

ORBIT TREASURY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009



Building Brighter Futures...

for people and communities



ORBIT TREASURY LIMITED

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**Company Registration
Number 06264601**

ORBIT TREASURY LIMITED

EXECUTIVE OFFICERS AND AUDITORS

NON-EXECUTIVE DIRECTORS

The following are Non-Executive Directors of the Company and have served for the year as shown:

Name

| | |
|-----------------|-------|
| Jackie Matthews | Chair |
| Rosemary Hyde | |
| Peter Cleland | |

EXECUTIVE DIRECTORS

The following are Executive Directors of the Company and have served for the year as shown:

Name

| | |
|--------------|--------------------------------------|
| Paul Tennant | Group Chief Executive |
| Anne Turner | Group Finance and Resources Director |

EXECUTIVE OFFICERS

The Company does not directly employ any staff. 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 insurance indemnifying them against legal claims from third parties.

AUDITORS

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

PRINCIPAL SOLICITORS

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

REGISTERED OFFICE

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

ORBIT TREASURY 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 2009.

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 the Group. Orbit Treasury Limited has loan agreements in place with a number of banks and building societies and draws down funds to on-lend to those Group subsidiaries which have entered into an Intra-group loan agreement. This document 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 Group Subsidiaries.

Review of Developments and Future Prospects

Business Review

The Company began trading on 28 September 2007 and has made a profit in the year of £8k (period to 31 March 2008 £8k).

Treasury Policy

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 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 Treasury Ltd this involves minimising loans drawn, cash held at bank and investing surplus cash in short-term cash deposits.

Approved sources of finance/borrowing currently include - 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 criteria.

Orbit Treasury Limited can use derivatives where they are permitted and notes the requirement for Tenant Services Authority approval. Derivatives can only be used to manage the interest rate risk of the Group by hedging, where appropriate, variable rate borrowings. The use of derivatives is to seek to minimise 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 buy derivatives from a counterparty.
- May also use interest rate swaps combining options (e.g. extendible/callable/cancellable swaps).

ORBIT TREASURY LIMITED

DIRECTORS' REPORT

Results and Dividends

The profit for the year was £8k (period to 31 March 2008 £8k). 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 Group Limited. None of the Directors held any interest in the shares of the Company.

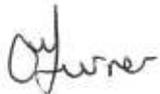
Disclosure of information to auditors

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, Executive Director

ORBIT TREASURY 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 TREASURY LIMITED

We have audited the financial statements of Orbit Treasury Limited for the year ended 31 March 2009 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 2009 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

19/08/09

KPMG LLP - Chartered Accountants, Birmingham

ORBIT TREASURY LIMITED**PROFIT AND LOSS ACCOUNT****For the Year Ended 31 March 2009**

| | 2009 | 2008 |
|--|------------------|-----------------|
| | £'000 | £'000 |
| Interest Receivable | 21,172 | 8,138 |
| Interest payable | <u>(21,195)</u> | <u>(8,128)</u> |
| Operating Surplus | (23) | 10 |
| Other operating income | 608 | 188 |
| Other operating expenses | <u>(575)</u> | <u>(190)</u> |
| Profit on Ordinary Activities before taxation | 10 | 8 |
| Taxation | <u>(2)</u> | <u>-</u> |
| Profit for the Financial Year/Period | 8 | 8 |
| Revenue Reserves Brought Forward | <u>8</u> | <u>-</u> |
| Revenue Reserves at 31 March | <u>16</u> | <u>8</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 TREASURY LIMITED

BALANCE SHEET
As at 31 March 2009

| | NOTES | 2009 | | 2008 | |
|--|-------|----------------|------------------|----------------|------------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Current Assets | | | | | |
| Debtors: Amounts due within one year | 5 | 17,066 | | 11,680 | |
| Debtors: Amounts due after more than one year | 6 | 475,612 | | 291,095 | |
| Cash at Bank and in Hand | | 1,723 | | 2,388 | |
| | | <u>494,401</u> | | <u>305,163</u> | |
| Creditors: Amounts falling due within one year | 7 | <u>(4,399)</u> | | <u>(3,625)</u> | |
| NET CURRENT ASSETS | | | 490,002 | | 301,538 |
| Creditors: Amounts falling due after more than one year | 8 | | <u>(489,986)</u> | | <u>(301,530)</u> |
| NET ASSETS | | | <u>16</u> | | <u>8</u> |
| Capital and Reserves | | | | | |
| Called up Share Capital | 9 | | - | | - |
| Profit and Loss Reserve | 13 | | <u>16</u> | | <u>8</u> |
| | | | <u>16</u> | | <u>8</u> |

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



.....
PAUL TENNANT - DIRECTOR

ORBIT TREASURY LIMITED

CASH FLOW STATEMENT
For the Year Ended 31 March 2009

| | 2009 £'000 | 2008 £'000 |
|---|-----------------------------|-----------------------------|
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES (Note 10) | (189,121) | (299,142) |
| Returns on investments and servicing of Finance | - | - |
| Financing (Note 11) | 188,456 | 301,530 |
| (DECREASE)/INCREASE IN CASH (Note 12) | <u>(665)</u> | <u>2,388</u> |

ORBIT TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

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.

