

**HEART OF ENGLAND HOUSING ASSOCIATION
LIMITED (TRADING AS ORBIT HEART OF ENGLAND)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010



Building Brighter Futures...

for people and communities



**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

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**Industrial and Provident Society
Number 30446R**

**Tenant Services Authority
Number L4526**

HEART OF ENGLAND HOUSING ASSOCIATION LIMITED (TRADING AS ORBIT HEART OF ENGLAND)

BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS

GROUP RESTRUCTURE

Heart of England Housing Association Limited was formed on 1 April 2008 from an amalgamation of South Warwickshire Housing Association Limited and Heart of England Housing Group Limited. Simultaneously it joined the Orbit Group as a subsidiary of Orbit Group Limited and purchased the Midlands properties previously owned by Orbit Housing Association.

Other members of the disbanded Heart of England Housing Group namely Heart of England Housing & Care Limited became a subsidiary of Orbit Group Limited on 1 April 2008 whilst Heart of England Consultancy Limited and Heart of England Commercial Limited became dormant subsidiaries of Heart of England Housing Association Limited.

Heart of England Housing Association Limited, operates under the name 'Orbit Heart of England' (OHE),

The structure that was put in place for the Orbit Group last year has continued to evolve as we move forward on our journey to be great.

Orbit South has now developed a strong presence south of the Thames, and during the year we sought to capitalise on this strength by moving the management of our Orbit East General Needs homes to Orbit South. This has enabled us to combine the management of our homes both North and South of the Thames down the East of the country, whilst still maintaining our separate brands and regional focus. The management of the Supported Homes in Orbit East has moved to Orbit Heart of England, to utilise the unique skills and expertise of their Supported Housing and Older Persons (SHOPs) team.

In the summer of last year, the Group decided to expand the range of choices that we offer our customers by developing homes for outright sale, and as a result Orbit Homes (2020) Limited was formed (known as 'Orbit Homes'). Orbit Homes will provide a design and build service for all developing members of the Orbit Group, as well as building homes for outright sale. The management of Orbit First Step (OFS) and Orbit Private Retirement Leasehold homes (Orbit PRL) also transferred to Orbit Homes, although the ownership of the shared ownership retained equity remains with Orbit Group Limited.

Work is currently underway to transfer the leasehold management of the shared ownership homes from OFS to Orbit East, Orbit South and Orbit Heart of England, as we continue our journey to provide a good quality, consistent service to our customers, regardless of the tenure of their home.

This will mean that Orbit Homes will be able to focus on the development and sale of all new homes in the Group, across a variety of tenures and be well placed to be able to react swiftly to changes in the market place.

These changes embrace our ambitions around service delivery, value for money, greater customer engagement and local accountability. They also support our place shaping agenda, linking new housing provision to investment in communities and our existing stock.

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS

BOARD MEMBERS

The following are all Members of the Board, all of whom have served throughout the year unless otherwise stated:

Name	Role	Appointed	Left
Roy Brooks	Chair	1/4/08	
Michael Culverwell	Deputy Chair	1/4/08	
Brian Fletcher	Independent Member	1/4/08	
Michael Lawrence	Independent Member	20/11/08	
Niku Mawby	Independent Member	1/4/08	31/3/10
Michael Robertson-Smith	Independent Member	1/4/08	
Ian Tillotson	Independent Member	24/10/08	
Tim Vogel	Independent Member	1/4/08	
Margaret Wellington	Independent Member	1/4/08	
David Wilkinson	Resident Member	1/4/08	
Valerie Williamson	Co-optee* / Independent Member	1/4/08	
Lindsay Dennish	Co-optee**	10/3/10	
Denise Kelly	Resident Member	14/10/09	
Jacqui Dickinson	Resident Member	14/10/09	
Gurmeet Viridi	Independent Member	10/3/10	

* Valerie Williamson was a Co-optee Member of the Orbit Heart of England Board. From 10/3/2010 her status changed to an Independent Member.

** Lindsay Dennish is a Heart of England Housing & Care Ltd Board Member co-opted onto the Orbit Heart of England Board to ensure the required representation on the Board from 10/3/2010.

EXECUTIVE OFFICERS

The Executive Officers are employed by Orbit Group Limited and their services are provided to Orbit Heart of England via an Intra Group Agreement. These include Stewart Fergusson, the Managing Director and Secretary of Orbit Heart of England. The Executive Officers are members of the Group Executive Team and they are listed in the Financial Statements of the Group. The Directors benefit from insurance indemnifying them against legal claims from third parties.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Directors' and Officers' insurance has been maintained throughout the year to indemnify against liability when acting for the Association.

AUDITORS

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

PRINCIPAL SOLICITORS

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

REGISTERED OFFICE

10 Greenhill Street
Stratford-upon-Avon
Warwickshire
CV37 6LG

HEART OF ENGLAND HOUSING ASSOCIATION LIMITED (TRADING AS ORBIT HEART OF ENGLAND)

OPERATING AND FINANCIAL REVIEW

SOCIAL LANDLORD'S BUSINESS, OBJECTIVES AND STRATEGY

The principal activity of the Association is to provide quality affordable homes and effective support services, all designed to meet customers' needs and to help build sustainable communities.

At the year end, the Association owned and/or managed 14,677 homes and commercial units.

The Association's strategic objective throughout the year was to make a significant contribution to the communities it served.

The Association works within the overall strategic framework for the Orbit Group, which is developed by all members of the Group in a consultative process.

Ambition for the Group

The Orbit Group is a federal structure. As such, all parts of the Group, whilst delivering their own plans, do so within the Group framework. All of our plans are linked and 'talk' to each other.

We seek to operate a golden thread in which all of us are able to see how what we do in our own teams and our own role are linked to the overall aims of our part of the organisation and the Orbit Group.

The enduring ambition of the Orbit Group is that of: ***"Building Brighter Futures for people and communities"***.

Objectives for the Group

The Orbit Group has a 5 year business plan which aims to go from good to great. By 2013 we wish to be great in all we do. To deliver this outcome we have three strategic objectives, and for each we have outcomes we would wish to achieve by 2013.

- **CUSTOMER**

Creating great customer services by becoming a top quartile performer in key indicators, being passionate about understanding our customers' needs, treating every customer as an individual and exceeding our customers' expectation. Measured by the quality of our engagement with our customers that enables them to shape service provision and delivery; demonstrating our accountability to customers and continually improving our performance; being assessed as providing excellent services.

- **PLACE**

Creating great places where people want to live through supporting successful neighbourhoods, offering a wide range of choice, and providing an innovative approach to the development of new neighbourhoods. Measured by the quality of the local environment; engagement with local residents and the community; the range of high quality sustainable homes meeting residents' needs; and the quality of our existing homes.

- **ORGANISATION**

Being a great organisation where we run things well, provide a great place to work, have sound finances, deliver value for money, and have a strong external reputation. Measured by our financial viability and demonstration of real value for money; the quality and ability of our staff team to deliver the aspirations of customers and live the values and culture of Orbit; and the quality of the tools and infrastructure to innovate and drive forward our services to our customers.

Since 2003 Orbit has progressively improved its position by being more focussed, better structured and increasingly more effective. We believe that we have created an excellent platform for the Group's future.

The culture and behaviour that support our delivery of services are enshrined in our values of:

HONESTY INNOVATION EXCELLENCE PARTNERSHIP RESPECT

HEART OF ENGLAND HOUSING ASSOCIATION LIMITED (TRADING AS ORBIT HEART OF ENGLAND)

OPERATING AND FINANCIAL REVIEW

SOCIAL LANDLORD'S BUSINESS, OBJECTIVES AND STRATEGY (CONTINUED)

Our journey from good to great is broken down in steps each financial year through to 2013. Each of the business plans in the Group are linked and work towards this common purpose, creating a golden thread that aligns our effort, resources and people. They also support our collective and individual aspiration to make a real and demonstrable difference to people's lives.

The various Boards in the Group approve all Business Plans and monitor progress and delivery against targets. In consultation with residents, and with the support of Orbit Services, our Group Members will develop and monitor detailed delivery plans. All of our plans have clear milestones and measurable outcomes to guide and confirm progress.

We recognise the level of ongoing change in our sector, the continuing difficulties faced by the world's financial markets, and the changes to the political environment and the impacts these are likely to have on our proposals. We continually monitor our position and that of others, to ensure that we plan for and react quickly to the changing environment and minimise the risks that we face.

We continually review performance by organisation and the Group, and take appropriate action. We review overall how well we deliver our strategy and test, adapt and change as appropriate.

Orbit Heart of England has developed its own 5 year Business Plan with detailed objectives within each strand of the Group's objectives. Orbit Heart of England's main focus for the year was to continue with the successful integration of the Orbit Heart of England legacy organisations. We focused on the customer by building an infrastructure that will produce high levels of satisfaction with our services. We have progressed the establishment of structures and processes to enable us to achieve continuous improvement in performance and in the delivery of services to all residents and to create an efficient regional association that contributes to meeting housing needs in the area where we work.

