

**Orbit Capital Plc**

**Financial statements**

**For the year ended 31 March 2018**

**Company Registration Number 09402193**

# Orbit Capital Plc

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## Orbit Capital Plc

### Executive Officers and Advisors

#### 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 Weaver	Non-Executive Director/Chair	
David Young	Non- Executive Director	
Stuart Fisher	Non- Executive Director	
Lorne Williams	Non- Executive Director	
Dina Shah	Non- Executive Director	Resigned 31 March 2018
Mark Hoyland	Executive Director	Appointed 17 July 2017
Suzanne Forster	Group Finance Director	Resigned 1 August 2017
Joy Baggaley	Group Finance Director	Appointed 1 January 2018
Richard Wright	Secretary	

#### Executive officers

The company had no employees during the period other than directors (2017: 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.

#### Advisors

Independent Auditors	Principal Solicitors	Registered office
KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH	Trowers and Hamblins 3 Bunhill Row London EC1Y 8YZ	Garden Court Binley Business Park Harry Weston Road Binley Coventry 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 2018.

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 Limited, Orbit South Housing Association Limited 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 £50 million, which were issued on 3 August 2016. The proceeds of both issues were on lent to the operating associations. The company arranged its second public bond issue on 7 June 2018 raising £450 million which was used to restructure the groups existing debt portfolio and provide long term funding to support the group strategy.

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.

#### **Principle risks and uncertainties**

The principle risk of the company is the inability to meet its obligations in respect of the Bond Trustees and counterparty risk in respect of other group members/parent. The key risks identified are:

- loan covenant breach
- parent company does not perform in line with the business plan
- registered providers impacted by welfare reform and accessing funds

Our approach to risk management is embedded across the business as part of our cycle of activity. Arrangements are in place that robustly manage the operational and strategic risks that threaten our business plan, future performance, solvency and liquidity. The business continuously manages the risks identified above by monitoring the loan covenants, liquidity and reference to the group risk register and the factors that impact these risks.

#### **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 2018, 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.

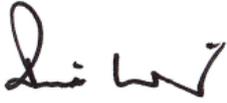
## **Orbit Capital Plc**

### **Strategic Report**

#### *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:

A handwritten signature in black ink, appearing to read 'Richard Wright', written in a cursive style.

**Richard Wright**  
**Company Secretary**

**2 July 2018**

## **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 2018.

#### **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 Limited.

#### **Results and dividends**

The profit for the year was £nil (2017: £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 year. Under that law they are required 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*.

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 its profit or loss 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 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;
- assess the company'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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

## **Orbit Capital Plc**

### **Directors' Report**

#### **Responsibility statement of the directors in respect of the annual financial report**

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the strategic report and directors' report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

#### **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 they ought to have taken as a director in order to make themselves 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.

#### **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.

#### **Viability Statement**

As required by the provisions of the UK Corporate Governance Code, the directors have assessed the long term viability of Orbit Capital Plc for a period of three years, taking into account the company's current position and the potential impact of the principle risks documented on page 2 of the strategic report. The long term nature of the company's activity is to hold long term bonds and on-lend within the group with repayment due in 27 years.

In making this assessment the directors have considered the following core business processes:

- Five year group business plan which demonstrates the ability of the parent to service the debt, taking into account detailed stress testing of the plan. This involves flexing a number of assumptions underlying the forecast both individually and together under particular scenarios.
- Risk management – as set out in the risk section of the strategic report, Orbit Capital Plc has a structured approach to the management of risk and the principle risks identified and reviewed regularly by the board.
- Liquidity – based on the output of the business plan and regular reforecasting of cashflows the board reviews the liquidity position of the group, ensuring funding is secured in accordance with group's treasury policy.

## **Orbit Capital Plc**

### **Directors' Report**

- 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.

On the basis of this and other matters considered and reviewed by the board during the year, the board has reasonable expectations the group will be able to continue in operation and meet its liabilities as they fall due over the three year period used for this assessment.

### **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**

**2 July 2018**

## **Orbit Capital Plc**

### **Audit and Risk Committee Report**

#### **Audit and Risk Assurance Committee**

On an annual basis, the committee reviews the effectiveness of the external audit function by scrutinising the external auditor's performance and evaluating service delivery. This is done using feedback from colleagues and leaders and the committee's own experience. The independence of the external auditor is also assessed, to make sure that the operational teams remain independent in nature, character and judgment and that our relationship with them remains objective, reasonable and proportionate.

The committee is satisfied that the key personnel from KPMG involved in delivering the audit service demonstrate the appropriate levels of objectivity and independence.

#### **Significant issues considered by the Audit and Risk Assurance Committee for the year ended 31 March 2018**

Significant issues were discussed with management and KPMG in January 2018 when the Audit and Risk Assurance Committee reviewed KPMG's audit planning memorandum and at the conclusion of the audit when the financial statements were reviewed in July 2018. The audit planning memorandum identified a key audit matter which is considered below.

