

Orbit Capital Plc

Financial statements

For the year ended 31 March 2020

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.

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	Resigned 6 September 2019
Lynn Lochhead	Non-Executive Director	Appointed 22 July 2019
Mark Hoyland	Executive Director	
Joy Baggaley	Group Finance Director	Resigned 31 January 2020
Richard Wright	Secretary	

Executive officers

The Company had no employees during the period other than directors (2018: 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	Registered office
KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH	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 2020.

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. KPIs 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 2020, 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.

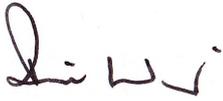
Orbit Capital Plc

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', is positioned above the printed name and title.

Richard Wright
Company Secretary

17 July 2020

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 2020.

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 (2019: £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.

Subsequent events

On 11 March 2020 the World Health Organisation declared the COVID-19 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 Orbit Capital Board has a reasonable expectation that the entity has 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.

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 between 26 and 29 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. The potential risks arising from Brexit have been considered as part of this assessment.
- 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.

Orbit Capital Plc

Directors' Report

- 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.
- 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.

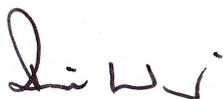
On the basis of this and other matters considered and reviewed by the Board during the year, the Board has reasonable expectations the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period used for this assessment.

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

17 July 2020

Orbit Capital Plc

Audit and Risk Committee Report

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 2020

Significant issues were discussed with management and KPMG in November and March when the Audit and Risk Assurance Committee review KPMG's audit planning memorandum and at the conclusion of the audit when the financial statements were reviewed in June 2019. 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 £297 million of undrawn secured loans and £55 million of cash at 31 March 2020. 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 2020

1 Our opinion is unmodified

We have audited the financial statements of Orbit Capital Plc ("the Company") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Movements in Equity, 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 2020 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 5 financial years ended 31 March 2020. 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 matters (unchanged from 2018), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were 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 these matters.

Recoverability of Long Term Debtors

Long Term Debtors (amounts falling due in more than one year) £691m (2019: £691m)

Refer to page 7 (Audit and Risk Committee Report), pages 15 to 16 (accounting policy) and pages 17 to 20 (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 99.3% 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 loans in 25 and 28 years.

Our response

Orbit Capital Plc

Independent Auditor's Report to the Members of Orbit Capital Plc For the year ended 31 March 2020

Our procedures included:

- i. **Tests of detail:** Assessing 100% of intercompany long term debtors owed by the Parent (2019: 100%) to identify, with reference to the Parent's financial draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed.
- ii. **Assessment of Parent:** Assessing the work performed by the Group audit team, and considering the results of that work, on those net assets. This included assessment of the fair value headroom available on those net assets, and therefore the ability of the Parent to fund repayment of the receivable. We critically assessed the directors' going concern assessment, including the reasonableness of the key assumptions used by the Parent in their cash flow forecasts and the level of downside sensitivities applied using our knowledge of Covid-19 scenarios being applied by other entities.

Our results

We found the Company's assessment of the recoverability of the long term debtor balance to be acceptable (2019 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 £4m (2019: £2.4m), as communicated by the Group audit team, has been applied to the audit of the Company.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.2m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed remotely from the Company's head office in Coventry due to Covid-19 restrictions.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company'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 its 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").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. 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 Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, 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.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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

Orbit Capital Plc

Independent Auditor's Report to the Members of Orbit Capital Plc For the year ended 31 March 2020

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.

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 [A], 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 or 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.

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 general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Orbit Capital Plc

Independent Auditor's Report to the Members of Orbit Capital Plc For the year ended 31 March 2020

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.

Whilst the company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

14 August 2020

Orbit Capital Plc

Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	2020 £000	2019 £000
Operating costs	2	(457)	(786)
Other income	3	457	786
Operating profit		-	-
Interest receivable and similar income	6	23,938	20,858
Interest payable and similar charges	7	(23,938)	(20,858)
Profit before tax		-	-
Tax on profit on ordinary activities		-	-
Profit for the financial year		-	-

