

**Orbit Homes (2020) Limited**

**Financial statements**

**For the year ended 31 March 2022**

**Company Registration Number 06950748**

<b>CONTENTS</b>	<b>PAGE</b>
Executive Officers and Advisers	1
Strategic Report	2
Directors' Report	7
Independent Auditor's Report	12
Statement of Comprehensive Income	16
Statement of Changes in Equity	17
Statement of Financial Position	18
Notes to the Financial Statements	19

**Orbit Homes (2020) Limited  
Executive Officers and Advisors**

**Directors**

The Directors of the Company who were in office during the year 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>Stephen Stone</b>	Non-Executive Director/Chair	1 April 2019	
<b>Jonathan Wallbank</b>	Group Finance Director	1 November 2020	
<b>Mark Hoyland</b>	Chief Executive	1 November 2020	
<b>Richard Wright</b>	Company Secretary	2 July 2009	

**Executive Officers**

The Company had no employees during the year other than Directors (2021: Nil). The Executive Officers and staff of the parent association provide services to Orbit Homes (2020) Limited through a service agreement. The Executive Officers of Orbit Group Limited, the parent association, are listed in its financial statements.

**Advisor**

<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

## **Orbit Homes (2020) Limited Strategic Report**

The Directors present their Strategic Report on Orbit Homes (2020) Limited (Orbit Homes) for the year ended 31 March 2022.

### **Review of the business**

The principal activities of the Company comprise the provision of a design and build service to Orbit Group Limited and its subsidiary entities ("Orbit") and development of homes for sale within the UK. The Company operates as the in-house building company of Orbit, building a range of tenures for different markets. The Company also builds homes on behalf of other registered providers.

The Company's annual business plan is aligned with that of Orbit under four key objectives:

- Service
- Property
- People
- Profit

Underpinning all objectives is a commitment to compliance and the management of risk. The performance of Orbit Homes is managed against these objectives.

Our Key Performance Indicators are as set out below:

1. Number of new homes delivered
2. Number of market homes sold
3. Return on Capital Employed (ROCE)

Orbit Homes delivered 1,013 homes during the year (2021: 848), c80% for social purpose. A £2.3 million profit (2021: £1.5 million) has been delivered which will be retained to fund future housing delivery.

### Affordable development

We have delivered 792 (2021: 668) affordable homes in the year. This includes developing 56 homes (2021: 9 homes) in partnership with other registered providers as we aim to deliver as many homes as possible in the UK.

In March 2019, Orbit signed a Strategic Partnership with Homes England to deliver 2,762 homes, due to delays to the acquisition of land during the pandemic we have negotiated a reduction in the number of homes to be delivered under this agreement to 2,414. We have registered 1,234 starts on site, this is lower than our original forecast reflecting the impact of the pandemic which has delayed our start on sites. We have received £119.6m grant from Homes England since the start of the programme

On 8<sup>th</sup> March 2022, Orbit signed a further Strategic Partnership with Homes England to deliver a further 1,500 homes. The total grant awarded was £103.9m, there was no grant claimed during the year ended 31 March 2022.

We monitor our performance closely against Orbit's contracts with Homes England and the Greater London Authority.

### Market sale development

During 2022, the Company completed the sale of 264 homes (2021: 228 homes) from a total of 16 sites (2021: 14 sites). The Company built 204 market homes in 2022 (2021: 180).

Average sales price achieved for the year was £322k (2021: £331k). Gross margins reduced to 18.8% compared to 19.7% last year. Profits are re-invested back into the wider business demonstrating the 'profit for a purpose' vision of the Orbit Group.

## **Orbit Homes (2020) Limited Strategic Report**

Customer satisfaction is an important measure for Orbit and Orbit Homes had a successful year achieving both an Outstanding Achievement Award and Gold Award for Customer Satisfaction by In House Research, who conduct independent customer satisfaction surveys.

At the end of the year, the Company had capital and reserves of £17.4 million (2021: £15 million). Long term liabilities were £126.4 million (2021: £69.6 million), represented by fixed assets of £0.1 million (2021: £0.3 million) and net current assets of £143.7million (2021: £84.4 million). Stock and Work in Progress is £118.3 million a small reduction from the previous year (2021: £119.4 million). Return on capital employed (ROCE) was 13.5% (2021: 11.3%). ROCE is calculated by applying the gross margin achieved in the year on market sales revenue, divided by the average value of opening and closing stocks.