##### **Inability to service debt**

The principal risk facing the company would be an inability of the group to service the debt and repay the debtor as it falls due. Management gave assurances that the risk is mitigated and the group could service the debt as the group has intra group loan agreements and internal control arrangements in place as well as having a strong liquidity position with £225 million of undrawn secured loans and £50 million of cash at 31 March 2018. KPMG explained their audit testing of the risk of servicing the debt. The Audit and Risk Assurance Committee questioned management and KPMG on the work performed and were satisfied that group could service the debt when it falls due.

The 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 the board for approval.

## Orbit Capital Plc

### Independent Auditor's Report to the Members of Orbit Capital Plc For the year ended 31 March 2018

#### 1 Our opinion is unmodified

We have audited the financial statements of Orbit Capital plc ("the Company") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its result for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 5 October 2015. The period of total uninterrupted engagement is for the 3 financial years ended 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

#### 2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2017), in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

#### **Recoverability of Long Term Debtors**

*Long Term Debtors (amounts falling due in more than one year) £249.3 million (2017: £249.3 million)*

*Refer to page 7 (Audit & Risk Assurance Committee's Report), page 15 (accounting policy) and pages 18 to 19 (financial disclosures)*

#### The risk – low risk high value

The Company's primary activity is to issue bonds, source investor financing and on-lend to the Parent. It therefore has long term liabilities which relate to the bonds issued and long term intercompany debtors which relate to the loans provided to the Parent.

The carrying amount of the long term intercompany debtor balance represents 99% of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Company financial statements, this is considered to be the area that had the greatest effect on our overall Company audit.

Whilst there are small amounts of financial income and financial expense during the loan period, the risk mainly stems from the expectation of the ability of the Parent to repay the loan in 27 years (2045).

## Orbit Capital Plc

### Independent Auditor's Report to the Members of Orbit Capital Plc For the year ended 31 March 2018

#### Our response

Our procedures included:

- i. **Assessment of Recoverability:** Assessing 100% of intercompany long term debtors owed by the Parent (2017: 100%) to identify, with reference to the Parent's financial draft balance sheet, whether they have a positive net asset value and sufficient headroom to cover the debt owed, and that future cash flow plans include repayment of the debt.
- i. **Test of detail:** Assessing the creditor recognised by the Parent and comparing it to the debtor recognised by the company.
- ii. **Test of detail:** Assessing the balance on-loaned to the group with reference to the bond issue funds and the onward loan document between the Company and the Parent.
- iii. **Confirmation of value:** Obtained a confirmation letter from the counterparty to assess the gross, net and repayment date of the loan to the Parent.

#### Our results

We found the Company's assessment of the recoverability of the Long term debtor balance to be acceptable (2017 result: acceptable).

### **3 Our application of materiality and an overview of the scope of our audit**

Orbit Capital Plc is part of a Group headed by Orbit Group Limited. Materiality of £2.4 million (2017: £1.9 million), as communicated by the Group audit team, has been applied to the audit of the Company.

This is lower than the materiality we would otherwise have determined by reference to Net Assets, and represents 18.5% of the Company's Net Assets (2017: 14.6%).

We agreed to report to the Audit and Risk Assurance Committee any corrected or uncorrected identified misstatements exceeding £0.12 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Orbit Capital Plc was undertaken to the materiality level specified above and was all performed at the Group head office in Garden Court, Harry Weston Road, Binley Business Park, Coventry, West Midlands, CV3 2SU.

### **4 We have nothing to report on going concern**

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **5 We have nothing to report on the other information in the Annual Report**

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, 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.

## Orbit Capital Plc

### Independent Auditor's Report to the Members of Orbit Capital Plc For the year ended 31 March 2018

#### ***Strategic report and directors' report***

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### **6 We have nothing to report on the other matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, 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.

We have nothing to report in these respects.

#### **7 Respective responsibilities**

##### ***Directors' responsibilities***

As explained more fully in their statement set out on page 4, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company'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 they either intend to liquidate the Company or to cease operations, or have 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, other irregularities (see below), 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, other irregularities 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](http://www.frc.org.uk/auditorsresponsibilities).

##### ***Irregularities – ability to detect***

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the group's activities and its legal form. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statement items. Further detail in respect of the recoverability of long term debtors is set out in the key audit matter disclosures in section 2 of this report.

## Orbit Capital Plc

### Independent Auditor's Report to the Members of Orbit Capital Plc For the year ended 31 March 2018

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities) in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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.