In line with Orbit Group's strategic priorities, the Orbit Heart of England Board has identified the following main priorities for 2010/11:

- Improve the provision of services and engagement with customers.
- Broaden the range of services and products that we offer working with customers, partners and stakeholders
- Continue the development of OHE's team members to enhance the provision of services and deliver a customer first culture.
- Improve the places where OHE's residents live by investing in a range of new homes, in specific regeneration schemes and in other community services provision.
- Further develop community investment plans and links that have a greater impact in OHE's neighbourhoods and enhance the services we can provide and signpost customers to.
- Continue with OHE's stock investment plans to improve the quality of homes and the cost in use to customers.
- Ensure that information technology and financial systems support OHE's service delivery plans.
- Improve OHE's performance.
- Improve the Value for Money of OHE and meet the financial targets.

Progress against plans will be reported upon throughout the year. Reporting will consist of both strategic indicators and operational performance indicators which will be monitored by the Association's Board.

OPERATING REVIEW

Performance in the Year

Financial performance in the year has exceeded expectations, with a surplus for the year of £2.6 million compared with a revised budgeted deficit of £2 million. The variance was mainly as a result of lower spend on repairs and maintenance (£2.2 million) and interest (£2.5 million).

HEART OF ENGLAND HOUSING ASSOCIATION LIMITED (TRADING AS ORBIT HEART OF ENGLAND)

OPERATING AND FINANCIAL REVIEW

OPERATING REVIEW (CONTINUED)

The development programme has progressed well during the year with 331 new homes costing £32 million being transferred into management in the year. There are a further 245 homes under development and it is anticipated that 201 of these homes will be completed and come into management during 2010/11. Additionally, the Association acquired 544 properties from Chiltern Hundreds Charitable Housing Association (part of the Paradigm Housing Group) on 1 June 2009 at a net cost of £32.1 million.

During the year the Association achieved a number of key objectives:

- We restructured our approach to service delivery by creating a local service delivery framework in which separate teams work together to deliver a seamless service in local areas.
- We introduced a new customer measurement system (MOTs) to gauge satisfaction.
- In partnership with Investors in Excellence we are restructuring our approach to Continuous Improvement and focusing attention on key services for improvement. In 2009/10 major Continuous Improvement programmes covered the repairs service, complaints handling and void management.
- We are implementing a new resident engagement strategy
- We have grown our turnover and stock in management, by purchasing properties from Paradigm Housing and delivery of the agreed development programme.
- We have completed a stock condition survey to guide long term investment plans and continued progress to meet the Decent Homes Standard by December 2010.
- We have invested in our managers who are benefitting from the Group Leadership and Development programme throughout the year.

Dynamics of the Social Landlord

Orbit Heart of England has a Rent Plan which allows rent restructuring to be achieved within the Tenant Services Authority's timetable.

The Association has an Asset Management Strategy which covers all of its housing properties and which takes account of both the future likely demand for the homes as well as the actual physical condition of the properties. The Association has focussed its planned maintenance programme to ensure that all homes meet the Decent Homes Standard within the required timescale, at the same time achieving efficiencies in terms of procurement and programme delivery. The Association works with a number of partners to procure maintenance and works including Property Matters, Orbit Heart of England's in house maintenance division.

Investment for the future

The Board is committed to spending approximately £22 million each year to maintain and improve its accommodation and will consider opportunities to expand the operations by the acquisition of new homes and / or services.

Orbit Heart of England is piloting a range of Eco and Passive house projects to assist in the determination of the best solutions for the retrofitting of existing stock and its future new build agenda in order to meet the Government's Carbon Reduction target ahead of schedule.

Orbit Heart of England is fully committed to providing the highest levels of customer service and continued to invest in and support a range of initiatives that will yield improvements in this area.

FINANCIAL REVIEW

Capital structure and Treasury Policy

Housing properties of £518.9 million, other fixed assets and investments of £4 million, net current liabilities of £31.2 million and negative accumulated reserves of £23.2 million are financed by grants £227.3 million (44%), loans and long term creditors of £282.3 million (55%), and pension liability of £5.3 million (1%).

HEART OF ENGLAND HOUSING ASSOCIATION LIMITED (TRADING AS ORBIT HEART OF ENGLAND)

OPERATING AND FINANCIAL REVIEW

FINANCIAL REVIEW (CONTINUED)

The depreciation policy for Orbit Heart of England is that it depreciates its properties over the average economic life of those properties.

The Association has reviewed its housing stock to ensure there has been no impairment in the carrying value of individual schemes. No impairment provisions have been deemed necessary this year.

The Association has adopted FRS17 (accounting for pensions) in full. The pension liability on the balance sheet at 31 March 2010 was £5.3 million (2009: £3.6 million).

From 1 October 2007, the major loans of all the Group Members at that date were re-routed through a new group treasury vehicle, Orbit Treasury Limited. The treasury vehicle has facilitated changes to the group structure and is supported by group cross-collateralisation. The benefits include improved efficiencies in terms of both streamlined and efficient treasury procedures and strategy, as well as reduced average interest rates and reduced compliance work.

During the year, Orbit Treasury Limited entered into six new swaps with four organisations. The notional value of these transactions is £96 million. Three of the swaps totalling £36 million relate to the acquisition of properties from Chiltern Hundreds Charitable Housing Association, and comprise swaps of £11 million and £13 million callable after 10 and 20 years respectively and a swap of £12 million which is fixed for a term of 23 years. The remaining 3 swaps comprise two 20-year £15 million forward fix swaps starting in April 2013 and 2014, and a £30 million forward fix starting in May 2012. All of these transactions were in sterling.

In June 2009, Orbit Treasury Limited extended the group facility with Abbey National Treasury Services by a further £50 million.

The Orbit Group Board recognises that the fluctuations in the Association's debt requirement arising from sales and new developments in particular make it important to regularly review its treasury policy. The treasury function operates within a framework of clearly defined Board approved policies, procedures and delegated authorities. The fundamental principle underlying the Association's approach is to treat treasury activities as a means of controlling risk rather than for profit generation. The Association has Rules that allow the use of derivatives and the relevant accounting policies are included in note 1 to the Financial Statements.

The treasury policy adopted by the Board requires the Association to:

- only use institutions or investment instruments with high credit ratings
- limit exposure to individual institutions when investing
- limit sensitivity to market fluctuations by adopting a mix of fixed and floating interest rates
- limit the use of third party derivatives
- limit refinancing risk by means of a good spread of debt repayment terms

The treasury policy adopted by Orbit Group Limited was a Group policy, and has been adopted and continued by Orbit Treasury Limited.

Cash flow and liquidity

The cash inflow from operating activities during the year was £35.6 million (2009: £10.4 million).

The principal source of both operating cash inflow and outflow remained that of income from the provision of housing accommodation and associated operating costs.

Post Balance Sheet Event

Negotiations are currently underway to sell a Registered Care Home owned by Orbit Heart of England to another social landlord. It is hoped that this sale will be concluded during the summer of 2010.

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

OPERATING AND FINANCIAL REVIEW

Going concern

After making enquiries the Board has a reasonable expectation that the Association has 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.

Conclusion

The successful creation of Orbit Heart of England as a single legal entity during the 2008/09 financial year will provide a platform from which we will be able to deliver more efficient and effective services to residents, and invest more effectively in neighbourhoods across the region.

Financially, the Association out performed against the budget for the second year running.

Members of the Board and staff have shown great commitment and support to the Association throughout the year. Without their continuing support, sound judgement and ongoing contribution none of the achievements would be possible.



Roy Brooks
Chair
17 August 2010

HEART OF ENGLAND HOUSING ASSOCIATION LIMITED (TRADING AS ORBIT HEART OF ENGLAND)

HOUSING ASSOCIATION GOVERNANCE

Governance

Orbit Heart of England is a member of the Orbit Group and has operated as a subsidiary of the Parent, Orbit Group Limited since 1 April 2008. Prior to this it had been a subsidiary of Heart of England Housing Group Limited. It is a not-for-profit organisation registered on 1 April 2008 as an Industrial and Provident Society and has exempt charitable status.

NHF Code of Governance

The Board adopts in full the National Housing Federation's Code of Governance. We confirm that Heart of England Housing Association Limited complies with the Code of Governance in all material aspects.

Board of Management

The Board Members of the Association during the year ended 31 March 2010 are listed on page 3.

The Board is responsible for governing the affairs of the Association and comprises a maximum of 14 non-executive members, excluding co-optees, made up of a minimum 8, maximum 10 independent members and a minimum 2, maximum 4 resident / leaseholder members. Thus the Board Members are drawn from a range of backgrounds bringing together professional, commercial and local experience. The Chair of Orbit Heart of England also sits on the Orbit Group Board, the Governing Board of Orbit Group Limited (OGL). All Members of the Orbit Group Board are paid in relation to their responsibilities on that Board.

The Board meets at least 6 times a year. It has in place two Committees, the Service Board and the Property Matters Committee, which were set up to allow the Board to focus on strategic matters.

A representative of the Association will sit on each of the following Group Committees of Orbit Group Limited: Group Audit Committee and Group Services Committee.

The Board delegates the day to day management of the Association to the Executives and staff. Certain Executives and staff attend the Orbit Heart of England Board meetings. The Board and the Committees obtain external specialist advice from time to time as necessary.

Resident Involvement

Orbit Heart of England is committed to involving residents in decisions affecting their homes. Up to 4 places on the Orbit Heart of England Board are reserved for residents. There are also 4 places for residents on the Service Board.