### **Risks and uncertainties**

As a house building company selling homes outright in the open market and on a shared ownership basis, we are exposed to the market conditions that prevail in the wider housing market, we recognise that there are possible headwinds in the sales market over the next 12 months, our position to mitigate has been through a conscious decision to secure a strong forward sales position. The Board delegates the management and oversight of the Company to the Development Committee which meets at least five times a year to review progress and help to manage risk. The Senior Management team and the Executive team maintain a detailed risk register that is reviewed by the Development Committee and the Orbit Group Board bi-annually.

### **Treasury policy**

The Board recognises it is important to consider treasury policy given its funding structure. 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.

### **Taxation strategy**

The Company follows the Group's taxation strategy which can be found on the group website at [www.orbit.org.uk](http://www.orbit.org.uk).

### **Key performance indicators (KPIs)**

The KPIs that we monitor are included in the Review of the Business section on page 2.

### **Section 172 Statement**

The Board of Orbit Homes (2020) Limited consider that we have adhered to the requirements of section 172 of the Companies Act 2006 and have, in good faith, acted in a way that we consider would be most likely to promote the success of Orbit Homes for the benefit of its shareholders as a whole. In doing so, we have recognised the importance of considering all stakeholders and other matter (as set out in s.172(1) (a-f) of the Act) in its decision making.

This reporting legislation around engagement is welcomed by the Board and the commentary and table below sets out our s.172(1) statement. This statement provides details of key stakeholder engagement undertaken by the Board during the year and how this helps the Board to factor potential impacts on stakeholders in the decision-making process. Additional details of the key stakeholders and why they are important to us are set out below.

Orbit Homes (2020) Limited is a wholly owned subsidiary of Orbit Group Limited which promotes the highest standards of governance and ensures these standards cascade throughout the group and its subsidiaries.

### **Section 172 Statement (continued)**

All our activity is underpinned by our rigorous approach to Corporate governance, risk and compliance. We are proud of the high standards we have reached in the management of risk alongside compliance with regulatory quality standards and will continue to maintain a strong health and safety culture. We are committed to carbon reduction and improving energy efficiency, making a positive impact on the environment. As a Board we are conscious of the impact that our business and decisions have on our direct stakeholders as well as the communities we create.

As part of the director induction process, Directors are informed of their duties including their statutory duties under s.172 of the Companies Act 2006. The Directors are entitled to request from the Company all such information they may reasonably require in order to be able to perform their duties as directors, including professional advice from either the Company Secretary or from an independent advisor at the Company's expense. On-going training is provided to the Directors, as required, to ensure that their knowledge remains up to date and they continue to be able to discharge their duties as Directors.

### **Principal decisions**

For the year ending 31 March 2022, the Board consider that the following are examples of principal decisions that it made in the period:

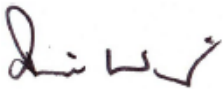
- Protecting our finances through our land led development strategy.
  - We have worked closely with our Suppliers and Subcontractors throughout the year to address the challenges to our delivery programme due to the unprecedented materials and labour shortages throughout the UK. The impact of the significant materials and subcontractor price increases have been absorbed through the sales price uplift achieved.
- We have created our own Design Standards, Standard Housetypes and Specification providing sector leading design quality combined with cost and operational efficiencies. The standard specification has now been rolled out on some of our new sites and the feedback from our customers has been extremely positive. In some circumstances it has been cited as the reason that our homes have been chosen in preference to our competitors' products.
- We efficiently and effectively created covid secure Health & Safety Procedures for both our construction and sales environments to protect our staff and customers and allowing us to continue to deliver our Business Plan throughout the pandemic.
- We have focused on engaging with and appointing more Social Enterprises to work with us; ensuring greater value for every pound we spend.
- We have approved the Annual Budget and reviewed the Financial Plan.
  - These business plans play an important role in communications with shareholders, Homes England and focusing regional teams on performance driven delivery.

