

ORBIT TREASURY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

Company Registration Number 06264601

ORBIT TREASURY LIMITED

CONTENTS

	<u>Page</u>
Executive Officers and Auditors	1
Directors' Report	2
Independent Auditors' Report	5
Profit and Loss Account	7
Balance Sheet	8
Cash Flow Statement	9
Notes to the Financial Statements	10

ORBIT TREASURY LIMITED

EXECUTIVE OFFICERS AND AUDITORS

DIRECTORS

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

Name

Jackie Matthews	Non Executive Director/Chair
Anne Turner	Executive Director/Secretary
Rosemary Hyde	Non Executive Director/Deputy Chair
Lynn Dexter	Non Executive Director
Paul Tennant	Executive Director
Lorne Williams	Non Executive Director

Executive Officers

The company had no employees during the year other than directors (2012: Nil). The Executive Officers and staff of the parent association provide services to Orbit Treasury Limited through a Service Agreement. The Executive Officers of Orbit Group Limited, the parent association, are listed in their financial statements. 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 year and up to and including the date that the financial statements are signed.

Independent Auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Principal solicitors

Trowers and Hamblins
Sceptre Court
40 Tower Hill
London
EC3N 4DX

Registered office

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

ORBIT TREASURY LIMITED

DIRECTORS' REPORT

The Directors present their annual report on the affairs of Orbit Treasury Limited (the Company) and the audited financial statements for the year ended 31 March 2013.

Orbit Treasury Limited was set-up in September 2007 as a wholly owned subsidiary of Orbit Group Limited to provide cost-effective treasury management to members of the Orbit partnership. Orbit Treasury Limited has loan agreements in place with a number of banks, building societies and other financial institutions and draws down funds to on-lend to those Orbit subsidiaries that have entered into an Intra-group loan agreement, which sets out the basis of the relationship as well as how loans will be drawn and distributed and the basis of charging and repayment.

Orbit Treasury Limited has access to all assets of these subsidiaries, which are not subject to fixed charges to other lenders as all parties have entered into a cross guarantee structure. Loans drawn are secured on properties charged to a security trustee.

Principal Activities

The principal activities of the Company comprise the lending and on-lending of funds to those Orbit subsidiaries that have entered in to the Inter-group loan agreement.

Business Review, Future Prospects and Risk Management

Orbit Treasury Limited supports members of Orbit in our aim to make our organisation great by continuing to provide a cost-effective treasury management service. Financial performance in the year exceeded expectations, allowing a gift aid donation of £2.46million. During the year a loan totalling £100 million has been negotiated with a new funder to Orbit – Pricoa. This loan will assist in continuing the development programme agreed with the Homes & Communities Agency.

The Board recognises that its high degree of debt makes it important to regularly review its treasury policy. The treasury function operates within a framework of clearly defined Orbit 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 Treasury Limited this involves minimising loans drawn, cash held at bank and investing surplus cash in short-term cash deposits.

Minimum credit ratings are applied to determine approved sources of finance/borrowing. This currently includes traditional loans/mortgages from banks, building societies and financial institutions, bank overdrafts, revolving credit loans and lease Hire Purchase agreements.

Approved types of Investment Instruments include money market deposits, bank accounts (including call accounts) with banks and building societies and pooled money market funds. Limits have been set on the size of investments that can be made and counterparties have to meet an approved minimum credit rating criteria.

Orbit Treasury Limited can use derivatives where they are permitted having previously received approval from our regulators. Derivatives can only be used to manage the interest rate risk of the Orbit Group by hedging, where appropriate, variable rate borrowings. The purpose of derivatives is to seek to minimise interest rate risk before maximising returns and at no time will derivatives be used as a trading instrument.

The following derivative transactions are currently included in the policy – interest rate swaps, forward rate agreements, interest rate options and cap and collar transactions. In relation to derivatives, Orbit Treasury Limited:

- Currently does not enter into interest rate floors, except as part of a collar arrangement.
- Will not write any of these transactions itself but will always transact derivatives from a counterparty.
- May also use interest rate swaps combining options (e.g. extendible/callable/cancellable swaps).

Further details of Orbit's risk management framework can be found in Orbit Group Limited's financial statements which are published on the Orbit website www.orbit.org.uk.

