

OPTIMA COMMUNITY ASSOCIATION

Report and Financial Statements

**For the year ended
31 March 2013**

**Limited by Guarantee
Company Registration Number 3681553
Homes & Communities Agency Number L4228
Registered Charity 1074648**

**Registered office: St. Thomas House
80 Bell Barn Road
Birmingham
B15 2AF**



OPTIMA COMMUNITY ASSOCIATION

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OPTIMA COMMUNITY ASSOCIATION

BOARD, EXECUTIVE DIRECTORS AND ADVISERS

Board

Tenant Directors

Phillip Allkins
Eileen Bailey (appointed 1 April 2012)
Paul Broadhurst (appointed 11 March 2013)
Joy Gayle (resigned 11 March 2013)
Tricia Gbinigie (appointed 13 May 2013)
Paul Headman (appointed 1 April 2012, resigned 10 December 2012)
Felix Kupay (co-opted) (appointed 1 April 2012, resigned 11 March 2013)
Nasser Mugisha (resigned 11 March 2013)
Robert Pagett (resigned 3 May 2013)
Jane Sargeant (appointed 11 March 2013)
Colin Williams (appointed 11 March 2013)

Independent Directors

Hardeep Bhermi
Margaret Coward
Helen George (appointed 1 April 2012)
David Guy
Paul Raymer (appointed 1 April 2012)
Helen Southwell (appointed 1 April 2012, resigned 11 March 2013)
Peter Taylor (Chair) (appointed 1 April 2012)

Executive Directors

The following are executive officers of WM Housing Group, the ultimate parent undertaking of the Association. The executive officers control the work of the WM Housing Group

Pat Brandum	Chief Executive
Kevin Rodgers	Executive Director Finance & Resources & Deputy Chief Executive
Angus Groom	Executive Director Corporate & Business Services
Simon Kimberley ¹	Executive Director Property & Regeneration
Denise Shuker	Executive Director Housing & Communities
Kevin Willetts	Executive Director Development

¹ Simon Kimberley joined the Executive Management Team following the Group's acquisition of Optima Community Association on 1 April 2012.

OPTIMA COMMUNITY ASSOCIATION

BOARD, EXECUTIVE DIRECTORS AND ADVISERS (Continued)

Statutory auditors	Internal auditors	Principal bankers	Principal solicitors
Mazars LLP 45 Church Street Birmingham B3 2RT	PwC Cornwall Court 19 Cornwall Street Birmingham B3 2DT	Barclays Bank plc PO Box 3333 One Snowhill Snowhill Queensway Birmingham B4 6GN	Trowers & Hamlin 3 Bunhill Row London EC1Y 8YZ Anthony Collins 134 Edmund Street Birmingham B3 2ES

Registered office
80 Bell Barn Road
Birmingham
B15 2AF

OPERATING AND FINANCIAL REVIEW

Optima Community Association was formed in 1999 to take the transfer of the housing stock on five estates from Birmingham City Council. Optima Community Association is a charitable Registered Provider. Optima provides affordable housing in Birmingham and at 31 March 2013 owned 2,032 homes.

On 1 April 2012, Optima Community Association formally integrated with WM Housing Group Limited as an asset-owning subsidiary. Under WM Housing Group's federal structure, Optima Community Association maintains its name, autonomy and local influence in Birmingham. Along with fellow asset owning subsidiaries - Whitefriars Housing Group and West Mercia Homes - the Group will begin April 2013 with around 27,000 homes with the vast majority in Coventry, Birmingham, Solihull and the counties of Herefordshire and Worcestershire.

The association has a subsidiary, Attwood Green Estate Services Limited (company number 4574184) which has been established to manage the common areas of the Attwood Green Phase 1 development and enforce covenants on occupiers to manage and maintain their properties. Further details of Attwood Green Estate Services Limited are provided in note 14 to the financial statements.

The Association is registered with the Homes & Communities Agency (HCA) and is regulated as part of the WM Housing Group against the HCA's regulatory framework for social housing, which came into effect on 1 April 2012.

Objectives and strategies

The Association subscribes to the WM Housing Group's vision and a set of values that incorporates what the Group is about.

- The Group vision - *Creating places where people are proud to live and work*
- The Group values - *Providing excellent service, Valuing people, Acting with integrity and Delivering creative solutions*

In contributing to creating places where people are proud to live, the WM Housing Group signed an agreement with the HCA to create over 400 homes during the course of the HCA's 2011-15 Affordable Homes Programme. This will see over £7m of grant funding received across the Group.

Regulatory judgments

As stated above, Optima is regulated as part of the WM Housing Group. In February 2013, the HCA published its 2012 Regulatory Judgment of the Group. The Group's governance assessment was G1 - *"The provider meets the requirements on governance set out in the Governance and Financial Viability standard"*. The Group's viability assessment was V1 - *"The provider meets the requirements on viability set out in the Governance and Financial Viability standard and has the capacity to mitigate its exposures effectively"*. This assessment represents the best judgment available to registered providers.

Risks facing the Association

Optima, through the WM Housing Group, has a risk management framework in place supported by long-term financial plans which are used to assess the impact of future plans and to test the sensitivity to changes in key assumptions. The Group's strategic risk map is formally reviewed twice a year by the Group Board with an annual review and half-yearly updates presented for consideration.

