

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2012**

**Industrial and Provident Society  
Number 30446R**

**Tenant Services Authority  
Number L4526**



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

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**Industrial and Provident Society  
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**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
(TRADING AS ORBIT HEART OF ENGLAND)**

**BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS**

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**BOARD MEMBERS**

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

<b>Name</b>	<b>Role</b>	<b>Appointed</b>	<b>Left</b>
Roy Brooks	Chair (Independent)	1 April 2008	30 June 2011
Robin Dahlberg *	Chair (Independent)	1 July 2011	
Robin Dahlberg *	Independent Member	1 April 2011	30 June 2011
Lindsay Dennish	Co-optee	10 March 2010	30 November 2011
Lindsay Dennish	Independent Member	1 December 2011	
Jacqui Dickinson	Resident Member	14 October 2009	
Denise Kelly	Resident Member	14 October 2009	30 November 2011
Michael Lawrence	Independent Member	21 November 2008	
Michael Robertson-Smith	Independent Member	1 April 2008	
Ian Tillotson	Independent Member	24 October 2008	30 November 2011
Gurmeet Viridi	Independent Member	10 March 2010	30 November 2011
Margaret Wellington	Independent Member	1 April 2008	
David Wilkinson	Resident Member	1 April 2008	30 November 2011
Valerie Williamson	Independent Member	1 April 2008	30 November 2011
Valerie Williamson	Resident Member	1 December 2011	

\* Robin Dahlberg was appointed to the Orbit Board and Heart of England Housing Association Limited Board on 1 April 2011. He became Chair of Heart of England Housing Association Limited (the Association) on 1 July 2011.

**EXECUTIVE OFFICERS**

Stewart Fergusson	Managing Director
Elaine Johnston	Director of Operations
Vicky Harwood	Director of Supported Housing and Older Persons Services
Jane Cook	Finance Director
Louise Oakley	Head of Business Excellence
Helen Nicholson-Rhodes	Human Resources Business Partner

The Executive Officers are members of the senior management team of Orbit Heart of England. They are employed by Orbit Group Limited and their services are provided to Orbit Heart of England via an Intra Group Agreement.

**DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

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

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

**PRINCIPAL SOLICITORS**

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

**REGISTERED OFFICE**

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

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### SOCIAL LANDLORD'S BUSINESS, OBJECTIVES AND STRATEGY

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 Orbit as a subsidiary of Orbit Group Limited and purchased the Midlands properties previously owned by Orbit Housing Association. Heart of England Housing Association Limited, operates under the name 'Orbit Heart of England' (OHE),

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.

Orbit Heart of England continues to evolve and change, and during the year the ownership of the Private Retirement Leasehold (PRL) properties was transferred from Orbit Group Limited to Orbit Heart of England and Orbit South Housing Association Limited in October 2011.

As part of our on-going stock rationalisation programme, a portfolio of 98 rented and 25 freehold homes in the Wolverhampton area were sold to Nehemiah UCHA on 4 April 2011. In addition to this, a further 148 properties in Birmingham were sold to Family HA on 27 June 2011.

Orbit Heart of England sold its only Registered Care Home to the Sanctuary Group on 31 March 2011.

At the year end, the Association owned and/or managed 15,545 homes and commercial units.

These changes embrace our ambitions around service delivery, Value For Money (VFM), 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.

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

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

### AMBITION

The enduring ambition and purpose of Orbit continues to be:-

### ***“Building Brighter Futures for People and Communities”***

To achieve this ambition, we need the passion to make a difference, and to generate surpluses to create the necessary resources. Our journey from Good to Great by 2013 focuses on the three main outcomes of Customer, Place and Organisation.

The business critical issues for Orbit in the next 12 months include:-

1. Providing great customer services and achieving top-quartile performance
2. Delivering against our Homes and Communities Agency development contract
3. Engaging, motivating and developing our people
4. Generating surpluses and investing in our IT and Customer Service Centre
5. Developing our Business Strategy beyond 2013 to 2020 through Orbit 2020

### The Journey So Far

We have made huge progress towards the tough targets we set in 2008, despite huge changes in the world around us.

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

## OPERATING AND FINANCIAL REVIEW

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### AMBITION

#### The Journey So Far (Continued)

**Target by 2013:** Creating great **CUSTOMER** service 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.

**Progress:** Today our customers enjoy better services; response times are faster; there are more access options, and services are more tailored to their individual needs. The changes we have made have increased satisfaction year-on-year and are also helping us to become more effective and efficient as a business. We are engaging our customers in shaping services and our new scrutiny systems are helping to drive up standards.

**Target by 2013:** 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.

**Progress:** We have built 3,000 high-quality homes for people and families and also invested millions in the communities where we work. Orbit Homes (2020) Limited (Orbit Homes) was named Chartered Institute of Housing 'Development Team of the Year' in 2011. Our work on sustainability by retro-fitting existing homes with green technology is cutting fuel bills for residents. We have created scores of apprenticeships, jobs and training opportunities for people in the neighbourhoods where we work.

**Target by 2013:** Being a great **ORGANISATION** where we run things well, provide a great place to work, have sound finances, deliver VFM, and have a strong external reputation.

**Progress:** We have achieved Investors in People in all four Orbit businesses and made progress in developing the culture we need to fulfil our purpose. Our financial strength has continued to improve and VFM is embedded. Our reputation and influence locally, regionally and nationally has grown. We have a strong IT platform in place and are exploring how new tools such as social media can deliver excellence and efficiency. This was recognised recently when we were named Chartered Institute of Housing 'IT Team of the Year' and 'Procurement Team of the Year' in 2012.

### ORBIT 2020

## “Building Brighter Futures... together”

Orbit has been growing and evolving for more than 40 years. As our current five-year Business Plan enters its final 12 months, we are now looking to the future through a major collaborative project involving staff, managers, leaders, Boards, residents and key stakeholders, called 'Orbit 2020'. This will help us develop our 2013/16 Business Plans and 'direction of travel' towards 2020 so we can Build Brighter Futures for many years to come.

### OUR FOCUS FOR 2012/13

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 future.

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

**HONESTY   INNOVATION   EXCELLENCE   PARTNERSHIP   RESPECT**

Our journey from Good to Great by 2013 focuses on the outcomes of Customer, Place and Organisation:-

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

## OPERATING AND FINANCIAL REVIEW

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### AMBITION

#### OUR FOCUS FOR 2012/13 (Continued)

- **CUSTOMER**

We will continue to drive up standards of customer service towards top quartile performance. We will expand choice and provide more personal services by improving our customer profiling and understanding our customers better. A key focus is transforming our Customer Service Centre into a 'hub' to provide more customers with the service they want the first time they contact us and expanding the options customers have in accessing services. The economic climate will be tough for many people so we will invest around £1m in the communities where we work and create opportunities for jobs, training and education. We will fund this by reducing our management costs and making efficiency savings. We will continue to develop our 'Customer First' culture and leadership so that our people embrace their role in putting people first and feel able to challenge decisions and innovate.

- **PLACE**

We will continue to build the homes people need, building 800 affordable homes and offering people a range of other housing options, including open market sale. Selling homes for profit will enable us to build more homes for people on lower incomes. Our focus will be on cementing our reputation as a 'trusted housing provider' and as a 'developer of choice' with partner organisations, while transforming communities together with local people. We will plan for the recommissioning of both our HomeBuy Agency and Mortgage Rescue contracts during 2012-13.

We will invest in making our existing homes more energy efficient and cheaper to run for residents, developing a new Warm Homes standard beyond Decent Homes and continuing to lead the sustainability agenda nationally. We also need to manage our assets as effectively as possible and develop a better understanding of our housing markets, the performance of our homes, our management costs and the impact of our community investment.

- **ORGANISATION**

We intend to create a talented, high-performing work force delivering great services. We will continue to focus on ensuring people have the knowledge and information they need at the right time. Talking with our people will be vital as we evolve to face the future. We will continue to invest in tools and technology with upgrades to our core IT systems and new equipment so that our people can operate as effectively and efficiently as possible. We will continue to innovate in using social media to communicate with customers, our people and stakeholders. We will improve our financial strength by reducing our costs, improving our procurement and business processes, and creating a culture where VFM drives our decisions. We will continue to generate external income and business opportunities, while retaining a focus on strong governance, audit and risk management. Our work in building a strong reputation will help to increase our influence and strengthen our market position in the changing environment. Orbit 2020 will enable us to transform for the future.

Each of the business plans of the members of Orbit 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 approve all business plans and monitor progress and delivery against targets. In consultation with residents, and with the support of Orbit Services, our members will develop and monitor detailed delivery plans. All of our plans have clear milestones and measurable outcomes to guide and confirm progress.

### RISKS AND UNCERTAINTIES

We continue in an era of unprecedented change, and opportunity. It is imperative that, whilst we are ready for the challenge, we understand and adapt to the external environment and transform our business to deliver greater effectiveness and efficiency.

We have identified six key issues and challenges as critical in the current climate:-

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

## OPERATING AND FINANCIAL REVIEW

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### AMBITION

#### RISKS AND UNCERTAINTIES (Continued)

1. Increasing financial pressure on our customers and growing inequality because of factors such as Welfare Reform and the economic climate.
2. Delivering even better VFM and efficiency while meeting growing demand as public services shrink during austerity.
3. Our response to Localism and Big Society within a new regulatory environment where we will co-create our offer to local communities.
4. The need for innovation and choice in a deepening housing crisis where public subsidy for development is declining.
5. The organisational and financial impact of major policy changes such as Supporting People funding and Welfare Reform.
6. Increasing risk profile driven by the need to diversify our business model and the need to deploy resources such as IT as effectively as possible.

These issues are reflected in our plans for 2012-13 and focus on our four on-going strategic initiatives to enable us to deliver our plans by 2013:-

- Customer First - engaging and working with residents
- Infrastructure - investment in technology and tools to do the job
- People - investing in developing our people and the Orbit culture
- Finances - maximising our finances, VFM and growth of Orbit

We continually review performance both collectively and by individual organisation, 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 five year business plan with detailed and locally focused objectives within each of Orbit's three ambitions. Orbit Heart of England's main focus for the year was 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 the Orbit-wide strategic priorities, Orbit Heart of England continues with its relentless focus to become great by 2013. The Board has identified the following main priorities for 2012/13 to support this objective.

