

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2009**

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

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**Industrial and Provident Society  
Number 30446R**

**Tenant Services Authority  
Number L4526**

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

### BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS

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#### GROUP RESTRUCTURE

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

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

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

#### 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              | 1/4/08           |             |
| Michael Culverwell      | Deputy Chair       | 1/4/08           |             |
| Brian Fletcher          | Independent Member | 1/4/08           |             |
| Michael Lawrence        | Independent Member | 20/11/08         |             |
| Niku Mawby              | Independent Member | 1/4/08           |             |
| Sue Pearce              | Independent Member | 1/4/08           | 18/6/08     |
| Michael Robertson-Smith | Independent Member | 1/4/08           |             |
| Ian Tillotson           | Independent Member | 24/10/08         |             |
| Tim Vogel               | Independent Member | 1/4/08           |             |
| Margaret Wellington     | Independent Member | 1/4/08           |             |
| David Wilkinson         | Resident Member    | 1/4/08           |             |
| Valerie Williamson      | Co-optee*          | 1/4/08           |             |

\* Note: Valerie Williamson is an Orbit Group leaseholder co-opted onto the Orbit Heart of England Board to ensure the required representation on the Board.

#### EXECUTIVE OFFICERS

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

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

**BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS**

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**DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

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

**AUDITORS**

KPMG LLP  
2 Cornwall Street  
Birmingham  
B3 2DL

**PRINCIPAL SOLICITORS**

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

**REGISTERED OFFICE**

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

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

## OPERATING AND FINANCIAL REVIEW

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

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

At the year end, the Association owned and/or managed 13,775 homes and commercial units.

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

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

#### **Ambition for the Group**

We have developed a partnership model in which the Orbit Group comprises a number of interdependent organisations known as Group members. Group members collaborate in agreeing our strategic direction and values to achieve a shared vision, for the benefit of our customers and the Group as a whole.

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

#### **Objectives for the Group**

We will achieve our ambition by focusing on three key objectives, which will provide a pathway for us over the coming years: -

- **Customer**  
To be a customer first organisation that delivers high quality services that meet customer needs, expectations and aspirations through the development of strong partnerships.
- **Place**  
Make a demonstrable difference to improve the communities in which our residents live and to improve life chances and choices for our customers.
- **Organisation**  
Be a great organisation that is well-governed, well-managed and financially viable, and that is a great place to work for colleagues while offering value for money to all of our customers.

Since 2003 Orbit has progressively improved its position by being more focussed, better structured and increasingly more effective. A major change programme has been completed to provide an excellent platform for the Group's future.

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

*Honesty  
Innovation  
Respect  
Excellence  
Partnership*

Our ambition and objectives are underpinned by annual priorities. These create 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.

# 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 (CONTINUED)

The various Boards in the Group approve all Business Plans and monitor progress and delivery against targets. In consultation with residents, and with the support of OGL Services, our Group Members will develop and monitor detailed delivery plans. All of our plans have clear milestones and measurable outcomes to guide and confirm progress. The Group will monitor against 17 business critical Performance Indicators.

The Orbit Group Business Plan 2009 – 2014 sets out the direction for the Group for the next five years. We recognise the level of ongoing change in our sector and the current difficulties faced by the world's financial markets, and the impacts these are likely to have on our proposals.

Orbit Heart of England has developed a 5 year Strategic Plan with detailed objectives within each strand of the Group's objectives which also underpins the 30 year Financial Plan for the Association. Orbit Heart of England's main focus for the year was to successfully integrate the Orbit Heart of England legacy organisations without any reduction in service delivery. We commenced the establishment of structures and processes to enable us to achieve continuous improvement in performance and in the delivery of services to all residents and to create an efficient regional association that contributes to meeting housing needs in the area where we work.

In line with Orbit Group's strategic priorities, the Orbit Heart of England Board has identified the following main priorities for 2009/10:

- To better understand our customer's needs to drive service improvement, choice and opportunities for all our customers.
- To improve performance in key service areas, to deliver our continuous improvement and Value for Money plans.
- To deliver a new approach to resident engagement placing residents at the heart of the organisation.
- To develop and deliver community and neighbourhood projects across the region.
- To establish Orbit Heart of England structurally and culturally as an organisation to enable it to have a real influence in its key areas of operation in the Midlands.
- To continue to build new homes for those least able to compete in the housing marketplace.

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

### OPERATING REVIEW

#### Performance in the Year

Financial performance in the year has exceeded budget, with a deficit for the year of £1.0 million compared with a revised budgeted deficit of £2.4 million. The variance was mainly as a result of increased income (£0.4 million), lower spend on repairs and maintenance (£0.6 million) and interest (£0.8 million) offset by a reduction in sales (£0.4 million).

The development programme has progressed well during the year with 304 new homes costing £30 million being transferred into management in the year. There are a further 360 homes under development and it is anticipated that 303 of these homes will be completed and come into management during 2009/10.

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

- The successful integration of Orbit Heart of England's legacy organisations whilst maintaining stable performance.
- Growth in our turnover and stock in management.
- Completion of two Key Business Process Redesign projects.
- Introduction of a community investment strategy and an increase in the level of funding secured from internal and external sources to fund community investment projects.
- Achieving the approved budget and delivering the lowest percentage of management costs to income across the Group.

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

## OPERATING AND FINANCIAL REVIEW

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### Dynamics of the Social Landlord

The entities now making up Orbit Heart of England each had separate Rent Plans which allowed rent restructuring to be achieved within the Tenant Services Authority's timetable (previously the Housing Corporation).

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

### Investment for the future

The Board is committed to spending approximately £23 million each year to maintain and improve its accommodation and will consider opportunities to expand the operations by the acquisition of new homes and/or services.

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

## FINANCIAL REVIEW

### Capital structure and Treasury Policy

Housing properties of £434.9 million, other fixed assets and investments of £4.0 million, net current liabilities of £17.5 million and negative accumulated reserves of £24.4 million are financed by grants £202.0 million (45%), loans and long term creditors of £240.2 million (54%), and pension liability of £3.6 million (1%).

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

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

The Association has adopted FRS17 (accounting for pensions) in full. The pension liability on the balance sheet at 31 March 2009 was £3.6 million (2008: £3.7 million).

### Treasury Policy

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

During the year, Orbit Treasury Limited entered into three new swaps with two organisations. The notional value of these transactions is £30 million and comprises three 30-year £10 million swaps, two of which are linked to RPI and one is an interest rate swap which is callable after 3 years. All of these transactions were in sterling.

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

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

## OPERATING AND FINANCIAL REVIEW

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### Treasury Policy (continued)

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

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

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

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

### Cash flow and liquidity

The cash inflow from operating activities during the year was £10.4 million (2008: £7 million).

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

### Post Balance Sheet Event

The Group acquired a portfolio of 594 properties from Chiltern Hundreds Charitable Housing Association (part of the Paradigm Housing Group) on 1 June 2009 for £34.7 million. The portfolio consists of a mix of rented, leasehold and shared ownership homes, mostly houses with some flats, located in 6 local authority districts in Northamptonshire. Of the total number of properties, 534 homes were purchased by Orbit Heart of England, and 60 shared ownership homes were purchased by Orbit Group Limited.

### Going concern

After making enquiries the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in the financial statements.

### Conclusion

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

Financially, the Association out performed against the budget for the 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



Roy Brooks  
Chair, 21 July 2009



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

## **HOUSING ASSOCIATION GOVERNANCE**

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### **Governance**

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

### **NHF Code of Governance**

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

### **Board of Management**

The Board Members of the Association during the year ended 31 March 2009 are listed on page 2.

The Board is responsible for governing the affairs of the Association and comprises a maximum of 12 non-executive members, excluding co-optees, made up of a minimum 8, maximum 10 independent members and a minimum 2, maximum 4 resident / leaseholder members. Thus the Board Members are drawn from a range of backgrounds bringing together professional, commercial and local experience. The Chair of Orbit Heart of England also sits on the Orbit Group Board, the Governing Board of Orbit Group Limited (OGL). All Members of the Orbit Group Board are paid in relation to their responsibilities on that Board.

The Board meetings have been based on a two monthly cycle and the Board has in place two Committees, the Service Board and the Property Matters Committee. These were set up to allow the Board to focus on strategic matters.

A representative of the Association will sit on each of the following Group Committees of Orbit Group Limited: Group Audit Committee, Group Remuneration Committee and the Group Membership and Governance Committee.

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

### **Resident Involvement**

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

Orbit Heart of England has an agreed resident involvement strategy, with key objectives of: making involvement activities easier to take part in, encouraging a wider range of residents to take part, making sure involvement leads to better services and improving value for money. All service areas have to produce an annual involvement plan and this will be reviewed by a resident scrutiny group.