Taxation

Current tax, including UK Corporation 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.

Derivative Financial Instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group 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 profit or loss recognised at that time.

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 Group Limited.

3 NOTES TO THE PROFIT AND LOSS ACCOUNT

| | 2009 £'000 | 2008 £'000 |
|-------------------------|---------------|---------------|
| Auditors' remuneration: | | |
| Audit | 5 | 5 |
| Other Services | - | - |
| | <u>5</u> | <u>5</u> |

ORBIT TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

4 TAXATION

The current tax charge for the year/period is lower than the standard rate of Corporation Tax in the UK of 28%. The differences are explained below:

| | 2009 £'000 | 2008 £'000 |
|--|-----------------------------|-----------------------------|
| Profit on ordinary activities before tax | <u>8</u> | <u>8</u> |
| Tax due at 28% thereon | 2 | 2 |
| Prior Year adjustment | 2 | - |
| Non taxable surplus | <u>(2)</u> | <u>(2)</u> |
| Current tax charge for year/period | <u>2</u> | <u>-</u> |

5 DEBTORS: AMOUNTS RECEIVABLE WITHIN ONE YEAR

| | 2009 £'000 | 2008 £'000 |
|------------------------------------|-----------------------------|-----------------------------|
| Other Debtors | 57 | 5 |
| Amount due from Group Undertakings | <u>17,009</u> | <u>11,675</u> |
| | <u>17,066</u> | <u>11,680</u> |

6 DEBTORS: AMOUNTS RECEIVABLE IN GREATER THAN ONE YEAR

| | 2009 £'000 | 2008 £'000 |
|------------------------------------|-----------------------------|-----------------------------|
| Amount due from Group Undertakings | <u>475,612</u> | <u>291,095</u> |

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2009 £'000 | 2008 £'000 |
|-----------------------------------|-----------------------------|-----------------------------|
| Amounts Due to Group Undertakings | 109 | 117 |
| Accruals and Deferred Income | <u>4,290</u> | <u>3,508</u> |
| | <u>4,399</u> | <u>3,625</u> |

The bank overdraft facility is £1 million and is currently unsecured

ORBIT TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

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

| | 2009 £'000 | 2008 £'000 |
|-------------------------------------|-----------------------------|-----------------------------|
| Loan | <u>489,986</u> | <u>301,530</u> |
| | 2009 £'000 | 2008 £'000 |
| Due After More than One Year | | |
| In more than Five Years | <u>489,986</u> | <u>301,530</u> |

Further information regarding the age profile, fixed/variable profile, interest rate profile, details of the Group's hedging activity and details of undrawn facilities as at 31 March 2009 can be found at Note 22 of the Group financial statements.

9 CALLED UP SHARE CAPITAL

| | 2009 £ | 2008 £ |
|---|-------------------------|-------------------------|
| Authorised ordinary shares of £1 each | <u>2</u> | <u>2</u> |
| Issued and fully paid ordinary shares of £1 each | <u>2</u> | <u>2</u> |

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

10 RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

| | 2009 £'000 | 2008 £'000 |
|--|-----------------------------|-----------------------------|
| Operating Profit | 8 | 8 |
| (Increase) in Debtors | (189,903) | (302,775) |
| Increase in Creditors | <u>774</u> | <u>3,625</u> |
| Net Cash Inflow from Operating Activities | <u>(189,121)</u> | <u>(299,142)</u> |

11 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | 2009 £'000 | 2008 £'000 |
|--|-----------------------------|-----------------------------|
| Increase in Cash in the year/period | (665) | 2,388 |
| Cash inflow from increase in Debt | (188,450) | (302,516) |
| Other changes | <u>(6)</u> | <u>(986)</u> |
| Movement in Net Funds in the year/period | (189,121) | (299,142) |
| Net debt as at 1 April | <u>(299,142)</u> | <u>-</u> |
| Net Debt at 31 March | <u>(488,263)</u> | <u>(299,142)</u> |

ORBIT TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

12 ANALYSIS OF CHANGES IN NET DEBT

| | At Beginning of year £'000 | Cash Flows £'000 | Other Movements £'000 | 31 March £'000 |
|---|-------------------------------------|------------------------|-----------------------------|-------------------|
| Cash at Bank and in Hand | 2,388 | (665) | - | 1,723 |
| Housing loans due greater than one year | (302,516) | (188,450) | - | (490,966) |
| Loan arrangement fees | 986 | 30 | (36) | 980 |
| | <u>(299,142)</u> | <u>(189,085)</u> | <u>(36)</u> | <u>(488,263)</u> |

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | £'000 | £'000 |
|--------------------------------------|-----------|----------|
| Shareholder's Funds brought forward | 8 | - |
| Profit for the Financial year/period | 8 | 8 |
| Closing Shareholders' Funds | <u>16</u> | <u>8</u> |

14 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

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

15 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.