<b>Stakeholders their importance to us</b>	<b>The Board's approach to stakeholder engagement</b>	<b>Stakeholder consideration in the Board's decision making</b>
<p><b><u>Shareholders</u></b> Orbit Group are vital to the future success of our business, providing funds which aid business growth reinvested back into providing social housing.</p>	<p>The ultimate shareholder is Orbit Group Limited. Monthly performance update is provided to Orbit Group including a review of Early Warning Indicators.</p>	<p>We aim to provide clear information to Group, being honest and transparent as to the performance of the business. Value is generated by delivering our business plan to provide shared ownership and rented affordable housing and reinvesting the profits generated from market sale homes back into the provision of future affordable housing.</p>
<p><b><u>Customers</u></b> Listening to our Customers helps us understand their needs and provide suitable and sustainable homes.</p>	<p>Our teams are dedicated to making sure we constantly refine what we do – ranging from amendments to house type designs and the improvement of our customers' experience.</p>	<p>Our focus is on ensuring delivery of excellent build quality and customer satisfaction. We monitor this through independent customer satisfaction surveys across all tenures.  We believe that everyone is entitled to a good quality home that they can afford, in a place they are proud to live.</p>
<p><b><u>Workforce</u></b> Orbit Homes do not directly employ our people these are all employed by Orbit Group. We engage with our people to create an inclusive company culture and a positive working environment.</p>	<p>We provide a leading employment experience where our people have the tools and skills needed to excel in their roles.</p>	<p>Great Place to work:</p> <ul style="list-style-type: none"> <li>• Promoting the personal growth, development and wellbeing of our people.</li> <li>• Inclusive employer.</li> </ul>
<p><b><u>Suppliers</u></b> Interaction with our suppliers and treating them fairly allows us to drive high standards and reduce risk in our supply chain, whilst also benefitting from costs efficiencies.</p>	<p>We meet regularly with our suppliers and subcontractors ensuring that risks are proactively managed. We strive to work with like minded businesses and place great importance on retaining long term supplier relationships. This helps safeguard the quality of our product and our ability to deliver to our customers whilst establishing standards that ensure suppliers operate ethically, are environmentally responsible and that their workers are treated with respect and dignity.</p>	<p>The Board recognise the importance of maintaining good working relationships with our key suppliers.  The Board place a high value on the quality of the working environment on our sites, and controls are in place to ensure supplier payments are made on a timely basis.</p>
<p><b><u>Community</u></b> Maintaining and increasing the supply of affordable homes is core to our purpose.</p>	<p>Our purpose is to improve the lives of our customers, build a better society for the longer term and deliver profit for purpose. This inspires us to develop our homes in an economically and socially useful way to benefit everyone in our communities.</p>	<p>By focusing on value for money and managing our business efficiently, we can reinvest our profits to build more affordable homes and improve our services and communities.</p>

**Orbit Homes (2020) Limited  
Strategic Report**

<p><b>Environment</b> We fully acknowledge the global environmental crisis and are committed to ensure we reduce our impact through our approach to building new homes.</p>	<p>We are committed to embracing modern methods of construction to drive productivity and reduce our impact on the environment.</p>	<p>The Board are focused on driving forward the low carbon agenda.</p>
---	---	--

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



**Richard Wright**  
**Company**  
**Secretary**  
**13 July 2022**



## **Orbit Homes (2020) 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 2022.

### **Results and dividends**

The profit before tax for the financial year was £3.2 million (2021: £2.4 million) after deducting the payment of a dividend on the redeemable preference share capital of £1.7 million (2021: £1.7 million). The Directors do not recommend payment of a dividend on the ordinary share capital (2021: £Nil).

### **Charitable donations**

The Company made charitable donations totalling £1k (2021: £nil).

### **Financial risk management**

The Company's operations expose it to a variety of financial risks that include the effects of liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of required finance and the related finance costs.

#### *Liquidity risk*

The Company closely monitors its future loan requirements to ensure sufficient funds will be available to cover the development of new homes for sale and for commitments to purchase land to facilitate future development programmes.

#### *Interest rate risk*

The funding provided by the parent company, Orbit Group Limited, bears interest at rates linked to SONIA. Exposure to the effects of movements in interest rates is regularly monitored, and future interest rate assumptions are reflected in the appraisal of future development schemes.

### **Future prospects**

Our ambitions for 2022-23 are to help Orbit achieve its vision, delivering high quality homes of mixed tenures in the areas in which we operate. As part of the Orbit Group's 2025 strategy, the Company aims to build 6,500 properties by 2024/25. This will be achieved through robust processes, risk management and in consideration of the wider economic environment.

### **Directors**

The Directors who served during the year are shown on page 1. The Company is a wholly owned subsidiary of Orbit Group Limited. The Directors benefit from a qualifying third party indemnity provision, which indemnifies against potential legal claims from third parties. This indemnity has been in place throughout the financial year and up to and including the date that the financial statements are signed.

**Statement of Directors' responsibilities in respect of the strategic report, the directors' report and the financial statements**

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 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 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 the 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.

**Subsequent events**

The Directors have not identified any further subsequent events to report.