Orbit Heart of England has an agreed resident involvement strategy, with key objectives of: making involvement activities easier to take part in, encouraging a wider range of residents to take part, making sure involvement leads to better services and improving value for money. All service areas have to produce an annual involvement plan and residents help us identify the impact they have on service improvement. We are developing resident scrutiny of our performance to meet the regulatory requirements of the Tenant Services Authority.

Performance Monitoring

During the year the Board, the Service Board and Property Matters Committee have monitored and reviewed key areas of performance for Orbit Heart of England.

Housing Ombudsman Service

The Ombudsman service dealt with 3 cases during the year. The Ombudsman did not uphold 2 of the complaints, and the other case is still in progress.

HEART OF ENGLAND HOUSING ASSOCIATION LIMITED (TRADING AS ORBIT HEART OF ENGLAND)

HOUSING ASSOCIATION GOVERNANCE

Responsibility for the System of Internal Control

The Orbit Heart of England Board acknowledges that it has the overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness to provide the necessary assurances in accordance with the requirements of the TSA circular 07/07 and the Regulatory Code.

Scope of Assurance

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that the key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

Risk Management Process

The Association has in place a comprehensive and robust Risk Management Strategy & Framework, which is fully compliant with the requirements of the TSA and is based on best practice across the public and private sectors.

The process for the identification and management of risks is an ongoing process and has been in place throughout the year under review. The control environment to manage these risks is continually evaluated and monitored by the Orbit Heart of England Board. The lead person for the Association on risk management is the Orbit Heart of England Managing Director and the Internal Audit Team as part of an audit review assess whether the control measures stated by Officers as in place and working, are actually effective. The findings of which are reported in Audit Reports and the process is that any significant anomalies are reported to the Orbit Heart of England Managing Director and the Orbit Heart of England Board. The Group's Audit Committee (GAC) monitors the implementation of the Group Strategy and plan for Risk Management. The overall responsibility for risk management for the Association remains with the Orbit Heart of England Board.

Process for Reviewing the Effectiveness of the Internal Control System

The Orbit Heart of England Board has established a robust and comprehensive framework to assess the effectiveness of the internal control system. The framework comprises of different sources of assurance the more significant ones being Internal Audit, the GAC, External Audit, the Association's Senior Management Team and the TSA. In addition, a major component of this assessment is the risk management process described above.

Briefly the key features are:

- The Orbit Heart of England Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including new investment projects. The Board also regularly reviews key performance indicators to assess the progress towards the achievement of key business objectives, targets and outcomes.
- Orbit Heart of England has in place a comprehensive Internal Audit Plan. The plan covers financial and non-financial areas of Orbit Heart of England's business and assurances in all of the significant areas of the Association's activity is provided by the Internal Audit Team. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from these reports. Additionally, as part of each audit review, the Internal Audit Team follow up the previous year's recommendations and the extent to which these have been implemented form part of the Audit Report.
- In accordance with good practice, the GAC presented a report to the Orbit Heart of England Board outlining its work in 2009/10 to support the assurance work on internal controls. It should also be noted that the Group Risk and Compliance Director reports directly to the Group Chief Executive and has direct access to the GAC.
- The Orbit Heart of England Board receives an annual report from the Managing Director outlining the work undertaken and a corresponding opinion on the adequacy and effectiveness of the system of internal controls. In addition, the GAC reviews reports from management, internal auditors and external auditors to provide reasonable assurance that control procedures are in place and are being followed across the Group.

HEART OF ENGLAND HOUSING ASSOCIATION LIMITED (TRADING AS ORBIT HEART OF ENGLAND)

HOUSING ASSOCIATION GOVERNANCE

Control Environment

The Association has a number of measures in place to instil and encourage a suitable culture of effective internal control. These mechanisms include the following:

- It has adopted the Group Standing Orders which include appropriate delegations of Authority, signatories and mandates as well as the Schedule One of Housing Act 1996. A copy of the Group's Standing Orders is available to all staff and compliance is an implied term of an employee's contract of employment.
- The Association has adopted the NHF Code of Governance, which provides guidance to members on best practice in the governance of Housing Associations, and the 'Terms of Reference', for Board and its Committees is based on the guidance therein.
- Formal policies and procedures are in place, including the documentation of key systems. A number of these are being reviewed and updated both at a Group and local level.
- Annual appraisal procedures are well established for staff, appropriate training and development opportunities are offered to all staff to maintain standards of performance.
- Forecasts and budgets are prepared which allow the Board and management to monitor the key business risks and financial objectives. Regular management accounts are prepared which provide relevant, reliable and up-to-date financial and other information. Significant variances from budgets are investigated and reported.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through Board Members and others as appropriate including comprehensive risk assessments.
- The GAC reviews reports from management, internal auditors and external auditors to provide reasonable assurance that control procedures are in place and are being followed across the Group. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from these reports.
- A Staff Handbook exists, the sections of which include staff conduct (e.g. whistle blowing, hospitality, gifts email, etc), health & safety, equal opportunities and other organisational policies (e.g. Data Protection).

Fraud

The Group complies with the TSA's requirements on fraud. The TSA's requirements and the Group's approach on fraud are reflected in a revised Policy and Fraud Response Plan which were approved in 2009/10. Relevant cases are reported to the TSA. The Group Standing Orders outline a policy on responding to suspected fraud and corruption. A fraud register is maintained and reviewed regularly by the Group Audit Committee and reported to the Orbit Group Board.

Data Protection Act

There has been one significant data protection breach during 2009/10 and the association carried out a signed undertaking with the Information Commissioner to ensure that relevant actions are implemented to enhance controls.

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
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HOUSING ASSOCIATION GOVERNANCE

Board's Conclusion

The Board has received the Annual Report on Internal Controls Assurance and has conducted its annual review of the effectiveness of the system of internal control. In addition, the Orbit Heart of England Board has monitored and considered the outcomes arising as a consequence of the Association's Risk Management process and the corresponding reports from officers on the associated control environment.

The Board confirms that the process for identifying, evaluating and managing significant risks faced by the Association is ongoing and has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board. There is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year. No fundamental weaknesses were identified which required disclosure in the financial statements.



Roy Brooks
Chair
17 August 2010

HEART OF ENGLAND HOUSING ASSOCIATION LIMITED (TRADING AS ORBIT HEART OF ENGLAND)

REPORT OF THE BOARD

The Board present their report and audited financial statements for the year ended 31 March 2010.

The Association

The Association is a not-for-profit organisation with exempt charitable status and is administered by the Orbit Heart of England Board. The Association operates in the Midlands.

The Association manages a number of housing schemes providing accommodation for rent. At 31 March 2010 it owned housing properties with a depreciated historic cost of £518.9 million (2009: £434.9 million). The Managing Director and Secretary is employed by Orbit Group Limited. During the year a range of services were provided by the parent body Orbit Group Limited, as set out in the Intra-Group Agreement and Customer Supplier Agreements. The Association also had service agreements with other members of the Group in respect of delivery of housing management related services.

Principal Activities

The principal activity of the Association is to provide quality affordable homes and effective support services, all designed to meet customers' needs and to help build sustainable communities.

An operating and financial review of the year's activities appears on pages 4 to 8.

Board Members and Executive Officers

The present Board Members together with the dates of any changes are set out on page 3. All of the Board Members served throughout the year except as otherwise shown.

Members of Staff

The Group's ambition is to be considered as employers of choice within the sector, an organisation that is seen to be a great place to work, where employees are supported to do an excellent job and fulfil their potential and a place where our values are put into practice on a daily basis.

Our approach is through the Orbit People Strategy, which sets out the Group's approach to making this ambition a reality. The strategy reflects our commitment to opportunities for continuous professional and personal development, Equality and Diversity and our drive for continuous improvement.

We will ensure that employees have the skills, knowledge and motivation to deliver excellent services for our customers in line with our 'customer first' approach, and that we have confident, capable people managers who are able to work together to deliver results. Various recognition awards for staff have been introduced, including 'Can Do' awards, and Orbit Group Oscars. We continue to train and develop our people by providing opportunities for in-house training and conferences, together with financial support to attend various professional and vocational courses. During the last year, we have launched the 'Orbit Academy' as a 'Centre of Excellence' to enhance and support the learning and development of both residents and staff.

Following the introduction of new leadership standards and a competency framework last year, we have now developed a new performance management framework, ensuring that every member of staff understands their role in achieving Orbit's ambitions. The Leadership and Management Development Programmes for the Group Executive Team, the Group Leadership Team and senior managers within the group are proving to be both popular and successful, and form part of our fresh approach to developing our potential and growing our leaders.

Creditors Payment Policy

The Group's current policy concerning the payment of its trade creditors is to:

- Settle the terms of payment with those suppliers when agreeing the terms of each transaction.
- Ensure that the suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- Pay in accordance with its contractual and other legal obligations.

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

REPORT OF THE BOARD

Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety and has adopted the Group's detailed health and safety policies. Orbit provides members of staff with health and safety training and development opportunities. In accordance with Group requirements work is ongoing to perform risk assessments and reduce the potential for accidents.

Driver awareness training and risk assessments are undertaken for all staff who have the occasion to drive on Association business.

Donations

During the year the Association did not make any donations to charitable organisations.

