

Orbit Capital Plc

Financial statements

For the year ended 31 March 2017

Company Registration Number 09402193

Orbit Capital Plc

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Orbit Capital Plc

Executive officers and auditors

Directors

The company was incorporated on 22 January 2015 and all directors were appointed on the same date.

The directors of the Company who were in office during the period and up to the date of signing the financial statements were:

Name	Position	Appointed/resigned
David Young	Non-Executive Director/Chair	
Richard Berrett	Non-Executive Director	Resigned 9 July 2016
Stuart Fisher	Non- Executive Director	
Lorne Williams	Non- Executive Director	
Dina Shah	Non- Executive Director	
David Weaver	Non- Executive Director	Appointed 14 September 2016
Paul Tennant	Executive Director	Resigned 23 December 2016
Suzanne Forster	Group Finance Director	
Richard Wright	Secretary	

Executive officers

The company had no employees during the period other than directors (2016: Nil). The executive officers and staff of the parent association provide services to Orbit Capital Plc through a service agreement. The executive officers of Orbit Group Limited, the parent association, are listed in their financial statements.

	Independent Auditor	Principal Solicitor
Address	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH	Trowers and Hamblins 3 Bunhill Row London EC1Y 8YZ

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

Orbit Capital Plc

Strategic report

Date of Incorporation and principal activities

Orbit Capital Plc (the company) was incorporated on 22 January 2015. The directors present the strategic report for the year ended 31 March 2017.

The principal activity of the company is to act as an onward lender of monies raised via the debt capital market to the operating associations of the Orbit Group, namely Orbit Heart of England Housing Association, Orbit South Housing Association and Orbit Group Limited itself. This is expected to continue into the foreseeable future.

Review of the business and future developments

The company arranged its first public bond issue on 24 March 2015 with an initial issue of £200 million and retained bonds of £50m, which were issued on 3 August 2016. The proceeds of both issues were on lent to the operating associations.

The company makes a charge to the operating associations set at a level sufficient to recover interest payable to bond holders and all operating costs, resulting in a breakeven position. The directors are therefore satisfied with the results for the period and expect future performance to continue on the same basis.

Key performance indicators (KPIs)

The company operates as a Group funding vehicle with the intention of breaking even and has no specific key performance indicators. KPI's for Orbit Group are included in the operating and financial review statement in the Group's annual report.

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 2017, 100% of the company's debt was on fixed rate terms. There is no intention to repay any debt prior to maturity; therefore any movement in the market value of debt due to changes in interest rates is not deemed material to the ongoing operations of the company.

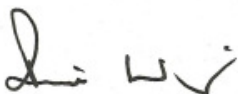
Liquidity risk

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 bond holders are secured by a legal charge over property assets owned by the associations with a value in excess of total borrowings. The associations have entered into a guarantee with the company over future interest payments and the property security.

Approved by the board of directors and signed by the order of the board:



Richard Wright
Company Secretary

13 July 2017

Orbit Capital Plc

Directors' report

The directors present their annual report on the affairs of Orbit Capital Plc (the company) and the audited financial statements for the year ended 31 March 2017.

Incorporation

The company was incorporated on 22 January 2015 under the Companies Act 2006 number 9402193. The company's ultimate parent undertaking is Orbit Group Ltd.

Results and dividends

The profit for the period was £nil. The directors do not recommend payment of a dividend.

Charitable donations

There were no donations in the period.

Directors

The directors who served during the period and up to the date of signing the financial statements are shown on page 1. The directors benefit from a qualifying third party indemnity provision indemnifying them against legal claims from third parties that has been in place throughout the financial period and up to and including the date that the financial statements are signed. The company is a wholly owned subsidiary of Orbit Group Limited.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit/loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure 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.

Disclosure of information to auditors

Each of the persons who are a director at the date of approval of this report confirms that:

- (1) So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) Each director has taken all the steps he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Orbit Capital Plc

Directors' report

Going concern

The financial statements are prepared on a going concern basis.

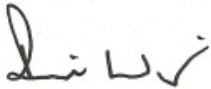
Orbit Capital Plc was established as a vehicle for issuance of public bonds on behalf of Orbit Group for the purpose of on-lending to the operating associations. An intra group loan agreement has been entered into by all of the associations which provide a commitment to Orbit Capital to pay interest on intra group loans. The Board confirms that the company has adequate resources to continue in operational existence for the foreseeable future. The company also has the continued support of its parent, Orbit Group Limited. Accordingly the company adopts the going concern basis in its financial statements.

Independent auditors

KPMG LLP was reappointed as the company's auditor for the year.

A resolution to re-appoint the auditors for external audit services will be proposed at the Orbit Group Limited Annual General Meeting.