#### **Customer**

- 'Customer' KPI targets must be achieved
- Improve services to older people and people with disabilities
- Improve the financial literacy and self-management capabilities of our residents
- Develop and implement tailored service approaches to customers and improve our customer engagement approach

#### **Place**

- 'Place' KPI targets must be achieved
- Develop and implement our strategic approach to stock and portfolio investment
- Roll out a sustainable homes programme for retrofitting existing stock and building new homes to high energy efficiency and life times homes standards
- Develop our community investment role, focusing on worklessness, financial exclusion, youth engagement and empowerment amongst Orbit Independent Living (OIL) customers

#### **Organisation**

- 'Organisation' KPI targets must be achieved
- Deliver efficiencies and improve VFM, achieving or exceeding budgetary targets
- Invest in staff engagement and training
- Raise the profile of Orbit Heart of England as a great organisation

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

**OPERATING AND FINANCIAL REVIEW**

**OPERATING REVIEW**

**Performance in the Year**

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.

During the year the Board has reviewed the performance of the Association via a quarterly review of progress against a number of Key Performance Indicator (KPI) measures. A suite of Performance Indicators was agreed for 2011-12 designed to support the Customer, Place and Organisation framework of business objectives used throughout the Orbit partnership. Additionally there are a number of KPIs grouped under the financial heading which align to the Orbit Board reporting.

A revised suite of Performance Indicators has been agreed for 2012/13 which will continue to be regularly reviewed by the Board. This is supported by more detailed challenge of KPI performance by the Senior Management Team which is supported by regular team and individual performance management reviews. A number of key change projects are also scheduled which will improve performance across a range of services and support Orbit Heart of England in its journey to become great by 2013.

<b>CUSTOMER</b>	<b>Target 2011/12</b>	<b>Actual 2011/12</b>	<b>Achieved</b>
1. Customer Satisfaction with Responsive Repairs	85%	82%	x
2. Customer Satisfaction with Planned Maintenance	95%	86.6%	x
3. Gas Servicing % properties with valid certificate	100%	99.7%	x
4. Customer Satisfaction with Estate Services	70%	60.8%	x
5. Customer Satisfaction with Handling of Anti-social Behaviour Case	70%	69.4%	x
6. Customer Satisfaction with Complaints Handling	70%	50.6%	x
7. Complaints Handling - Cases Responded to Within Timescales	90%	69.6%	x
8. Complaints Handling - Average Time to Acknowledge Formal Complaints	3.0 days	2.0 days	✓
9. Customer Satisfaction with Customer Service Centre	90%	94.9%	✓
10. Successful Customer Outcomes - % Customers Maintaining Independence	81%	88.0%	✓
<b>PLACE</b>			
11. % of Stock not meeting Decent Homes Compliance	0.5%	0.8%	x
12. Energy Efficiency Rating (Standard Assessment Procedure)	69	69.4	✓
13. Number of Homes in Lowest EPC Bands	80	224	x
14. Investment in Communities (£'000)	200	385.5	✓
15. Development Units Completed (No.)	370	421	✓
<b>ORGANISATION</b>			
16. Average Time Home is Empty Before Letting - Re-let (days)	27	25.6	✓
17. Dwelling Available to Let or Awaiting Day to Day Repairs	0.6%	0.5%	✓
18. Dwelling Unavailable to Let (% of Stock)	0.3%	0.6%	x
19. Staff Turnover %	12%	20.4%	x
20. Staff Sickness % (Overall)	3.7%	2.8%	✓
<b>FINANCIAL</b>			
21. Overall Current Arrears - Gross	3.5%	3.4%	✓
22. Overall Current Arrears - Net of Housing Benefit	2.7%	2.4%	✓
23. Adjusted Budgeted Surplus (£'million)	4.5	12.1	✓
24. Management Costs as a % of Rents	28%	26%	✓



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

## OPERATING AND FINANCIAL REVIEW

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### OPERATING REVIEW

#### Performance in the Year (continued)

In terms of delivery against targets for 2011/12, performance is mixed, with 13 of the 24 measures successfully completed and 5 although not met show an improving trend. Gas servicing performance was only marginally below target. Of the overall 24 measures, 16 measures demonstrated an improving trend compared to the start of the year.

Results from the recently completed STAR survey show that overall customer satisfaction with service delivery has increased over the past year rising from 77.9% to 82.3%. STAR is the new voluntary approach to tenant satisfaction which has been developed by HouseMark for the social housing sector. There are also favourable trends reported for satisfaction that rent provides VFM, that customer views are taken into account and that they are kept informed about things that affect them as residents. There was a reduction in satisfaction scores in being satisfied with their local neighbourhood and that we resolve their queries. Improvement plans are in place to address these during 2012/13.

Financial performance in the year has exceeded expectations, with a surplus for the year of £14.1 million compared with an amended budgeted surplus of £12.5 million. The budget was amended to reflect the effect of the implementation of component accounting. The variance was mainly as a result of higher rental income £0.8 million and the transfer of £0.7 million to a designated reserve for a community energy savings programme being undertaken during 2012/13.

The development programme has progressed well during the year with 304 new homes being transferred into management in the year. There are a further 188 homes under development at year end and it is anticipated that all of these homes will be completed and come into management during 2012/13.

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

#### **Customer – ‘To achieve a high level of customer satisfaction’**

##### *Deliver the Customer First strategy by*

- Implementing and using new technology including the Customer Relationship Management (CRM) software, Tenant Information Portal System (TIPS), mobile working and Opti-time repairs scheduling.
- Expanding our resident reward scheme (Pro Points)
- Delivering our improvement and innovation projects

##### *Invest in our local communities by*

- Commencing engagement with key stakeholders affected by the Big Society agenda
- Further developing resident scrutiny within Orbit Heart of England
- Working towards delivery our local offers
- Commencing the use of data, including from our Customer Census, to tailor our services
- Implementing our Community Investment Strategy and investing over £600k in communities through our community investment projects
- Developing our Financial Inclusion Strategy

##### *Invest in People Plans, focusing on customer, culture and empowerment by*

- Achieving Investors in Excellence accreditation

#### **Place – ‘To provide more homes and sustainable stock’**

##### *Improve the places where our residents live by investing in a range of new homes*

- Agreeing the Orbit Heart of England Development Strategy, Building Standards and Eco Standards with Orbit Homes
- Agreeing a development programme with Orbit Homes and tracking delivery of the programme

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

## OPERATING AND FINANCIAL REVIEW

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### OPERATING REVIEW

#### Performance in the Year (continued)

##### *Investing in existing stock and regeneration by*

- Maintaining Decent Homes Standard
- Agreeing the Orbit Heart of England Warmer Homes Strategy

##### *Reviewing our stock profile through active portfolio management by*

- Agreeing a strategy for the Orbit Heart of England properties in Gloucestershire, Worcestershire and the West Country
- Implementing a Geographical Information System (GIS)

#### **Organisation – ‘To achieve a high level of staff satisfaction and be able to demonstrate VFM’**

##### *Continuous investment in appropriate tools and technologies to enhance our capability to improve service by*

- Developing effective processes to maintain Orbit Heart of England information on our intranet ‘The Orb’
- Delivering the Orbit Heart of England ICT strategy priorities

##### *Delivery of financial, procurement and VFM improvements and achievement of its financial targets by*

- Agreeing and implementing an Orbit Heart of England VFM map
- Meeting budget and agreed financial outturns
- Gaining an understanding of where Orbit Heart of England could achieve further efficiency savings, if required, to be taken or reinvested
- Implementing an e auction project
- Actively engaging as a client with the procurement team on partnership wide projects
- Developing our Estates Services Strategy
- Developing the Orbit Heart of England Communications Strategy within OHE
- Demonstrating and promoting Orbit Heart of England VFM successes through OHE communications

##### *Improving its reputation with its customers, stakeholders and staff by*

- Achieving Investors in People accreditation
- Implementing the new appraisal system
- Developing the capability of the Orbit Heart of England management team

### Dynamics of the Social Landlord

The drive to improve delivery and efficiency has continued throughout the last year. Orbit’s ambition is to run a highly efficient and effective organisation; an organisation which is cost effective and which strives to drive down costs whilst improving the quality of service provision to our residents. VFM means making the best use of resources available whilst recognising at all times that quality must not be diminished. Orbit has embraced the Government’s efficiency agenda, and is continuing to review and refine the way in which it procures goods and services with a view to achieving further efficiencies in this area. This was recognised when the Orbit Procurement team were named as the Chartered Institute of Housing ‘Procurement Team of the Year’ in 2012. VFM maps are in place for Orbit defining and delivering both efficiencies and savings.

The requirement to address Decent Homes Standard (DHS) by 2010 emphasised the importance of investing in existing homes and ensuring the quality of asset management strategies. Orbit Heart of England’s asset management strategy covers all of its housing properties and takes account of both the future likely demand for the homes as well as the actual physical condition of the properties. The Association focussed its planned maintenance programme to ensure that all homes continue to meet the Decent Homes Standard, at the same time achieving efficiencies in terms of procurement and programme delivery. The Association delivers its maintenance service through Orbit Heart of England’s in house maintenance division, Property Matters.

Work continues to plan the next standard for our stock investment programme, and a new Sustainable Housing Framework has been adopted across Orbit.

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

## OPERATING AND FINANCIAL REVIEW

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### OPERATING REVIEW

#### Dynamics of the Social Landlord (continued)

Rent restructuring has also had a significant effect on the sector, and Orbit continues to be mindful of its capped income and the need to increase efficiencies and economies.

We recognise the need to work more closely and in partnership with our residents, and have agreed Orbit-wide Customer Service Standards with our residents and also have local standards in place within Orbit Heart of England. Local resident scrutiny panels are in place, and initial reviews have been successfully completed. Our new Tenant Information Portal (TIPS) was launched in April 2011, to give our residents secure on-line access to their information for the first time.

Orbit Heart of England has a rent plan that covers properties where rent restructuring is applicable that is fully compliant with the rent restructuring guidelines and timetable previously issued by the Tenant Services Authority (now the Homes and Communities Agency (HCA)).

All Orbit Members continue to work well within and meet all loan covenants.

#### Investment for the future

Orbit continues to develop new homes, and has signed up to and adopted the principles of the 2012 Construction Commitments, and has an agreed development programme as part of the HCA's 2011-15 Affordable Homes Programme.

The Orbit Sustainability Strategy aims to embed sustainable living into the heart of our communities and our business. There are three cross cutting drivers of the strategy: -

- ✓ Improving the energy efficiency of our stock
- ✓ Reducing our carbon footprint as a business where it achieves financial saving
- ✓ Improving the financial circumstances of our customers

Orbit has initiated an eco-housing approach and continues to work to develop knowledge to be rolled out across the group. Initiatives currently being used include ground and air source heat pumps, solar photo-voltaic panels and the installation of sensors to provide an insight into building performance. Orbit Heart of England operates a Sustainable Investment Team to deliver low carbon solutions as part of the annual investment programmes to our homes.