Statement of the responsibilities of the Board for the financial statements

The Industrial and Provident Societies Acts and Registered Social Housing legislation require the Board to prepare financial statements for each year, which give a true and fair view of the state of affairs of the Association and of the surplus for that year. In preparing those financial statements the Board has:

- Selected suitable policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent;
- Followed applicable accounting standards and the 2008 Statement of Recommended Practice: "Accounting by Registered Social Landlords" (2008 SORP);
- Prepared the financial statements on a going concern basis.

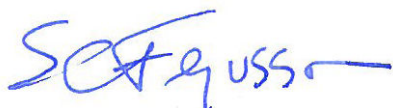
The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It is also responsible for maintaining an adequate system of internal control and safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Annual General Meeting

The annual general meeting will be held on 17 August 2010 at 10 Greenhill Street, Stratford-upon-Avon, Warwickshire, CV37 6LG.

Auditors

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



**Stewart Fergusson
Secretary**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEART OF ENGLAND HOUSING ASSOCIATION LIMITED (TRADING AS ORBIT HEART OF ENGLAND)

We have audited the financial statements of Heart of England Housing Association Limited (Trading as Orbit Heart of England) for the year ended 31 March 2010 which comprise the Income and Expenditure account and Balance Sheet, Cash Flow Statement, Statement of Recognised Surpluses and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association'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 Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Management and auditors

As described in the statement of the Board's Responsibilities, the Association's Board is responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the Board of Management Report is not consistent with the financial statements, if the Association 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 the directors' remuneration and transactions is not disclosed.

We read other information contained in the Operating and Financial Review and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

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 an 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 judgements made by the Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association'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 Association's affairs as at 31 March 2010 and of its surplus for the year then ended.
- Have been properly prepared in accordance with the Industrial & Provident Societies Acts 1965-2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.


M A McDonagh for and on behalf of **KPMG LLP**,
Statutory Auditor, Chartered Accountants,
One Snowhill, Snow Hill Queensway,
Birmingham, B4 6GH

22 September 2010

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

**INCOME AND EXPENDITURE
For the Year Ended 31 March 2010**

	NOTES	2010 £'000	2009 £'000
Turnover	2/3	64,433	57,688
Operating Costs – Ordinary	2/3	(49,733)	(46,644)
Operating Surplus	4	14,700	11,044
Surplus on Sale of housing properties	5	191	87
(Deficit) / Surplus on Sale of other fixed assets	12	(3)	6
Surplus on Ordinary Activities before Interest		14,888	11,137
Interest Receivable and Similar Income	8	46	369
Interest Payable and Similar Charges	9	(12,646)	(12,864)
Financing cost	7	(304)	(181)
Surplus / (Deficit) on Ordinary Activities before Donations		1,984	(1,539)
Donation Receivable		590	590
Surplus / (Deficit) on Ordinary Activities before Taxation		2,574	(949)
Tax on Ordinary Activities	10	-	(113)
Surplus / (Deficit) for year		2,574	(1,062)
Revenue Reserves brought forward	23	(25,581)	(24,804)
Transfer to designated reserves	22	(189)	(78)
Actuarial (losses) / gains taken to reserves	7	(1,454)	363
Revenue Reserves at 31 March	23	(24,650)	(25,581)

All amounts derive from continuing operations.

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
For the Year Ended 31 March 2010**

		2010 £'000	2009 £'000
Surplus / (Deficit) for the Financial Year		2,574	(1,062)
Actual return less expected return on pension scheme assets	7	2,140	(2,481)
Gains and losses arising on pension scheme liabilities	7	<u>(3,594)</u>	<u>2,844</u>
Total Surplus / (Deficit) Recognised		<u>1,120</u>	<u>(699)</u>
Prior year adjustment and restatement:			
Policy change – value to cost at 1 April 2008	11	-	1,577
Pension Valuation restatement	7	-	<u>(27)</u>
		<u>1,120</u>	<u>851</u>


There is no difference between historical cost and actual cost surpluses and deficits. Accordingly no note of historical cost surpluses and deficits is given.

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

**BALANCE SHEET
At 31 March 2010**

	NOTES	2010		2009	
		£'000	£'000	£'000	£'000
Tangible Fixed Assets					
Housing properties at Cost	11	518,880		434,935	
Less: Social Housing Grants	11	(214,170)		(201,412)	
Less: Other Public Grants	11	(13,160)		(637)	
			291,550		232,886
Other Tangible Fixed Assets	12		3,193		3,190
Fixed investments	13		800		800
			<u>295,543</u>		<u>236,876</u>
Current Assets					
Stocks	14	49		60	
Debtors	15	5,764		3,941	
Debtors more than one year	15	240		2,550	
Short term investments	16	1,753		5,708	
Cash at Bank and in Hand		944		937	
			<u>8,750</u>	<u>13,196</u>	
Creditors: Amounts falling due within one year	17	<u>(39,961)</u>		<u>(30,682)</u>	
NET CURRENT LIABILITIES			(31,211)		(17,486)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>264,332</u>		<u>219,390</u>
Creditors: Amounts falling due after more than one year	19		282,252		240,165
Pension Liability	7		5,312		3,577
Capital and Reserves					
Designated Reserves	22	1,418		1,229	
General Reserve	23	(24,650)		(25,581)	
Association's Funds			<u>(23,232)</u>		<u>(24,352)</u>
			<u>264,332</u>		<u>219,390</u>

The financial statements on pages 16 to 42 were approved by the Board on 17 August 2010 and signed on its behalf by:


 Roy Brooks
 CHAIR


 Michael Culverwell
 BOARD MEMBER


 Stewart Fergusson
 SECRETARY

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

CASHFLOW STATEMENT

For the Year Ended 31 March 2010

	2010		2009	
	£'000	£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 26)		35,616		10,446
Returns on Investments and Servicing of Finance				
Interest Received	46		365	
Interest Paid	(11,865)		(11,763)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(11,819)		(11,398)
Donation	590		590	
Taxation paid	-		(3)	
NET CASH INFLOW FROM DONATION & TAXATION		590		587
Capital Expenditure and Financial Investment				
Acquisition and construction of housing properties	(88,975)		(3,834)	
Purchase of OHA properties	-		(122,358)	
Sale of housing properties	605		612	
Grants received	27,105		(558)	
Purchase of other fixed assets	(489)		(1,226)	
Sale of other fixed assets	53		13	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT ACTIVITIES		(61,701)		(127,351)
NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(37,314)		(127,716)
<u>(i) Liquid Resources</u>				
(Increase) / Decrease in bank deposits	3,955		(5,708)	
<u>ii) Financing (Note 27)</u>				
Loans Received	92,201		153,248	
Loan redemption repayments	(58,229)		(18,250)	
	33,972		134,998	
NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING		37,927		129,290
INCREASE IN CASH AT BANK AND IN HAND (Note 28)		613		1,574

HEART OF ENGLAND HOUSING ASSOCIATION LIMITED (TRADING AS ORBIT HEART OF ENGLAND)

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2010

1 PRINCIPAL ACCOUNTING POLICIES

Legal Status

Heart of England Housing Association Limited is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Tenant Services Authority (TSA) as a Registered Social Landlord as defined by the Housing Act 1996. The Parent Body from the beginning of the year was Orbit Group Limited.

Basis of Accounting

The financial statements have been prepared in accordance with applicable Accounting Standards and Statements of Recommended Practice of the United Kingdom. The financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 to the Housing Act 1996, the Accounting Requirements for Registered Social Landlords General Determination 2006, and the Statement of Recommended Practice (SORP) published by the National Housing Federation in 2008 "Accounting for Registered Social Landlords". The financial statements are prepared on the historical cost basis of accounting.

Group Services

The Association has taken advantage of the exemptions available under FRS8 (Related Party Transactions) and has not disclosed transactions with the Parent undertaking as consolidated financial statements are available from the Registered Office.

A range of services are provided to the Association by the Parent Body Orbit Group Limited, as set out in the Intra-Group Agreement between the two Associations. The Association also has service agreements with other Associations within the Group particularly in respect of receipt and delivery of housing management services.

With the exception of costs capitalised as development costs, all costs incurred through this agreement are written off to the Income and Expenditure Account in the year in which they are incurred.

Turnover

Turnover represents rental income receivable, grants from local authorities and the Homes and Communities Agency (HCA), income from shared ownership first tranche sales and other income, all of which arise in the UK.

Fixed Assets and Depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and capital grants. Depreciation is charged on a straight-line basis over the expected economic useful lives of the assets at the following annual rates:

Housing properties: existing stock (ex OHA)	1.26%
Housing properties: new ex OHA stock from 2001 onwards and ex SWHA stock	1.00%
Housing properties: rehabilitated (ex OHA)	1.67%
Freehold offices and commercial premises	2%-4%
Leasehold offices	Over the life of the lease
Fixtures, fittings and other equipment	15%-25%
Computer equipment	17%-33%

Freehold land is not depreciated. The useful economic lives of all tangible fixed assets are reviewed annually.

As at 1 April 2008, the Association changed its policy of holding its housing stock at valuation to holding at cost.

Housing Properties

Donated land is included in cost at its valuation on donation, with the donation treated as a capital grant. Housing properties are shown at cost less applicable grants, depreciation and impairment provision. Housing properties in the course of construction are stated at cost and not depreciated and are transferred to completed properties when they are ready for letting. Cost comprises materials, direct labour and attributable overheads. When housing properties are to be transferred to another association or developer, the net costs, after SHG, are dealt with in current assets.