Approved by the board of directors and signed by the order of the board:



Richard Wright
Company Secretary

13 July 2017

Orbit Capital Plc

Independent auditor's report to the members of Orbit Capital Plc For the year ended 31 March 2017

We have audited the financial statements of Orbit Capital plc for the year ended 31 March 2017 set out on pages 6 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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 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 auditor

As explained more fully in the statement of directors' responsibilities set out on page 3, 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, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2017 and of its result 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and 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.



Sarah Brown (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

25th July 2017

Orbit Capital Plc

Statement of comprehensive income

For the year ended 31 March 2017

	Notes	2017 £000	For the 15 month period 2016 £000
Operating costs	2	(141)	(222)
Other Income	3	141	222
Operating profit			-
Interest receivable and similar income	6	8,106	7,153
Interest payable and similar charges	7	(8,106)	(7,153)
Profit before tax		-	-
Tax on profit on ordinary activities		-	-
Profit for the financial period		-	-

All activities commenced in the period and derive from continuing operations. There are no recognised gains or losses other than those included in the above and therefore no movements in other comprehensive income to disclose.

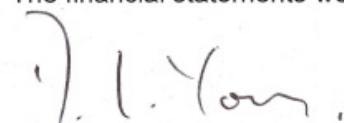
Orbit Capital Plc

Statement of financial position

As at 31 March 2017

	Notes	2017 £000	2016 £000
Debtors: amounts falling due after more than one year			
current assets	8	249,326	195,698
Debtors	8	409	162
Cash at bank and in hand	9	13	13
		<u>422</u>	<u>175</u>
Creditors: Amounts falling due within one year	10	(1,301)	(1,255)
Net current liabilities		<u>(879)</u>	<u>(1,080)</u>
Total assets less current liabilities		248,447	194,618
Creditors: amounts falling due after more than one year	11	(248,434)	(194,605)
Net assets		<u>13</u>	<u>13</u>
Capital and reserves			
Called up share capital	13	13	13
Cash flow hedge reserve		-	-
Profit and Loss account		-	-
Total funds		<u>13</u>	<u>13</u>

The financial statements were approved by the board of directors and signed on its behalf by:



David Young
Orbit Capital plc
Chair

13 July 2017

Company Registration Number 09402193

Orbit Capital Plc

Cash flow statement

As at 31 March 2017

	Notes	For the 15 month period	
		2017 £000	2016 £000
Cash flows from operating activities			
Profit for the year		-	-
Adjustments for:			
Interest receivable and similar income	6	8,106	7,153
Interest payable and similar charges	7	(8,106)	(7,153)
(Increase) in trade and other debtors	8	(53,875)	(195,860)
Increase in trade and other creditors	10 & 11	53,875	195,860
Net cash from operating activities		-	-
Cash flows from financing activities			
Proceeds of share issue		-	13
Net cash from financing activities		-	13
Net increase in cash and cash equivalents		-	13
Cash and cash equivalents at 1 April 2016		13	-
Cash and cash equivalents at 31 March 2017		13	13

Orbit Capital Plc

Notes to the financial statements

For the year ended 31 March 2017

1. Accounting policies

Basis of accounting

These financial statements were prepared in accordance with Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

There have been no key estimates or judgements made which may materially affect the financial statements.

The principal accounting policies, which have been consistently applied unless otherwise stated throughout the year, are set out below.

Orbit Capital Plc has taken the exemption of not to disclose related party transactions under FRS 102, and no other exemptions have been taken.

Going concern

The financial statements are prepared on a going concern basis.

Orbit Capital Plc was established as a vehicle for issuance of public bonds on behalf of Orbit Group for the purpose of on-lending to the operating associations. An intra group loan agreement has been entered into by all of the associations which provide a commitment to Orbit Capital to pay interest on intra group loans. The board confirms that the company has adequate resources to continue in operational existence for the foreseeable future. The Company also has the continued support of its parent, Orbit Group Limited. Accordingly the company adopts the going concern basis in its financial statements.

Premiums and discounts

In accordance with the company's principal activities it undertakes the issuance of bonds. Where such issuance results in a premium or a discount over or under par these are amortised over the life of the bond. The bonds are held at amortised cost in the financial statements.

Operating costs

Operating costs represent fees incurred in the year and amortised following the issue of the bond.

Other income

Other income comprises of costs recharged to the operating associations.

Taxation

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

Deferred tax is provided in full, at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, on timing differences that result in an obligation at the statement of financial position 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 the 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.