Working in partnership, Orbit Heart of England and Orbit Homes have delivered the largest passivhaus development in the UK, which will be available under the affordable rent programme.

A 'Green Team' exists, so that staff can be involved in reducing the organisation's energy consumption and carbon footprint. Our Green Champions put forward suggestions for environmentally friendly policies and practices and encourage colleagues to think and act with the environment in mind.

All members of Orbit have now achieved Investors in People (IIP) accreditation.

Phase 1 of our Customer First project to *'Change The Way we Work'* was completed during the year, and Phase 2 will be delivered during 2012/13. Orbit has received recognition for its first class approach to customer service after being named as the winner of the Pioneering Customer Service category at the Coventry Telegraph Business Awards 2011, and was recognised thanks to our 'Customer First' approach. This approach is all about improving the way staff and services work to give the customer the best possible service. This is achieved through staff training but also through major investment in customer-facing technology.

This new technology is made up of four elements – a Customer First online secure area to allow residents to check their account details at the touch of a button; the introduction of sophisticated mobile working equipment to allow staff to manage customer requests quickly and effectively, even when out of the office; a Customer Relationship Management system to make staff interactions with customers as well informed as possible and a new intranet to improve internal customer services.

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

## OPERATING AND FINANCIAL REVIEW

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### OPERATING REVIEW

#### Investment for the future (continued)

The Orbit Heart of England Board is committed to spending approximately £24 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 continues to pilot a range of sustainability 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 continue to invest in and support a range of initiatives such as the implementation of mobile technology for front-line service delivery staff and repairs operatives.

### FINANCIAL REVIEW

#### Accounting policies

The Statement of Recommended Practice for Registered Social Landlords (SORP) 2010 was mandatory for all accounting periods beginning on or after 1 April 2011. The key change related to our accounting policy for housing properties and the implementation of component accounting. Prior period balances have been adjusted to reflect the change in accounting policy. The revised accounting policies and the impact of the 2010 SORP are described in notes 1 and 34 (respectively) to the financial statements, and have resulted in an increase in the reserves of the Association of £27 million represented by an increase in the net book value of housing properties of £27 million.

#### Capital structure and Treasury Policy

Housing properties of £607.4 million, other fixed assets and investments of £4.1 million and net current liabilities of £15.6 million are financed by grants £256.9 million (43%), loans and long term creditors of £312.2 million (52%), pension liability of £4.7 million (1%) and accumulated reserves of £22.1 million (4%).

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, however £73k previously provided was written back to the income & expenditure account in the year in respect of properties that were demolished.

The Association has adopted FRS17 (accounting for pensions) in full (note 10). The pension liability on the balance sheet at 31 March 2012 was £4.7 million (2011: £3.2 million). The actuary's report states that the deficit has increased due to falling real bond yields and poor asset returns.

From 1 October 2007, the major loans of all Orbit 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.

Orbit 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 Orbit'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.

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

**OPERATING AND FINANCIAL REVIEW**

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**FINANCIAL REVIEW (CONTINUED)**

The treasury policy adopted by the Board requires Orbit and 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 Board is an Orbit-wide 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 £28.6 million (2011: £9.4 million (restated)).

The principal sources of both operating cash inflow and outflow were that of income from the provision of housing accommodation and associated operating costs and the proceeds from the sale of properties under the stock rationalisation and void sale programmes.

**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**

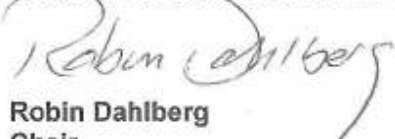
The successful creation of Orbit Heart of England as a single legal entity during 2008/09 provided a solid financial and organisational platform which has enabled efficient and effective services to be delivered to all our residents across the region.

Orbit Heart of England continues to look at innovative ways of meeting the challenges our residents and the sector are facing.

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

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.

**On behalf of the Orbit Heart of England Board**



**Robin Dahlberg**  
Chair  
14 August 2012

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

## **HOUSING ASSOCIATION GOVERNANCE**

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### **Governance**

Heart of England Housing Association Limited (Orbit Heart of England) is a member of the Orbit Group and has operated as a subsidiary of the Parent, Orbit Group Limited (OGL) since 1 April 2008. It is a not-for-profit organisation registered on 1 April 2008 as an Industrial and Provident Society and has exempt charitable status.

### **NHF's 'Excellence in Governance' Code**

The Board has adopted the National Housing Federation's 'Excellence in Governance' Code. We confirm that Orbit Heart of England complies with the Code of Governance in all material aspects.

The Board continues to work on its Resident Scrutiny and Engagement Structures in order to strengthen compliance with the Code.

### **Board of Management**

The Board Members of the Association during the year ended 31 March 2012 are listed on page 2.

The Board is responsible for governing the affairs of the Association and comprises a maximum of 12 and a minimum of 5 non-executive members, including co-optees, independent members and 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 Board, the Governing Board of OGL. All Members of the Orbit Board are paid in relation to their responsibilities on that Board.

The Board meets at least 6 times a year. During 2011/12, one Committee was in place, Property Matters Committee, which was set up to allow the Board to focus on strategic matters. From April 2011 a Resident Scrutiny Group replaced the Service Board. The responsibilities of the Service Board were reallocated to the Board and the Resident Scrutiny Group.

The Association is represented on each of the following Orbit Committees of Orbit Group Limited: Orbit Audit Committee and Governance and Membership 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. There is representation from residents on the Board, Property Matters Committee and the Resident Scrutiny Group.

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.

Resident scrutiny of our performance has been developed and an initial pilot of the approach undertaken and is now being embedded. This ensures that Orbit Heart of England meets regulatory requirements and good practice in terms of governance and resident involvement.

### **Performance Monitoring**

During the year the 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 one case during the year. The Ombudsman did not uphold this complaint.

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

## HOUSING ASSOCIATION GOVERNANCE

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### Responsibility for the System of Internal Control

The Orbit Heart of England Board has responsibility to review the internal control environment within their businesses and for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

### 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 assets and interests of Orbit Heart of England.

### Orbit Assurance Framework

The information pertaining to the effectiveness of the control environment comes from a number of sources from across Orbit.

At a high level, the assurance framework brings together information from all significant parts of Orbit's business, including the Subsidiary Associations. The framework comprises of different sources of assurance, the more significant ones being the Internal Audit Team, the Orbit Audit Committee, External Audit and the Executive Team (ET). In addition, a major component of this assessment is the Internal Regulatory Framework (IRF).

The Orbit Board has delegated authority for the review of internal controls to the Orbit Audit Committee. The IRF report incorporates Internal Controls Assurance mechanisms from across Orbit and is therefore presented to the Executive Team and the Orbit Audit Committee for consideration along with the Statement on Internal Controls, which is subsequently recommended to the Board at its Annual General Meeting. However, the responsibility for internal controls remains with the Orbit Board.

The Sources of Assurance are briefly outlined below:

**Orbit Audit Team** - An Internal Audit Plan approved by the Executive Team and the Orbit Audit Committee is in place and monitored by the Executive Team and Orbit Audit Committee.

This includes the provision of 'specialist audits' using experts in areas such as Treasury and IT audit. The plan covers financial and non financial areas and the Orbit Audit Team provides independent assurances in all of the significant areas of Orbit's business.

Formal procedures have been established for instituting appropriate action to correct weaknesses identified from these reports. Additionally, as part of each audit review, the Orbit Audit Team follow up the previous year's recommendations and the extent to which these have been implemented and these form part of the Audit Report.

**Orbit Audit Committee** - In accordance with good practice, the Orbit Audit Committee presented its annual report to each subsidiary Board which outline the extent of the Committee's work and the overview of the effectiveness of the control environment. To support good governance, the Managing Director, Orbit Services (responsible Executive for Risk and Compliance within Orbit) reports directly to the Chief Executive and has direct access to the Orbit Audit Committee. In addition, the Orbit Audit Committee reviews reports from management, internal auditors and external auditors to provide reasonable assurance that control procedures are being followed.

**Governance** - The Orbit Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The Orbit Board also regularly reviews Key Performance Indicators to assess the progress towards the achievement of key business objectives, targets and outcomes.

In respect of Operating Associations, Orbit Board also confirms that as part of the IRF the relevant Managing Director prepared reports on Internal Controls Assurance within their IRF Report and the Chief Executive presented a similar report on behalf of Orbit to the August 2012 Orbit Audit Committee within the Consolidated IRF report.

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

### HOUSING ASSOCIATION GOVERNANCE

---

In addition the Executive Team forms a key part in the governance process. It is also confirmed that all Boards and the ET met on a regular basis to discuss and conduct their own individual affairs during 2011/12 and the business has been formally documented in minutes of the meetings.

**Internal Regulatory Framework (IRF)** – Orbit has an IRF process as a means to internally regulate itself. The IRF process is split into three stages; desktop review, visits to boards and reporting and broadly covers an assessment of financial viability, governance and performance. Following on from the previous six years, the seventh year (2011/12) of the IRF process was completed and received by all Boards within Orbit.

**Risk Management** - Orbit has a Risk Management Strategy & Framework, which is based on good practice.

The control environment to manage these risks is continually evaluated and monitored by Orbit Audit Committee on behalf of the Orbit Board. Orbit Audit Committee monitors the implementation of the Orbit Strategy and plan for Risk Management.

The overall responsibility for risk management across Orbit remains with the Orbit Board. The subsidiaries are required to implement the Orbit framework for risk management and provide reports to their respective Boards. The adequacy of this implementation and reporting is monitored by the Orbit Audit Committee.

The Orbit Board confirms that Orbit's Strategic Risk map is reviewed by the ET and Orbit Board on a regular basis throughout the year.

The 2012/13 risk map has been formulated and takes account of the changed operating environment, Government policy and Orbit's ambitions.

**Culture** - Orbit recognises that the culture of an organisation is of significant importance to an effective control environment.

Consequently over the last few years, Orbit has invested significantly into staff and the development of managers in their leadership and management skills. The development has been centred on the Orbit vision and more importantly the values, which include excellence, integrity and honesty. In addition, a number of measures are in place to instil and encourage a suitable culture of effective internal control.