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Social Housing and Other Grants

Where developments have been financed wholly or partly by social housing and other grants, the cost of those developments has been reduced by the amount of the grant received. Social Housing Grant (SHG) received for items of cost written off in the Income and Expenditure Account are matched against those costs as part of turnover.

SHG can be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Housing and Communities Agency. However, SHG may have to be repaid if certain conditions are not met and, in that event, is a subordinated unsecured repayable debt. The net SHG received and not spent at the year end is included in current liabilities, taking into account all properties under construction.

Capitalisation of Interest and Administration Costs

Interest on loans financing development has been capitalised. Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Leased Assets

Where assets are financed by leasing agreements that give rights approximating to ownership, they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the Income and Expenditure Account using the annuity method. Rentals paid under operating leases are charged to the Income and Expenditure Account as incurred.

Pension Costs

The Association recognises two multi-employer defined benefit schemes for staff, the assets of which are held in separately administered funds under the Social Housing Pension Scheme (SHPS) operated by the Pensions Trust and the Local Government Superannuation Scheme by Warwickshire County Council. The requirements of FRS17 Retirement Benefits are fully reflected in the financial statements and associated notes. Note 7 provides a summary of the pension valuation report for the Local Government Superannuation Scheme, together with prior year statements which state last year's revenue and reserves. For funding purposes, surpluses or deficiencies are dealt with as advised by the actuary.

For defined benefit schemes the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments and are included as part of staff costs. Past service costs are recognised immediately in the Income and Expenditure Account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The Parent Body also participates in the Social Housing Pension Scheme and offers a Stakeholder pension scheme; further details of both can be found in the Group financial statements. The cost of providing retirement pensions and related benefits is charged to management expenses. The disclosures in the Group's financial statements follow the requirements of FRS17.

Impairment

Reviews for impairment of housing properties are carried out on a twice-yearly basis and any impairment in an income-generating unit is recognised by a charge to the Income and Expenditure Account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use.

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Disposals of Housing Properties

Proceeds from sales are shown net of discounts given under the provisions of the Right to Buy and the Right to Acquire. The cost of properties sold is written off to the Income and Expenditure Account and an adjustment is made to write back depreciation charged in prior years.

Under the terms of the original transfer agreement, between Stratford on Avon District Council and South Warwickshire Housing Association (now Orbit Heart of England) proceeds from right to buy sales within those originally transferred properties are shared with Stratford on Avon District Council. The share payable to the Council is treated as a cost of sale. Proceeds from other sales are retained by Orbit Heart of England.

Designated Reserves

The Association designates those reserves that have been set aside for uses that prevent them, in the judgement of the Board, from being regarded as part of the free reserves of the Association.

Renewal Reserve

The Association only designates reserves relating to the renewal of furniture and equipment used communally within rented schemes. Annual charges are made, based on a percentage of the original cost of the furniture and equipment. Actual expenditure is charged to the Income and Expenditure Account with the transfer to/from the reserve being the difference between expenditure and the charges due. Funds held on behalf of leaseholders are shown under leaseholder's maintenance provision in creditors due after more than one year.

Works to Existing Housing Properties

Expenditure on housing properties which increases the net rental stream over the life of the property is capitalised. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance costs, or a significant extension of the life of the property. All other costs are classified as maintenance and are charged to the Income and Expenditure Account in the year in which the work is undertaken. No depreciation charge is made during the year in which a property comes into management, nor in the year of sale.

Disposal Proceeds Fund

Voluntary Purchase Grant net of disposal proceeds is credited to this fund which appears as a creditor until spent.

Recycling of Capital Grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund that appears as a creditor until spent.

Value Added Tax

The Association is party to a Group Registration for VAT. All amounts disclosed in the financial statements are inclusive of VAT.

Taxation

The Association has adopted Charitable Rules and it is therefore believed that there will be no liability to taxation.

Loan Finance Issue Costs

These are written off evenly over the life of the related loan. Loans are stated in the Balance Sheet at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts written off.

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property Managed by Agents

Where the Association carries the majority of the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the Income and Expenditure Account. Where the agency carries the majority of the financial risk, the Income and Expenditure Account includes only that income and expenditure which relates solely to the risk carried by the Association. In both cases, where revenue grants are claimed by the Association, these are included in the Income and Expenditure Account.

Loan Interest Costs

The full costs of deferred interest rate and indexation loans are shown in the Income and Expenditure Account.

Investments

These are carried at the lower of cost and net realisable value.

Supporting People Income and Costs

Supporting People charges are levied as a separate charge and not as part of rent. The income and related costs are therefore shown within other social housing activities.

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

2 TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	2010		
	Turnover £'000	Operating Costs £'000	Operating Surplus/ (Deficit) £'000
SOCIAL HOUSING LETTINGS (Note 3a)	<u>57,567</u>	<u>(42,707)</u>	<u>14,860</u>
Other Social Housing Activities			
Management Services	53	(10)	43
Other – Service to Group members	1,068	(1,140)	(72)
Home Ownership Services	184	(242)	(58)
Supporting People Contract Income (Block Gross)	1,298	(1,342)	(44)
Supporting People Contract Income (Block Subsidy)	793	(890)	(97)
LCHO First Tranche Sales	518	(488)	30
Other	<u>1,123</u>	<u>(1,242)</u>	<u>(119)</u>
	5,037	(5,354)	(317)
Non-Social Housing Activities (Note 3b)			
Other	<u>1,829</u>	<u>(1,672)</u>	<u>157</u>
	<u>64,433</u>	<u>(49,733)</u>	<u>14,700</u>
	2009		
	Turnover £'000	Operating Costs £'000	Operating Surplus/ (Deficit) £'000
SOCIAL HOUSING LETTINGS (Note 3a)	<u>50,654</u>	<u>(39,963)</u>	<u>10,691</u>
Other Social Housing Activities			
Management Services	51	(1)	50
Other – Service to Group members	1,137	(1,164)	(27)
Home Ownership Services	169	(237)	(68)
Supporting People Contract Income (Block Gross)	1,388	(1,409)	(21)
Supporting People Contract Income (Block Subsidy)	754	(875)	(121)
Other	<u>1,166</u>	<u>(888)</u>	<u>278</u>
	4,665	(4,574)	91
Non-Social Housing Activities (Note 3b)			
Other	<u>2,369</u>	<u>(2,107)</u>	<u>262</u>
	<u>57,688</u>	<u>(46,644)</u>	<u>11,044</u>

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

3a INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General Needs Housing £'000	Supported Housing £'000	2010 Total £'000	2009 Total £'000
INCOME				
Rents receivable net of identifiable service charges	49,641	5,079	54,720	48,086
Service Charges	1,686	1,891	3,577	3,122
Gross Rent Receivable	<u>51,327</u>	<u>6,970</u>	<u>58,297</u>	<u>51,208</u>
Less: Rent losses from voids	(461)	(271)	(732)	(561)
Net rents receivable	<u>50,866</u>	<u>6,699</u>	<u>57,565</u>	<u>50,647</u>
Other Income	-	2	2	7
TOTAL INCOME	<u><u>50,866</u></u>	<u><u>6,701</u></u>	<u><u>57,567</u></u>	<u><u>50,654</u></u>
EXPENDITURE				
Services	(1,810)	(1,518)	(3,328)	(3,426)
Management	(8,088)	(1,279)	(9,367)	(9,221)
Routine Maintenance	(12,429)	(1,444)	(13,873)	(12,932)
Planned Maintenance	(8,071)	(580)	(8,651)	(8,820)
Major Repairs Expenditure	(4,204)	(472)	(4,676)	(3,362)
Rent Losses from Bad Debts	(358)	(16)	(374)	(322)
Depreciation of Housing Properties	(2,352)	(86)	(2,438)	(1,880)
Provision for Impairment of Housing Properties	-	-	-	-
TOTAL EXPENDITURE	<u><u>(37,312)</u></u>	<u><u>(5,395)</u></u>	<u><u>(42,707)</u></u>	<u><u>(39,963)</u></u>
OPERATING SURPLUS ON LETTINGS	<u><u>13,554</u></u>	<u><u>1,306</u></u>	<u><u>14,860</u></u>	<u><u>10,691</u></u>

3b TURNOVER FROM NON-SOCIAL ACTIVITIES

	2010 £'000	2009 £'000
Lettings:		
Commercial Premises	202	176
Other	<u>1,627</u>	<u>2,193</u>
	<u><u>1,829</u></u>	<u><u>2,369</u></u>

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

4 OPERATING SURPLUS

	2010 £'000	2009 £'000
Operating Surplus is Stated after Charging / (Crediting)		
On Fixed Assets Other than Housing Properties:		
Depreciation (owned assets)	283	327
Depreciation (leased assets)	150	75
(Deficit) / Surplus on disposals	(3)	6
On Housing Properties:		
Housing Properties Depreciation	2,453	1,896
Auditor's Remuneration:		
In their capacity as Auditors	44	52
In respect of other services	1	-
Operating leases	270	180

5 SURPLUS ON SALE OF HOUSING PROPERTIES

	2010 £'000	2009 £'000
Proceeds from disposal	543	562
Cost of sales	(352)	(475)
Surplus	191	87

Right to Buy clawback relates to arrangements between Stratford-on-Avon District Council and Orbit Heart of England, whereby the proceeds from sales of the original housing properties made under the Preserved Right to Buy legislation are shared. The method of sharing is set out in a pre-agreed formula.

