

**Orbit Capital Plc**

**Financial statements**

**For the year ended 31 March 2023**

**Company Registration Number 09402193**

<b>CONTENTS</b>	<b>PAGE</b>
Executive Officers and Advisers	1
Strategic Report	2
Directors' Report	4
Audit and Risk Assurance Committee Report	7
Independent Auditor's Report to the Members of Orbit Capital Plc	8
Statement of Comprehensive Income	13
Statement of Financial Position	14
Cash Flow Statement	15
Notes to the Financial Statements	16

**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:

<b>Name</b>	<b>Position</b>	<b>Appointed</b>	<b>Resigned / Retired</b>
<b>David Weaver</b>	Non-Executive Director/Chair	15 October 2016	
<b>Stuart Fisher</b>	Non-Executive Director	1 April 2015	30 June 2022
<b>Massy Larizadeh</b>	Non-Executive Director	1 March 2021	
<b>Lynn Lochhead</b>	Non-Executive Director	22 July 2019	
<b>Maame – Yaa Bempah</b>	Non-Executive Director	1 September 2022	
<b>Mark Hoyland</b>	Chief Executive	17 July 2017	6 March 2023
<b>Jonathan Wallbank</b>	Group Finance Director	9 November 2020	
<b>Richard Wright</b>	Secretary	22 January 2015	

**Executive officers**

The Company had no employees during the period other than directors (2022: 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**

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

### **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 2023.

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 Housing Association Limited and Orbit Group Limited. 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 arranged its third public bond issue on 24 November 2020 raising £300 million which was to 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 year 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 2023, 99% of the Group'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.

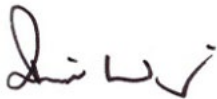
*Liquidity risk*

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**

**7 July 2023**

## **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 2023

### **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 (2022: £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 Orbit website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **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**

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 a period of at least 12 months from the date of these financial statements. 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 16 and 26 years.

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

- Ten-year Group Financial 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. This plan acknowledges the challenging landscape in which we are currently operating, with high levels of inflation coupled with the rent cap, alongside increasing fire safety requirements and the green agenda increasing the financial demands of Orbit.
- 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 forecasting of cashflows, the Board reviews the liquidity position of the Group, ensuring funding is secured in accordance with the Group's Treasury Policy.

**Orbit Capital Plc  
Directors' Report**

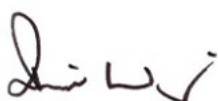
- The liabilities to bond holders are secured by a legal charge over property assets owned by the Associations with a value in excess of total borrowings. The Associations have entered into a guarantee with the Company over future interest payments and the property security.

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 were appointed as the Company's auditor for the year ended 31 March 2023. A resolution to re-appoint the Group's auditors will be proposed at the Annual General Meeting.

Approved by the Board of Directors and signed by the order of the Board:



**Richard Wright  
Company Secretary**

**7 July 2023**

<b>Registered office</b>
Garden Court Binley Business Park Harry Weston Road Binley Coventry CV3 2SU



### **Audit and Risk Assurance 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.

KPMG LLP (KPMG) were reappointed as external auditors in November 2021.

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 2023**

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 2023. 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 £446 million of undrawn secured loans and £67 million of cash at 31 March 2023. 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 and external 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.

## **Independent auditor's report to the members of Orbit Capital Plc**

### **1. Our opinion is unmodified**

We have audited the financial statements of Orbit Capital plc ("the Company") for the year ended 31 March 2023 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 2023 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 and risk assurance committee.

We were appointed as auditor by the directors on 05 October 2015. The period of total uninterrupted engagement is for the 8 financial years ended 31 March 2023. 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 judgement, 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 2022), 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. 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 these matters.

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

Long Term Debtors (amounts falling due in more than one year) £993m (2022: £987m)

Refer to page 7 (Audit Committee's Report), pages 16 to 17 (accounting policy) and pages 13 to 21 (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 operating Associations of the Orbit Group (Orbit Housing Association Limited and Orbit Group Limited). 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

## Orbit Capital Plc Independent Auditor's Report to the Members of Orbit Capital Plc

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 financial income and financial expense are recognised during the loan period, the risk mainly stems from the expectation of the ability of the operating Associations to repay the loan in 16, 22 and 25 years.