These mechanisms include the following:-

Orbit has adopted the NHF Code of Governance and new policies around probity to replace Schedule 1 of the Housing Act.

Orbit Standing Orders, which include appropriate delegations of authority, signatories and mandates. A copy of the Orbit Standing Orders is available to all staff and compliance is an implied term of an employee's contract of employment.

Annual appraisal procedures have been established and appropriate training and development opportunities are offered to all staff to maintain standards of performance.

Forecasts and budgets are prepared which allow the Orbit Board, Operating Association Boards and management to monitor the key business risks and financial objectives.

Management accounts are prepared to provide relevant 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.

Relevant policies and procedures cover the range of activity within Orbit from Finance, IT and HR through to housing-related functions.



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

**HOUSING ASSOCIATION GOVERNANCE**

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**Fraud**

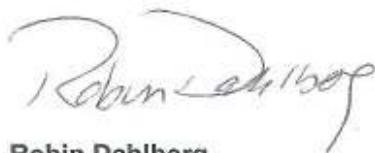
Orbit's approach on fraud is reflected in an approved Policy and Fraud Response Plan. Relevant cases are reported to the Regulator. The Orbit Standing Orders outline a policy on responding to suspected fraud and corruption. A fraud register is maintained and reviewed regularly by the Orbit Audit Committee and reported to the Orbit Board.

**Board's Conclusion**

The Board has received the Annual Report on Internal Controls Assurance (incorporated as part of the IRF Report) and has conducted its annual review of the effectiveness of the system of internal control. In addition, the 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 is on going 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.

**On behalf of the Orbit Heart of England Board**



**Robin Dahlberg**  
Chair  
14 August 2012

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

## REPORT OF THE BOARD

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The Board present their report and audited financial statements for the year ended 31 March 2012.

### **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 2012 it owned housing properties with a depreciated historic cost of £607.4 million (2011: £578.6 million (restated)). 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 Orbit 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 3 to 12.

### **Board Members and Executive Officers**

The present Board Members together with the dates of any changes are set out on page 2. All of the Board Members served throughout the year except as otherwise shown. The Executive Officers hold no interest in the Association's shares and have no legal status as directors although they act as executives within the authority delegated by the Board.

### **Members of Staff**

Orbit'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 Orbit'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 'Customer Spotlight' awards, and Orbit Customer First Awards. 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 year a programme of apprenticeships has been developed across the organisation, providing opportunities and experience for young people in our communities as we continue to tackle the worklessness in the areas that we operate in.

The Orbit Academy is the focal point for learning and development within Orbit. Its ambition is to become a 'Centre of Excellence' for both staff and, ultimately, residents helping to achieve our aim of Building Brighter Futures for People and Communities.

We have enhanced our recruitment process by the launch of an on-line e-Recruitment pilot to improve and streamline the recruitment process for both applicants and recruiting managers.

We have in place leadership and management standards, a competency framework and a 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 Executive Team, the Leadership Team and senior and first line managers within Orbit are proving to be both popular and successful, and form part of our approach to developing our potential and growing our leaders.

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

## REPORT OF THE BOARD

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### Creditors Payment Policy

Orbit'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.

### Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety and has adopted Orbit's detailed health and safety policies. Orbit provides members of staff with health and safety training and development opportunities. In accordance with Orbit's 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 that have occasion to drive on Association business.

### Donations

During the year the Association made charitable donations to Orbit Group Limited of £697k to contribute to a reserve to be used for future development schemes.

### Statement of the responsibilities of the Board

The Board is responsible for preparing the Operating and Financial review, the Report of the Board and the financial statements in accordance with applicable law and regulations.

The Friendly and Industrial and Provident Societies Act 1968 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the RSL and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the RSL and to enable it to ensure that the financial statements comply with the Friendly and Industrial and Provident Societies Act 1968, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords Determination 2006. It has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

### Disclosure of information to auditors

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

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

**REPORT OF THE BOARD**

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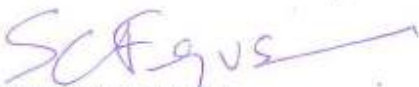
**Annual General Meeting**

The annual general meeting will be held on 14 August 2012 at 10 Greenhill Street, Stratford-upon-Avon, Warwickshire, CV37 6LG.

**Independent Auditors**

During the year KPMG LLP resigned as auditors to the Association and the Board have appointed PricewaterhouseCoopers LLP. A resolution to re-appoint PricewaterhouseCoopers LLP as the Association's auditors for external audit services will be proposed at the Annual General Meeting.

**The report of the Board was approved on 14 August 2012 and signed on its behalf by:**



**Stewart Fergusson  
Secretary**

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

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

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We have audited the financial statements (the "financial statements") of Heart of England Housing Association Limited for the year ended 31 March 2012 which comprise Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Surpluses and Deficits and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of the Board and auditors**

As explained more fully in the Statement of Responsibilities of the Board set out on page 18, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the association's members as a body in accordance with Section 9(1) of the Friendly and Industrial and Provident Societies Act 1968 and the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the commentaries included on pages 1 to 19 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2012 and of its income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the Friendly and Industrial and Provident Societies Act 1968, the Housing and Regeneration Act 2008 and The Accounting Requirements for Registered Social Landlords General Determination 2006.

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

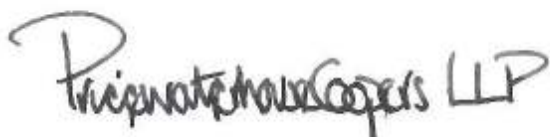
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEART OF ENGLAND HOUSING  
ASSOCIATION LIMITED (TRADING AS ORBIT HEART OF ENGLAND)**

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**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Friendly and Industrial and Provident Societies Act 1968 requires us to report to you if, in our opinion:

- the association has not kept proper books of account in accordance with Section 1(1)(a) of the Friendly and Industrial and Provident Societies Act 1968; or
- a satisfactory system of control over transactions has not been maintained in accordance with Section 1(1)(b) of the Friendly and Industrial and Provident Societies Act 1968; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.



PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
B3 2DT

Dated:

21/09/2012

**Notes:**

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

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

**INCOME AND EXPENDITURE ACCOUNT  
For the Year Ended 31 March 2012**

	NOTES	2012 £'000	Restated 2011 £'000
Turnover	2/3	69,239	66,998
Operating Costs	2/3	(48,498)	(47,137)
Operating Surplus	4	20,741	19,861
Profit on Sale of Fixed Assets	5	9,756	251
Surplus on Ordinary Activities before Interest		30,497	20,112
Interest Receivable and Similar Income	8	11	12
Interest Payable and Similar Charges	9	(15,673)	(12,593)
Financing cost	10	(71)	(223)
Surplus on Ordinary Activities before Donations and Taxation		14,764	7,308
Donation Payable	4	(697)	-
<b>Surplus on Ordinary Activities before Taxation</b>		<b>14,067</b>	<b>7,308</b>
Tax on Surplus on Ordinary Activities	11	-	-
Surplus for year		14,067	7,308
Revenue Reserves brought forward	24	7,652	(726)
Transfer to designated reserves	23/24	(1,031)	(357)
Actuarial (losses) / gains taken to reserves	10	(1,401)	1,427
<b>Revenue Reserves at 31 March</b>	24	<b>19,287</b>	<b>7,652</b>

All amounts derive from continuing operations. There is no material difference between the surplus on ordinary activities before taxation and the surplus for the financial year stated above and their historical costs equivalents.

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 34).

**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 2012**

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		<b>2012</b>	<b>Restated</b>
	<b>NOTES</b>	<b>£'000</b>	<b>2011</b>
			<b>£'000</b>
<b>Surplus for the Financial Year</b>		<b>14,067</b>	<b>7,308</b>
Actual return less expected return on pension scheme assets	10	(843)	514
(Losses) / gains arising on pension scheme liabilities	10	<u>(558)</u>	<u>913</u>
<b>Total Surplus Recognised</b>		<b>12,666</b>	<b><u>8,735</u></b>
Prior year adjustment	1 & 34	<u>27,008</u>	
		<b><u>39,674</u></b>	

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 34).

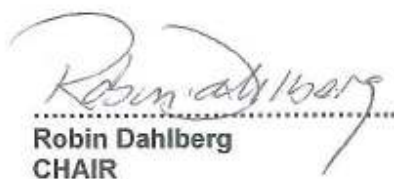


**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
(TRADING AS ORBIT HEART OF ENGLAND)**

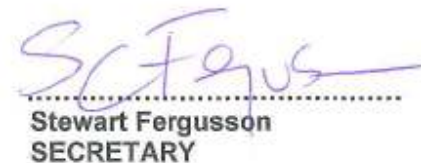
**BALANCE SHEET  
As at 31 March 2012**

	NOTES	2012		Restated 2011	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Housing Properties at Cost	12	607,392		578,646	
Social Housing Grants	12	(242,208)		(231,827)	
Other Capital Grants	12	(14,702)		(14,702)	
			350,482		332,117
Fixed Asset Investments	14		800		800
Other Fixed Assets	13		3,259		3,158
			<u>354,541</u>		<u>336,075</u>
<b>Current Assets</b>					
Stocks	15	64		61	
Debtors	16	5,803		5,488	
Short term investments	17	-		1,753	
Cash at Bank and in Hand		803		1,000	
			<u>6,670</u>	<u>8,302</u>	
<b>Creditors: Amounts falling due within one year</b>	18	<u>(22,289)</u>		<u>(21,765)</u>	
<b>NET CURRENT LIABILITIES</b>			(15,619)		(13,463)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u><b>338,922</b></u>		<u><b>322,612</b></u>
<b>Creditors: Amounts falling due after more than one year</b>	20		312,159		310,003
<b>Pension Liability</b>	10		4,670		3,182
<b>Capital and Reserves</b>					
Designated Reserves	23	2,806		1,775	
Revenue Reserve	24	19,287		7,652	
			<u>22,093</u>	<u>9,427</u>	
			<u><b>338,922</b></u>	<u><b>322,612</b></u>	

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (note 34). The financial statements on pages 22 to 52 were approved by the Board on 14 August 2012 and signed on its behalf by:

  
Robin Dahlberg  
CHAIR

  
Michael Robertson-Smith  
BOARD MEMBER

  
Stewart Fergusson  
SECRETARY

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

**CASH FLOW STATEMENT**

**For the Year Ended 31 March 2012**

	<b>2012</b>		<b>Restated 2011</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 27)</b>		28,645		9,350
<b>Returns on Investments and Servicing of Finance</b>				
Interest Received	12		12	
Interest Paid	(13,959)		(12,593)	
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		(13,947)		(12,581)
<b>Donation</b>	(697)		-	
<b>Taxation paid</b>	-		-	
<b>NET CASH OUTFLOW FROM DONATION &amp; TAXATION</b>		(697)		-
<b>Capital Expenditure and Financial Investment</b>				
Acquisition and construction of housing properties	(42,927)		(54,206)	
Sale of housing properties	12,907		904	
Grants received	13,205		22,781	
Purchase of other fixed assets	(522)		(320)	
Sale of other fixed assets	-		(8)	
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT ACTIVITIES</b>		(17,337)		(30,849)
<b>NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		(3,336)		(34,080)
<b>(i) Liquid Resources</b>				
Decrease in bank deposits	1,753		-	
<b>(ii) Financing (Note 28)</b>				
Loans Received	43,136		77,581	
Loan redemption repayments	(41,750)		(43,445)	
	1,386		34,136	
<b>NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		3,139		34,136
<b>INCREASE IN CASH AT BANK AND IN HAND (Note 28/29)</b>		<b>(197)</b>		<b>56</b>

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 34).