**Going concern**

After making enquiries the Orbit Homes Board has a reasonable expectation the Group and subsidiary have adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in the financial statements. Further information around the going concern assessments and stress testing undertaken are referenced within note 1, the 'Basis of preparation', under Going Concern' on page 19.

**Disclosure of information to auditor**

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 auditor is unaware; and
- (2) each Director has taken all the steps that 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 Section 418 of the Companies Act 2006.

## **Orbit Homes (2020) Limited Directors' Report**

### **Independent auditors**

KPMG LLP were appointed as the Company's auditors for the year ended 31 March 2022 following a tender exercise undertaken during the year. A resolution to re-appoint the Group's auditors will be proposed at the Annual General Meeting.

### **Orbit Homes Energy Report 2021-22**

#### Introduction and Scope

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") requires quoted and large unquoted companies to report their energy and carbon performance in their annual reports as part of the government's policy on Streamlined Energy and Carbon Reporting (SECR).

Orbit Homes is a large unquoted company according to the guidance provided by the government on compliance with SECR. Orbit Homes both has turnover in excess of £36 million and a balance sheet in excess of £18 million.

This report relates only to Orbit Homes Limited and does not include entities within the parent entity Orbit Group Limited which is exempt from the reporting requirements of SECR.

#### Energy and Carbon Performance

The table below shows Orbit Homes' energy performance for the past three years, including the current and previous year as required under SECR. The table shows that total energy consumption by Orbit Homes in 2021-22 was 4,286,050 kWh, a 14% rise from 2020-21 (3,753,586 kWh) resulting largely from higher fuel consumption, primarily red diesel and to a lesser degree an increase in business travel. We believe this is due to the 'bounce-back' from covid and resultant increased site activity compared with 2020-21 when there were significant periods of non-activity. Although an overall increase in consumption there have been areas within Orbit Homes that have seen reductions, most significantly individual plot energy consumption.

Orbit Homes has chosen to normalise this data using the total number of plots completed to allow comparison. The number of plots completed was 1,013 (20-21: 848). This means that energy consumption per plot was 4,231 kWh (20-21: 4,426), a reduction of 4%, successfully uncoupling energy consumption from a rise in construction activity and therefore showing positive progress in terms of energy efficiency and intensity.

Orbit Homes began procurement of renewable electricity tariffs for the majority of construction sites and new build properties in the 2021-22 financial year. The scope 2 greenhouse gas emissions were therefore just 7 tCO<sub>2</sub>e (market-based) instead of the 123 tCO<sub>2</sub>e (location-based) they would have been otherwise. As a result, scope 2 emissions have reduced by 96% against the previous year (182 tCO<sub>2</sub>e). This has also had a small impact on the overall carbon footprint, which dropped 3% from 2020-21 (801 tCO<sub>2</sub>e) to 2021-22 (773 tCO<sub>2</sub>e).

Orbit Homes Energy Report 2021-22 (continued)

		2019-20 restated		2020-21 restated		2021-22	
Category	Sub-category	Consumption (kWh)	Emissions (tCO <sub>2</sub> e)	Consumption (kWh)	Emissions (tCO <sub>2</sub> e)	Consumption (kWh)	Emissions (tCO <sub>2</sub> e)
Scope 1	<b>Natural Gas</b>	<b>3,551,279</b>	<b>653</b>	<b>2,043,069</b>	<b>376</b>	<b>1,213,478</b>	<b>222</b>
	Offices	No gas	0	No gas	0	No gas	0
	New build pre-sale/rent plots	3,551,279	653	2,043,069	376	1,213,478	222
	<b>Fuels</b>	<b>1,023,248</b>	<b>262</b>	<b>829,350</b>	<b>212</b>	<b>1,956,825</b>	<b>498</b>
	Red Diesel	1,003,722	258	805,919	207	1,909,552	490
	Butane	9,216	2	3,376	1	-	-
	Propane	10,310	2	20,056	4	7,884	2
	White Diesel	-	-	-	-	26,830	6
	HVO	-	-	-	-	13,010	0
	Scope 2	<b>Electricity: location-based</b>	<b>1,464,645</b>	<b>374</b>	<b>781,912</b>	<b>182</b>	<b>557,874</b>
Offices		40,001	10	29,717	7	45,852	14
New build pre-sale/rent plots		977,060	250	304,610	71	159,433	34
Construction sites		447,584	114	447,584	104	352,588	75
<b>Electricity: market-based</b>		<b>1,464,645</b>	<b>374</b>	<b>781,912</b>	<b>182</b>	<b>557,874</b>	<b>7</b>
Offices		40,001	10	29,717	7	45,852	0
New build pre-sale/rent plots		977,060	250	304,610	71	159,433	7
Construction sites	447,584	114	447,584	104	352,588	0	
Scope 3	<b>Business Travel</b>	<b>567,896</b>	<b>184</b>	<b>99,254</b>	<b>31</b>	<b>143,758</b>	<b>45</b>
	Petrol	-	-	12,018	4	-	-
	Diesel	-	-	86,073	27	-	-
	Unknown fuel type	567,896	184	1,163	0	143,758	45
<b>TOTAL (location-based):</b>		<b>6,607,067</b>	<b>1,473</b>	<b>3,753,586</b>	<b>801</b>	<b>4,286,050</b>	<b>889</b>
<b>NORMALISED (PER PLOT):</b>		<b>4482</b>	<b>1.00</b>	<b>4,426</b>	<b>0.94</b>	<b>4,231</b>	<b>0.88</b>
<b>TOTAL (market-based):</b>		<b>6,607,067</b>	<b>1,473</b>	<b>3,753,586</b>	<b>801</b>	<b>4,286,050</b>	<b>773</b>
<b>NORMALISED (PER PLOT):</b>		<b>4482</b>	<b>1.00</b>	<b>4,426</b>	<b>0.94</b>	<b>4,231</b>	<b>0.76</b>