### **Performance Monitoring**

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

### **Housing Ombudsman Service**

There were no cases dealt with by The Ombudsman service during the year.

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

### **Scope of Assurance**

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

### **Risk Management Process**

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

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

### Process for Reviewing the Effectiveness of the Internal Control System

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

Briefly the key features are:

- The Orbit Heart of England Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues and new investment strategies. The Board also regularly reviews key performance indicators to assess the progress towards the achievement of key business objectives, targets and outcomes.
- Orbit Heart of England has in place a comprehensive Internal Audit Plan. The plan covers financial and non-financial areas of Orbit Heart of England's business and assurances in all of the significant areas of the Association's activity is provided by the Internal Audit Team. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from these reports. Additionally, as part of each audit review, the Internal Audit Team follow up the previous year's recommendations and the extent to which these have been implemented form part of the Audit Report.
- In accordance with good practice, the GAC presented a report to the Orbit Heart of England Board outlining its work in 2008-09 to support the assurance work on internal controls. It should also be noted that the Group Risk and Compliance Director reports directly to the Group Chief Executive and has direct access to the GAC.
- The Orbit Heart of England Board receives an annual report from the Managing Director outlining the work undertaken and a corresponding opinion on the adequacy and effectiveness of the system of internal controls. In addition, the GAC reviews reports from management, internal auditors and external auditors to provide reasonable assurance that control procedures are in place and are being followed across the Group.

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

### HOUSING ASSOCIATION GOVERNANCE

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#### Control Environment

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

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

#### Fraud

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

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

**HOUSING ASSOCIATION GOVERNANCE**

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**Board's Conclusion**

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

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

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



**Roy Brooks**  
Chair  
21 July 2009

# 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 2009.

### 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 2009 it owned housing properties with a depreciated historic cost of £434.9 million (2008: £113.7 million). The Managing Director and Secretary is employed by Orbit Group Limited. During the year a range of Corporate services were provided by the parent body Orbit Group Limited, as set out in the Intra-Group Agreement and Customer Supplier Agreements. The Association also had service agreements with other members of the Group in respect of delivery of housing management related services.

### Principal Activities

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

An operating and financial review of the year's activities appears on pages 4 to 7.

### 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.

### Members of Staff

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

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

We will ensure that employees have the skills, knowledge and motivation to deliver excellent services for our customers in line with our 'customer first' approach, and that we have confident, capable people managers who are able to work together to deliver results. Various recognition awards for staff have been introduced, including Orbit Group Oscars. We continue to train and develop our people by providing opportunities for in-house training and conferences, together with financial support to attend various professional and vocational courses.

During the last year, we have introduced new leadership standards and a competency framework that will be used as the basis for performance management from April 2010. We have also introduced new Leadership and Management Development Programmes for the Group Executive Team, the Group Leadership Team and senior managers within the group, as part of our fresh approach to developing our potential and growing our leaders.

### Creditors Payment Policy

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

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

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

**REPORT OF THE BOARD**

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**Health and Safety**

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

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

**Donations**

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

**Statement of the responsibilities of the Board for the financial statements**

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

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

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

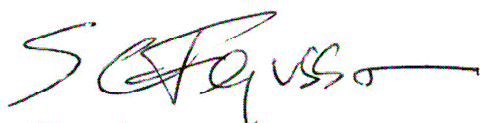
**Annual General Meeting**

The annual general meeting will be held on 21 July 2009 at 5a Maybrook Road, Stratford-upon-Avon, Warwickshire, CV37 0BT.

**Auditors**

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

**The report of the Board was approved on 21 July 2009 and signed on its behalf by:**



**Stewart Fergusson  
Secretary**

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

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## Independent Auditors' Report to the members of Heart of England Housing Association Limited (Trading as Orbit Heart of England)

We have audited the financial statements of Heart of England Housing Association Limited (Trading as Orbit Heart of England) for the year ended 31 March 2009 which comprise the Income and Expenditure account and Balance Sheet, Cash Flow Statement, Statement of Recognised Surpluses and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Board of Management and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the Board of Management Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the directors' remuneration and transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements:

- Give a true and fair view in accordance with UK Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2009 and of its deficit for the year then ended.
- Have been properly prepared in accordance with the Industrial & Provident Societies Acts 1965-2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

KPMG LLP

19/08/09

KPMG LLP - Chartered Accountants, Birmingham

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

**INCOME AND EXPENDITURE  
For the Year Ended 31 March 2009**

|  | NOTES | 2009<br>£'000   | Restated<br>2008<br>£'000 |
|--|-------|-----------------|---------------------------|
| Turnover   | 2/3   | 57,688          | 25,015                    |
| Operating Costs – Ordinary                             | 2/3   | (46,644)        | (19,621)                  |
| Exceptional item                                       | 3c    | -               | (641)                     |
| Operating Surplus                                      | 4     | 11,044          | 4,753                     |
| Surplus on Sale of housing properties                  | 5     | 87              | 7                         |
| Surplus on Sale of other fixed assets                  | 12    | 6               | 77                        |
| <b>Surplus on Ordinary Activities before Interest</b>  |       | <b>11,137</b>   | <b>4,837</b>              |
| Interest Receivable and Similar Income                 | 8     | 369             | -                         |
| Interest Payable and Similar Charges                   | 9     | (12,864)        | (5,303)                   |
| Financing cost   | 7     | (181)           | (17)                      |
| <b>Deficit on Ordinary Activities before Donations</b> |       | <b>(1,539)</b>  | <b>(483)</b>              |
| Donation Receivable                                    |       | 590             | -                         |
| <b>Deficit on Ordinary Activities before Taxation</b>  |       | <b>(949)</b>    | <b>(483)</b>              |
| Tax on Ordinary Activities                             | 10    | (113)           | 37                        |
| <b>Deficit for year</b>                                |       | <b>(1,062)</b>  | <b>(446)</b>              |
| Revenue Reserves brought forward                       | 23    | (24,804)        | (23,350)                  |
| Transfer to designated reserves                        | 22    | (78)            | (74)                      |
| Actuarial gains/(losses) taken to reserves             |       | 363             | (934)                     |
| <b>Revenue Reserves at 31 March</b>                    | 23    | <b>(25,581)</b> | <b>(24,804)</b>           |

All amounts derive from continuing operations.

Throughout the financial statements the comparative year reflects the amalgamation of South Warwickshire Housing Association Limited and Heart of England Housing Group Limited.



**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 2009**

|   |    | <b>2009</b>    | <b>Restated</b> |
|---|----|----------------|-----------------|
|   |    | <b>£'000</b>   | <b>2008</b>     |
|   |    |                | <b>£'000</b>    |
| <b>Deficit for the Financial Year</b>                       |    | <b>(1,062)</b> | <b>(446)</b>    |
| Deferred tax  | 10 | -              | 113             |
| Actual return less expected return on pension scheme assets | 7  | (2,481)        | (991)           |
| Gains & losses arising on pension scheme liabilities        | 7  | 2,844          | 57              |
| <b>Total Deficit Recognised</b>                             |    | <b>(699)</b>   | <b>(1,267)</b>  |
| <b>Prior year adjustment and restatement:</b>               |    |                |                 |
| Policy change – value to cost                               | 23 | 1,577          | -               |
| Pension Valuation restatement                               | 7  | (27)           | -               |
|   |    | <b>851</b>     | <b>(1,267)</b>  |

Throughout the financial statements the comparative year reflects the amalgamation of South Warwickshire Housing Association Limited and Heart of England Housing Group Limited.