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

2 August 2018

## Orbit Capital Plc

### Statement of Comprehensive Income

For the year ended 31 March 2018

	<b>Note</b>	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Operating costs	2	(366)	(141)
Other income	3	366	141
<b>Operating profit</b>		-	-
Interest receivable and similar income	6	8,750	8,106
Interest payable and similar charges	7	(8,750)	(8,106)
<b>Profit before tax</b>		-	-
Tax on profit on ordinary activities		-	-
<b>Profit for the financial year</b>		-	-

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 2018

	Note	2018 £000	2017 £000
<b>Debtors: amounts falling due after more than one year</b>			
<b>Current assets</b>	8	249,326	249,326
Debtors	8	170	409
Cash at bank and in hand	9	13	13
		<u>183</u>	<u>422</u>
<b>Creditors: amounts falling due within one year</b>	10	(1,009)	(1,301)
<b>Net current liabilities</b>		<u>(826)</u>	<u>(879)</u>
<b>Total assets less current liabilities</b>		248,500	248,447
<b>Creditors: amounts falling due after more than one year</b>	11	(248,487)	(248,434)
<b>Net assets</b>		<u><u>13</u></u>	<u><u>13</u></u>
<b>Capital and reserves</b>			
Called up share capital	13	13	13
Profit and loss account		-	-
<b>Total funds</b>		<u><u>13</u></u>	<u><u>13</u></u>

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



**David Weaver**  
Orbit Capital plc  
Chair

**2 July 2018**

Company Registration Number 09402193

## Orbit Capital Plc

### Cash Flow Statement

For the year ended 31 March 2018

		<b>2018</b>	<b>2017</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>			
<b>Profit for the year</b>		-	-
Adjustments for:			
Interest receivable and similar income	6	8,750	8,106
Interest payable and similar charges	7	(8,750)	(8,106)
Decrease/(increase) in trade and other debtors	8	239	(53,875)
(Decrease)/increase in trade and other creditors	10 & 11	(239)	53,875
<b>Net cash from operating activities</b>		-	-
<b>Cash flows from financing activities</b>			
<b>Net cash from financing activities</b>		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at 1 April 2017		13	13
<b>Cash and cash equivalents at 31 March 2018</b>		<b>13</b>	<b>13</b>

## Orbit Capital Plc

### Notes to the Financial Statements

#### For the year ended 31 March 2018

##### 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 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 2018

#### 2. Operating costs

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Arrangement fees due to external bodies	366	141

#### 3. Other income

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Fees due from group undertakings	366	141

#### 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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Auditor's remuneration:</b>		
Audit of these financial statements	3	3

#### 6. Interest receivable and similar income

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Loan interest received from group undertakings	8,750	8,106

#### 7. Interest payable and similar charges

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Bond interest payable	8,750	8,106

## Orbit Capital Plc

### Notes to the Financial Statements

For the year ended 31 March 2018

#### 8. Debtors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Amounts owed by group undertakings:		
Due within one year	170	409
Due after more than one year	249,326	249,326
	<b>249,496</b>	<b>249,735</b>

#### 9. Cash and cash equivalents

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	13	13

#### 10. Creditors: amounts falling due within one year

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Amounts due to group undertakings	719	1,111
Other creditors	113	-
Accruals and deferred income	177	190
<b>Total</b>	<b>1,009</b>	<b>1,301</b>

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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Bonds	250,000	250,000
Less issue price discount	(3,544)	(3,676)
Add retained bond issue price premium	3,737	3,876
Less deferred bond arrangement fees	(1,706)	(1,766)
<b>Total</b>	<b>248,487</b>	<b>248,434</b>

#### Bonds

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

## Orbit Capital Plc

### Notes to the Financial Statements

#### For the year ended 31 March 2018

#### 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:

	2018		2017	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
<b>Financial liabilities measured at amortised cost</b>				
Secured bonds	250,000	286,793	250,000	291,327

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 2018, the fair value of the company's long term debt was £286,793,000 (2017: £291,327,000).

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 2018, 100% of the company's debt was on fixed rate terms (2017: 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.

##### **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 A2, with a stable outlook, from Moody's remained in place. This was updated to negative outlook on 31 May 2018.

## Orbit Capital Plc

### Notes to the Financial Statements

#### For the year ended 31 March 2018

#### 12. Financial instruments (continued)

The contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements, are in 27 years.

The debt is repayable as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>In five years or more</b>	250,000	250,000

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 3,949 housing properties owned by the operating associations within the group.

#### 13. Capital and reserves

##### Called up share capital

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Allotted called up and partly paid	13	13
50,000 ordinary shares of 25p each	<b>13</b>	<b>13</b>

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 2018.

A list of the members of Orbit Group 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](http://www.orbit.org.uk).

#### 15. Post statement of financial position events

The company arranged its second public bond issue on 7 June 2018 raising £450 million which was used to restructure the Groups existing debt portfolio and provide long term funding to support the group strategy.

#### 16. Related party transactions

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