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**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 not-for-profit Registered Provider of social housing as defined by the Housing & Regeneration Act 2008. The Parent Body from the beginning of the year was Orbit Group Limited.

**Basis of Accounting**

The financial statements are prepared on the going concern basis, under the historical cost basis of accounting, 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, the Accounting Requirements for Registered Social Landlords General Determination 2006, and the Statement of Recommended Practice (SORP) published by the National Housing Federation in 2010 "Accounting for Registered Social Landlords". The principal accounting policies, which have been applied consistently throughout the year except for the changes that arise from the adoption of the new SORP, are set out below.

The Statement of Recommended Practice for Registered Social Landlords (2010) was mandatory for all accounting periods beginning on or after 1 April 2011. The key change related to our accounting policy for housing properties and the implementation of component accounting. Prior year balances have been adjusted to reflect the change in accounting policy. The revised accounting policies and the impact of the 2010 SORP are described in notes 1 and 34 (respectively) to the financial statements.

**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 Orbit 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.

**Revenue Recognition**

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

**Operating Costs**

Direct employee, administration and operating costs are apportioned to either the Income and Expenditure Account or capital schemes on the basis of costs of staff and the extent to which they are directly engaged in the operations concerned.

**Housing properties**

Housing properties are stated at cost, less accumulated depreciation and capital grants. Depreciation is charged on a straight line basis over the following expected economic useful lives: -

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**NOTES TO THE FINANCIAL STATEMENTS  
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**1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

<b>Housing property components</b>	<b>Depreciation life</b>
Kitchens	20 years
Bathrooms	30 years
Windows & Doors	30 years
Boilers	15 years
PV panels	25 years
Roof	60 years
Structure (rehabilitated)	60 years
Structure (new stock)	100 years

Freehold land and associated grant is not depreciated.

The useful economic lives of all tangible fixed assets are reviewed annually.

Donated land is included in cost at its valuation on donation, with the donation treated as a capital grant.

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. When housing properties are to be transferred to another association, the net costs, after SHG, are dealt with in current assets.

Shared ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover. The remaining element is classed as a fixed asset, and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Completed properties for outright sale and work in progress are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and attributable overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

The change in accounting policy through the implementation of component accounting has resulted in a material prior year adjustment. The effect of the change is shown in note 34.

**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 Homes & 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 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.

**Other tangible fixed assets and depreciation**

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

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**NOTES TO THE FINANCIAL STATEMENTS  
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**1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

Freehold offices & commercial premises	2% - 4%
Leasehold offices	Over the life of the lease
Motor vehicles	25%
Fixtures, fittings & other equipment	15% - 25%
Computer equipment	17% - 33%

The useful economic lives of all tangible fixed assets are reviewed annually.

**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 operated by Warwickshire County Council. The requirements of FRS17 Retirement Benefits are fully reflected in the financial statements and associated notes. Note 10 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 Orbit Group Limited financial statements. The cost of providing retirement pensions and related benefits is charged to management expenses. The disclosures in the 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. A scheme is considered to be an income-generating unit. 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. Impairment is written back on disposal.

**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.

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**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. The Association has two designated reserves as follows:-

**Renewal Reserve**

The Association 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.

**Community Energy Savings Programme**

This designated reserve has been set aside to support investment in around 300 homes in the Coventry area. The works to individual homes will be determined by a stock condition survey and include insulation, new heating systems and window and door upgrades. The project will complete in December 2012.

**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 (SHG) is recycled, 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.

**Derivative Financial Instruments**

Orbit uses derivative financial instruments to reduce exposure to interest rate movements. Orbit does not hold or issue derivative financial instruments for speculative purposes. For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

**Loan Interest Costs**

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

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2012**

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**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.

**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.

**Service Charge Sinking Funds**

Service charge sinking funds are dealt with as creditors.

**Liquid Resources**

Liquid Resources comprise bank deposits that are readily convertible into cash and loans to fund the purchase housing properties.

**Stocks**

Stocks are stated at value.

**Deferred Income**

Revenue received for a specific activity which is to be delivered in the following financial year is deferred and shown as deferred income.

**Accrued Income**

Where goods or services are provided but not yet invoiced, that income is accrued for and shown as accrued income.

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

	<b>2012</b>		
	<b>Turnover £'000</b>	<b>Operating Costs £'000</b>	<b>Operating Surplus/ (Deficit) £'000</b>
<b>SOCIAL HOUSING LETTINGS (Note 3a)</b>	<u>63,799</u>	<u>(42,264)</u>	<u>21,535</u>
<b>Other Social Housing Activities</b>			
Management Services	123	(55)	68
Other – Service to Group members	655	(790)	(135)
Home Ownership Services	530	(635)	(105)
Supporting People Contract Income (Block Gross)	1,125	(1,201)	(76)
Supporting People Contract Income (Block Subsidy)	777	(1,084)	(307)
LCHO First Tranche Sales	239	(427)	(188)
Other	<u>688</u>	<u>(674)</u>	<u>14</u>
	4,137	(4,866)	(729)
<b>Non-Social Housing Activities (Note 3b)</b>			
Other	<u>1,303</u>	<u>(1,368)</u>	<u>(65)</u>
	<b><u>69,239</u></b>	<b><u>(48,498)</u></b>	<b><u>20,741</u></b>
	<b>Restated 2011</b>		
	<b>Turnover £'000</b>	<b>Operating Costs £'000</b>	<b>Operating Surplus/ (Deficit) £'000</b>
<b>SOCIAL HOUSING LETTINGS (Note 3a)</b>	<u>59,980</u>	<u>(40,031)</u>	<u>19,949</u>
<b>Other Social Housing Activities</b>			
Management Services	110	(51)	59
Other – Service to Group members	739	(903)	(164)
Home Ownership Services	191	(234)	(43)
Supporting People Contract Income (Block Gross)	1,181	(1,341)	(160)
Supporting People Contract Income (Block Subsidy)	816	(922)	(106)
LCHO First Tranche Sales	1,384	(1,038)	346
Other	<u>1,116</u>	<u>(1,026)</u>	<u>90</u>
	5,537	(5,515)	22
<b>Non-Social Housing Activities (Note 3b)</b>			
Other	<u>1,481</u>	<u>(1,591)</u>	<u>(110)</u>
	<b><u>66,998</u></b>	<b><u>(47,137)</u></b>	<b><u>19,861</u></b>

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 34).



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**3a INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS**

	<b>General Needs Housing £'000</b>	<b>Supported Housing £'000</b>	<b>2012 Total £'000</b>	<b>Restated 2011 Total £'000</b>
<b>INCOME</b>				
Rents receivable net of identifiable service charges	55,129	5,570	60,699	56,843
Service Charges	1,911	2,059	3,970	3,792
<b>Gross Rent Receivable</b>	<u>57,040</u>	<u>7,629</u>	<u>64,669</u>	<u>60,635</u>
Less: Rent losses from voids	(639)	(231)	(870)	(655)
Net rents receivable	<u>56,401</u>	<u>7,398</u>	<u>63,799</u>	<u>59,980</u>
Other Income	-	-	-	-
<b>TOTAL INCOME</b>	<u><u>56,401</u></u>	<u><u>7,398</u></u>	<u><u>63,799</u></u>	<u><u>59,980</u></u>
<b>EXPENDITURE</b>				
Services	(2,119)	(1,800)	(3,919)	(3,748)
Management	(6,720)	(2,037)	(8,757)	(7,993)
Routine Maintenance	(14,310)	(1,540)	(15,850)	(14,499)
Planned Maintenance	(5,698)	(664)	(6,362)	(7,134)
Rent Losses from Bad Debts	(383)	(13)	(396)	(430)
Depreciation of Housing Properties	(6,377)	(550)	(6,927)	(6,158)
Impairment of Housing Properties (Write back on provision)	73	-	73	-
Other costs	(126)	-	(126)	(69)
<b>TOTAL EXPENDITURE</b>	<u><u>(35,660)</u></u>	<u><u>(6,604)</u></u>	<u><u>(42,264)</u></u>	<u><u>(40,031)</u></u>
<b>OPERATING SURPLUS ON LETTINGS</b>	<u><u>20,741</u></u>	<u><u>794</u></u>	<u><u>21,535</u></u>	<u><u>19,949</u></u>

Depreciation on Housing Properties includes £516k written off due to components being replaced earlier than the expected life of those components. The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 34).

**3b TURNOVER FROM NON-SOCIAL ACTIVITIES**

	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Lettings:</b>		
Commercial Premises	212	213
Other	1,091	1,268
	<u><u>1,303</u></u>	<u><u>1,481</u></u>

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**4 OPERATING SURPLUS**

	<b>2012 £'000</b>	<b>Restated 2011 £'000</b>
<b>Operating Surplus is Stated after Charging / (Crediting)</b>		
<b>On Fixed Assets Other than Housing Properties:</b>		
Depreciation (owned assets)	252	208
Depreciation (leased assets)	166	155
<b>On Housing Properties:</b>		
Depreciation	6,927	6,173
Impairment Provision / (credit)	(73)	-
<b>Auditors' Remuneration:</b>		
In their capacity as Auditors	30	-
In respect of other services	-	-
<b>Other Auditors' Remuneration:</b>		
In their capacity as Auditors	6	48
In respect of other services	125	78
<b>Operating leases:</b>		
Plant and Machinery	54	-
Other	515	288

A donation of £697k was made to Orbit Group Limited in accordance with the Orbit wide agreement to support development funding. The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 34).