Methodology

The primary methodology used in compiling this energy performance data was the Greenhouse Gas Reporting Protocol – Corporate Standard. It has been prepared using an adapted version of a tool created on behalf of Orbit Group Limited by the Carbon Trust in 2019. The emissions factors have been sourced from BEIS using the 2021 and 2022 'Greenhouse gas reporting: conversion factors' tools and market-based electricity emissions factors direct from our energy suppliers through Renewable Energy Guarantees of Origin (REGOs).

As part of an ongoing review of data quality we have identified some anomalies in the previous years' plot consumption (both gas and electricity), these figures have therefore been re-baselined for improved accuracy and will show as different from previous SECR submissions and reporting.

## **Orbit Homes (2020) Limited Directors' Report**

Various small data validation and audit activities were performed in the preparation of Orbit's Net Zero Carbon Roadmap published in November 2021 and a more recent audit has been carried out in relation to the ISO14001:2015 certification process of Orbit's group-wide environmental management system.

All calculations and resultant analysis have been performed or validated by a Chartered Environmentalist and Member of the Energy Institute.

### Energy Efficiency Measures

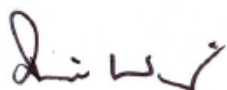
Orbit Homes utilises a range of measures to improve its energy efficiency operationally. These include:

- Energy efficiency measures in welfare cabins such as PIR light sensors and thermostats;
- Connecting to the national grid as soon as possible to reduce use of red diesel or other fuel consumption;
- Regular temporary building supply electricity meter reads are taken and monitored for abnormal consumption;
- Low set temperatures in pre-sale plots (16°C) and show homes (18°C) to reduce heating-related energy consumption;
- Relevant managerial roles undertake a two-day IEMA accredited Environmental Sustainability Skills for Managers training course;
- Agile working to reduce travel requirements.

### Carbon Saving Measures

Since April 2021, all new direct-build development site plots have been connected to green energy tariffs. This makes our pre-sale and show home electricity supply net zero carbon and also makes it easier for customers to choose affordable and green energy supply contracts on completion. From April 2022, all new direct-build development site equipment (and temporary power generation) will use HVO (hydrotreated vegetable oil) instead of red or white diesel, which we estimated will have a 90% reduction on this proportion of our carbon footprint and due to it making up a significant part of the overall footprint, the saving will translate significantly to this too as a consequence.

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



**Richard Wright**  
**Company Secretary**

**13 July 2022**

## **Orbit Homes (2020) Limited Independent Auditor's Report**

### **Independent Auditor's Report to the Members of Orbit Homes (2020) Limited**

#### **Opinion**

We have audited the financial statements of Orbit Homes (2020) Limited ("the Company") for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and 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 2022 and of its profit 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 have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **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 company's financial resources or ability to continue operations over the going concern period.

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.

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.

#### **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 management, directors and internal audit as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud.

## **Orbit Homes (2020) Limited Independent Auditor's Report**

- Reading Board, audit and risk committee and remuneration committee minutes.
- Using analytical procedures to identify any unusual 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, 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 due to the limited opportunity for management to manipulate revenue transactions.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to unusual and seldom used accounts.