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

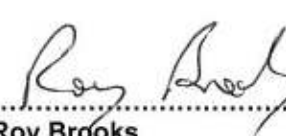
**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
(TRADING AS ORBIT HEART OF ENGLAND)**


**BALANCE SHEET  
At 31 March 2009**

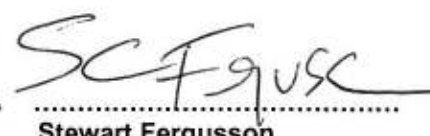
|  | NOTES | 2009            |                       | Restated<br>2008 |                      |
|--|-------|-----------------|-----------------------|------------------|----------------------|
|  |       | £'000           | £'000                 | £'000            | £'000                |
| <b>Tangible Fixed Assets</b>                                   |       |                 |                       |                  |                      |
| Housing properties at Cost                                     | 11    | 434,935         |                       | 113,704          |                      |
| Less: Social Housing Grants                                    | 11    | (201,412)       |                       | (21,724)         |                      |
| Less: Other Public Grants                                      | 11    | (637)           |                       | -                |                      |
|  |       |                 | 232,886               |                  | 91,980               |
| Other Tangible Fixed Assets                                    | 12    |                 | 3,190                 |                  | 2,176                |
| Fixed investments  | 13    |                 | 800                   |                  | -                    |
|  |       |                 | <u>236,876</u>        |                  | <u>94,156</u>        |
| <b>Current Assets</b>  |       |                 |                       |                  |                      |
| Stocks   | 14    | 60              |                       | 21               |                      |
| Debtors  | 15    | 3,941           |                       | 2,181            |                      |
| Debtors more than one year                                     | 15    | 2,550           |                       | 2,450            |                      |
| Short term investments   | 16    | 5,708           |                       | -                |                      |
| Cash at Bank and in Hand                                       |       | 937             |                       | 324              |                      |
|  |       | <u>13,196</u>   |                       | <u>4,976</u>     |                      |
| <b>Creditors: Amounts falling due within one year</b>          | 17    | <u>(30,682)</u> |                       | <u>(8,850)</u>   |                      |
| <b>NET CURRENT LIABILITIES</b>                                 |       |                 | (17,486)              |                  | (3,874)              |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |       |                 | <u><b>219,390</b></u> |                  | <u><b>90,282</b></u> |
| <b>Creditors: Amounts falling due after more than one year</b> | 19    |                 | 240,165               |                  | 111,285              |
| <b>Pension Liability</b>                                       | 7     |                 | 3,577                 |                  | 3,727                |
| <b>Capital and Reserves</b>                                    |       |                 |                       |                  |                      |
| Designated Reserves  | 22    | 1,229           |                       | 74               |                      |
| General Reserve  | 23    | (25,581)        |                       | (24,804)         |                      |
| <b>Association's Funds</b>                                     |       |                 | <u>(24,352)</u>       |                  | <u>(24,730)</u>      |
|  |       |                 | <u><b>219,390</b></u> |                  | <u><b>90,282</b></u> |

Throughout the financial statements the comparative year reflects the amalgamation of South Warwickshire Housing Association Limited and Heart of England Housing Group Limited.

The financial statements on pages 15 to 42 were approved by the Board on 21 July 2009 and signed on its behalf by:

  
 Roy Brooks  
 CHAIR

  
 Michael Culverwell  
 BOARD MEMBER

  
 Stewart Fergusson  
 SECRETARY

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

**CASHFLOW STATEMENT**

**For the Year Ended 31 March 2009**

|  | 2009      |              | Restated<br>2008 |              |
|--|-----------|--------------|------------------|--------------|
|  | £'000     | £'000        | £'000            | £'000        |
| <b>NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 26)</b>                           |           | 10,446       |                  | 7,008        |
| <b>Returns on Investments and Servicing of Finance</b>                               |           |              |                  |              |
| Interest Received  | 365       |              | 15               |              |
| Interest Paid  | (11,763)  |              | (5,350)          |              |
| <b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>         |           | (11,398)     |                  | (5,335)      |
| <b>Donation</b>  | 590       |              | -                |              |
| <b>Taxation paid</b>   | (3)       |              | -                |              |
| <b>NET CASH INFLOW FROM TAXATION</b>   |           | 587          |                  | -            |
| <b>Capital Expenditure and Financial Investment</b>                                  |           |              |                  |              |
| Acquisition and construction of housing properties                                   | (3,834)   |              | (11,453)         |              |
| Improvements   | -         |              | (2)              |              |
| Purchase of OHA  | (122,358) |              | -                |              |
| Sale of housing properties   | 612       |              | 227              |              |
| Grants received  | (558)     |              | 2,054            |              |
| Purchase of other fixed assets   | (1,226)   |              | (170)            |              |
| Sale of other fixed assets   | 13        |              | 9                |              |
| <b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT ACTIVITIES</b> |           | (127,351)    |                  | (9,335)      |
| <b>NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>          |           | (127,716)    |                  | (7,662)      |
| <b>(i) Liquid Resources</b>  |           |              |                  |              |
| Increase in bank deposits  | (5,708)   |              | -                |              |
| <b>ii) Financing (Note 27)</b>   |           |              |                  |              |
| Loans Received   | 153,248   |              | 7,200            |              |
| Loan redemption repayments   | (18,250)  |              | (500)            |              |
|  | 134,998   |              | 6,700            |              |
| <b>NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>             |           | 129,290      |                  | 6,700        |
| <b>INCREASE/(DECREASE) IN CASH AT BANK AND IN HAND (Note 28)</b>                     |           | <b>1,574</b> |                  | <b>(962)</b> |

Throughout the financial statements the comparative year reflects the amalgamation of South Warwickshire Housing Association Limited and Heart of England Housing Group Limited.

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

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2009

---

### 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 (previously the Housing Corporation) as a Registered Social Landlord as defined by the Housing Act 1996. The Parent Body from the beginning of the year was Orbit Group Limited.

#### Basis of Accounting

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

#### Group Services

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

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

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

#### Turnover

Turnover represents rental and service charge income, grants from local authorities and the Housing and Communities Agency (previously the Housing Corporation), and other income.

#### Fixed Assets and Depreciation

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

|  |                            |
|--|----------------------------|
| Housing properties: existing stock (ex OHA)                              | 1.26%                      |
| Housing properties: new ex OHA stock from 2001 onwards and ex SWHA stock | 1.00%                      |
| Housing properties: rehabilitated (ex OHA)                               | 1.67%                      |
| Freehold offices and commercial premises                                 | 2%-4%                      |
| Leasehold offices  | Over the life of the lease |
| Fixtures, fittings and other equipment                                   | 20%-25%                    |
| Computer equipment   | 20%-33%                    |

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

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

#### Housing Properties

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2009**

---

**1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Social Housing and Other Grants**

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

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

**Capitalisation of Interest and Administration Costs**

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

**Leased Assets**

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

**Pension Costs**

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

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

The Parent Body also participates in the Social Housing Pension Scheme and offers a Stakeholder pension scheme; further details of both can be found in the Group Financial Statements. The cost of providing retirement pensions and related benefits is charged to management expenses. The disclosures in the Group's Financial Statements follow the requirements of FRS 17.

**Impairment**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2009**

---

**1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Disposals of Housing Properties**

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

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

**Designated Reserves**

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

**Renewal Reserve**

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

**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.

**Works to Existing Housing Properties**

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

**Disposal Proceeds Fund**

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

**Recycling of Capital Grant**

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

**Value Added Tax**

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

**Taxation**

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

**Loan Finance Issue Costs**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2009**

---

**1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Property Managed by Agents**

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

**Loan Interest Costs**

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

**Investments**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2009**

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

|   | <b>2009</b>               |                                      |   |
|---|---------------------------|--------------------------------------|---|
|   | <b>Turnover<br/>£'000</b> | <b>Operating<br/>Costs<br/>£'000</b> | <b>Operating<br/>Surplus/<br/>(Deficit)<br/>£'000</b> |
| <b>SOCIAL HOUSING LETTINGS (Note 3a)</b>          | 50,654                    | (39,963)                             | 10,691  |
| <b>Other Social Housing Activities</b>            |                           |                                      |   |
| Management Services                               | 51                        | (1)                                  | 50  |
| Other – Service to Group members                  | 1,137                     | (1,164)                              | (27)  |
| Home Ownership Services                           | 169                       | (237)                                | (68)  |
| Supporting People Contract Income (Block Gross)   | 1,388                     | (1,409)                              | (21)  |
| Supporting People Contract Income (Block Subsidy) | 754                       | (875)                                | (121)   |
| Other   | 1,166                     | (888)                                | 278   |
| <b>Non-Social Housing Activities (Note 3b)</b>    |                           |                                      |   |
| Other   | 2,369                     | (2,107)                              | 262   |
|   | <u>57,688</u>             | <u>(46,644)</u>                      | <u>11,044</u>   |
|   |                           |                                      |   |
|   | <b>Restated 2008</b>      |                                      |   |
|   | <b>Turnover<br/>£'000</b> | <b>Operating<br/>Costs<br/>£'000</b> | <b>Operating<br/>Surplus/<br/>(Deficit)<br/>£'000</b> |
| <b>SOCIAL HOUSING LETTINGS (Note 3a)</b>          | 22,621                    | (17,539)                             | 5,082   |
| <b>Other Social Housing Activities</b>            |                           |                                      |   |
| Management Services                               | 55                        | -                                    | 55  |
| Other – Service to Group members                  | 360                       | (360)                                | -   |
| Home Ownership Services                           | 56                        | (57)                                 | (1)   |
| Supporting People Contract Income (Block Subsidy) | 527                       | (689)                                | (162)   |
| Other   | 685                       | (567)                                | 118   |
| <b>Non-Social Housing Activities (Note 3b)</b>    |                           |                                      |   |
| Other   | 711                       | (409)                                | 302   |
|   | <u>25,015</u>             | <u>(19,621)</u>                      | <u>5,394</u>  |



