

ORBIT NEW HOMES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007



Building Brighter Futures...

for people and communities



ORBIT NEW HOMES LIMITED

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**Company Registration
Number 2875508**

ORBIT NEW HOMES LIMITED

EXECUTIVE OFFICERS AND AUDITORS

DIRECTORS

The following are all Directors of the Company and have served throughout the year as shown:

Name		Date of Appointment
Paul Tennant	Chair	24/11/03
Anne Turner	Director/Secretary	18/01/05
Ian Greatrex		24/11/03 (to 08/06/07)

EXECUTIVE OFFICERS

The Company does not directly employ any staff. The Executive Officers and staff of the parent association provide services to Orbit New Homes Limited through a Service Agreement. The Executive Officers of Orbit Housing Group Limited, the parent association, are listed in their Financial Statements. The Directors benefit from insurance indemnifying them against legal claims from third parties. No Directors were appointed during the year. There are no Non-Executive Directors of Orbit New Homes Ltd.

AUDITORS

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

BANKERS

Lloyds Bank Plc
Charnwood House
Harcourt Way
Meriden Business Park
Leicester, LE19 1WF

REGISTERED OFFICE

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

PRINCIPAL SOLICITORS

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

ORBIT NEW HOMES LIMITED

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Company, and the audited financial statements for the year ended 31 March 2007.

Principal Activities

The principal activities of the Company comprise of the development homes for sale within the UK.

Review of Developments and Future Prospects

Business Review

The Company has worked in partnership with English Partnerships and another private developer, Leach Homes Limited, to create a mixture of private and affordable homes in the Westcroft area of Milton Keynes. The Company acted as the lead developer on three mixed tenure sites creating a total of 172 homes.

The year has seen a total of 34 property sales. This includes 9 homes for outright sale, 11 shared ownership homes and 14 rented homes. Both the shared ownership homes and the rented homes were sold to Orbit Housing Association.

In the 12 months to 31 March 2007, the Company made a profit before tax of £35k (2006: loss of £14K). Overheads, excluding those charged by the parent for Corporate Services, and interest incurred in the year are included within cost of sales. The turnover during the year comprises revenue from the sale of thirty-four properties. The development project has now been completed in respect of house building and provision has been made for any known potential future losses. The principal risks and uncertainties facing the company are the agreement of final contract costs and any defects work. The Company may be used for further developments projects in the future but following the completion of the current scheme the Company will become dormant for a period. The Company's reserves at the year end totalled £2k (2006: deficit £33k). The parent company, Orbit Housing Group Limited has confirmed its on-going support to Orbit New Homes Limited, and for this reason the financial statements have been prepared on a going concern basis.

Capital Structure

The Company repaid in full the revolving credit facility with Orbit Housing Group Limited during the year.

Treasury Policy

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

Cashflows

The cash inflow from operating activities during the year is due principally to the decrease in stock and work in progress from its properties in development.

ORBIT NEW HOMES LIMITED

DIRECTORS' REPORT

Results and Dividends

The profit for the year was £35k (2006: loss £14k). The Directors do not recommend payment of a Dividend.

Directors and their Shareholdings

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

Disclosure of information to auditors

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

Auditors

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

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



Anne Turner
Company Secretary

ORBIT NEW HOMES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORBIT NEW HOMES LIMITED

We have audited the financial statements of Orbit New Homes Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- Give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2007 and of its profit for the year then ended; and
- Have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

23 July 2007

KPMG LLP
Chartered Accountants, Registered Auditor
Birmingham

ORBIT NEW HOMES LIMITED

PROFIT AND LOSS ACCOUNT
For the Year Ended 31 March 2007

	2007	2006
	£'000	£'000
Turnover	4,511	11,795
Cost of Sales	<u>(4,488)</u>	<u>(12,259)</u>
Profit/(Loss) on Ordinary Activities before covenants and taxation	23	(464)
Loan Write Off	-	450
Interest Receivable	12	-
Profit/(Loss) for the Financial Year	35	(14)
Revenue Reserves at 1 April	(33)	(19)
Revenue Reserves at 31 March	<u><u>2</u></u>	<u><u>(33)</u></u>

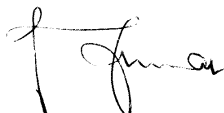
All activities derive from continuing operations. There are no recognised gains and losses. Accordingly, no statement of total recognised gains and losses is given.