**5 PROFIT ON SALE OF FIXED ASSETS**

	<b>2012 £'000</b>	<b>Restated 2011 £'000</b>
<b>Sale of Housing properties</b>		
Proceeds from disposal	12,939	999
Cost of sales	<u>(3,180)</u>	<u>(740)</u>
Profit on sale of housing properties	9,759	259
<b>Sale of fixed assets</b>		
Deficit on disposal fixed assets	<u>(3)</u>	<u>(8)</u>
<b>Profit on sale of fixed assets</b>	<u><u>9,756</u></u>	<u><u>251</u></u>

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. There were no sales under this agreement in 2012/13 (2011: 2 sales).

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 34).

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**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. Expenses paid during the year to Board Members amounted to £8k (2011: £6k). Payments made to the Chair of Heart of England Housing Association Limited in his role as an Orbit Board Member are disclosed in the financial statements of Orbit Group Limited. No compensation was paid to Directors for loss of office.

Aggregate emoluments paid to or received by Directors who are not executive staff members including salaries, honoraria and other benefits:	<b>2012 £'000</b>	<b>2011 £'000</b>
Michael Culverwell	-	6
Lindsay Dennish	4	4
Jacqui Dickinson	4	4
Brian Fletcher	-	4
Denise Kelly	3	4
Michael Lawrence	4	4
Michael Robertson-Smith	4	4
Ian Tillotson	2	4
Gurmeet Viridi	3	4
Tim Vogel	-	2
Margaret Wellington	4	4
David Wilkinson	3	4
Valerie Williamson	4	4
	<u>35</u>	<u>52</u>

**7 STAFF COSTS**

Members of staff that work for Orbit Heart of England are contractually employed by either Orbit Heart of England or 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 Orbit Group Limited financial statements.

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

	<b>2012 Number</b>	<b>Restated 2011 Number</b>
Office Staff	70	129
Scheme Staff	31	59
Operatives	45	73
Full Time Equivalents	<u>146</u>	<u>261</u>
<b>Staff costs for the Above</b>	<b>2012 £'000</b>	<b>Restated 2011 £'000</b>
Wages and salaries	3,591	5,953
Social security costs	330	533
Other pension costs	218	274
	<u>4,139</u>	<u>6,760</u>

The disclosures for Orbit Heart of England for the year ended 31 March 2011 have been restated following a review of employment contracts within Orbit. The overall Group position remains unchanged. It is the aim that all employees, accept LGPS members, will be employed by Orbit Group Limited.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**8 INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2012 £'000</b>	<b>2011 £'000</b>
Interest Receivable from Unlisted Investments	11	12

**9 INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>On Bank Loans, Overdrafts and Other Loans</b>		
Repayable within 5 years, not by instalments		
Repayable by instalments wholly or partly, in more than 5 years	13,760	10,624
Repayable, other than by instalments, in more than 5 years	1,550	1,550
Other Interest	567	581
Loan Refinancing Costs	-	-
	<u>15,877</u>	<u>12,755</u>
Capitalised Interest	(90)	(48)
Deferred Income Credit (See note 21b)	<u>(114)</u>	<u>(114)</u>
	<u><u>15,673</u></u>	<u><u>12,593</u></u>

**10 PENSIONS**

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

**A) Local Government (Warwickshire County Council) Scheme**

The latest actuarial valuation was at 31 March 2010 when the Scheme's assets were valued at £1,099 million. Employer contributions made by the Association to the scheme for the year were £146k (2011: £211k) in respect of ordinary contributions. The cost is assessed in accordance with advice from a qualified actuary. Employer contributions to the scheme of £nil (2011: £nil) 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 2010 was updated to 31 March 2012, using suitable approximate methods, by a qualified independent actuary.

The financial assumptions underlying the valuation were as follows:

Per Annum	<b>2012</b>	<b>2011</b>	<b>2010</b>
Pension Increase Rate	2.5%	2.9%	3.3%
Salary Increase Rate	4.8%	4.9%	5.05%
Discount Rate	4.8%	5.5%	5.6%
Retail Price Inflation (RPI)	-	3.4%	3.3%
Consumer Prices Index (CPI)	2.5%	2.9%	-

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

**Mortality**

Life expectancy is based on the SAPS year of birth tables with member category specific adjustments. Improvements are based on the CMI 2009 model methodology with a 1% p.a. long term trend. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.9 years	23.6 years
Future pensioners*	22.8 years	25.9 years

\* Figures assume members aged 45 as at the last formal valuation date.

**Historical Mortality**

Life expectancies for the prior year end are based on the SAPS tables. The allowance for future life expectancies are shown below:

Year end	Prospective pensioners	Pensioners
31 March 2011	Year of birth, medium cohort and 1% pa minimum improvements from 2007	Year of birth, medium cohort and 1% pa minimum improvements from 2007

Mortality loadings were applied to the SAPS tables based on membership class. The mortality assumptions are identical to those used in the previous accounting period.

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 March		
	2012 £000	2011 £000	2010 £000
Equities	7,620	7,941	7,347
Bonds	2,039	2,013	2,245
Property	1,073	1,118	408
Cash/Liquidity	-	112	204
Total	<u>10,732</u>	<u>11,184</u>	<u>10,204</u>

	Expected Rates of Return at 31 March		
	2012	2011	2010
Equities	6.3%	7.5%	7.5%
Bonds	3.9%	4.9%	4.9%
Property	4.4%	6.5%	6.5%
Cash/Liquidity	3.5%	0.5%	0.5%
Total	<u>5.7%</u>	<u>6.9%</u>	<u>6.8%</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.

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

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

	<b>2012 £000</b>	<b>2011 £000</b>	<b>2010 £000</b>
Share of assets in the Fund	10,732	11,184	10,204
Estimated liabilities in the Fund	<u>(15,402)</u>	<u>(14,366)</u>	<u>(15,516)</u>
Share of deficit in the Fund	<u>(4,670)</u>	<u>(3,182)</u>	<u>(5,312)</u>

Reconciliation of fair value of assets is shown below:

	<b>2012 £000</b>	<b>2011 £000</b>
Opening fair value of assets	11,184	10,204
Expected return on assets	711	641
Contributions from members	56	80
Contributions by employer	146	211
Actuarial (losses)/gains	(843)	514
Estimated benefits paid	<u>(522)</u>	<u>(466)</u>
Closing fair value of assets	<u>10,732</u>	<u>11,184</u>

Reconciliation of present value of scheme liabilities is shown below:

	<b>2012 £000</b>	<b>2011 £000</b>
Opening defined benefit obligation	14,366	15,516
Current service cost	162	226
Interest on obligation	782	864
Contributions by members	56	80
Actuarial losses/(gains)	558	(913)
Past service costs/(gains)	-	(941)
Estimated benefits paid	<u>(522)</u>	<u>(466)</u>
Closing defined benefit obligation	<u>15,402</u>	<u>14,366</u>

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

	<b>2012 £000</b>	<b>2011 £000</b>
Net deficit at 1 April	(3,182)	(5,312)
<b>Movement in the year:</b>		
Operating charge - Current service cost	(162)	(226)
Operating charge - Past service gain/(loss)	-	941
Contributions	146	211
<b>Finance Income:</b>		
Expected return on Pension Fund assets	711	641
Interest on Pension scheme liabilities	<u>(782)</u>	<u>(864)</u>
<b>Total Finance Income</b>	<u>(71)</u>	<u>(223)</u>
Actuarial gain/(loss)	<u>(1,401)</u>	<u>1,427</u>
Net deficit at 31 March	<u>(4,670)</u>	<u>(3,182)</u>

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

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

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

	<b>2012 £000</b>	<b>2011 £000</b>
Actuarial gain on pension scheme assets	(843)	514
Experience gains and (losses) arising on scheme liabilities	<u>(558)</u>	<u>913</u>
	<u><u>(1,401)</u></u>	<u><u>1,427</u></u>

**Reconciliation to the balance sheet at 31 March**

	<b>2012 £000</b>	<b>Restated 2011 £000</b>
<b>Net Assets</b>		
Net Assets excluding pension liability	26,763	12,609
Pension liability	<u>(4,670)</u>	<u>(3,182)</u>
Net Assets including pension liability	<u><u>22,093</u></u>	<u><u>9,427</u></u>

	<b>2012 £000</b>	<b>Restated 2011 £000</b>
<b>Reserves</b>		
Income and expenditure reserve excluding pension liability	23,957	10,834
Pension liability	<u>(4,670)</u>	<u>(3,182)</u>
Income and expenditure reserve including pension liability	<u><u>19,287</u></u>	<u><u>7,652</u></u>

The restatement of the 2011 figures relates to the first time adoption of the 2010 SORP (Note 34).

**History of experience gains and losses at end of year**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Difference between the expected and actual return on scheme assets:					
Amount £000	(843)	514	2,140	(2,481)	(991)
Percentage of scheme assets	(7.9)	4.6	21.0	(32.4)	(10.5)
Experience gains and losses arising on the scheme liabilities:					
Amount £000	(558)	913	(3,594)	2,844	57
Percentage of scheme liabilities	3.6	(6.4)	23.2	(25.3)	(0.4)
Total amount recognised gains and losses:					
Amount £000	(1,401)	1,427	(1,454)	363	(934)
Percentage of scheme liabilities	9.1	(9.9)	9.4	(3.2)	7.1

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2012**

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**10 PENSIONS (CONTINUED)**

**B) Social Housing Pension Scheme – Defined Benefit Scheme**

Orbit participates in SHPS (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 69.7%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service funding level of 80.0%.

The Scheme's 30 September 2011 valuation is currently in progress and will be finalised by 31 December 2012. The results of the 2011 valuation will be included in next year's disclosure note.

Total employer contributions paid to the scheme for the year were £8k (2011: £33k). There were no outstanding or prepaid contributions at 31 March 2012.

**C) Social Housing Pension Scheme – Defined Contribution Scheme**

From 1 October 2010, Orbit has operated a defined contribution scheme with SHPS, which is open to existing and new members of staff. As at 31 March 2012, there were no active members of the Scheme employed by Orbit Heart of England. Employees who were members during the year either left Orbit or transferred to be employed by Orbit Group Limited before the year end.

Total employer contributions paid to the scheme for the year were £8k (2011: £nil). There were no outstanding or prepaid contributions at 31 March 2012. Employer contributions to the scheme of £nil (2011: £nil) were included in creditors and paid after the year end.