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 2020

	Note	2020 £000	2019 £000
Debtors: amounts falling due after more than one year			
Current assets	8	691,096	691,096
Debtors	8	4,684	4,706
Cash at bank and in hand	9	13	13
		<u>4,697</u>	<u>4,719</u>
Creditors: amounts falling due within one year	10	<u>(6,002)</u>	<u>(6,393)</u>
Net current liabilities		<u>(1,305)</u>	<u>(1,674)</u>
Total assets less current liabilities		689,791	689,422
Creditors: amounts falling due after more than one year	11	<u>(689,778)</u>	<u>(689,409)</u>
Net assets		<u><u>13</u></u>	<u><u>13</u></u>
Capital and reserves			
Called up share capital	13	13	13
Profit and loss account		-	-
Total funds		<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

17 July 2020

Company Registration Number 09402193

Orbit Capital Plc

Cash Flow Statement

For the year ended 31 March 2020

		2020 £000	2019 £000
Cash flows from operating activities			
Profit for the year		-	-
Adjustments for:			
Interest receivable and similar income	6	23,938	20,858
Interest payable and similar charges	7	(23,938)	(20,858)
Decrease/(increase) in trade and other debtors		22	(446,306)
(Decrease)/increase in trade and other creditors		(22)	446,306
Net cash from operating activities		-	-
Cash flows from financing activities			
Net cash from financing activities		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at 1 April 2019		13	13
Cash and cash equivalents at 31 March 2020		13	13

Orbit Capital Plc

Notes to the Financial Statements

For the year ended 31 March 2020

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 Directors have prepared cash flow forecasts covering a period of 30 years from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. In order to settle its own financial obligations and meet the compliance requirements of its external borrowings the Company is dependent on Orbit Group Limited, the parent entity, generating sufficient cashflows to settle the payments of principal and interest on the onward loan of the funding which the Company raised. Those forecasts are dependent on Orbit Group Limited having adequate resources to continue in business for the foreseeable future.

In making this assessment the Directors have considered the potential impact of the emergence and spread of the coronavirus pandemic -.

As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework to use four main types of sensitivity testing 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 Company 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 Company 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 account of 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 to 2021/22 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 believe the Group and Company have sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Orbit Capital Plc

Notes to the Financial Statements

For the year ended 31 March 2020

1. Accounting policies (continued)

Going Concern (continued)

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its 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.

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 2020

2. Operating costs

	2020	2019
	£000	£000
Arrangement fees due to external bodies	457	786

3. Other income

	2020	2019
	£000	£000
Fees due from group undertakings	457	786

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

	2020	2019
	£000	£000
Auditor's remuneration:		
Audit of these financial statements	7	7

6. Interest receivable and similar income

	2020	2019
	£000	£000
Loan interest received from group undertakings	23,938	20,858

7. Interest payable and similar charges

	2020	2019
	£000	£000
Bond interest payable	23,938	20,858

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Notes to the Financial Statements

For the year ended 31 March 2020

8. Debtors

	2020	2019
	£000	£000
Amounts owed by group undertakings:		
Due within one year	4,684	4,706
Due after more than one year	691,096	691,096
	695,780	695,802

9. Cash and cash equivalents

	2020	2019
	£000	£000
Cash at bank and in hand	13	13

10. Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Amounts due to group undertakings	1,312	1,698
Other creditors	-	-
Accruals and deferred income	4,690	4,695
Total	6,002	6,393

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

	2020	2019
	£000	£000
Bonds	700,000	700,000
Less issue price discount	(9,953)	(10,321)
Add retained bond issue price premium	3,461	3,599
Less deferred bond arrangement fees	(3,730)	(3,869)
Total	689,778	689,409

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 2020

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:

	2020		2019	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Financial liabilities measured at amortised cost				
Secured bonds	700,000	943,974	700,000	823,086

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 2020, the fair value of the Company's long term debt was £943,974,000 (2019: £823,086,000).

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 2020, 100% of the Company's debt was on fixed rate terms (2019: 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 A3 stable from Moody's remained in place.

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Notes to the Financial Statements

For the year ended 31 March 2020

12. Financial instruments (continued)

The contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements, are in 25 years (£250 million bond) and 28 years (£450 million bond).

The debt is repayable as follows:

	2020	2019
	£000	£000
In five years or more	700,000	700,000

The above figure is repayable as a lump sum in 2045 (£250 million) and 2048 (£450 million). Interest is charged at a fixed rate of 3.50% (£250 million bond) and 3.375% (£450 million bond). The loan is secured upon 8,459 housing properties owned by the operating Associations within the group.

13. Capital and reserves

Called up share capital

	2020	2019
	£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 2020.

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.

15. 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.