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

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2009**

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

|  | <b>General<br/>Needs<br/>Housing<br/>£'000</b> | <b>Supported<br/>Housing<br/>£'000</b> | <b>2009<br/>Total<br/>£'000</b> | <b>Restated<br/>2008<br/>Total<br/>£'000</b> |
|--|--|--|---------------------------------|--|
| <b>INCOME</b>  |  |  |                                 |  |
| Rents receivable net of identifiable service charges | 43,307   | 4,779                                  | 48,086                          | 21,877                                       |
| Service Charges                                      | 1,486  | 1,636                                  | 3,122                           | 978  |
| <b>Gross Rent Receivable</b>                         | <u>44,793</u>                                  | <u>6,415</u>                           | <u>51,208</u>                   | <u>22,855</u>                                |
| Less: Rent losses from voids                         | (386)  | (175)                                  | (561)                           | (234)  |
| Net rents receivable                                 | <u>44,407</u>                                  | <u>6,240</u>                           | <u>50,647</u>                   | <u>22,621</u>                                |
| Other Income   | 4  | 3                                      | 7                               | -  |
| <b>TOTAL INCOME</b>                                  | <u><u>44,411</u></u>                           | <u><u>6,243</u></u>                    | <u><u>50,654</u></u>            | <u><u>22,621</u></u>                         |
| <b>EXPENDITURE</b>                                   |  |  |                                 |  |
| Services   | (1,840)  | (1,586)                                | (3,426)                         | (737)  |
| Management   | (8,434)  | (787)                                  | (9,221)                         | (3,008)                                      |
| Routine Maintenance                                  | (11,775)                                       | (1,157)                                | (12,932)                        | (5,707)                                      |
| Planned Maintenance                                  | (8,218)  | (602)                                  | (8,820)                         | (2,811)                                      |
| Major Repairs Expenditure                            | (3,362)  | -                                      | (3,362)                         | (4,260)                                      |
| Rent Losses from Bad Debts                           | (294)  | (28)                                   | (322)                           | (81)   |
| Depreciation of Housing Properties                   | (1,797)  | (83)                                   | (1,880)                         | (935)  |
| Provision for Impairment of Housing Properties       | -  | -                                      | -                               | -  |
| <b>TOTAL EXPENDITURE</b>                             | <u><u>(35,720)</u></u>                         | <u><u>(4,243)</u></u>                  | <u><u>(39,963)</u></u>          | <u><u>(17,539)</u></u>                       |
| <b>OPERATING SURPLUS ON LETTINGS</b>                 | <u><u>8,691</u></u>                            | <u><u>2,000</u></u>                    | <u><u>10,691</u></u>            | <u><u>5,082</u></u>                          |

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

|                     | <b>2009<br/>£'000</b> | <b>Restated<br/>2008<br/>£'000</b> |
|---------------------|-----------------------|------------------------------------|
| <b>Lettings:</b>    |                       |                                    |
| Commercial Premises | 176                   | 172                                |
| <b>Other</b>        | <u>2,193</u>          | <u>539</u>                         |
|                     | <u><u>2,369</u></u>   | <u><u>711</u></u>                  |

**3c EXCEPTIONAL ITEMS**

The exceptional item in the 2007/08 relates to costs arising from the merger with the Orbit Group.

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2009**

**4 OPERATING SURPLUS**

|   | <b>2009<br/>£'000</b> | <b>Restated<br/>2008<br/>£'000</b> |
|---|-----------------------|------------------------------------|
| <b>Operating Surplus is Stated after Charging/(Crediting)</b> |                       |                                    |
| <b>On Fixed Assets Other than Housing Properties:</b>         |                       |                                    |
| Depreciation (owned assets)                                   | 327                   | 307                                |
| Depreciation (leased assets)                                  | 75                    | 76                                 |
| (Surplus) on disposals  | (6)                   | -                                  |
| <b>On Housing Properties:</b>                                 |                       |                                    |
| Housing Properties Depreciation                               | 1,896                 | 947                                |
| <b>Auditor's Remuneration:</b>                                |                       |                                    |
| In their capacity as Auditors                                 | 52                    | 19                                 |
| In respect of other services                                  | -                     | 15                                 |
| <b>Operating leases</b>                                       | 180                   | -                                  |

**5 SURPLUS ON SALE OF HOUSING PROPERTIES**

|                        | <b>2009<br/>£'000</b> | <b>Restated<br/>2008<br/>£'000</b> |
|------------------------|-----------------------|------------------------------------|
| Proceeds from disposal | 562                   | 274                                |
| Cost of sales          | (475)                 | (267)                              |
| <b>Surplus</b>         | <u>87</u>             | <u>7</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.

**6 DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS**

The Directors of the Association are its Board Members.

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

|          | <b>2009<br/>£'000</b> | <b>Restated<br/>2008<br/>£'000</b> |
|----------|-----------------------|------------------------------------|
| Payments | 40                    | 141                                |
| Expenses | 8                     | -                                  |
|          | <u>48</u>             | <u>141</u>                         |

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2009**

**6 DIRECTORS AND EXECUTIVE OFFICERS' EMOLUMENTS (CONTINUED)**

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

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

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

|                                  |              |                 |
|----------------------------------|--------------|-----------------|
| Full Time Equivalents            | 230          | 203             |
| <b>Staff costs for the Above</b> | <b>2009</b>  | <b>Restated</b> |
|                                  | <b>£'000</b> | <b>2008</b>     |
|                                  |              | <b>£'000</b>    |
| Wages and salaries               | 5,070        | 4,908           |
| Social security costs            | 424          | 422             |
| Other pension costs              | 514          | 456             |
|                                  | <u>6,008</u> | <u>5,786</u>    |

**7 PENSIONS**

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

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

The latest actuarial valuation was at 31 March 2007 when the Scheme's assets were valued at £1,000,800,000. Employer contributions made by the Association to the scheme for the year were £212,084 (2008: £366,373) in respect of ordinary contributions. The cost is assessed in accordance with advice from a qualified actuary. Employer contributions to the scheme of £1,009 (2008: £10,321) were included in creditors and paid after the year end. Additionally, £212,373 was due in respect of 5 former employees.

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

The Warwickshire County Council Scheme is a multi-employer defined benefit scheme. The full actuarial valuation carried out at 31 March 2007 was updated to 31 March 2009, using suitable approximate methods, by a qualified independent actuary.

The financial assumptions underlying the valuation were as follows:

|  |             |                 |                 |
|--|-------------|-----------------|-----------------|
| Per Annum                              |             | <b>Restated</b> | <b>Restated</b> |
|  | <b>2009</b> | <b>2008</b>     | <b>2007</b>     |
| Retail Price Inflation                 | 3.3%        | 3.6%            | 3.1%            |
| Wage Inflation                         | 5.05%       | 5.35%           | 4.85%           |
| Discount rate                          | 7.1%        | 6.1%            | 5.4%            |
| Allowance for future pension increases | 3.3%        | 3.6%            | 3.1%            |

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

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

|                  | <b>Value at<br/>31/03/09<br/>£000</b> | <b>Restated<br/>Value at<br/>31/03/08<br/>£000</b> | <b>Restated<br/>Value at<br/>31/03/07<br/>£000</b> |
|------------------|---------------------------------------|--|--|
| Equities         | 4,825                                 | 6,220  | 7,603  |
| Government Bonds | 766                                   | 862  | 1,162  |
| Other Bonds      | 1,149                                 | 1,373  | 768  |
| Property         | 383                                   | 398  | -  |
| Cash/Liquidity   | 153                                   | 133  | 67   |
| Other            | 383                                   | 483  | -  |
| <b>Total</b>     | <b><u>7,659</u></b>                   | <b><u>9,469</u></b>                                | <b><u>9,600</u></b>                                |

|                  | <b>Expected Rates of Return at 31 March</b> |                          |                          |
|------------------|---|--------------------------|--------------------------|
|                  | <b>2009</b>                                 | <b>Restated<br/>2008</b> | <b>Restated<br/>2007</b> |
| Equities         | 7.5%  | 7.5%                     | 7.5%                     |
| Government Bonds | 4.0%  | 4.6%                     | 4.7%                     |
| Other Bonds      | 6.0%  | 6.1%                     | 5.4%                     |
| Property         | 6.5%  | 6.5%                     | 6.5%                     |
| Cash/Liquidity   | 0.5%  | 5.25%                    | 5.25%                    |
| Other            | 7.5%  | 7.5%                     | N/A                      |
| <b>Total</b>     | <b><u>7.2%</u></b>                          | <b><u>7.0%</u></b>       | <b><u>7.0%</u></b>       |

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 a=values shown above have been amended to reflect this.