ORBIT TREASURY LIMITED

DIRECTORS' REPORT

Charitable Donations

The financial statements include a provision for Gift Aid donations totalling £2,455k (2012: £6,070k) payable to the parent company, Orbit Group Limited.

Results and Dividends

The result for the financial year was £Nil (2012: £Nil). The Directors do not recommend payment of a Dividend. (2012: nil)

Directors

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

Each of the persons who is 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 auditors are unaware; and
- (2) each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

ORBIT TREASURY LIMITED

DIRECTORS' REPORT

Going Concern

The financial statements are prepared on a going concern basis.

Accordingly, after considering the forecast, appropriate sensitivities, current trading and available facilities, the Directors have a reasonable expectation that Orbit Treasury Limited has adequate resources to continue in operational existence for the foreseeable future and have concluded that the going concern basis of preparation is appropriate to enable the company to continue trading for at least one year from the date of signing these financial statements

Independent Auditors

A resolution to re-appoint PricewaterhouseCoopers 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 behalf of the Board:

Anne Turner
Company Secretary
3 September 2013

ORBIT TREASURY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORBIT TREASURY LIMITED

We have audited the financial statements of Orbit Treasury Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its results and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Richard Bacon (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

ORBIT TREASURY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORBIT TREASURY LIMITED

Dated:

Notes:

- The financial statements for Orbit Treasury Limited are published on the Orbit Group Limited website www.orbit.org.uk. The maintenance and integrity of the website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ORBIT TREASURY LIMITED
PROFIT AND LOSS ACCOUNT
For the Year Ended 31 March 2013

	2013	2012
	£000	£000
Turnover	30,483	30,826
Cost of sales	(28,065)	(24,756)
Gross profit	2,418	6,070
Administrative Expenses	-	-
Operating Profit	2,418	6,070
Interest receivable and similar income	37	-
Gift Aid Donation	(2,455)	(6,070)
Result on Ordinary Activities before taxation	-	-
Tax on Profit on Ordinary Activities	-	-
Result for the Financial year	-	-
Revenue Reserves at 1 April	6	6
Revenue Reserves at 31 March	6	6

All activities derive from continuing operations. The company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the result on ordinary activities before taxation and the result for the financial years stated above and their historical costs equivalents.

ORBIT TREASURY LIMITED

BALANCE SHEET

As at 31 March 2013

	Note	2013 £000	2012 £000
Debtors: amounts falling due after more than one year	5	685,222	649,673
CURRENT ASSETS			
Debtors	6	14,518	16,687
Investments	7	6,000	-
Cash at bank and in hand		644	1,121
		21,162	17,808
CREDITORS: amounts falling due within one year	8	(16,544)	(9,878)
NET CURRENT ASSETS		4,618	7,930
TOTAL ASSETS LESS CURRENT LIABILITIES		689,840	657,603
CREDITORS: amounts falling due after more than one year	9	(689,834)	(657,597)
NET ASSETS		6	6
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Profit and Loss account		6	6
TOTAL SHAREHOLDERS' FUNDS	14	6	6

The financial statements on pages 7 to 16 were approved by the Board of Directors on 3 September 2013 and signed on its behalf by:

.....
Jackie Matthews
Orbit Treasury Limited
CHAIR

Company Registration Number 06264601

ORBIT TREASURY LIMITED

CASH FLOW STATEMENT

For the Year Ended 31 March 2013

	Note	2013 £000	2012 £000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	11	(35,243)	(90,260)
Management of Liquid Resources and Financing			
(i) Liquid Resources			
Increase in Bank Deposits (with a maturity in excess of 24 hours)	13.	(6,000)	-
(ii) Financing			
Financing	12	40,766	84,350
(DECREASE)/INCREASE IN CASH	12 & 13	(477)	(5,910)

Operating finance activities includes interest payable, interest receivable and associated income and expenditure.

ORBIT TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

1. Accounting policies

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Turnover

Turnover results from interest and other charges to members of Orbit to cover the cost of securing and managing the loan portfolio.

Cost of Sales

Costs of sales includes interest payable and similar charges on the bank and other loans on-lent to members of the Orbit Group and administrative costs including legal costs, valuation fees, treasury staff and other costs.