6 DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

The Directors of the Association are its Board Members.

Certain of the Board Members are tenants/leaseholders of the Association or the Group. Their tenancies/leases are on normal commercial terms and the Members cannot use their position to their advantage. Payments made to Board Members are shown below. Payments made to the Chair of Heart of England Housing Association Limited in his role as a Group Board Member are disclosed in the financial statements of Orbit Group Limited.

	2010 £'000	2009 £'000
Payments	42	40
Expenses	8	8
	50	48

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

6 DIRECTORS AND EXECUTIVE OFFICERS' EMOLUMENTS (CONTINUED)

Orbit Heart of England employs some staff directly but the majority of staff are employed by Orbit Group Limited. These financial statements show the emoluments of persons directly employed by the Association. Emoluments of other Senior Executives (including the Managing Director) and staff are disclosed in the Group financial statements.

No payments or benefits, other than those permitted, were made to the persons referred to in Schedule 1 of the Housing Act 1996.

The average weekly number of persons employed during the year was:

	2010 Number	2009 Number
Full Time Equivalents	<u>315</u>	<u>230</u>
	2010 £'000	2009 £'000
Staff costs for the Above		
Wages and salaries	7,233	5,070
Social security costs	632	424
Other pension costs	<u>492</u>	<u>514</u>
	<u>8,357</u>	<u>6,008</u>

7 PENSIONS

The Association recognises two multi-employer defined benefit schemes for staff, the assets of which are held in separately administered funds under the Social Housing Pension Scheme (SHPS) operated by the Pensions Trust and the Local Government Superannuation Scheme by Warwickshire County Council. Details of the SHPS are shown in the Group accounts. Further details of the Social Housing Pension Scheme can be found in the Group Financial Statements. The Association also offers a Stakeholder pension scheme

Local Government (Warwickshire County Council) Scheme

The latest actuarial valuation was at 31 March 2007 when the Scheme's assets were valued at £1,000,800,000. Employer contributions made by the Association to the scheme for the year were £217,495 (2009: £212,084) in respect of ordinary contributions. The cost is assessed in accordance with advice from a qualified actuary. Employer contributions to the scheme of £17,280 (2009: £1,009) were included in creditors and paid after the year end.

The following information in respect of the Warwickshire County Pension Fund is provided for Heart of England Housing Association Limited.

The Warwickshire County Council Scheme is a multi-employer defined benefit scheme. The full actuarial valuation carried out at 31 March 2007 was updated to 31 March 2010, using suitable approximate methods, by a qualified independent actuary.

The financial assumptions underlying the valuation were as follows:

Per Annum	2010	2009	2008
Retail Price Inflation	3.3%	3.3%	3.6%
Wage Inflation	5.05%	5.05%	5.35%
Discount rate	5.6%	7.1%	6.1%
Allowance for future pension increases	3.3%	3.3%	3.6%

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

**NOTES TO THE FINANCIAL STATEMENTS
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7 PENSIONS (CONTINUED)

The Association's share of fair values of each class of assets held by the Fund as at 31 March and the expected rates of return for the ensuing year are set out the following table:

	Value at 31/03/10 £000	Value at 31/03/09 £000	Value at 31/03/08 £000
Equities	6,837	4,825	6,220
Government Bonds	918	766	862
Other Bonds	1,327	1,149	1,373
Property	408	383	398
Cash/Liquidity	204	153	133
Other	510	383	483
Total	<u>10,204</u>	<u>7,659</u>	<u>9,469</u>

	Expected Rates of Return at 31 March		
	2010	2009	2008
Equities	7.5%	7.5%	7.5%
Government Bonds	4.5%	4.0%	4.6%
Other Bonds	5.2%	6.0%	6.1%
Property	6.5%	6.5%	6.5%
Cash/Liquidity	0.5%	0.5%	5.25%
Other	7.5%	7.5%	7.5%
Total	<u>6.8%</u>	<u>7.2%</u>	<u>7.0%</u>

Under the Local Government Pension Scheme, it is not possible separately to identify each main class of assets with a particular member of the Scheme. The above assets as a whole are allocated to participating bodies on the consistent and reasonable basis. The actuary has amended the classification of assets and the fair values shown above have been amended to reflect this.

The Association's share of the net assets and liabilities of the Warwickshire County Council Fund is set out below:

	2010 £000	2009 £000	2008 £000
Share of assets in the Fund	10,204	7,659	9,469
Estimated liabilities in the Fund	<u>(15,516)</u>	<u>(11,236)</u>	<u>(13,196)</u>
Share of deficit in the Fund	<u>(5,312)</u>	<u>(3,577)</u>	<u>(3,727)</u>

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

7 PENSIONS (CONTINUED)

The movement in the net deficit of the Association for the year to 31 March is as follows:

	2010 £000	2009 £000
Net deficit at 1 April	(3,577)	(3,727)
Movement in the year:		
Operating charge - Current service cost	(167)	(252)
Operating charge - Past service gain	(221)	(150)
Contributions	411	370
Finance Income:		
Expected return on Pension Fund assets	482	622
Interest on Pension scheme liabilities	(786)	(803)
Total Finance Income	<u>(304)</u>	<u>(181)</u>
Actuarial gain/(loss)	<u>(1,454)</u>	<u>363</u>
Net deficit at 31 March	<u><u>(5,312)</u></u>	<u><u>(3,577)</u></u>

The actuarial gain / (loss) is further analysed as follows:

	2010 £000	2009 £000
Actuarial gain / (loss) on pension scheme assets	2,140	(2,481)
Experience gains and losses arising on scheme liabilities	<u>(3,594)</u>	<u>2,844</u>
	<u>(1,454)</u>	<u>363</u>

Reconciliation to the balance sheet at 31 March

	2010 £000	2009 £000
Net Liabilities		
Net liabilities excluding pension liability	(17,920)	(20,775)
Pension liability	<u>(5,312)</u>	<u>(3,577)</u>
Net liabilities including pension liability	<u><u>(23,232)</u></u>	<u><u>(24,352)</u></u>
Reserves		
Income and expenditure reserve excluding pension liability	(19,338)	(22,004)
Pension liability	<u>(5,312)</u>	<u>(3,577)</u>
Income and expenditure reserve including pension liability	<u><u>(24,650)</u></u>	<u><u>(25,581)</u></u>

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
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7 PENSIONS (CONTINUED)

History of experience gains and losses at end of year

	2010	2009	2008	2007	2006
Difference between the expected and actual return on scheme assets:					
Amount £000	2,140	(2,481)	(991)	(74)	1,244
Percentage of scheme assets	21.0	(32.4)	(10.5)	(0.77)	13.94
Experience gains and losses arising on the scheme liabilities:					
Amount £000	(3,594)	2,844	57	0	(301)
Percentage of scheme liabilities	23.2	(25.3)	(0.4)	0	2.52
Total amount recognised gains and losses:					
Amount £000	(1,454)	363	(934)	603	(85)
Percentage of scheme liabilities	9.4	(3.2)	7.1	(4.95)	0.71

Pension Prior Year Restatement

The prior year restatement in the comparative year is a result of a change from market value to fair value when determining the actuarial valuation.

	£'000
Restatement of opening reserve at 1 April 2007	(29)
Restatement of surplus for year ended 31 March 2008	2
Total prior year restatement	<u>(27)</u>

The restatement of £27k is disclosed on the face of the statement of total recognised surpluses & deficits.

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £'000	2009 £'000
Interest Receivable from Unlisted Investments	<u>46</u>	<u>369</u>

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

9 INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £'000	2009 £'000
On Bank Loans, Overdrafts and Other Loans		
Repayable within 5 years, not by instalments	-	20
Repayable by instalments wholly or partly, in more than 5 years	10,958	11,038
Repayable, other than by instalments, in more than 5 years	1,546	1,533
Other Interest	378	338
Loan Refinancing Costs	-	-
	<u>12,882</u>	<u>12,929</u>
Capitalised Interest	(8)	(65)
Deferred Income Credit (See note 20b)	<u>(228)</u>	<u>-</u>
	<u><u>12,646</u></u>	<u><u>12,864</u></u>

10 TAXATION

The Association was accepted as a charity for tax purposes by HMRC with effect from 1 April 2008. No liability for taxation is anticipated in the year. The Board is not aware of any circumstances which will affect the future taxation status of the Association.

	2010 £'000	2009 £'000
(i) Analysis of tax charge on ordinary activities		
United Kingdom Corporation Tax at 28% (2009: 28%)		
Current	-	-
Deferred Tax		
Origination and reversal of timing differences	<u>-</u>	<u>113</u>
	<u><u>-</u></u>	<u><u>113</u></u>

The tax assessed on the surplus for the year is lower than the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained below.