### *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 Group'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.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative & community benefit society legislation), distributable profits legislation, taxation legislation, pensions legislation and specific disclosures required by housing legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: GDPR, Health and Safety Legislation and Employment and Social Security Legislation, recognising the regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *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

## **Orbit Homes (2020) Limited Independent Auditor's Report**

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.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **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, 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.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for 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).



**Orbit Homes (2020) Limited  
Independent Auditor's Report**

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Sarah Brown (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

KPMG LLP

One Snow Hill, Snow Hill Queensway

Birmingham, B4 6GH

Dated: 28 July 2022

**Orbit Homes (2020) Limited**  
**Statement of Comprehensive Income**

	Note	2022 £000	2021 £000
<b>Turnover</b>	<b>3</b>	<b>156,199</b>	158,828
Cost of sales		<b>(145,769)</b>	(148,237)
<b>Gross profit</b>		<b>10,430</b>	10,591
Administrative expenses		<b>(3,348)</b>	(3,300)
<b>Operating profit</b>	<b>4</b>	<b>7,082</b>	7,291
Interest receivable and similar income		<b>1</b>	14
Interest payable and similar charges	<b>5</b>	<b>(3,831)</b>	(4,949)
Donations paid		<b>(1)</b>	-
<b>Profit on ordinary activities before tax</b>		<b>3,251</b>	2,356
Tax on profit on ordinary activities	<b>6</b>	<b>(911)</b>	(825)
<b>Profit for the financial year</b>		<b>2,340</b>	1,531
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the financial year</b>		<b>2,340</b>	1,531

The accompanying notes form part of these financial statements.

**Orbit Homes (2020) Limited**  
**Statement of Changes in Equity**

	<b>Income &amp; Expenditure Reserve £000</b>	<b>Share Capital £000</b>	<b>Total £000</b>
<b>As at 1 April 2020</b>	3,507	10,000	13,507
Profit for the year	1,531	-	1,531
<b>Balance at 31 March 2021</b>	<b>5,038</b>	<b>10,000</b>	<b>15,038</b>
Profit for the year	2,340	-	2,340
<b>Balance at 31 March 2022</b>	<b>7,378</b>	<b>10,000</b>	<b>17,378</b>

The accompanying notes form part of these financial statements.

**Orbit Homes (2020) Limited**  
**Statement of Financial Position**

	Note	2022 £000	2021 £000
<b>Fixed assets</b>			
Tangible assets	7	53	290
<b>Current assets</b>			
Stocks	8	118,330	119,418
Debtors	9	27,578	19,545
Cash at bank and in hand		12,632	2,861
		<b>158,540</b>	141,824
Creditors: amounts falling due within one year	10	<b>(14,817)</b>	(57,467)
Provisions: falling due within one year	11	-	-
		<b>143,723</b>	84,357
<b>Net current assets</b>		<b>143,723</b>	84,357
<b>Total assets less current liabilities</b>		<b>143,776</b>	84,647
<b>Creditors: amounts falling due after more than one year</b>	12	<b>(126,398)</b>	(69,609)
<b>Net assets</b>		<b>17,378</b>	15,038
<b>Capital and reserves</b>			
Called up share capital	14	10,000	10,000
Profit and loss account		7,378	5,038
<b>Total shareholders' funds</b>		<b>17,378</b>	15,038

The accompanying notes form part of these financial statements.

The financial statements on pages 16 to 26 were approved by the Board of Directors and signed on its behalf by:



**Stephen Stone**  
**Chair**

**13 July 2022**

Company Registration Number 06950748

## **1. Accounting policies**

### **Basis of preparation**

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. No judgements or estimates have been applied that would materially affect the values disclosed in the financial statements.

Exemption has been taken under FRS 102 to not disclose related party transactions.

The Company has also taken advantage of the exemption available in FRS102 in preparing these financial statements, and has not prepared, per requirement of Section 7, a Statement of Cash Flows. This information is included in the consolidated financial statements of Orbit Group Limited as at 31 March 2022 and these financial statements are available at [www.orbit.org.uk](http://www.orbit.org.uk).

### **Going concern**

The Board, after reviewing the Company's financial business plan, considering the impacts from the coronavirus pandemic and taking account of severe but plausible downsides, such as a property market collapse, economic downturn, political pressures or a perfect storm, is of the opinion that, given support from the Orbit Group, the Company has adequate resources to continue for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing the annual financial statements.

This is dependent on Orbit Group Limited providing additional financial support in the 12 month period from the date these accounts are signed. Orbit Group Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. The Company has a reasonable expectation that its parent has sufficient resources to provide continued support.