**D) Orbit Personal Pension Scheme**

Orbit operates a group wide personal pension scheme with Legal & General Assurance Society Limited, which is open to all existing and new members of staff. There were no Heart of England employee members at 31 March 2012. Employees who were members during the year either left Orbit or transferred to be employed by Orbit Group Limited before the year end.

Total employer contributions paid to the scheme for the year were £17k (2011: £42k). There were no outstanding or prepaid contributions at 31 March 2012.



**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2012**

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**11 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.

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**12 HOUSING PROPERTIES**

	Housing Properties for Letting		Supported Housing		Shared Ownership	Non-Social Housing	Total £'000
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	Complete £'000	£'000	
<b>COST</b>							
At 1 April 2011	521,647	25,579	28,029	-	-	1,318	576,573
Prior Year Adjustment	43,063	-	4,541	-	-	-	47,604
<b>Restated At 1 April 2011</b>	<b>564,710</b>	<b>25,579</b>	<b>32,570</b>	<b>-</b>	<b>-</b>	<b>1,318</b>	<b>624,177</b>
Acquired as a result of Group re-organisation	(560)	(842)	-	-	2,552	-	1,150
Additions	11,793	28,923	864	-	-	-	41,580
Transfer on Completion	35,887	(35,887)	-	-	-	-	-
Disposals	(8,552)	-	(155)	-	(131)	-	(8,838)
<b>At 31 March 2012</b>	<b>603,278</b>	<b>17,773</b>	<b>33,279</b>	<b>-</b>	<b>2,421</b>	<b>1,318</b>	<b>658,069</b>
<b>LESS: GRANTS</b>							
At 1 April 2011	(223,239)	(14,304)	(13,624)	-	-	-	(251,167)
Prior Year Adjustment	4,527	-	111	-	-	-	4,638
<b>Restated At 1 April 2011</b>	<b>(218,712)</b>	<b>(14,304)</b>	<b>(13,513)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(246,529)</b>
Acquired as a result of Group re-organisation	-	-	-	-	(1,437)	-	(1,437)
SHG Receivable and Other Capital Grants	(2,788)	(9,940)	-	-	-	-	(12,728)
Transfer on Completion	(17,246)	17,246	-	-	-	-	-
Disposals	4,496	-	-	-	-	-	4,496
Transfer from RCGF and DPF	-	(712)	-	-	-	-	(712)
<b>At 31 March 2012</b>	<b>(234,250)</b>	<b>(7,710)</b>	<b>(13,513)</b>	<b>-</b>	<b>(1,437)</b>	<b>-</b>	<b>(256,910)</b>

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**12 HOUSING PROPERTIES (CONTINUED)**

	Housing Properties for Letting		Supported Housing		Shared Ownership	Non-Social Housing	Total
	Complete £'000	In Development £'000	Complete £'000	In Development £'000	Complete £'000	£'000	£'000
<b>LESS: ACCUMULATED DEPRECIATION</b>							
At 1 April 2011	(19,242)	-	(890)	-	-	(92)	(20,224)
Prior Year Adjustment	(22,187)	-	(3,047)	-	-	-	(25,234)
<b>Restated At 1 April 2011</b>	<b>(41,429)</b>	-	<b>(3,937)</b>	-	-	<b>(92)</b>	<b>(45,458)</b>
Depreciation	(5,864)	-	(537)	-	-	(10)	(6,411)
Eliminated on Disposals	1,097	-	95	-	-	-	1,192
<b>At 31 March 2012</b>	<b>(46,196)</b>	-	<b>(4,379)</b>	-	-	<b>(102)</b>	<b>(50,677)</b>
<b>LESS: PROVISIONS FOR IMPAIRMENT</b>							
At 1 April 2011	(73)	-	-	-	-	-	(73)
Write back of Provision	73	-	-	-	-	-	73
<b>At 31 March 2012</b>	<b>-</b>	-	-	-	-	-	<b>-</b>
<b>NET BOOK AMOUNT</b>							
At 31 March 2012	<u>322,832</u>	<u>10,063</u>	<u>15,387</u>	<u>-</u>	<u>984</u>	<u>1,216</u>	<u>350,482</u>
At 31 March 2011 Restated	<u>304,496</u>	<u>11,275</u>	<u>15,120</u>	<u>-</u>	<u>-</u>	<u>1,226</u>	<u>332,117</u>

The restatement of the opening balances at 1 April 2011 relates to the first time adoption of the 2010 SORP (Note 34).

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**NOTES TO THE FINANCIAL STATEMENTS  
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**12 HOUSING PROPERTIES (CONTINUED)**

Additions to properties during the year include capitalised interest and finance costs of £90k (2011: £48k) and development administration costs of £1,252k (2011: £1,518k). Orbit Heart of England reviewed its properties for impairment and there was a credit of £73k released to the Income and Expenditure Account for 2012 (2011: £nil) in respect of properties that were demolished.

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:

	<b>2012 £'000</b>	<b>Restated 2011 £'000</b>
Within Housing Properties	<u>12,728</u>	<u>22,433</u>
<b>The Net Book Value of Housing and Other Properties (Note 13)</b>		
<b>Comprises:</b>		
Freehold Land and Buildings	350,116	331,742
Long Leasehold Land and Buildings	2,364	2,286
Short Leasehold Land and Buildings	<u>452</u>	<u>519</u>
	<u>352,932</u>	<u>334,547</u>

Housing Stocks are stated at the lower of cost and net realisable value. Cost includes land, build costs, applicable overheads and interest. The restatement of the opening balances at 1 April 2011 relates to the first time adoption of the 2010 SORP (Note 34).

**13 OTHER FIXED ASSETS**

	<b>Freehold Offices £'000</b>	<b>Leasehold Offices £'000</b>	<b>Commercial Premises £'000</b>	<b>Motor Vehicles £'000</b>	<b>Furniture Fixtures &amp; Equipment £'000</b>	<b>Total £'000</b>
<b>COST</b>						
At 1 April 2011	17	3,087	449	210	2,459	6,222
Additions	-	203	-	-	319	522
Disposals	-	-	-	(6)	(82)	(88)
<b>At 31 March 2012</b>	<u>17</u>	<u>3,290</u>	<u>449</u>	<u>204</u>	<u>2,696</u>	<u>6,656</u>
<b>LESS: ACCUMULATED DEPRECIATION</b>						
At 31 March 2011	(17)	(1,028)	(78)	(210)	(1,731)	(3,064)
Charge for Year	-	(166)	(17)	-	(235)	(418)
Eliminated on Disposal	-	-	-	6	79	85
<b>At 31 March 2012</b>	<u>(17)</u>	<u>(1,194)</u>	<u>(95)</u>	<u>(204)</u>	<u>(1,887)</u>	<u>(3,397)</u>
<b>NET BOOK AMOUNT</b>						
At 31 March 2012	<u>-</u>	<u>2,096</u>	<u>354</u>	<u>-</u>	<u>809</u>	<u>3,259</u>
At 31 March 2011	<u>-</u>	<u>2,059</u>	<u>371</u>	<u>-</u>	<u>728</u>	<u>3,158</u>

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**14 FIXED ASSET INVESTMENTS**

	<b>2012 £'000</b>	<b>2011 £'000</b>
Monies deposited with Funding for Homes Limited (FFH)	<u>800</u>	<u>800</u>

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.

**15 STOCKS**

	<b>2012 £'000</b>	<b>2011 £'000</b>
Consumable stocks	<u>64</u>	<u>61</u>

**16 DEBTORS**

	<b>2012 £'000</b>	<b>2011 £'000</b>
Rental Debtors	3,732	3,531
Less provision for doubtful debts	<u>(1,380)</u>	<u>(1,205)</u>
	2,352	2,326
Amounts Due from other Group Members	1	-
Prepayments and Accrued Income	630	372
SHG Receivable	2,114	922
Other Debtors	863	2,016
Provision for Bad Debts	<u>(157)</u>	<u>(148)</u>
	<u>5,803</u>	<u>5,488</u>
Debtors after one year included in Other Debtors above	<u>204</u>	<u>237</u>

**17 SHORT TERM INVESTMENTS**

	<b>2012 £'000</b>	<b>2011 £'000</b>
Cash Short Term Deposits Comprise		
Unlisted Investments: Bank Deposits		
- Maturing in excess of 7 days	<u>-</u>	<u>1,753</u>

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2012 £'000</b>	<b>2011 £'000</b>
Housing Loans (Note 21)	4,616	4,695
Trade Creditors	3,295	3,341
Amounts Due to Other Group Members	9,650	8,734
Other Creditors	1,747	1,786
Grants Received in Advance	1,459	1,389
Accruals and Deferred Income	383	631
Rents received in advance	1,139	1,189
Disposals Proceeds and Recycled Capital Grant Funds (Note 19)	-	-
	<u>22,289</u>	<u>21,765</u>

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

**19 DISPOSAL PROCEEDS AND RECYCLED CAPITAL GRANT FUNDS**

	<b>RCGF £000</b>	<b>DPF £000</b>	<b>TOTAL £000</b>
At 1 April 2011	12	-	12
Grants Recycled	283	-	283
Transfers from other Group Members	252	-	252
New Build	<u>(285)</u>	<u>-</u>	<u>(285)</u>
At 31 March 2012	<u>262</u>	<u>-</u>	<u>262</u>
RCGF and DPF Creditors within one year	-	-	-
RCGF and DPF Creditors more than one year	<u>262</u>	<u>-</u>	<u>262</u>
At 31 March 2012	<u>262</u>	<u>-</u>	<u>262</u>

**20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2012 £'000</b>	<b>2011 £'000</b>
Housing Loans (Note 21)	16,000	16,000
Loans Inter Company (Note 21)	293,898	292,320
Development Creditors Inter Company	-	164
Deferred Income Credit (Note 21b part)	678	896
Leaseholder maintenance provision	773	204
Disposals Proceeds and Recycled Capital Grant Funds (Note 19)	262	12
Other	<u>548</u>	<u>407</u>
	<u>312,159</u>	<u>310,003</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**21 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:

	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Due Within One Year:</b>		
Orbit Treasury Limited	<u>4,616</u>	<u>4,695</u>
<b>Due After More Than One Year:</b>		
Orbit Treasury Limited	293,898	292,320
Debenture Stock – Funding for Homes Limited	<u>16,000</u>	<u>16,000</u>
	<u>309,898</u>	<u>308,320</u>
<b>Total Housing Loans</b>	<u>314,514</u>	<u>313,015</u>

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 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 Orbit and on-lends to individual operating associations as required. The Loan is repayable half yearly in instalments.