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, at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, 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 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 TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

1. Accounting policies continued

Derivative Financial Instruments

Orbit uses derivative financial instruments to reduce exposure to interest rate movements. Orbit does not hold or issue derivative financial instruments for speculative purposes. For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts. If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting loss recognised at that time.

Orbit Treasury Limited accounting policy for derivatives is to recognise in the profit and loss account gains and losses on hedges of revenues or operating payments only as they crystallise. Treasury Policy states clearly that all transactions will be in Sterling or hedged to Sterling. The Mark to Market value of all stand-alone derivative financial instruments at the year end is as follows:

	2013	2012
	£000	£000
Mark to Market Value	73,150	53,700
Notional Stand Alone Swap Principal	366,500	336,500
Notional Basis Swap Principal	-	59,000

The increase in liability results from the continuing fall in long term interest rates and the acquisition of £40million of Swap contracts from RBS in the year. Stand Alone Cancellable Swap contracts totalling £20m with Barclays were converted to plain swaps at a cost of £586k thereby removing some volatility and the £59m Basis Swaps were sold when they were in surplus for £386k, helping to reduce overall interest costs.

2. Directors' and Executive Officers' Emoluments

Payments to Non Executive Directors are shown below except for those who have roles as the Chair of other Orbit companies. Their payments are disclosed in the consolidated financial statements of Orbit Group Limited. The Executive Directors are employed by the parent company, Orbit Group Limited, and their emoluments are disclosed within the consolidated financial statements. The remuneration paid by the parent in respect of the Executive Directors' services to Orbit Treasury Limited is shown below. No compensation was paid to Directors for loss of office.

	2013	2012
	£000	£000
Aggregate emoluments paid to or received by Directors who are not executive staff members including salaries, honoraria and other benefits	8	6
Aggregate emoluments paid to or received by Directors who are executive staff members including salaries, honoraria and other benefits	21	21

ORBIT TREASURY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2013

3. Operating Profit

	2013	2012
	£000	£000
Operating Profit is stated after charging		
Auditors' Remuneration;		
In their Capacity as Auditors	6	7

4. Tax on result on ordinary activities

	2013	2012
	£000	£000
(a) Analysis of charge in year:		
Current tax:		
UK corporation tax on profits of the year	-	-
Total current tax	-	-

There is no deferred tax for the year, either recognised or unrecognised (2012: £Nil).

The current tax charge for the year is lower (2012: lower) different to the standard rate of Corporation Tax in the UK of 24% (2012: 24%). The differences are explained below:

	2013	2012
	£000	£000
(b) Factors affecting tax charge for current year		
Tax due at 24% thereon	-	-
Current tax charge for the year	-	-

5. Debtors: Amounts falling due in more than one year

	2013	2012
	£000	£000
Amounts owed by Group Undertakings	685,222	649,673

Orbit Treasury Limited borrows monies on behalf of Orbit and on-lends to individual members of Orbit. Loans are repayable by half yearly instalments with interest rates that range from 3.4% to 11.20% for fixed and variable rate debt. Loans are secured by fixed charges on individual properties owned by members of Orbit.

ORBIT TREASURY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2013

6. Debtors

	2013	2012
	£000	£000
Amounts owed by Group Undertakings	14,481	16,687
Other Debtors	37	-
	14,518	16,687

7. Investments

	2013	2012
	£000	£000
Other Investments and Cash - Short Term Deposits comprise:		
- Maturing in excess of 7 days. These funds are placed into a charged account and will only be released after additional security is allocated to the Santander loan.	6,000	-
	6,000	-

8. Creditors: Amounts falling due within one year

	2013	2012
	£000	£000
Bank Loans and Overdrafts	9,200	-
Amounts owed to Group Undertakings	2,731	6,214
Accruals and Deferred income	4,613	3,664
	16,544	9,878

ORBIT TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

9. Creditors: Amounts falling due after more than one year

	2013	2012
	£000	£000
Bank Loans	699,050	666,234
Less: amortised Loan/Swap costs	(9,216)	(8,637)
	689,834	657,597

Bank loans are shown gross of loan arrangement fees of £2,914k (2012: £2,685k) and Swap buy-out cancellation fees of £6,302k (2012: £5,952k). Additional loan arrangement fees have been incurred for both new loans and Swap buy-out fees in respect of the Barclays swap conversions.

