staff of the parent association provide services to Orbit Treasury Limited through a Service Agreement. The Executive Officers of Orbit Group Limited, the parent association, are listed in their financial statements. The Directors benefit from insurance indemnifying them against legal claims from third parties.

AUDITORS

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

PRINCIPAL SOLICITORS

Trowers and Hamlins
Sceptre Court
40 Tower Hill
London, EC3N 4DX

REGISTERED OFFICE

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

ORBIT TREASURY LIMITED

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Company, and the audited financial statements for the year ended 31 March 2011.

Orbit Treasury Limited was set-up in September 2007 as a wholly owned subsidiary of Orbit Group Limited to provide cost-effective treasury management to the Group. Orbit Treasury Limited has loan agreements in place with a number of banks and building societies and draws down funds to on-lend to those Group subsidiaries that have entered into an Intra-group loan agreement. This document sets out the basis of the relationship as well as how loans will be drawn and distributed and the basis of charging and repayment.

Orbit Treasury Limited has access to all assets of these subsidiaries, which are not subject to fixed charges to other lenders as all parties have entered into a cross guarantee structure. Loans drawn are secured on properties charged to a security trustee.

Principal Activities

The principal activities of the Company comprise the lending and on lending of funds to Group Subsidiaries.

Review of Developments and Future Prospects

The Board recognises that its high degree of debt makes it important to regularly review its treasury policy. The treasury function operates within a framework of clearly defined Group Board approved policies, procedures and delegated authorities. The fundamental principle underlying the Company's approach is to treat treasury activities as a means of controlling risk rather than for profit generation. For Orbit Treasury Ltd this involves minimising loans drawn, cash held at bank and investing surplus cash in short-term cash deposits.

Approved sources of finance/borrowing currently include - traditional loans/mortgages from banks, building societies and financial institutions, bank overdrafts, revolving credit loans and lease Hire Purchase agreements.

Approved types of Investment Instruments include - money market deposits, bank accounts (including call accounts) with banks and building societies and pooled money market funds. Limits have been set on the size of investments that can be made and counterparties have to meet an approved criteria.

Orbit Treasury Limited can use derivatives where they are permitted and notes the requirement for Tenant Services Authority approval. Derivatives can only be used to manage the interest rate risk of the Group by hedging, where appropriate, variable rate borrowings. The use of derivatives is to seek to minimise risk before maximising returns and at no time will derivatives be used as a trading instrument.

The following derivative transactions are currently included in the policy – interest rate swaps, forward rate agreements, interest rate options and cap and collar transactions. In relation to derivatives, Orbit Treasury Limited:

- Currently does not enter into interest rate floors, except as part of a collar arrangement.
- Will not write any of these transactions itself but will always buy derivatives from a counterparty.
- May also use interest rate swaps combining options (e.g. extendible/callable/cancellable swaps).

ORBIT TREASURY LIMITED

DIRECTORS' REPORT

Results and Dividends

The loss for the year was £2k (2010 loss £8k). The Directors do not recommend payment of a Dividend.

Directors and their Shareholdings

The Directors who served during the year are shown on page 2. The Company is a wholly owned subsidiary of Orbit Group Limited. None of the Directors held any interest in the shares of the Company.

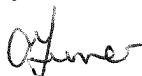
Disclosure of information to auditors

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

Auditors

A resolution to re-appoint KPMG LLP as the Company's auditor for external audit services will be proposed at the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.



Anne Turner, Executive Director

5 September 2011

ORBIT TREASURY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities

United Kingdom Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORBIT TREASURY LIMITED

We have audited the financial statements of Orbit Treasury Limited for the year ended 31 March 2011 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

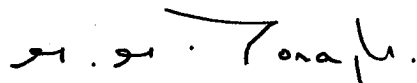
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

10 September 2011

ORBIT TREASURY LIMITED**PROFIT AND LOSS ACCOUNT**

For the Year Ended 31 March 2011

	2011 £'000	2010 £'000
Interest Receivable	19,786	21,001
Interest payable	<u>(20,224)</u>	<u>(21,257)</u>
Operating Loss	(438)	(256)
Other operating income	1,161	770
Other operating expenses	(722)	(496)
Gift Aid Donation	<u>(1)</u>	<u>(28)</u>
Loss on Ordinary Activities before taxation	-	(10)
Taxation	<u>(2)</u>	<u>2</u>
Loss for the Financial Year	(2)	(8)
Revenue Reserves Brought Forward	<u>8</u>	<u>16</u>
Revenue Reserves at 31 March	<u><u>6</u></u>	<u><u>8</u></u>

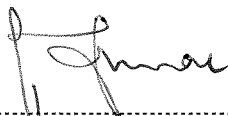
All activities derive from continuing operations. There are no recognised gains and losses. Accordingly, no statement of total recognised gains and losses is given.