	2010 £'000	2009 £'000
(ii) Factors affecting tax charge for current year		
Surplus / (Deficit) on ordinary activities before tax	<u>1,984</u>	<u>(1,539)</u>
Tax credit at 28% (2009: 28%) thereon	-	(431)
Non taxable deficits (primarily charitable exemptions)	-	431
Deferred tax asset written back	<u>-</u>	<u>113</u>
Current tax charge / (credit) for year	<u><u>-</u></u>	<u><u>113</u></u>

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

	Housing Properties for Letting		Supported Housing In Development		Care Estab. £'000	Non-Social Housing £'000	Total £'000
	Complete £'000	In Development £'000	Complete £'000	In Development £'000			
COST							
At 1 April 2009	396,947	23,923	26,535	799	644	1,318	450,166
Acquired as a result of Group reorganisation	3,064	-	-	-	-	-	3,064
Reclassifications	-	47	-	(47)	-	-	-
Additions	172	898	(7)	-	-	-	1,063
Transfer on Completion	29,085	(29,085)	1,495	(1,495)	-	-	-
Paradigm	41,624	-	-	-	-	-	41,624
Disposals	(66)	-	-	-	-	-	(66)
Additions from OGL	949	39,017	-	743	-	-	40,709
At 31 March 2010	471,775	34,800	28,023	-	644	1,318	536,560
LESS: GRANTS							
At 1 April 2009	(177,900)	(10,715)	(12,995)	(288)	(151)	-	(202,049)
Acquired as result of Group reorganisation	885	-	-	-	-	-	885
Reclassification	150	(1)	(149)	-	-	-	-
SHG Receivable and Other Public Subsidies	(398)	(878)	-	-	-	-	(1,276)
RCGF Receivable from OGL	(75)	-	-	-	-	-	(75)
Transfer on Completion	(13,524)	13,524	(480)	480	-	-	-
Additions from OGL	(53)	(11,299)	-	(192)	-	-	(11,544)
Movement in the Year	-	(3,702)	-	-	-	-	(3,702)
Paradigm	(9,544)	-	-	-	-	-	(9,544)
Transfer from RCGF and DPF	(34)	-	-	-	-	-	(34)
Transfer to RCGF	9	-	-	-	-	-	9
At 31 March 2010	(200,484)	(13,071)	(13,624)	-	(151)	-	(227,330)

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

11 HOUSING PROPERTIES (CONTINUED)

	Housing Properties for Letting		Supported Housing In Development		Care Estab.	Non-Social Housing	Total
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	£'000	£'000	£'000
LESS: DEPRECIATION							
At 31 March 2009	(14,327)	-	(711)	-	(48)	(72)	(15,158)
Depreciation Eliminated on Disposals	(2,352) 4	-	(86) -	-	(5) -	(10) -	(2,453) 4
At 31 March 2010	(16,675)	-	(797)	-	(53)	(82)	(17,607)
LESS: PROVISIONS FOR IMPAIRMENT							
At 1 April 2009	(73)	-	-	-	-	-	(73)
At 31 March 2010	(73)	-	-	-	-	-	(73)
NET BOOK AMOUNT							
At 31 March 2010	254,543	21,729	13,602	-	440	1,236	291,550
At 31 March 2009	204,647	13,208	12,829	511	445	1,246	232,886

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

11 HOUSING PROPERTIES (CONTINUED)

Additions to properties during the year include capitalised interest and finance costs of £158k (2009: £65k) and development administration costs of £856k (2009: £881k). The Association reviewed its properties for impairment and there was no charge to the Income and Expenditure Account for 2010 (2009: £NIL).

Grants stated in the note overleaf comprise primarily Social Housing Grants but also grants received towards development costs from other public bodies. The total amount of Social Housing Grant received during the year was as follows:

	2010	2009
	£'000	£'000
Within Housing Properties	<u>15,596</u>	<u>14,051</u>
The Net Book Value of Housing and Other Properties (Note 12)		
Comprises:		
Freehold Land and Buildings	291,110	230,130
Long Leasehold Land and Buildings	2,447	4,863
Short Leasehold Land and Buildings	<u>594</u>	<u>634</u>
	<u>294,151</u>	<u>235,627</u>

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

On 1 April 2008, following the amalgamation of Heart of England Housing Limited and South Warwickshire Housing Association Limited, Orbit Heart of England joined the Orbit Group and acquired the Midlands stock previously owned by Orbit Housing Association. The properties were transferred in at net book value and the cost together with the association grant, depreciation and impairment is shown in the note to the financial statements. Additionally the low cost home ownership stock in Orbit Heart of England was transferred on the same basis to OGL.

Prior to this Heart of England Housing Group held its properties at value in the balance sheet, Housing properties were valued on the basis of Existing Use Value – Social Housing (EUV-SH) and commercial properties at Open Market value.

In order to have a consistent policy across the Orbit Group, properties previously held at valuation were restated at historical cost with effect from 1 April 2008. Comparative figures were restated and the revaluation reserve reversed out of the accounts. This required a recalculation of depreciation for both housing and other properties. A prior year adjustment in the comparative year is shown in the Statement of Total Recognised Surpluses and Deficits.

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

12 OTHER TANGIBLE FIXED ASSETS

	Freehold Offices £'000	Leasehold Offices £'000	Commercial Premises £'000	Motor Vehicles £'000	Furniture Fixtures & Equipment £'000	Total £'000
COST						
At 1 April 2009	17	3,052	450	217	2,196	5,932
Reclassification	-	27	(1)	(7)	(19)	-
Contribution from Landlord	-	(36)	-	-	-	(36)
Additions	-	44	-	-	481	525
Disposals	-	-	-	-	(217)	(217)
At 31 March 2010	17	3,087	449	210	2,441	6,204
LESS: DEPRECIATION						
At 31 March 2009	(15)	(718)	(45)	(199)	(1,765)	(2,742)
Reclassification	-	(5)	-	5	-	-
Charge for Year	(2)	(150)	(17)	(15)	(249)	(433)
Eliminated on Disposal	-	-	-	-	164	164
At 31 March 2010	(17)	(873)	(62)	(209)	(1,850)	(3,011)
NET BOOK AMOUNT						
At 31 March 2010	-	2,214	387	1	591	3,193
At 31 March 2009	2	2,334	405	18	431	3,190

13 FIXED INVESTMENTS

	2010 £'000	2009 £'000
Monies deposited with Funding for Homes Ltd	800	800

In October 1993, the Orbit Housing Association raised loans totalling £16 million through the financial intermediary, Funding for Homes Limited. It is a condition of the funding that all associations raising monies through this means must deposit 5% of the proceeds, which in the Association's case amounts to £800k as a common guarantee against default.

14 STOCKS

	2010 £'000	2009 £'000
Consumable stocks	49	60

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

15 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Rental Debtors	3,591	2,698
Less provision for doubtful debts	<u>(1,041)</u>	<u>(857)</u>
	2,550	1,841
Amounts Due from other Group Members	2,100	2,450
Prepayments and Accrued Income	201	202
SHG Receivable	-	810
Other Debtors	1,263	1,299
Provision for Bad Debts	<u>(110)</u>	<u>(111)</u>
	<u>6,004</u>	<u>6,491</u>
Debtors after one year included in Other Debtors above	<u>240</u>	<u>2,550</u>

The Amounts Due from other Group Members relates to the monies outstanding for the purchase of the care homes due from Heart of England Housing and Care Ltd.

16 OTHER INVESTMENTS AND SHORT TERM DEPOSITS

	2010 £'000	2009 £'000
Cash Short Term Deposits Comprise		
Unlisted Investments: Bank Deposits		
- Maturing in excess of 7 days	<u>1,753</u>	<u>5,708</u>

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Housing Loans (Note 20)	4,980	7,660
Bank Overdraft (unsecured)	-	606
Trade Creditors	3,816	5,148
Amounts Due to Other Group Members	27,937	14,598
Other Creditors	1,183	928
Accruals and Deferred Income	916	1,043
Rents received in advance	860	512
Disposals Proceeds and Recycled Capital Grant Fund (Note 18)	<u>269</u>	<u>187</u>
	<u>39,961</u>	<u>30,682</u>

Housing loans shown above are net of £0k loan arrangement fees carried forward.

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18 DISPOSAL PROCEEDS AND RECYCLED CAPITAL GRANT FUNDS

	RCGF £000	DPF £000	TOTAL £000
At 1 April 2009	20	570	590
Grants Recycled	9	(153)	(144)
Interest Accrued	-	3	3
New Build	-	(34)	(34)
	<u>29</u>	<u>386</u>	<u>415</u>
At 31 March 2010	<u>29</u>	<u>386</u>	<u>415</u>
RCGF and DPF Creditors within one year	-	269	269
RCGF and DPF Creditors more than one year	29	117	146
	<u>29</u>	<u>386</u>	<u>415</u>
At 31 March 2010	<u>29</u>	<u>386</u>	<u>415</u>

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010 £'000	2009 £'000
Housing Loans (Note 20)	16,000	16,000
Loans Inter Company (Note 20)	257,784	220,904
Development Creditors Inter Company	7,004	1,413
Deferred Income Credit (Note 20b)	906	1,134
Leaseholder maintenance provision	147	107
Disposals Proceeds and Recycled Capital Grant Fund (Note 18)	146	403
Other	265	204
	<u>282,252</u>	<u>240,165</u>

20 HOUSING LOANS AND FINANCE LEASE OBLIGATIONS

Note (a)

Housing loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments due as follows:

	2010 £'000	2009 £'000
Due Within One Year:		
Orbit Treasury Limited	<u>4,980</u>	<u>7,660</u>
Due After More Than One Year:		
Orbit Treasury Limited	257,784	220,904
Debenture Stock – Funding for Homes Ltd	<u>16,000</u>	<u>16,000</u>
	<u>273,784</u>	<u>236,904</u>
Total Housing Loans	<u>278,764</u>	<u>244,564</u>

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20 HOUSING LOANS AND FINANCE LEASE OBLIGATIONS (CONTINUED)

On 28 September 2007 the majority of the loans of the Orbit Group were re-routed through a separate treasury vehicle, Orbit Treasury Limited (OTL). OTL is a trading company limited by shares and is a wholly owned subsidiary of Orbit Group Limited. All members of the Orbit Group entered into a fully cross-collateralised structure at that time. OTL borrows monies on behalf of the Group and on-lends to individual operating associations as required. The Loan is repayable half yearly in instalments.