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

|                                     | <b>2009<br/>£000</b>  | <b>Restated<br/>2008<br/>£000</b> | <b>Restated<br/>2007<br/>£000</b> |
|-------------------------------------|-----------------------|-----------------------------------|-----------------------------------|
| Share of assets in the Fund         | 7,659                 | 9,469                             | 9,600                             |
| Estimated liabilities in the Fund   | <u>(11,236)</u>       | <u>(13,196)</u>                   | <u>(12,190)</u>                   |
| <b>Share of deficit in the Fund</b> | <b><u>(3,577)</u></b> | <b><u>(3,727)</u></b>             | <b><u>(2,590)</u></b>             |

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2009**

**7 PENSIONS (CONTINUED)**

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

|   | <b>2009</b>           | <b>Restated</b>       |
|---|-----------------------|-----------------------|
|   | <b>£000</b>           | <b>2008</b>           |
|   |                       | <b>£000</b>           |
| Net deficit at 1 April                  | (3,727)               | (2,590)               |
| <b>Movement in the year:</b>            |                       |                       |
| Operating charge - Current service cost | (252)                 | (262)                 |
| Operating charge – Past service gain    | (150)                 | (505)                 |
| Contributions                           | 370                   | 581                   |
| <b>Finance Income:</b>                  |                       |                       |
| Expected return on Pension Fund assets  | 622                   | 638                   |
| Interest on Pension scheme liabilities  | (803)                 | (655)                 |
| <b>Total Finance Income</b>             | <u>(181)</u>          | <u>(17)</u>           |
| Actuarial gain/(loss)                   | <u>363</u>            | <u>(934)</u>          |
| Net deficit at 31 March                 | <u><u>(3,577)</u></u> | <u><u>(3,727)</u></u> |

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

|   | <b>2009</b>       | <b>Restated</b>     |
|---|-------------------|---------------------|
|   | <b>£000</b>       | <b>2008</b>         |
|   |                   | <b>£000</b>         |
| Actuarial loss on pension scheme assets                   | (2,481)           | (991)               |
| Experience gains and losses arising on scheme liabilities | <u>2,844</u>      | <u>57</u>           |
|   | <u><u>363</u></u> | <u><u>(934)</u></u> |

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

|  | <b>2009</b>            | <b>Restated</b>        |
|--|------------------------|------------------------|
|  | <b>£000</b>            | <b>2008</b>            |
|  |                        | <b>£000</b>            |
| <b>Net Liabilities</b>                                     |                        |                        |
| Net liabilities excluding pension liability                | (20,775)               | (21,003)               |
| Pension liability  | <u>(3,577)</u>         | <u>(3,727)</u>         |
| Net liabilities including pension liability                | <u><u>(24,352)</u></u> | <u><u>(24,730)</u></u> |
| <b>Reserves</b>  |                        |                        |
| Income and expenditure reserve excluding pension liability | (22,004)               | (21,077)               |
| Pension liability  | <u>(3,577)</u>         | <u>(3,727)</u>         |
| Income and expenditure reserve including pension liability | <u><u>(25,581)</u></u> | <u><u>(24,804)</u></u> |

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2009**

**7 PENSIONS (CONTINUED)**

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

|   | <b>2009</b> | <b>Restated<br/>2008</b> | <b>Restated<br/>2007</b> | <b>Restated<br/>2006</b> | <b>Restated<br/>2005</b> |
|---|-------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Difference between the expected and actual return on scheme assets: |             |                          |                          |                          |                          |
| Amount £000   | (2,481)     | (991)                    | (74)                     | 1,244                    | 177                      |
| Percentage of scheme assets   | (32.4)      | (10.5)                   | (0.77)                   | 13.94                    | 3.43                     |
| Experience gains and losses arising on the scheme liabilities:      |             |                          |                          |                          |                          |
| Amount £000   | 2,844       | 57                       | 0                        | (301)                    | 222                      |
| Percentage of scheme liabilities                                    | (25.3)      | (0.4)                    | 0                        | 2.52                     | (3.26)                   |
| Total amount recognised gains and losses:                           |             |                          |                          |                          |                          |
| Amount £000   | 363         | (934)                    | 603                      | (85)                     | (245)                    |
| Percentage of scheme liabilities                                    | (3.2)       | 7.1                      | (4.95)                   | 0.71                     | 3.6                      |

**Pension Prior Year Restatement**

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

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

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

**8 INTEREST RECEIVABLE AND SIMILAR INCOME**

|   | <b>2009<br/>£'000</b> | <b>Restated<br/>2008<br/>£'000</b> |
|---|-----------------------|------------------------------------|
| Interest Receivable from Unlisted Investments | <u>369</u>            | <u>-</u>                           |

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2009**

**9 INTEREST PAYABLE AND SIMILAR CHARGES**

|   | <b>2009<br/>£'000</b> | <b>Restated<br/>2008<br/>£'000</b> |
|---|-----------------------|------------------------------------|
| <b>On Bank Loans, Overdrafts and Other Loans</b>                |                       |                                    |
| Repayable within 5 years, not by instalments                    | 20                    | 125                                |
| Repayable by instalments wholly or partly, in more than 5 years | 11,038                | -                                  |
| Repayable, other than by instalments, in more than 5 years      | 1,533                 | 5,348                              |
| Other Interest  | 338                   | 36                                 |
| Loan Refinancing Costs  | -                     | (13)                               |
|   | <u>12,929</u>         | <u>5,496</u>                       |
| Capitalised Interest  | <u>(65)</u>           | <u>(193)</u>                       |
|   | <u><u>12,864</u></u>  | <u><u>5,303</u></u>                |

**10 TAXATION**

The Association was accepted as a charity for tax purposes by HMRC with effect from the beginning of the financial year. No liability for taxation is anticipated in the year, however the Association has written off a net deferred tax asset of £113k to the Income & Expenditure Account. The Board is not aware of any circumstances which will affect the future taxation status of the Association.

|  | <b>2009<br/>£'000</b> | <b>Restated<br/>2008<br/>£'000</b> |
|--|-----------------------|------------------------------------|
| <b>(i) Analysis of tax charge on ordinary activities</b> |                       |                                    |
| <b>United Kingdom Corporation Tax at 28% (2008: 30%)</b> |                       |                                    |
| Current  | -                     | 14                                 |
| <b>Deferred Tax</b>                                      |                       |                                    |
| Origination and reversal of timing differences           | 113                   | (55)                               |
| Adjustment in respect of prior years                     | -                     | 4                                  |
|  | <u>113</u>            | <u>(37)</u>                        |

The tax assessed on the surplus for the year is lower than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained below.

|   | <b>2009<br/>£'000</b> | <b>Restated<br/>2008<br/>£'000</b> |
|---|-----------------------|------------------------------------|
| <b>(ii) Factors affecting tax charge for current year</b> |                       |                                    |
| Deficit on ordinary activities before tax                 | <u>(1,539)</u>        | <u>(483)</u>                       |
| Tax credit at 28% (2008: 30%) thereon                     | (431)                 | (145)                              |
| Non taxable deficits (primarily charitable exemptions)    | 431                   | 108                                |
| Deferred tax asset written back                           | <u>113</u>            | <u>-</u>                           |
| Current tax charge/(credit) for year                      | <u><u>113</u></u>     | <u><u>(37)</u></u>                 |