ORBIT TREASURY LIMITED

BALANCE SHEET As at 31 March 2011

	NOTES	2011		2010	
		£'000	£'000	£'000	£'000
Current Assets					
Debtors: Amounts due within one year	5	11,619		12,942	
Debtors: Amounts due after more than one year	6	564,442		536,336	
Cash at Bank and in Hand		<u>961</u>		<u>418</u>	
		577,022		549,696	
Creditors: Amounts falling due within one year	7	<u>(3,913)</u>		<u>(4,449)</u>	
NET CURRENT ASSETS			573,109		545,247
Creditors: Amounts falling due after more than one year	8		<u>(573,103)</u>		<u>(545,239)</u>
NET ASSETS			<u>6</u>		<u>8</u>
Capital and Reserves					
Called up Share Capital	9		-		-
Profit and Loss Reserve	13		<u>6</u>		<u>8</u>
			<u>6</u>		<u>8</u>

The financial statements were approved by the Board of Directors on 5 September 2011 and signed on its behalf by:



PAUL TENNANT - DIRECTOR

Company Registration
Number 06264601

ORBIT TREASURY LIMITED

CASH FLOW STATEMENT

For the Year Ended 31 March 2011

	2011	2010
	£'000	£'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES (Note 10)	(27,321)	(56,558)
Returns on investments and servicing of Finance		
Financing (Note 11)	<u>27,864</u>	<u>55,253</u>
INCREASE / (DECREASE) IN CASH (Note 12)	<u><u>543</u></u>	<u><u>(1,305)</u></u>

ORBIT TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention.

The Directors have prepared trading and cash flow forecasts for Orbit Treasury Limited. These forecasts show that the Orbit Treasury Limited has sufficient financial resources to meet its obligations as they fall due from the date that these financial statements were approved.

Taxation

Current tax, including UK Corporation Tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current taxes and law. Timing differences arise from inclusion of items of income and expenditure in tax computations different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

Derivative Financial Instruments

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

Going Concern

The financial statements are prepared on a going concern basis.

Accordingly, after considering the forecast, appropriate sensitivities, current trading and available facilities, the Directors have a reasonable expectation that Orbit Treasury Limited has adequate resources to continue in operational existence for the foreseeable future and have concluded that the going concern basis of preparation is appropriate to enable the company to continue trading for at least one year from the date of signing these financial statements.

2 DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

The Executive Directors are employed by Orbit Group Limited and their emoluments are disclosed within the Group financial statements. Payments to Non Executive Directors are shown below except for those who have roles as the Chair of other Group companies. Their payments are disclosed in the Group financial statements.

	2011 £'000	2010 £'000
Aggregate emoluments paid to or received by Directors who are not executive staff members including salaries, honoraria and other benefits	<u>2</u>	<u>-</u>
Emoluments of the highest paid Director included in aggregate emoluments of Directors who are not executive staff members	<u>2</u>	<u>-</u>

ORBIT TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011

3 NOTES TO THE PROFIT AND LOSS ACCOUNT

	2011 £'000	2010 £'000
Auditors' remuneration:		
Audit	5	4
Other Services	-	3
	<u>5</u>	<u>7</u>

4 TAXATION

The current tax charge for the year is lower than the standard rate of Corporation Tax in the UK of 28%. The differences are explained below. All profits, after recovery of losses, are transferred to Orbit Group Limited under Gift Aid in so far as these profits are chargeable to Corporation Tax.