On joining the Group in April 2008, existing Heart of England Group loans were transferred into OTL and Orbit Heart of England entered into the cross-collateralised structure.

The loan from Orbit Treasury Limited is secured by fixed charges on individual properties. The interest rates ranged between 2.4% and 5.15% for the year ended 31 March 2010.

The loan from Funding for Homes Limited was transferred to Orbit Heart of England on 1 April 2008. The loan is secured by fixed charges on individual properties and cash. The loan is repayable in 2018. The interest rate is 10.125%.

Housing loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments due as follows:

	2010 £'000	2009 £'000
In One Year or Less, or on Demand	<u>4,980</u>	<u>7,660</u>
Repayable by Instalments:		
- In more than One Year but not more than Two Years	4,980	7,660
- In more than Two Years but not more than Five Years	14,940	22,980
- In more than Five Years	<u>237,864</u>	<u>190,264</u>
	<u>257,784</u>	<u>220,904</u>
Repayable Other than by Instalments:		
- In more than Five Years	<u>16,000</u>	<u>16,000</u>
	<u>278,764</u>	<u>244,564</u>

Note (b)

As a result of raising a loan totalling £16 million through Funding for Homes Limited, the Association received an additional sum of £2.8 million representing a net discount on the market price of the stock on issue. This is shown as deferred income credit and is being released to the Income and Expenditure Account to offset loan interest charges over the life of the loan (25 years from October 1993).

The interest rate profile of the Association at 31 March 2010 was:

	Total £'000	Variable £'000	Fixed £'000	Weighted Average Rate %	Weighted Average Term of Fixed Loan in Years
Instalment Loan	262,764	81,903	180,861	4.3%	28
Non Instalment Loan	<u>16,000</u>	<u>-</u>	<u>16,000</u>	10.1%	8
	<u>278,764</u>	<u>81,903</u>	<u>196,861</u>	<u>4.6%</u>	<u>26</u>

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

20 HOUSING LOANS AND FINANCE LEASE OBLIGATIONS (CONTINUED)

The interest rate profile of the Association at 31 March 2009 was:

	Total £'000	Variable £'000	Fixed £'000	Weighted Average Rate %	Weighted Average Term of Fixed Loan in Years
Instalment Loan	228,564	79,203	149,361	4.8%	29
Non Instalment Loan	<u>16,000</u>	<u>-</u>	<u>16,000</u>	<u>10.1%</u>	<u>9</u>
	<u>244,564</u>	<u>79,203</u>	<u>165,361</u>	<u>5.2%</u>	<u>27</u>

21 CALLED UP SHARE CAPITAL

	2010 £	2009 £
Shares of £1 Each, allotted, issued and fully paid		
At 1 April 2009	11	26
Issued during the year	4	11
Cancelled during the year	(1)	(26)
	<u>14</u>	<u>11</u>
At 31 March 2010	14	11

The share capital of Heart of England Housing Association Limited is raised by the issue of shares with a nominal value of £1 each. Because of the Association's Industrial and Provident Society status, the maximum shareholding permitted per member is 1 share. There is no Authorised Share Capital and the Heart of England Housing Association Board may issue as many £1 shares as it wishes. However, the Board operate a restricted shareholding policy with all shares currently held by serving Board Members, Parent Body and Honorary Life Members. The Association's shares carry no right to interest, dividend or bonus. Shares are not capable of being withdrawn or transferred and cannot be held jointly. Shareholders have the right to attend (or to vote by proxy) at any general, special general or extraordinary meeting of Heart of England Housing Association.

22 DESIGNATED RESERVES

	At 1 April 2009 £'000	Transfer (to) / from I&E Account £'000	At 31 March 2010 £'000
Renewal of Furniture and Equipment	<u>1,229</u>	<u>189</u>	<u>1,418</u>

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23 RECONCILIATION OF MOVEMENTS IN ASSOCIATION'S FUNDS

	2010 £'000	2009 £'000
Opening Funds	(25,581)	(24,804)
Surplus / (Deficit) for the financial year	2,574	(1,062)
Actuarial (Loss) / Gain on pension scheme	(1,454)	363
Transfer to designated reserves	(189)	(78)
	<u>(24,650)</u>	<u>(25,581)</u>
Closing Funds	<u>(24,650)</u>	<u>(25,581)</u>

Funds are stated with the effect of implementation of FRS17 'Retirement Benefits'.

24 CAPITAL COMMITMENTS

	2010 £'000	2009 £'000
Capital Expenditure which has been contracted for but has not been provided for in the financial statements	13,650	17,775
Capital Expenditure which has been authorised under authority from the Board but has yet to be contracted for	27,018	10,993
	<u>40,668</u>	<u>28,768</u>
The Association expects these commitments to be financed with:		
Social Housing Grant	24,314	14,354
Committed Loan Facilities	16,354	14,414
	<u>40,668</u>	<u>28,768</u>

25 CONTINGENT LIABILITIES

There were contingent liabilities at 31 March 2010 of £1.5m in relation to remedial costs on properties identified as having substandard acoustic construction (2009: £Nil).

26 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 £'000	2009 £'000
Operating Surplus	14,700	11,044
Depreciation – Other Fixed Assets	433	402
Depreciation – Housing Properties	2,453	1,896
Movement in Provisions	1	(38)
Decrease / (Increase) in Stocks	11	(28)
Difference between pension charge and paid	(23)	32
(Increase) in Debtors	(322)	(689)
Increase / (Decrease) in Creditors	18,363	(2,173)
	<u>35,616</u>	<u>10,446</u>
Net Cash Inflow from Operating Activities	<u>35,616</u>	<u>10,446</u>

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
(TRADING AS ORBIT HEART OF ENGLAND)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

27 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2010 £'000	2009 £'000
Increase in cash in the year	613	1,574
(Decrease) / Increase / in Bank Deposits (with a Maturity in Excess of 24 Hours)	(3,955)	5,708
Loans received	(92,429)	(152,114)
Loans redeemed	58,229	18,250
Loan Pool Premium Reserve FFH	228	(1,134)
	<u>(37,314)</u>	<u>(127,716)</u>
Change in Net Debt (Increase)		
Net Debt at 1 April 2009	<u>(239,659)</u>	<u>(111,943)</u>
Net Debt at 31 March 2010	<u><u>(276,973)</u></u>	<u><u>(239,659)</u></u>

28 ANALYSIS OF CHANGES IN NET DEBT

	At Beginning of the Year £'000	Cash Flows £'000	Other Changes £'000	At End of the Year £'000
Cash at Bank and in Hand	937	7	-	944
Bank Overdraft	(606)	606	-	-
	<u>331</u>	<u>613</u>	<u>-</u>	<u>944</u>
Bank Deposits – More than 24 Hours	5,708	(3,955)	-	1,753
Housing Loans Due Within One Year	(7,660)	2,680	-	(4,980)
Housing Loans Due After One Year	(236,904)	(36,880)	-	(273,784)
Loan Pool Premium Reserve FFH	(1,134)	-	228	(906)
	<u>(239,659)</u>	<u>(37,542)</u>	<u>228</u>	<u>(276,973)</u>

29 FINANCIAL COMMITMENTS

Operating Leases

As at 31 March 2010 the Association was committed to making the following payments during the year in respect of operating leases other than land and buildings.

	2010 £'000	2009 £'000
Leases which Expire		
Within 1 year	23	2
Within 2 - 5 years	197	197
More than 5 years	-	73
	<u>220</u>	<u>272</u>

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010**

30 PROPERTY PORTFOLIO - OWNED AND MANAGED STOCK

	2010 No.	2009 No.
General Needs	12,233	11,384
Supported Housing	1,634	1,585
Registered Care Home	23	23
Total Owned by Orbit Heart of England	<u>13,890</u>	<u>12,992</u>
Leasehold	403	399
Managed on behalf of Others	360	360
Leasehold and Other Managed	<u>763</u>	<u>759</u>
Total Social Housing Units	<u>14,653</u>	<u>13,751</u>
Commercial Units	14	14
Market Rent	10	10
Total Non-Social Housing Units	<u>24</u>	<u>24</u>
Total Units	<u>14,677</u>	<u>13,775</u>
Stock in Development as at 31 March 2010		
General Needs	245	348
Supported	-	12
	<u>245</u>	<u>360</u>

31 ULTIMATE PARENT ENTITY

The ultimate parent entity and controlling entity of Orbit Heart of England is Orbit Group Limited, an Industrial and Provident Society incorporated in the United Kingdom.

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

32 RELATED PARTY TRANSACTIONS

The Association is taking advantage of the exemption per FRS 8 available to wholly owned subsidiaries from disclosing transactions with other Orbit Group companies.