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2009**

**11 HOUSING PROPERTIES**

|   | Housing Properties<br>for Letting |                            | Supported Housing |                            | Low Cost Home<br>Ownership |                            | Care<br>Estab. | Non-<br>Social<br>Housing | Total            |
|---|-----------------------------------|----------------------------|-------------------|----------------------------|----------------------------|----------------------------|----------------|---------------------------|------------------|
|   | Complete<br>£'000                 | In<br>Development<br>£'000 | Complete<br>£'000 | In<br>Development<br>£'000 | Complete<br>£'000          | In<br>Development<br>£'000 | £'000          | £'000                     | £'000            |
| <b>COST</b>                                     |                                   |                            |                   |                            |                            |                            |                |                           |                  |
| At 1 April 2008 (Restated)                      | 87,555                            | 5,020                      | 11,727            | 4,339                      | 2,932                      | 5,653                      | -              | 1,318                     | 118,544          |
| Acquired as a result of Group<br>reorganisation | 288,610                           | 4,479                      | 7,477             | -                          | -                          | -                          | 644            | -                         | 301,210          |
| Reclassifications                               | (792)                             | 39                         | -                 | 753                        | -                          | -                          | -              | -                         | -                |
| Transfer to Fixed Assets                        | -                                 | (305)                      | -                 | -                          | -                          | -                          | -              | -                         | (305)            |
| Additions                                       | 1,810                             | 4,669                      | 247               | 141                        | -                          | 791                        | -              | -                         | 7,658            |
| Transfer on Completion                          | 9,451                             | (9,451)                    | 5,186             | (5,186)                    | 5,842                      | (5,842)                    | -              | -                         | -                |
| Disposals                                       | (3,508)                           | (79)                       | -                 | -                          | -                          | -                          | -              | -                         | (3,587)          |
| Disposal to OGL                                 | -                                 | -                          | -                 | -                          | (8,774)                    | (602)                      | -              | -                         | (9,376)          |
| Additions from OGL                              | 13,821                            | 19,551                     | 1,898             | 752                        | -                          | -                          | -              | -                         | 36,022           |
| <b>At 31 March 2009</b>                         | <b>396,947</b>                    | <b>23,923</b>              | <b>26,535</b>     | <b>799</b>                 | <b>-</b>                   | <b>-</b>                   | <b>644</b>     | <b>1,318</b>              | <b>450,166</b>   |
| <b>LESS: GRANTS</b>                             |                                   |                            |                   |                            |                            |                            |                |                           |                  |
| At 1 April 2008 (Restated)                      | (15,706)                          | (426)                      | (2,556)           | (2,381)                    | (380)                      | (275)                      | -              | -                         | (21,724)         |
| Acquired as a result of Group<br>reorganisation | (156,979)                         | (3,382)                    | (6,471)           | -                          | -                          | -                          | (151)          | -                         | (166,983)        |
| SHG Receivable and Other Public<br>Subsidies    | (862)                             | (406)                      | -                 | -                          | -                          | (64)                       | -              | -                         | (1,332)          |
| Transfer on Completion                          | (2,238)                           | 2,238                      | (2,381)           | 2,381                      | (228)                      | 228                        | -              | -                         | -                |
| Additions from OGL                              | (3,940)                           | (8,739)                    | (1,587)           | (288)                      | -                          | -                          | -              | -                         | (14,554)         |
| Disposal to OGL                                 | 1,925                             | -                          | -                 | -                          | 608                        | 111                        | -              | -                         | 2,644            |
| Transfer from RCGF and DPF                      | (100)                             | -                          | -                 | -                          | -                          | -                          | -              | -                         | (100)            |
| <b>At 31 March 2009</b>                         | <b>(177,900)</b>                  | <b>(10,715)</b>            | <b>(12,995)</b>   | <b>(288)</b>               | <b>-</b>                   | <b>-</b>                   | <b>(151)</b>   | <b>-</b>                  | <b>(202,049)</b> |



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

|   | Housing Properties<br>for Letting |                            | Supported Housing |                            | Low Cost Home<br>Ownership |                            | Care<br>Estab. | Non-<br>Social<br>Housing | Total           |
|---|-----------------------------------|----------------------------|-------------------|----------------------------|----------------------------|----------------------------|----------------|---------------------------|-----------------|
|   | Complete<br>£'000                 | In<br>Development<br>£'000 | Complete<br>£'000 | In<br>Development<br>£'000 | Complete<br>£'000          | In<br>Development<br>£'000 | £'000          | £'000                     | £'000           |
| <b>LESS: DEPRECIATION</b>                       |                                   |                            |                   |                            |                            |                            |                |                           |                 |
| At 31 March 2008 (Restated)                     | (6,286)                           | -                          | -                 | -                          | (56)                       | -                          | -              | (73)                      | (6,415)         |
| Adjustment on change from value to<br>cost      | 1,563                             | -                          | -                 | -                          | -                          | -                          | -              | 12                        | 1,575           |
| At 1 April 2008 (Restated)                      | (4,723)                           | -                          | -                 | -                          | (56)                       | -                          | -              | (61)                      | (4,840)         |
| Acquired as a result of Group<br>reorganisation | (8,347)                           | -                          | (93)              | -                          | -                          | -                          | (43)           | -                         | (8,483)         |
| Reclassifications                               | 535                               | -                          | (535)             | -                          | -                          | -                          | -              | -                         | 0               |
| Depreciation                                    | (1,797)                           | -                          | (83)              | -                          | -                          | -                          | (5)            | (11)                      | (1,896)         |
| Disposal to OGL                                 | -                                 | -                          | -                 | -                          | 56                         | -                          | -              | -                         | 56              |
| Eliminated on Disposals                         | 5                                 | -                          | -                 | -                          | -                          | -                          | -              | -                         | 5               |
| <b>At 31 March 2009</b>                         | <b>(14,327)</b>                   | <b>-</b>                   | <b>(711)</b>      | <b>-</b>                   | <b>-</b>                   | <b>-</b>                   | <b>(48)</b>    | <b>(72)</b>               | <b>(15,158)</b> |
| <b>LESS: PROVISIONS FOR<br/>IMPAIRMENT</b>      |                                   |                            |                   |                            |                            |                            |                |                           |                 |
| At 1 April 2008 (Restated)                      | -                                 | -                          | -                 | -                          | -                          | -                          | -              | -                         | 0               |
| Acquired as a result of Group<br>reorganisation | (73)                              | -                          | -                 | -                          | -                          | -                          | -              | -                         | (73)            |
| <b>At 31 March 2009</b>                         | <b>(73)</b>                       | <b>-</b>                   | <b>-</b>          | <b>-</b>                   | <b>-</b>                   | <b>-</b>                   | <b>-</b>       | <b>-</b>                  | <b>(73)</b>     |
| <b>NET BOOK AMOUNT</b>                          |                                   |                            |                   |                            |                            |                            |                |                           |                 |
| At 31 March 2009                                | 204,647                           | 13,208                     | 12,829            | 511                        | -                          | -                          | 445            | 1,246                     | 232,886         |
| At 31 March 2008 (Restated)                     | 67,126                            | 4,594                      | 9,171             | 1,958                      | 2,496                      | 5,378                      | -              | 1,257                     | 91,980          |

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2009**

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**11 HOUSING PROPERTIES (CONTINUED)**

Additions to properties during the year include capitalised interest and finance costs of £65k (2008: £193k) and development administration costs of £881k (2008: £131k). The Association reviewed its properties for impairment and there was no charge to the Income and Expenditure Account for 2009 (2008 £NIL).

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

|   | <b>2009</b>    | <b>Restated</b> |
|---|----------------|-----------------|
|   | <b>£'000</b>   | <b>2008</b>     |
|   |                | <b>£'000</b>    |
| Within Housing Properties   | <u>14,051</u>  | <u>2,945</u>    |
| <b>The Net Book Value of Housing and Other Properties (Note 12)</b> |                |                 |
| <b>Comprises:</b>   |                |                 |
| Freehold Land and Buildings   | 230,130        | 89,222          |
| Long Leasehold Land and Buildings                                   | 4,863          | 4,388           |
| Short Leasehold Land and Buildings                                  | <u>634</u>     | <u>156</u>      |
|   | <u>235,627</u> | <u>93,766</u>   |

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

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

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

In order to have a consistent policy across the Orbit Group, properties previously held at valuation have been restated at historical cost. Comparative figures have been restated and the revaluation reserve reversed out of the accounts. This has required a recalculation of depreciation for both housing and other properties. A prior year adjustment is shown in the Statement of Total Recognised Surpluses and Deficits. Notes 12 and 23 also refer.

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**12 OTHER TANGIBLE FIXED ASSETS**

|   | <b>Freehold<br/>Offices<br/>£'000</b> | <b>Leasehold<br/>Offices<br/>£'000</b> | <b>Commercial<br/>Premises<br/>£'000</b> | <b>Motor<br/>Vehicles<br/>£'000</b> | <b>Furniture<br/>Fixtures &amp;<br/>Equipment<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---|---------------------------------------|--|--|-------------------------------------|---|------------------------|
| <b>COST</b>                                     |                                       |  |  |                                     |   |                        |
| At 1 April 2008 (Restated)                      | -                                     | 2,324                                  | 145                                      | 381                                 | 1,315   | 4,165                  |
| Acquired as a result of<br>Group reorganisation | 17                                    | -                                      | -  | -                                   | 657   | 674                    |
| Transfer from Housing<br>Properties             | -                                     | -                                      | 305                                      | -                                   | -   | 305                    |
| Additions                                       | -                                     | 728                                    | -  | -                                   | 265   | 993                    |
| Disposals                                       | -                                     | -                                      | -  | (164)                               | (41)  | (205)                  |
| <b>At 31 March 2008</b>                         | <u>17</u>                             | <u>3,052</u>                           | <u>450</u>                               | <u>217</u>                          | <u>2,196</u>  | <u>5,932</u>           |
| <b>LESS: DEPRECIATION</b>                       |                                       |  |  |                                     |   |                        |
| At 31 March 2008<br>(Restated)                  | -                                     | (655)                                  | (30)                                     | (300)                               | (1,006)   | (1,991)                |
| Adjustment on change from<br>value to cost      | -                                     | 12                                     | (10)                                     | -                                   | -   | 2                      |
| At 1 April 2008 (Restated)                      | -                                     | (643)                                  | (40)                                     | (300)                               | (1,006)   | (1,989)                |
| Acquired as a result of<br>Group reorganisation | (13)                                  | -                                      | -  | -                                   | (536)   | (549)                  |
| Charge for Year                                 | (2)                                   | (75)                                   | (5)                                      | (56)                                | (264)   | (402)                  |
| Eliminated on Disposal                          | -                                     | -                                      | -  | 157                                 | 41  | 198                    |
| <b>At 31 March 2009</b>                         | <u>(15)</u>                           | <u>(718)</u>                           | <u>(45)</u>                              | <u>(199)</u>                        | <u>(1,765)</u>  | <u>(2,742)</u>         |
| <b>NET BOOK AMOUNT</b>                          |                                       |  |  |                                     |   |                        |
| At 31 March 2009                                | <u>2</u>                              | <u>2,334</u>                           | <u>405</u>                               | <u>18</u>                           | <u>431</u>  | <u>3,190</u>           |
| At 31 March 2008<br>(Restated)                  | <u>-</u>                              | <u>1,681</u>                           | <u>105</u>                               | <u>81</u>                           | <u>309</u>  | <u>2,176</u>           |