	2011 £'000	2010 £'000
Loss on ordinary activities before tax	-	(10)
Tax due at 28% thereon	-	(2)
Prior Year adjustment	2	(2)
Non taxable surplus		
Gift Aid Payment related back to prior year	-	2
Current tax charge for year	<u>2</u>	<u>(2)</u>

5 DEBTORS: AMOUNTS RECEIVABLE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Other Debtors	-	-
Amount due from Group Undertakings	11,619	12,942
	<u>11,619</u>	<u>12,942</u>

6 DEBTORS: AMOUNTS RECEIVABLE IN GREATER THAN ONE YEAR

	2011 £'000	2010 £'000
Amount due from Group Undertakings	<u>564,442</u>	<u>536,336</u>

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Amounts due to Group Undertakings	153	-
Accruals and Deferred Income	3,760	4,449
	<u>3,913</u>	<u>4,449</u>

ORBIT TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011

8 OTHER CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £'000	2010 £'000
Due within One Year	<u>-</u>	<u>-</u>
Due After More than One Year		
Bank Loans	<u>580,666</u>	<u>546,666</u>

Bank loans are shown gross of arrangement fees of £1,374k (2010: £1,427k) and Swap buy-out cancellation fees of £6,189k (2010: nil).

On 28 September 2007, all of the loans of Orbit Group and the majority of loans in the Group were re-routed through Orbit Treasury Limited. All members of the Group entered into a fully cross-collateralised structure. Orbit Treasury Limited borrows money on behalf of the Group and on-lends these to the individual operating associations as required.

Loans are secured by fixed charges on the Operating Association's housing properties and are repayable at varying rates of interest in instalments starting after the tenth anniversary of the loan completion.

	2011 £'000	2010 £'000
In one year or less, or on Demand	<u>-</u>	<u>-</u>
Repayable by Instalments:		
- More than One Year but not more than Two Years	-	-
- In more than Two Years but not more than Five Years	17,600	7,920
- In more than Five Years	<u>563,066</u>	<u>538,746</u>
Net Debt at 31 March	<u>580,666</u>	<u>546,666</u>
Repayable other than by Instalments:	<u>-</u>	<u>-</u>
Net Debt at 31 March	<u>580,666</u>	<u>546,666</u>

The bank loans are repaid in instalments at fixed and variable rates of interest. The final instalments fall to be repaid in the period 2035 to 2038.

9 CALLED UP SHARE CAPITAL

	2011 £	2010 £
Authorised ordinary shares of £1 each	<u>2</u>	<u>2</u>
Issued and fully paid ordinary shares of £1 each	<u>2</u>	<u>2</u>

For presentational purposes this note has been shown in £s. The Company is a wholly owned subsidiary of Orbit Group Limited.

ORBIT TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011

10 RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2011	2010
	£'000	£'000
Operating loss	(2)	(8)
(Increase) in Debtors	(26,783)	(56,600)
(Decrease) / Increase in Creditors	(536)	50
	<u> </u>	<u> </u>
Net Cash (Outflow) from Operating Activities	<u><u>(27,321)</u></u>	<u><u>(56,558)</u></u>

11 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2011	2010
	£'000	£'000
(Decrease) / Increase in Cash in the year	543	(1,305)
Cash inflow from increase in Debt	(34,000)	(55,700)
Other changes	6,136	447
	<u> </u>	<u> </u>
Movement in Net Funds in the year	(27,321)	(56,558)
Net debt as at 1 April	<u>(544,821)</u>	<u>(488,263)</u>
Net Debt at 31 March	<u><u>(572,142)</u></u>	<u><u>(544,821)</u></u>

12 ANALYSIS OF CHANGES IN NET DEBT

	At		Other	
	Beginning	Cash	Movements	31 March
	of year	Flows	£'000	£'000
	£'000	£'000	£'000	£'000
Cash at Bank and in Hand	418	543	-	961
Housing loans due greater than one year	(546,666)	(34,000)	-	(580,666)
Loan arrangement fees	1,427	6,426	(290)	7,563
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u><u>(544,821)</u></u>	<u><u>(27,031)</u></u>	<u><u>(290)</u></u>	<u><u>(572,142)</u></u>

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011	2010
	£'000	£'000
Shareholder's Funds brought forward	8	16
Loss for the Financial year	(2)	(8)
	<u> </u>	<u> </u>
Closing Shareholders' Funds	<u><u>6</u></u>	<u><u>8</u></u>

ORBIT TREASURY LIMITED

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

14 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The ultimate parent company and ultimate controlling party is Orbit Group Limited. Copies of the financial statements are published on the Orbit Group website www.orbit.org.uk and are also available from Garden Court, Harry Weston Road, Binley Business Park, Coventry, CV3 2SU.

15 RELATED PARTY TRANSACTIONS

As permitted by paragraph 3(c) FRS8 (Related Party Disclosures), the company has taken advantage of the exemption for wholly owned subsidiaries not to disclose related party transactions with group entities. There were no other related party transactions disclosable under FRS8.