### Our response

Our procedures included:

- i. **Tests of detail:** Assessing 100% of intercompany long-term debtors owed by the operating Associations (2022: 100%) to identify, with reference to the operating Association's financial draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed.
- ii. **Assessment of operating Associations:** 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 operating Associations to fund repayment of the receivable. We critically assessed the directors' going concern assessment, including the reasonableness of the key assumptions used by the Group in their cash flow forecasts and the level of downside sensitivities applied.

### Our results

We found the Company's assessment of the recoverability of the long-term debtor balance to be acceptable (2022 result: acceptable).

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

Materiality for the financial statements as a whole was set at £7m (2022: £7m), determined with reference to a benchmark of total assets, of which it represents 0.7% (2022: 0.7%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £5.25m (2022: £5.2m).

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £350k, 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 performed by a single audit team.

### **4. 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").

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 Group's and Company's financial resources or ability

**Orbit Capital Plc**  
**Independent Auditor's Report to the Members of Orbit Capital Plc**

to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

- Recoverability of long-term debtors

We considered whether this risk could plausibly affect liquidity in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Company's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures are also inherently linked with our key audit matter in relation to the recoverability of the long-term debtor; the operating Associations' inability to meet their obligation to the Company would result in the inability of the Company to meet its own obligations as they fall due. Consequently, our considerations noted above took into account the financial forecasts of the Group.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

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 above conclusions are not a guarantee that the Company will continue in operation.

## **5. Fraud and breaches of laws and regulations – ability to detect**

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit and legal as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue of the Company (being interest receivable) is a balance with minimal judgement involved in its calculation, and so lacking in opportunities for fraudulent revenue recognition.

We did not identify any additional fraud risks.

We performed procedures including the identification of journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to unusual and seldom used accounts.

**Orbit Capital Plc**  
**Independent Auditor's Report to the Members of Orbit Capital Plc**

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

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 and other management (as required by auditing standards) and from inspection of the Company's regulatory and legal correspondence; and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these 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.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

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 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 fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**6. 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 our work on the other information:

- we have not identified material misstatements in those reports;
- 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.

## **7. 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.

## **8. Respective responsibilities**

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

As explained more fully in their statement set out on page 5 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 error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **9. 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 required to state to them in 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 company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Mark Dawson (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
*One Snowhill, Snow Hill Queensway*  
*Birmingham, B4 6GH*

02 August 2023

**Orbit Capital Plc**  
**Statement of Comprehensive Income**

**For the year ended 31 March 2023**

		<b>2023</b>	<b>2022</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
Operating costs	2	(820)	(766)
Other income	3	820	766
<b>Operating profit</b>		-	-
Interest receivable and similar income	6	29,938	29,938
Interest payable and similar charges	7	(29,938)	(29,938)
<b>Profit before tax</b>		-	-
Tax on profit on ordinary activities		-	-
<b>Profit for the financial year</b>		-	-

The accompanying notes form part of these financial statements.

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 2023**

	Note	2023 £000	2022 £000
<b>Debtors: amounts falling due after more than one year</b>	8	<b>986,995</b>	986,995
<b>Current assets</b>			
Debtors	8	<b>6,816</b>	11,182
Cash at bank and in hand	9	<b>13</b>	13
		<b>6,829</b>	11,195
<b>Creditors: amounts falling due within one year</b>	10	<b>(7,078)</b>	(12,077)
<b>Net current liabilities</b>		<b>(249)</b>	(882)
<b>Total assets less current liabilities</b>		<b>986,746</b>	986,113
<b>Creditors: amounts falling due after more than one year</b>	11	<b>(986,733)</b>	(986,100)
<b>Net assets</b>		<b>13</b>	13
<b>Capital and reserves</b>			
Called up share capital	13	<b>13</b>	13
Profit and loss account		-	-
<b>Total funds</b>		<b>13</b>	13

The financial statements on pages 13 to 21 were approved by the Board of Directors and signed on its behalf by:



**David Weaver**  
**Orbit Capital plc Chair**

**7 July 2023**

Company Registration Number 09402193



**Orbit Capital Plc**  
**Cash Flow Statement**

**For the year ended 31 March 2023**

	Note	2023 £000	2022 £000
<b>Cash flows from operating activities</b>			
<b>Profit for the year</b>		-	-
Adjustments for:			
Interest receivable and similar income	6	<b>29,938</b>	29,938
Interest payable and similar charges	7	<b>(29,938)</b>	(29,938)
(Increase)/decrease in trade and other debtors		<b>4,366</b>	(4,366)
Increase/(decrease) in trade and other creditors		<b>(4,366)</b>	4,366
<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 2022		<b>13</b>	13
<b>Cash and cash equivalents at 31 March 2023</b>		<b>13</b>	13

## **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 not to disclose related party transactions between Group members under FRS 102, and no other exemptions have been taken.

### **Going concern**

The Group Board has 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 Board has considered the challenging landscape in which we are currently operating, with high levels of inflation coupled with the rent cap, alongside increasing fire safety requirements and the green agenda increasing the financial demands of Orbit. 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 three 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.

The Board, after reviewing the Group and Company budgets for 2023/24 and the Group’s medium term financial position as detailed in the 30-year Financial Plan 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:

- Liquidity – current available cash and unutilised loan facilities of £513 million to 2023/24 which gives significant headroom for committed spend and other forecast cash flows that arise.
- Rent and service charge receivable– arrears and bad debts have been increased in the budget to allow for customer difficulties in making payments and budget.
- The Group’s ability to withstand other adverse scenarios such as increases in interest rates, increases in repair and maintenance costs, an economic downturn leading to a decrease in staircasing sales, market sales price reductions coupled with increased costs of sale or the impact of political pressures reducing development grants, rents reductions or increasing tax rates.

The Board believes 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.

Consequently, the Board is 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.

## **2. Operating costs**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Arrangement fees due to external bodies	<b>820</b>	766

## **3. Other income**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Fees due from group undertakings	<b>820</b>	766

## **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>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Auditor's remuneration:		
In their capacity as auditors	12	11
In respect of other services	-	-
Total audit services	<b>12</b>	<b>11</b>

**6. Interest receivable and similar income**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Loan interest received from group undertakings	<b>29,938</b>	29,938

**7. Interest payable and similar charges**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Bond interest payable	<b>29,938</b>	29,938

**8. Debtors**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Amounts owed by group undertakings:		
Due within one year	<b>6,816</b>	11,182
Due after more than one year	<b>986,995</b>	986,995
	<b>993,811</b>	998,177

**9. Cash and cashequivalents**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	<b>13</b>	13

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

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Amounts due to group undertakings	262	5,259
Other creditors	8	8
Accruals and deferred income	<b>6,808</b>	6,810
	<b>7,078</b>	12,077

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

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Bonds	<b>1,000,000</b>	1,000,000
Less issue price discount	<b>(11,700)</b>	(12,250)
Add retained bond issue price premium	<b>3,045</b>	3,184
Less deferred bond arrangement fees	<b>(4,612)</b>	(4,834)
	<b>986,733</b>	986,100

**Bonds**

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:

	<b>2023</b>		<b>2022</b>	
<b>Financial liabilities measured at amortised cost</b>	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Secured bonds	<b>1,000,000</b>	<b>795,802</b>	1,000,000	1,036,894

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 2023, the fair value of the Company's long-term debt was £795,802 (2022: £1,036,894).

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 2023, 100% of the Company's debt was on fixed rate terms (2022: 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 (negative outlook) from Moody's is in place.

The contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements, are in 22 years (£250 million bond), 26 years (£450 million bond) and in 16 years (£300 million bond).

The debt is repayable as follows:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>In five years or more</b>	<b>1,000,000</b>	1,000,000

The above figure is repayable as a lump sum in 2038 (£300 million), 2045 (£250 million) and 2048 (£450 million). Interest is charged at a fixed rate of 3.50% (£250 million bond), 3.375% (£450 million bond) and 2% (£300 million bond). The bonds are secured upon 9,883 housing properties owned by the Operating Associations within the group.

## **13. Capital and reserves**

### **Called up share capital**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Allotted and called up and partly paid	<b>13</b>	13
50,000 ordinary shares of 25p each	<b>13</b>	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 2023.

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. 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.