On 28 September 2007, the majority of Orbit's loans were re-routed through Orbit Treasury Limited. All members of Orbit entered into a fully cross-collateralised structure. Orbit Treasury Limited borrows money on behalf of Orbit and on-lends these to the individual operating associations as required.

Loans are secured by fixed charges on the Operating Association's housing properties and are repayable in instalments starting after the fifth anniversary of the loan completion. The first quinquennial revaluation of secured property was concluded during the year resulting in significant surplus security with both Lloyds and Nationwide loans. The Santander loan security value fell following the revaluation therefore £6m cash security has been placed with the bank temporarily pending the reallocation of new charged property.

Further details of bank loans are shown below:

	2013	2012
	£000	£000
In one year or less, on demand	9,200	-
Repayable by instalments:		
- more than one year but not more than two years	9,200	-
- In more than two years but not more than five years	45,805	17,600
- In more than 5 years	616,795	636,384
	671,800	653,984
Repayable other than by instalments:		
- In more than two years but not more than five years	5,950	-
- In more than 5 years	21,300	12,250
	27,250	12,250
Net Debt at 31 March	708,250	666,234

The bank loans are repaid in instalments at fixed and variable rates of interest. The final instalments fall to be repaid in the period 2035 to 2038. Loans repayable other than by instalment have a bullet repayment in each of 2018 and 2028.

ORBIT TREASURY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2013

10. Called Up Share Capital

	No.	2013 £	No.	2012 £
Authorised ordinary shares of £1 each	2	2	2	2
Issued and fully paid ordinary shares of £1 each	2	2	2	2

11. Reconciliation of operating profit to net cash outflow from operating activities

	2013 £000	2012 £000
Operating Profit	2,418	-
Gift Aid	(2,455)	(6,070)
Change to Loan and Amortised Loan & Swap costs	(8,528)	144
Increase in Debtors	(33,344)	(90,298)
Increase in Creditors	6,666	5,964
Net cash outflow from operating activities	(35,243)	(90,260)

12. Reconciliation of net cash flow to movement in net debt

	2013 £000	2012 £000
Cash inflow from increase in debt	(32,816)	(85,568)
Other cash changes	(7,950)	1,218
Movement in net funds in the year	(40,766)	(84,350)
(Decrease)/Increase in cash in the year	(477)	160
Increase in bank deposits (with a maturity in excess of 24 hours)	6,000	-
Cash movements	(35,243)	(84,190)
Other movements	(671)	(144)
Net debt at 1 April	(656,476)	(572,142)
Net debt at 31 March	(692,390)	(656,476)

Orbit Treasury Limited increased its bank loan drawings by £42.0 million which was immediately on-lent to companies within Orbit. There was an additional payment of £1.3 million in respect of loan arrangement fees for the new loan (Note 9 refers) and the swap conversion.

ORBIT TREASURY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2013

13. Analysis of changes in net debt

	01 April 2012	Cash Flows	Transfer to I&E account	31 March 2013
	£000	£000	£000	£000
Cash at bank and in hand	1,121	(477)	-	644
Bank Deposits - in excess of 7 days	-	6,000	-	6,000
Housing loans due less than one year	-	(9,200)	-	(9,200)
Housing loans due greater than one year	(666,234)	(32,816)	-	(699,050)
Loan arrangement fees	8,637	579	-	9,216
	(656,476)	(35,914)	-	(692,390)

14. Reconciliation of Movements in Shareholders' Funds

	2013	2012
	£000	£000
Result for the Financial Year	-	-
Opening Shareholders' Funds	6	6
Closing Shareholders' Funds	6	6

15. Ultimate Parent Company and Ultimate Controlling Party

The immediate parent undertaking and the ultimate parent undertaking and controlling party is Orbit Group Limited, an Industrial and Provident Society registered in England and Wales.

Orbit Group Limited is the parent undertaking of the only group of undertakings to consolidate these financial statements at 31 March 2013.

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

The consolidated financial statements of Orbit Group Limited are published on the Orbit website www.orbit.org.uk and are also available from Garden Court, Harry Weston Road, Binley Business Park, Coventry, CV3 2SU.

16. Related Party Transactions

Orbit Treasury Limited is a wholly owned subsidiary of Orbit Group Limited. As permitted by paragraph 3(c) FRS8 (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 FRS8.