On joining Orbit 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 OTL is secured by fixed charges on individual properties. The interest rates ranged between 4.1% and 5.15% for the year ended 31 March 2012.

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. In previous financial years cash security of £1.8 million was in place (note 17 refers). This was replaced by property security during 2011/12. 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:

	<b>2012 £'000</b>	<b>2011 £'000</b>
In One Year or Less, or on Demand	<u>4,616</u>	<u>4,695</u>
Repayable by Instalments:		
- In more than One Year but not more than Two Years	4,616	4,695
- In more than Two Years but not more than Five Years	13,848	14,085
- In more than Five Years	<u>275,434</u>	<u>273,540</u>
	<u>293,898</u>	<u>292,320</u>
Repayable Other than by Instalments:		
- In more than Five Years	<u>16,000</u>	<u>16,000</u>
	<u>314,514</u>	<u>313,015</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**21 HOUSING LOANS AND FINANCE LEASE OBLIGATIONS (CONTINUED)**

**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 balance shown as deferred income credit is £678k in 2012 (2011: £792k.)

The interest rate profile of the Association at 31 March 2012 was:

	<b>Total £'000</b>	<b>Variable £'000</b>	<b>Fixed £'000</b>	<b>Weighted Average Rate %</b>	<b>Weighted Average Term of Fixed Loan in Years</b>
Instalment Loan	298,514	129,689	168,825	4.7	26
Non Instalment Loan	<u>16,000</u>	<u>-</u>	<u>16,000</u>	<u>10.1</u>	<u>6</u>
	<u>314,514</u>	<u>129,689</u>	<u>184,825</u>	<u>4.9</u>	<u>32</u>

The interest rate profile of the Association at 31 March 2011 was:

	<b>Total £'000</b>	<b>Variable £'000</b>	<b>Fixed £'000</b>	<b>Weighted Average Rate %</b>	<b>Weighted Average Term of Fixed Loan in Years</b>
Instalment Loan	297,015	123,496	173,519	3.7	27
Non Instalment Loan	<u>16,000</u>	<u>-</u>	<u>16,000</u>	<u>10.1</u>	<u>7</u>
	<u>313,015</u>	<u>123,496</u>	<u>189,519</u>	<u>4.0</u>	<u>25</u>

**22 CALLED UP SHARE CAPITAL**

	<b>2012</b>		<b>2011</b>	
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
<b>Shares of £1 Each, allotted, issued and fully paid</b>				
At 1 April 2011	11	11	14	14
Issued during the year	1	1	-	-
Cancelled during the year	<u>(4)</u>	<u>(4)</u>	<u>(3)</u>	<u>(3)</u>
<b>At 31 March 2012</b>	<u>8</u>	<u>8</u>	<u>11</u>	<u>11</u>

The issued and cancelled shares shown above reflect changes in membership of the Board.



**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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For the Year Ended 31 March 2012**

**22 CALLED UP SHARE CAPITAL (CONTINUED)**

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 and the Parent Body. 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.

**23 DESIGNATED RESERVES**

	<b>At 1 April 2011 £'000</b>	<b>Transfer (to) / from I&amp;E Account £'000</b>	<b>At 31 March 2012 £'000</b>
Renewal of Furniture and Equipment	1,775	307	2,082
Community Energy Savings Programme (CESP)	-	724	724
<b>Total</b>	<u>1,775</u>	<u>1,031</u>	<u>2,806</u>

**24 REVENUE RESERVES**

	<b>2012 £'000</b>	<b>Restated 2011 £'000</b>
<b>Opening Balance Restated</b>	7,652	(726)
Surplus for the financial year	14,067	7,308
Actuarial (losses) / gains on pension scheme	(1,401)	1,427
Transfer to designated reserves	<u>(1,031)</u>	<u>(357)</u>
<b>Closing Balance</b>	<u>19,287</u>	<u>7,652</u>

The restatement of the opening balances at 1 April 2011 relates to the first time adoption of the 2010 SORP (Note 34).

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

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**25 CAPITAL COMMITMENTS**

	<b>2012 £'000</b>	<b>2011 £'000</b>
Capital Expenditure which has been contracted for but has not been provided for in the financial statements	12,321	34,873
Capital Expenditure which has been authorised under authority from the Board but has yet to be contracted for	<u>31,391</u>	<u>483</u>
	<u><u>43,712</u></u>	<u><u>35,356</u></u>
The Association expects these commitments to be financed with:		
Social Housing Grant	11,911	15,766
Committed Loan Facilities (Orbit Treasury Limited)	<u>31,801</u>	<u>19,590</u>
	<u><u>43,712</u></u>	<u><u>35,356</u></u>

**26 CONTINGENT LIABILITIES**

There were contingent liabilities at 31 March 2012 of £1.5 million in relation to remedial costs on properties identified as having substandard acoustic construction (2011: £1.5 million).

**27 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2012 £'000</b>	<b>Restated 2011 £'000</b>
Operating Surplus	20,741	19,861
Depreciation - Other Fixed Assets	418	363
Depreciation - Housing Properties	6,411	6,173
Impairment (credit) - Housing Properties	(73)	-
Movement in Provisions	184	(38)
(Increase) / decrease in Stocks	(3)	(12)
Difference between pension charge and paid	16	(926)
Decrease / (increase) in Debtors	692	1,497
(Decrease) / increase in Creditors	<u>259</u>	<u>(17,568)</u>
Net Cash Inflow from Operating Activities	<u><u>28,645</u></u>	<u><u>9,350</u></u>

**28 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	<b>2012 £'000</b>	<b>2011 £'000</b>
(Decrease) / Increase in cash in the year	(197)	56
Decrease in Bank Deposits (with a Maturity in Excess of 24 Hours)	(1,753)	-
Loans received	(43,250)	(77,695)
Loans redeemed	41,750	43,445
Loan Pool Premium Reserve FFH	<u>114</u>	<u>114</u>
Change in Net Debt (Increase)	(3,336)	(34,080)
Net Debt at 1 April 2011	<u>(311,053)</u>	<u>(276,973)</u>
<b>Net Debt at 31 March 2012</b>	<u><u>(314,389)</u></u>	<u><u>(311,053)</u></u>

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**29 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	1,000	(197)	-	803
	<u>1,000</u>	<u>(197)</u>	<u>-</u>	<u>803</u>
Bank Deposits – More than 24 Hours	1,753	(1,753)	-	-
Housing Loans Due Within One Year	(4,695)	-	79	(4,616)
Housing Loans Due After One Year	(308,319)	(1,500)	(79)	(309,898)
Loan Pool Premium Reserve FFH	(792)	-	114	(678)
	<u>(311,053)</u>	<u>(3,450)</u>	<u>114</u>	<u>(314,389)</u>

**30 FINANCIAL COMMITMENTS**

**Operating Leases**

At 31 March 2012 the Association was committed to making the following payments during the year in respect of operating leases other than land and buildings.

	2012 £'000	2011 £'000
<b>Leases which Expire</b>		
Within 1 year	237	-
Within 2 - 5 years	332	357
More than 5 years	-	-
	<u>569</u>	<u>357</u>

**31 ULTIMATE PARENT ENTITY**

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

Orbit Group Limited is the parent undertaking of the only group of undertakings to consolidate these financial statements at 31 March 2012.

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

The results of Heart of England Housing Association Limited are included in the Group financial statements. The consolidated financial statements of Orbit Group Limited are published on the Orbit website [www.orbit.org.uk](http://www.orbit.org.uk) and are also available from Garden Court, Harry Weston Road, Binley Business Park, Binley, Coventry, CV3 2SU.

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2012**

**32 PROPERTY PORTFOLIO - OWNED AND MANAGED STOCK**

	<b>2012 No.</b>	<b>2011 No.</b>
General Needs	12,605	12,498
Supported Housing	1,668	1,635
<b>Total Owned by Orbit Heart of England</b>	<u>14,273</u>	<u>14,133</u>
Leasehold	924	403
Managed on behalf of Others	324	359
<b>Leasehold and Other Managed</b>	<u>1,248</u>	<u>762</u>
<b>Total Social Housing Units</b>	<u>15,521</u>	<u>14,895</u>
Commercial Units	14	14
Market Rent	10	10
<b>Total Non-Social Housing Units</b>	<u>24</u>	<u>24</u>
<b>Total Units</b>	<u>15,545</u>	<u>14,919</u>
<b>Stock in Development as at 31 March 2012</b>		
General Needs	188	425
Supported	-	-
	<u>188</u>	<u>425</u>

**33 RELATED PARTY TRANSACTIONS**

Heart of England Housing Association Limited is a subsidiary of Orbit Group Limited (the Parent). Shares are held by serving Board Members and the Parent. Under the Association's rules the Parent has the right at any time to appoint or remove any or all of the Members of the Board. On this basis the Association considers itself to be wholly owned and has chosen to take advantage of the exemption not to disclose transactions with group entities as defined by paragraph 3(c) FRS8 (Related Party Disclosures). There were no other related party transactions to disclose under FRS8.

**34 PRIOR YEAR ADJUSTMENT**

The prior year adjustment reflects the change in accounting policies as a result of the implementation of the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010. The changes in accounting policy have required amendments to be made to reflect the first-time implementation of component accounting. The revised housing policies are detailed in note 1.

The impact of implementing component accounting for Orbit Heart of England has been to increase both housing property net cost and reserves by £27 million. There is no impact for changes in respect of negative goodwill.

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**34 PRIOR YEAR ADJUSTMENT (CONTINUED)**

As a result of this change in accounting policy, the comparative figures have been restated as follows:

	<b>2011 £'000</b>
<b>BALANCE SHEET</b>	
<b>Tangible Fixed Assets – Housing Properties</b>	
Cost	47,604
Depreciation	<u>(25,234)</u>
Depreciated Cost	22,370
Grant	<u>4,638</u>
Net Book Value	27,008
<b>Negative Goodwill</b>	-
<b>General Reserves</b>	<u>(27,008)</u>
	<u>-</u>
<b>INCOME AND EXPENDITURE ACCOUNT</b>	
<b>Operating Costs - Social Housing Lettings</b>	(3,074)
<b>Operating Surplus</b>	<u>(3,074)</u>
<b>Surplus on Sale of Housing Properties</b>	(10)
<b>Surplus after Transfer to Reserves</b>	<u>(3,084)</u>
<b>Restatement of Opening Balance</b>	<u>(23,924)</u>
	<u>(27,008)</u>