ORBIT NEW HOMES LIMITED

BALANCE SHEET
At 31 March 2007

	NOTES	2007		2006	
		£'000	£'000	£'000	£'000
Current Assets					
Stock and Work in Progress	5	-		2,734	
Debtors	6	172		1,276	
Cash at Bank and in Hand		74		-	
		<u>246</u>		<u>4,010</u>	
Creditors: Amounts falling due within one year	7	<u>(244)</u>		<u>(1,093)</u>	
NET CURRENT ASSETS			<u>2</u>		<u>2,917</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2		2,917
Creditors: Amounts falling due after more than one year	8		-		2,950
NET ASSETS/(LIABILITIES)			<u>2</u>		<u>(33)</u>
Capital and Reserves					
Called up Share Capital	9		-		-
Profit and Loss Reserve	15		<u>2</u>		<u>(33)</u>
			<u>2</u>		<u>(33)</u>

The financial statements were approved by the Board of Directors on 23 July 2007 and signed on its behalf by:



.....
Paul Tennant
DIRECTOR

ORBIT NEW HOMES LIMITED

CASH FLOW STATEMENT

For the Year Ended 31 March 2007

	2007	2006
	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES BEING NET OUTFLOW BEFORE FINANCING (Note 12)	3,075	2,767
Returns on investments and servicing of Finance	12	-
Financing (Note 14) Repayment of Loan	(2,950)	(2,850)
INCREASE/(DECREASE) IN CASH (Note 14)	<u><u>137</u></u>	<u><u>(83)</u></u>

ORBIT NEW HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2007

1 PRINCIPAL ACCOUNTING POLICIES

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

Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Stock and Work in Progress

Stock and work in progress are stated at the lower of cost and net realisable value. Cost includes land, build costs, applicable overheads and interest. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate. Interest on borrowings incurred during the development period is capitalised.

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 balance sheet date.

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

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

Turnover

Turnover represents amounts receivable for the sale of land and properties, net of VAT and other sales related taxes. All turnover arises in the UK only.

Going Concern

The financial statements are prepared on a going concern basis.

2 DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

The Board of Directors are employed by Orbit Housing Group Limited.

3 NOTES TO THE PROFIT AND LOSS ACCOUNT

	2007 £'000	2006 £'000
Auditors' remuneration:		
Audit	3	5
Other services	-	-
	<u> </u>	<u> </u>

Charges for 2006 relate to audit work performed by Deloitte & Touche LLP. Charges for 2007 relate to audit work performed by KPMG LLP.

ORBIT NEW HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2007

4 TAXATION

The current tax charge for the year is lower than the standard rate of Corporation Tax in the UK of 30%. The differences are explained below:

	2007 £'000	2006 £'000
Profit/(loss) on ordinary activities before tax	35	(464)
Tax due/(credit) at 30% thereon	11	(139)
Expenses not deductible for tax purposes	-	14
Group Relief Surrendered (Not Paid)	-	105
Losses Brought Forward	(11)	-
Losses Not Recognised	-	20
Current tax charge for year	-	-

Potential deferred tax assets not recognised in the accounts amounted to £81k (2006: £91k).

5 STOCK AND WORK IN PROGRESS

	2007 £'000	2006 £'000
Work in Progress	-	2,734

Included within Work in Progress is capitalised interest of £Nil (2006: £208k).