Orbit Capital Plc

Notes to the financial statements

For the year ended 31 March 2017

2. Operating costs

	2017 £000	For the 15 month period 2016 £000
Arrangement fees due to external bodies	141	222

3. Other income

	2017 £000	For the 15 month period 2016 £000
Fees due from Group undertakings	141	222

4. Directors' and executive officers' emoluments

Directors' remuneration and expenses are borne by other group entities.

The company has no employees.

5. Expenses and auditor's remuneration

	2017 £000	For the 15 month period 2016 £000
Auditor's remuneration:		
Audit of these financial statements	3	3

6. Interest receivable and similar income

	2017 £000	For the 15 month period 2016 £000
Loan interest received from group undertakings	8,106	7,153

Orbit Capital Plc

Notes to the financial statements

For the year ended 31 March 2017

7. Interest payable and similar charges

	2017 £000	For the 15 month period 2016 £000
Bond interest payable	8,106	7,153

8. Debtors

	2017 £000	2016 £000
Amounts owed by Group undertakings:		
Due within one year	409	162
Due after more than one year	249,326	195,698
	249,735	195,860

9. Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	13	13

10. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Amounts due to Group undertakings	1,111	1,082
Other creditors	-	4
Accruals and deferred income	190	169
Total	1,301	1,255

Orbit Capital Plc

Notes to the financial statements

For the year ended 31 March 2017

11. Creditors: amounts falling due after more than one year

	2017	2016
	£000	£000
Bonds	250,000	200,000
Less issue price discount	(3,676)	(3,807)
Add retained bond issue price premium	3,876	-
Less deferred bond arrangement fees	(1,766)	(1,588)
Total	248,434	194,605

Bonds

The remaining £50m of the £250m 30 year sterling bond (maturity date 24th March 2045) priced at 3.50% was issued to investors on 3 August 2016.

The bonds are secured by a first fixed charge on properties owned by the Group.

12. Financial instruments

Fair value of financial instruments

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

	2017		2016	
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
Financial liabilities measured at amortised cost				
Secured bonds	250,000	291,327	200,000	224,622

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Orbit Capital Plc has no financial instruments measured at fair value so fair value hierarchy disclosure requirements do not apply. All financial assets held by the company (loans and receivables) qualify to be held at amortised cost, therefore the requirement to disclose the effect of changing the inputs in calculation of fair values is not considered applicable.

At 31 March 2017, the fair value of the company's long term debt was £291,327k (2016: £224,622k).

The fair value of financial liabilities is estimated at present value of future cash flows, discounted at the market rate of interest at the statement of financial position date if the effect is material.

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 2017, 100% of the company's debt was on fixed rate terms (2016: 100%). There is no intention to repay any debt prior to maturity; therefore any movement in the market value of debt due to changes in interest rates is not deemed material to the ongoing operations of the company.

Orbit Capital Plc

Notes to the financial statements

For the year ended 31 March 2017

12. Financial instruments (continued)

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 bond holders are secured by a legal charge over property assets owned by the associations with a value in excess of total borrowings. The associations have entered into a guarantee with the company over future interest payments and the property security. The carrying amount of the bond represents the maximum value exposed to credit risk. At the end of the financial year the credit rating of A1, with a stable outlook, from Moody's remained in place. As a result of the referendum vote, Moody's revised their outlook on the Bond from stable to negative on 29 June 2016.

The contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements, are in 28 years.

The debt is repayable as follows:

	2017	2016
	£'000	£'000
In five years or more	250,000	200,000

The above figure is repayable as a lump sum in 2045. Interest is charged at a fixed rate of 3.50%. The loan is secured upon 3,972 housing properties owned by the operating associations within the Group.

13. Capital and reserves

Called up share capital

	2017	2016
	£'000	£'000
Allotted called up and partly paid	13	13
50,000 ordinary shares of 25p each	13	13

During 2016 the company issued 50,000 £1 ordinary shares, for a consideration of £0.25 each, settled in cash.

14. Ultimate parent entity and ultimate controlling party

The immediate parent undertaking and ultimate parent entity and controlling entity is Orbit Group Limited, a Co-operative and Community Benefit Society incorporated in the United Kingdom.

Orbit Group Limited is the parent undertaking of the only group of undertakings to consolidate these financial statements at 31 March 2017.

A list of the members of Orbit Group ("Orbit") is contained within the consolidated financial statements of Orbit Group Limited.

The consolidated financial statements of Orbit Group Limited are published on the Orbit website www.orbit.org.uk.

Orbit Capital Plc

Notes to the financial statements

For the year ended 31 March 2017

15. Post statement of financial position events

There are no post statement of financial position events to report.

16. Related party transactions

Orbit Capital Plc is a wholly owned subsidiary of Orbit Group Limited. As permitted by FRS 102 para 33.1A (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 FRS 102 para 33.1A.