During the year eighteen vans were sold with a surplus on sale of £6k. In 2007/08 South Warwickshire Housing Association disposed of a shop resulting in a surplus of £77k.

**13 FIXED INVESTMENTS**

|   | <b>2009<br/>£'000</b> | <b>Restated<br/>2008<br/>£'000</b> |
|---|-----------------------|------------------------------------|
| Monies deposited with Funding for Homes Ltd | <u>800</u>            | <u>-</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. The loan from Funding for Homes Limited was assigned to Heart of England Housing Association Limited on 1 April 2008 at the time of the sale of properties in the Midlands area to Orbit Heart of England.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**14 STOCKS**

|                   | <b>2009<br/>£'000</b> | <b>Restated<br/>2008<br/>£'000</b> |
|-------------------|-----------------------|------------------------------------|
| Consumable stocks | <u>60</u>             | <u>21</u>                          |

**15 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|  | <b>2009<br/>£'000</b> | <b>Restated<br/>2008<br/>£'000</b> |
|--|-----------------------|------------------------------------|
| Rental Debtors   | 2,698                 | 608                                |
| Less provision for doubtful debts                      | <u>(857)</u>          | <u>(254)</u>                       |
|  | 1,841                 | 354                                |
| Amounts Due from other Group Members                   | 2,450                 | 2,450                              |
| Prepayments and Accrued Income                         | 202                   | 161                                |
| SHG Receivable   | 810                   | 1,055                              |
| Other Debtors  | 1,299                 | 569                                |
| Deferred Tax Asset                                     | -                     | 114                                |
| Provision for Bad Debts                                | <u>(111)</u>          | <u>(72)</u>                        |
|  | <u>6,491</u>          | <u>4,631</u>                       |
| Debtors after one year included in Other Debtors above | <u>2,550</u>          | <u>2,450</u>                       |

**16 OTHER INVESTMENTS AND SHORT TERM DEPOSITS**

|                                     | <b>2009<br/>£'000</b> | <b>Restated<br/>2008<br/>£'000</b> |
|-------------------------------------|-----------------------|------------------------------------|
| Cash Short Term Deposits Comprise   |                       |                                    |
| Unlisted Investments: Bank Deposits |                       |                                    |
| - Maturing in excess of 7 days      | <u>5,708</u>          | <u>-</u>                           |
|                                     | <u>5,708</u>          | <u>-</u>                           |

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**NOTES TO THE FINANCIAL STATEMENTS  
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**17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|  | <b>2009<br/>£'000</b> | <b>Restated<br/>2008<br/>£'000</b> |
|--|-----------------------|------------------------------------|
| Housing Loans (Note 20)                            | 7,660                 | -                                  |
| Bank Overdraft (unsecured)                         | 606                   | 1,567                              |
| Trade Creditors                                    | 5,148                 | 838                                |
| Amounts Due to Other Group Members                 | 14,598                | 1,511                              |
| Other Creditors                                    | 928                   | 1,499                              |
| Accruals and Deferred Income                       | 1,043                 | 3,113                              |
| Rents received in advance                          | 512                   | 184                                |
| Disposals Proceeds and Recycled Capital Grant Fund | 187                   | -                                  |
| Corporation Tax                                    | -                     | 4                                  |
| Other taxation and social security payable         | -                     | 134                                |
|  | <u>30,682</u>         | <u>8,850</u>                       |

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

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

|  | <b>RCGF<br/>£000</b> | <b>DPF<br/>£000</b> | <b>TOTAL<br/>£000</b> |
|--|----------------------|---------------------|-----------------------|
| <b>At 1 April 2008 (Restated)</b>            | -                    | 576                 | 576                   |
| Balance Transferred from other Group Members | -                    | -                   | -                     |
| Grants Recycled                              | 20                   | 97                  | 117                   |
| Interest Accrued                             | -                    | 17                  | 17                    |
| New Build                                    | -                    | (120)               | (120)                 |
|  | <u>20</u>            | <u>570</u>          | <u>590</u>            |
| <b>At 31 March 2009</b>                      | <u>20</u>            | <u>570</u>          | <u>590</u>            |
| <b>At 1 April 2008 (Restated)</b>            |                      |                     |                       |
| RCGF and DPF Creditors within one year       | -                    | 187                 | 187                   |
| RCGF and DPF Creditors more than one year    | 20                   | 383                 | 403                   |
|  | <u>20</u>            | <u>570</u>          | <u>590</u>            |
| <b>At 31 March 2009</b>                      | <u>20</u>            | <u>570</u>          | <u>590</u>            |

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**NOTES TO THE FINANCIAL STATEMENTS  
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**19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

|  | <b>2009<br/>£'000</b> | <b>Restated<br/>2008<br/>£'000</b> |
|--|-----------------------|------------------------------------|
| Housing Loans (Note 20)                            | 16,000                | 110,700                            |
| Loans Inter Company (Note 20)                      | 220,904               | -                                  |
| Development Creditors Inter Company                | 1,413                 | -                                  |
| Deferred Income Credit                             | 1,134                 | -                                  |
| Deferred Interest                                  | -                     | -                                  |
| Leaseholder maintenance provision                  | 107                   | 9                                  |
| Disposals Proceeds and Recycled Capital Grant Fund | 403                   | 576                                |
| Other  | 204                   | -                                  |
|  | <u>240,165</u>        | <u>111,285</u>                     |

**20 HOUSING LOANS AND FINANCE LEASE OBLIGATIONS**

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>2009<br/>£'000</b> | <b>Restated<br/>2008<br/>£'000</b> |
|---|-----------------------|------------------------------------|
| <b>Due Within One Year:</b>             |                       |                                    |
| Orbit Treasury Limited                  | <u>7,660</u>          | <u>-</u>                           |
| <b>Due After More Than One Year:</b>    |                       |                                    |
| Orbit Treasury Limited                  | 220,904               | -                                  |
| Debenture Stock – Funding for Homes Ltd | 16,000                | -                                  |
| External Housing Loans - LloydsTSB      | -                     | 110,700                            |
|   | <u>236,904</u>        | <u>110,700</u>                     |
| <b>Total Housing Loans</b>              | <u>244,564</u>        | <u>110,700</u>                     |

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

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

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

The loan from Orbit Treasury Limited is secured by fixed charges on individual properties. The interest rates ranged between 4.19% and 5.15% for the year ended 31st March 2009.

The loan from Funding for Homes Limited was transferred to Orbit Heart of England on 1 April 2008. The loan is secured by fixed charges on individual properties and cash. The loan is repayable in 2018. The interest rate is 10.125%. For the next 5 years, Orbit Group Ltd has agreed to reimburse Orbit Heart of England the difference between these higher interest rates and the average interest rate for loans made through OTL. In 2008/09 this equated to a donation of £590k.