6 DEBTORS: AMOUNTS RECEIVABLE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Other Debtors	23	1,137
Amount due from Group Undertakings	54	-
Prepayments and Accrued Income	95	139
	172	1,276

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Bank Overdraft	-	63
Trade Creditors	244	671
Accruals and Deferred Income – Amounts Due to Group Undertakings	-	359
	244	1,093

The bank overdraft facility is £300k and is currently unsecured

ORBIT NEW HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2007

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

	2007 £'000	2006 £'000
Loan	-	2,950

The Directors consider the divergence from the balance sheet format under Schedule 4 of the Companies Act 1985 is required to give a true and fair view due to the semi-permanent nature of the above inter-company debt. The loan is repayable as follows:

	2007 £'000	2006 £'000
Due After More than One Year		
In more than Five Years	-	2,950

The total facility of the above loan is £9.5 million and the amount has been lent by Orbit Housing Group Limited to provide working capital for the Westcroft projects. The loan was repaid during the year. During the year Orbit New Homes Limited made interest payments of £Nil (2006: £358.6k).

9 CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised ordinary shares of £1 each	2	2
Issued and fully paid ordinary shares of £1 each	2	2

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

10 CAPITAL COMMITMENTS

	2007 £'000	2006 £'000
Capital Expenditure which has been contracted for but has not been provided for in the financial statements	-	1,769

There is no Capital Expenditure which has been authorised under authority from the Board of Directors but has yet to be contracted for at 31 March 2007 (2006: £Nil).

11 CONTINGENT LIABILITIES

Contingent liabilities as at 31 March 2007 totalled £131k in respect of contract payments currently under dispute and potential defect rectification works needed to complete the development (2006: £Nil).

The ultimate parent company, Orbit Housing Group Limited, undertakes the responsibility to guarantee any future liability of Orbit New Homes Limited in respect of the above, and has confirmed its on-going support to the Company.

ORBIT NEW HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2007

12 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2007	2006
	£'000	£'000
Operating Profit/(Loss)	23	(464)
Decrease/(Increase) in Stock	2,734	4,442
Decrease/(Increase) in Debtors	1,104	(714)
Increase/(Decrease) in Creditors	<u>(786)</u>	<u>(497)</u>
Net Cash Inflow/(Outflow) from Operating Activities	<u>3,075</u>	<u>2,767</u>

13 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007	2006
	£'000	£'000
Increase/(Decrease) in Cash in the Year	137	(83)
Cash Inflow from Orbit Housing Group Ltd – Loan Write Off	-	450
Cash Outflow from Reduction in Debt	<u>2,950</u>	<u>2,850</u>
Movement in Net Funds in the Year	3,087	3,217
Net Debt at 1 April	<u>(3,013)</u>	<u>(6,230)</u>
Net Debt at 31 March	<u>74</u>	<u>(3,013)</u>

14 ANALYSIS OF CHANGES IN NET DEBT

	1 April	Cash	31 March
	2006	Flows	2007
	£'000	£'000	£'000
Cash at Bank and in Hand	20	54	74
Bank Overdraft	(83)	83	-
On Lending from Orbit Housing Group Ltd Due After One Year	<u>(2,950)</u>	<u>2,950</u>	<u>-</u>
	<u>(3,013)</u>	<u>3,087</u>	<u>74</u>

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2007	2006
	£'000	£'000
Profit/(Loss) for the Financial Year	35	(464)
Capital Contribution	-	450
Net deduction from Shareholder's Funds	<u>35</u>	<u>(14)</u>
Opening Shareholders' Funds	<u>(33)</u>	<u>(19)</u>
Closing Shareholders' Funds	<u>2</u>	<u>(33)</u>

ORBIT NEW HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2007

16 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The ultimate parent entity and controlling entity of Orbit New Homes Limited is Orbit Housing Group Limited, a company incorporated in the United Kingdom.

The results of Orbit New Homes Limited are included in the Group financial statements of its parent entity which are published on the Orbit Group website www.orbit.org.uk and are also available from Orbit Housing Group Limited, Garden Court, Harry Weston Road, Binley Business Park, Coventry, CV3 2SU.

17 RELATED PARTY TRANSACTIONS

The Company is taking advantage of the exemption per FRS8 available to wholly owned subsidiaries from disclosing transactions with other Orbit Group companies.