### **Tangible fixed assets**

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes land, build costs, applicable overheads and interest. Depreciation is charged to write off the cost of the tangible fixed assets, less their residual values, over their expected useful lives using the straight-line basis.

Leasehold improvements	15%
Furniture, fixtures and equipment	15% - 25%

### **Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes land, build costs and applicable overheads. 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.

### **Redeemable preference shares**

Preference shares, which are redeemable on a specific date or at the option of the shareholder or which carry non-discretionary dividend obligations, are classified as borrowings.

### **Turnover**

Turnover represents amounts receivable for the sale of land and properties, and the provision of design and build services, net of Value Added Tax and other sales related taxes. All turnover arises in the UK only.

**Orbit Homes (2020) Limited**  
**Notes to the Financial Statements**

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for the services provided net of Value Added Tax and customer discounts and incentives.

**Profit recognition on sales of properties**

The cost of sales is posted to the statement of comprehensive income for each market sale property based on legal completion on the initial appraisal target margin. This target margin is periodically reviewed for appropriateness.

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

**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.

**Gift aid**

Gift aid is presented as a distribution of reserves rather than being shown in the statement of comprehensive income.

**Liquid resources**

Liquid resources comprise loans from group undertakings and from Homes England.

**2. Directors' and executive officers' emoluments**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Aggregate emoluments paid to or received by Directors who are not executive staff members including salaries, honoraria and other benefits	<b>8</b>	<b>22</b>

The Executive Directors are responsible for the day to day management of this Company, as well as other Group entities. They are employed and paid by the parent company Orbit Group Limited.

Expenses paid during the year on behalf of Board members amounted to £8,000 (2021: £3,000).

**Orbit Homes (2020) Limited**  
**Notes to the Financial Statements**

**3. Turnover**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Sale of new homes	85,119	75,706
Sale of affordable homes to development partner	322	1,770
Design and build fees	70,409	80,998
Other	349	354
	<b>156,199</b>	<b>158,828</b>

**4. Operating profit**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Operating profit is stated after charging</b>		
<b>Fixed assets:</b>		
Depreciation – owned assets	231	53
<b>Auditor’s remuneration:</b>		
In their capacity as auditors	23	13
In respect of other services	12	12
<b>Total audit services</b>	<b>35</b>	<b>25</b>
<b>Other operating lease rentals</b>	<b>66</b>	<b>134</b>

**5. Interest payable and similar charges**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Operating profit is stated after charging</b>		
<b>On bank loans, overdrafts and other loans</b>		
Repayable, other than by instalments, within 5 years	346	1,295
<b>On loans from Group undertakings</b>		
Redeemable preference shares	1,700	1,700
Repayable, other than by installments, within 5 years	1,785	1,954
	<b>3,831</b>	<b>4,949</b>

**6. Tax on profit on ordinary activities**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>(a) Analysis of charge/(credit) in year:</b>		
<b>Current tax:</b>		
UK Corporation Tax on profits of the year	<b>986</b>	781
Adjustments in respect of prior years	<b>(31)</b>	-
Deferred tax (released) / liability	<b>(44)</b>	44
<b>Total current tax</b>	<b>911</b>	<b>825</b>

The deferred tax liability of £44,000 has been released.

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

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>(b) Factors affecting tax charge for current year:</b>		
Profit on ordinary activities before tax	<b>3,251</b>	2,356
Tax due at 19% (2021: 19%) thereon	<b>618</b>	448
Accelerated capital allowances and other differences	<b>368</b>	333
Deferred tax liability	<b>(44)</b>	49
Deferred tax charge for the period	-	(5)
Adjustments in respect of prior years	<b>(31)</b>	-
<b>Current tax charge/(credit) for the year</b>	<b>911</b>	<b>825</b>

**(c) Factors that may affect future tax charges:**

At Budget 2021, the Government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2022 would remain at 19% and increase to 25% in 2023.