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>2009<br/>£'000</b> | <b>Restated<br/>2008<br/>£'000</b> |
|---|-----------------------|------------------------------------|
| In One Year or Less, or on Demand                     | <u>7,660</u>          | <u>-</u>                           |
| Repayable by Instalments:                             |                       |                                    |
| - In more than One Year but not more than Two Years   | 7,660                 | -                                  |
| - In more than Two Years but not more than Five Years | 22,980                | -                                  |
| - In more than Five Years                             | <u>190,264</u>        | <u>-</u>                           |
|   | <u>220,904</u>        | <u>-</u>                           |
| Repayable Other than by Instalments:                  |                       |                                    |
| - In more than Five Years                             | <u>16,000</u>         | <u>110,700</u>                     |
|   | <u>244,564</u>        | <u>110,700</u>                     |

**21 CALLED UP SHARE CAPITAL**

|   | <b>2009<br/>£</b> | <b>2008<br/>£</b> |
|---|-------------------|-------------------|
| <b>Shares of £1 Each, allotted, issued and fully paid</b> |                   |                   |
| At 1 April 2008 (Restated)                                | 26                | 17                |
| Issued during the year                                    | 11                | 9                 |
| Cancelled during the year                                 | <u>(26)</u>       | <u>-</u>          |
| <b>At 31 March 2009</b>                                   | <u>11</u>         | <u>26</u>         |

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**21 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, Parent Body and Honorary Life Members. The Association's shares carry no right to interest, dividend or bonus. Shares are not capable of being withdrawn or transferred and cannot be held jointly. Shareholders have the right to attend (or to vote by proxy) at any general, special general or extraordinary meeting of Heart of England Housing Association.

**22 DESIGNATED RESERVES**

|                                    | Restated<br>at<br>1 April<br>2008<br>£'000 | Transfer<br>from other<br>Group<br>members<br>£'000 | Transfer<br>from<br>General<br>Reserves<br>£'000 | At<br>31 March<br>2009<br>£'000 |
|------------------------------------|--|---|--|---------------------------------|
| Renewal of Furniture and Equipment | 74   | 1,077   | 78   | 1,229                           |

**23 RECONCILIATION OF MOVEMENTS IN ASSOCIATION'S FUNDS**

|  | 2009<br>£'000 | Restated<br>2008<br>£'000 |
|--|---------------|---------------------------|
| <b>Opening Funds</b>   | (24,804)      | (24,927)                  |
| Prior year adjustment – Policy change from valuation to cost | -             | 1,577                     |
| <b>Restated Reserves</b>                                     | (24,804)      | (23,350)                  |
| (Deficit) for the Financial Year                             | (1,062)       | (446)                     |
| Actuarial Gain / (Loss) on pension scheme                    | 363           | (934)                     |
| Transfer to designated reserves                              | (78)          | (74)                      |
| <b>Closing Funds</b>   | (25,581)      | (24,804)                  |

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

**24 CAPITAL COMMITMENTS**

|   | 2009<br>£'000 | Restated<br>2008<br>£'000 |
|---|---------------|---------------------------|
| Capital Expenditure which has been contracted for but has not been provided for in the financial statements   | 17,775        | 7,632                     |
| Capital Expenditure which has been authorised under authority from the Board but has yet to be contracted for | 10,993        | 20,774                    |
|   | <b>28,768</b> | <b>28,406</b>             |

The Association expects these commitments to be financed with:

|                           |               |               |
|---------------------------|---------------|---------------|
| Social Housing Grant      | 14,354        | 6,460         |
| Committed Loan Facilities | 14,414        | 8,584         |
| Cash Surpluses            | -             | 13,362        |
|                           | <b>28,768</b> | <b>28,406</b> |



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**25 CONTINGENT LIABILITIES**

There were no contingent liabilities at 31 March 2009 (2008: £Nil).

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

|  | <b>2009</b>   | <b>Restated</b> |
|--|---------------|-----------------|
|  | <b>£'000</b>  | <b>2008</b>     |
|  |               | <b>£'000</b>    |
| Operating Surplus                          | 11,044        | 4,752           |
| Depreciation – Other Fixed Assets          | 402           | 384             |
| Depreciation – Housing Properties          | 1,896         | 947             |
| Movement in Provisions                     | (38)          | -               |
| (Increase)/Decrease in Stocks              | (28)          | 22              |
| Difference between pension charge and paid | 32            | 186             |
| (Increase)/Decrease in Debtors             | (689)         | (516)           |
| Increase/(Decrease) in Creditors           | (2,173)       | 1,233           |
|  | <u>10,446</u> | <u>7,008</u>    |
| Net Cash Inflow from Operating Activities  | <u>10,446</u> | <u>7,008</u>    |

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

|  | <b>2009</b>             | <b>Restated</b>         |
|--|-------------------------|-------------------------|
|  | <b>£'000</b>            | <b>2008</b>             |
|  |                         | <b>£'000</b>            |
| Increase/(Decrease) in cash in the year                                      | 1,574                   | (962)                   |
| (Decrease)/Increase in Bank Deposits (with a Maturity in Excess of 24 Hours) | 5,708                   | -                       |
| Loans received   | (152,114)               | (7,200)                 |
| Loans redeemed   | 18,250                  | 500                     |
| Loan Pool Premium Reserve FFH  | (1,134)                 | -                       |
|  | <u>(127,716)</u>        | <u>(7,662)</u>          |
| Change in Net Debt (Increase)  | (127,716)               | (7,662)                 |
| Net Debt at 1 April 2008   | <u>(111,943)</u>        | <u>(104,281)</u>        |
| <b>Net Debt at 31 March 2009</b>   | <u><b>(239,659)</b></u> | <u><b>(111,943)</b></u> |

**28 ANALYSIS OF CHANGES IN NET DEBT**

|                                    | <b>Restated at</b> | <b>Cash</b>      | <b>Other</b>   | <b>At End</b>    |
|------------------------------------|--------------------|------------------|----------------|------------------|
|                                    | <b>Beginning</b>   | <b>Flows</b>     | <b>Changes</b> | <b>of the</b>    |
|                                    | <b>of the Year</b> | <b>£'000</b>     | <b>£'000</b>   | <b>Year</b>      |
|                                    | <b>£'000</b>       | <b>£'000</b>     | <b>£'000</b>   | <b>£'000</b>     |
| Cash at Bank and in Hand           | 324                | 613              | -              | 937              |
| Bank Overdraft                     | (1,567)            | 961              | -              | (606)            |
| Bank Deposits – Less than 24 Hours | -                  | -                | -              | -                |
|                                    | <u>(1,243)</u>     | <u>1,574</u>     | <u>-</u>       | <u>331</u>       |
| Bank Deposits – More than 24 Hours | -                  | 5,708            | -              | 5,708            |
| Housing Loans Due Within One Year  | -                  | -                | -              | -                |
| Housing Loans Due After One Year   | (110,700)          | (133,864)        | -              | (244,564)        |
| Loan Pool Premium Reserve FFH      | -                  | -                | (1,134)        | (1,134)          |
|                                    | <u>(111,943)</u>   | <u>(126,582)</u> | <u>(1,134)</u> | <u>(239,659)</u> |

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**29 FINANCIAL COMMITMENTS**

**Operating Leases**

As at 31 March 2009 the Association was committed to making the following payments during the year in respect of operating leases other than land and buildings.

|                                       | <b>2009</b>  | <b>Restated</b> |
|---------------------------------------|--------------|-----------------|
|                                       | <b>£'000</b> | <b>2008</b>     |
|                                       |              | <b>£'000</b>    |
| Leases which expire within one year   | 2            | -               |
| Leases which expire within 2-5 years  | 197          | 5               |
| Leases which expire more than 5 years | 73           | 38              |
|                                       | <u>272</u>   | <u>43</u>       |

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

|   | <b>2009</b>   | <b>Restated</b> |
|---|---------------|-----------------|
|   | <b>No.</b>    | <b>2008</b>     |
|   |               | <b>No.</b>      |
| General Needs                                   | 11,384        | 5,264           |
| Supported Housing                               | 1,585         | 556             |
| Registered Care Home                            | 23            | -               |
| Low Cost Home Ownership                         | -             | 70              |
| <b>Total Owned by Orbit Heart of England</b>    | <u>12,992</u> | <u>5,890</u>    |
| Leasehold                                       | 399           | 279             |
| Managed on behalf of Others                     | 360           | 1               |
| <b>Leasehold and Other Managed</b>              | <u>759</u>    | <u>280</u>      |
| <b>Total Social Housing Units</b>               | <u>13,751</u> | <u>6,170</u>    |
| Commercial Units                                | 14            | 4               |
| Market Rent                                     | 10            | 10              |
| <b>Total Non-Social Housing Units</b>           | <u>24</u>     | <u>14</u>       |
| <b>Total Units</b>                              | <u>13,775</u> | <u>6,184</u>    |
| <b>Stock in Development as at 31 March 2009</b> |               |                 |
| General Needs                                   | 348           | 109             |
| Supported                                       | 12            | 28              |
|   | <u>360</u>    | <u>137</u>      |

**HEART OF ENGLAND HOUSING ASSOCIATION LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**31 ULTIMATE PARENT ENTITY**

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

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

**32 RELATED PARTY TRANSACTIONS**

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