## 7. Tangible assets

	Leasehold improvements £000	Furniture, fixtures and equipment £000	Other £000	Total £000
<b>Cost</b>				
As at 1 April 2021	464	611	-	1,075
Additions	-	-	4	4
Disposals	(37)	(9)	-	(46)
<b>At 31 March 2022</b>	<b>427</b>	<b>602</b>	<b>4</b>	<b>1,033</b>
<b>Less: accumulated depreciation</b>				
At 1 April 2021	(310)	(475)	-	(785)
Charge for year	(120)	(111)	-	(231)
Eliminated on disposal	28	8	-	36
<b>At 31 March 2022</b>	<b>(402)</b>	<b>(578)</b>	<b>0</b>	<b>(980)</b>
<b>Net book amount</b>				
<b>At 31 March 2022</b>	<b>25</b>	<b>24</b>	<b>4</b>	<b>53</b>
<b>At 31 March 2021</b>	<b>154</b>	<b>136</b>	<b>0</b>	<b>290</b>

## 8. Stocks

	2022 £000	2021 £000
Work in progress	118,330	119,418

## 9. Debtors

	2022 £000	2021 £000
Amounts owed by Group undertakings	23,122	10,679
Other debtors	2,395	6,027
Taxation and social security	2,061	2,839
	<b>27,578</b>	<b>19,545</b>

**Orbit Homes (2020) Limited**  
**Notes to the Financial Statements**

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

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Bank loans	-	42,850
Trade creditors	<b>11,205</b>	8,186
Amounts owed to Group undertakings	<b>2,221</b>	3,712
Taxation and social security	<b>546</b>	724
Accruals and deferred income	<b>845</b>	1,951
Deferred tax liability	-	44
	<b>14,817</b>	<b>57,467</b>

**11. Deferred Taxation**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>As at 1 April 2021</b>	<b>44</b>	-
Deferred tax charge for the period	-	49
Deferred tax liability arising from timing differences	-	(5)
Release of deferred tax liability	<b>(44)</b>	-
<b>Total liabilities at 31 March 2022</b>	<b>-</b>	<b>44</b>

Deferred taxation is provided for in the financial statements at a rate of 19%.

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

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Bank loans (Note 13)	-	-
Loans from Group undertakings (Note 13)	<b>92,398</b>	35,609
Redeemable preference shares (Note 13)	<b>34,000</b>	34,000
	<b>126,398</b>	<b>69,609</b>

**Orbit Homes (2020) Limited**  
**Notes to the Financial Statements**

**13. Loans and other borrowings**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Bank loans	-	42,850
Loans from Group undertakings	<b>92,398</b>	35,609
Redeemable preference shares	<b>34,000</b>	34,000
	<b>126,398</b>	112,459

**Maturity of financial liabilities**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
In one year or less, or on demand	-	42,850
In more than one year but not more than two years	<b>126,398</b>	34,000
In more than two years but not more than five years	-	35,609
	<b>126,398</b>	112,459

The loans from Orbit Group Limited are secured by a floating charge over the assets of the Company.

In prior years Orbit Homes has issued redeemable preference shares at £1 each. Orbit Group Limited are the holder of these fully paid shares. The redeemable preference shareholders are entitled to a fixed dividend of 5% per annum (or pro rata for a period of less than a year). The shareholders have the right, by giving not less than 12 months written notice to Orbit Homes, to redeem for cash at par. The shareholders have not given such notice at the date of signature of the financial statements.

**14. Called up share capital**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Issued and fully paid shares of £1 each	<b>1</b>	1
Issued and unpaid shares of £1 each	<b>10,000,099</b>	10,000,099
<b>At 31 March 2022</b>	<b>10,000,100</b>	10,000,100

On 31 March 2021 the Company issued 10,000,000 ordinary shares of £1 at par to the parent company Orbit Group Limited. These shares remain unpaid at 31 March 2022 and an amount of £10,000,000 is included in Note 9 Debtors as 'Amounts owed by group undertakings'.

**15. Capital commitments**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Capital expenditure which has been contracted for but has not been provided for in the financial statements	<b>599,571</b>	598,921
Capital expenditure which has been authorised under authority from the Orbit Board but has yet to be contracted	<b>195,715</b>	231,297
	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
The Company expects these commitments to be financed with:		
Proceeds from sale of new homes	<b>287,687</b>	346,783
Proceeds from sale of housing to other Group undertakings	<b>507,599</b>	483,435
	<b>795,286</b>	830,218

Capital commitments comprise contracts for the purchase of land and buildings and under design and build contracts with third party suppliers.

**16. Leasing commitments**

The future minimum operating lease payments are as follows:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Within one year	<b>66</b>	66
Within two and five years	<b>11</b>	77

**17. 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 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 2022. The consolidated financial statements of Orbit Group Limited are published on the Orbit website [www.orbit.org.uk](http://www.orbit.org.uk).

**18. Related party transactions**

Orbit Homes (2020) Limited is a wholly owned subsidiary of Orbit Group Limited. As permitted the Company has taken advantage of the exemption for wholly owned subsidiaries not to disclose related party transactions with group entities as defined by section 33.1A FRS 102.