OPERATING AND FINANCIAL REVIEW (Continued)

Risks facing the Association (Continued)

The following table summarises the key risks and actions that are being taken across the WM Housing Group to mitigate these risks

Key risks	Key controls in place
<p>Risk of significant changes to income streams Income could be affected by a number of potential issues, particularly from a legislative, demand or funding perspective. Current threats to income include:</p> <ul style="list-style-type: none"> • Welfare Reform - with changes to the benefit system from April 2013 (risk of collecting less rent) • Changes to Right to Buy legislation (risk of reducing the Group's asset base) • Continuing pressure on Supporting People funding (risk of reduced funding) 	<p>The Group has regular management information on rent collection, Right To Buy sales and grant income. We have close working relationships with Local Authority housing benefit teams. We have a Welfare Reform impact assessment and action plan in place with a group of senior managers overseeing progress.</p>
<p>Risk of policy / government change being made which is at odds with current objectives and priorities Public spending cuts could see policy/funding changes resulting in "mission creep" for the Group. An example is the reduction in available funding for the police service and the impact it may have on the expectations of us on our estates. We also face potential changes in our relationships with local authorities.</p>	<p>The Group is well represented at regional/national levels hence gains early warning of potentially significant policy changes. The Group has identified key relationships (including local authorities) and there is a regular programme of meetings now in place with a number of key partners. The Group's Housing Strategy team is tasked with briefing boards and senior managers of the impact of policy announcements.</p>
<p>Risk of significant changes to expenditure The Group's expenditure could be affected by a number of potential issues which could mean it is significantly higher than projected. This could include contractor cost inflation, changes in the funding environment, project overruns, pensions, further changes to VAT rates or industrial dispute.</p>	<p>Inflation risk assumptions are "hedged" in the business plan and the business planning process includes the "stress testing" of major expenditure areas. The Group has a very prudent approach to Treasury Management including a high % of debt portfolio on long-term fixed rates. The Group's medium term funding strategy has been determined with £100m additional finance secured in December 2012.</p>

OPERATING AND FINANCIAL REVIEW (Continued)

Risks facing the Association (continued)

Key risks	Key controls in place
<p>Risk of regeneration schemes being unable to deliver as promised</p> <p>There are a number of major projects ongoing, particularly in Coventry and Solihull. These projects are reliant on partnerships and external funding. Whilst both projects are delivering against revised business plans there remains a risk that the projects will not deliver their original regeneration objectives and outcomes.</p>	<p>The Group's Chair and a number of Executive Directors are closely involved in project boards. There is a clear understanding of the financial/contractual risks to the Group of project failure which is less of a risk as the Homes & Communities Agency is a key partner/investor in key regeneration schemes in Coventry (Spirit Quarters) and North Solihull.</p>
<p>Risk that planning focuses solely on property and not wider community perspective</p> <p>The Group needs to ensure that its assets meet demands and expectations now and in future. This links into asset management and investment and development strategies. The Group also needs to ensure its activities link into wider issues around social cohesion and 'place' and are not solely about the 'asset'.</p>	<p>Customer service review groups exist across the Group and significant financial investment has been made in community based projects and initiatives. The Group has set up customer scrutiny panels in response to the HCA's direction that registered providers' Boards are now responsible for ensuring compliance with the HCA's 4 consumer standards:</p> <ul style="list-style-type: none"> • Tenant involvement and empowerment • Home • Tenancy • Neighbourhood and community

OPTIMA COMMUNITY ASSOCIATION

OPERATING AND FINANCIAL REVIEW (Continued)

Performance in the period

The table below summarises performance over the past five years using Key Performance Indicators.

Performance indicator	2012/13	2011/12	2010/11	2009/10	2008/09
Rent collected as % of rent due	99.1%	98.9%	97.7%	96.8%	96.8%
Average re-let times for dwellings (weeks)	2.1	2.0	1.7	1.7	4.1
% Dwellings vacant and available/unavailable for letting	0.6%	0.5%	0.4%	0.4%	1.0%
Homes meeting Decent Homes Standard	100%	100%	100%	100%	100%

In an increasingly challenging economic environment, it is positive news that our rent collection as a percentage of rent due has remained consistent over the last few years with a slight improvement in 2012/13. We acknowledge that rent collection will become increasingly challenging when the changes arising from Welfare Reform start to impact on Optima and the Group in 2013. As disclosed in the previous section on key risks, we have significant resource employed in working up a likely impact assessment of the Welfare Reform changes and these will be monitored closely during 2013/14.

Current repairs performance

Our performance in relation to repairs has a direct impact on the service to our customers and our performance in all indicators in 2012/13 has been in line with, or better than target.

Performance indicator	2012/13 target	2012/13 actual
% emergency repairs completed on time	100%	100%
Average number of days to complete a repair	11 days	6 days
Gas servicing completed within target	100%	100%

Loan covenant compliance

Optima has a loan covenant within its loan agreement and compliance against this covenant is essential. The table below summarises the year end loan covenant levels for the last 5 years for the Association:

Loan covenant	2012/13	2011/12	2010/11	2009/10	2008/09
Net operating cashflow to total interest:					
Covenant to exceed:	0.56	0.46	0.49	1.55	1.57
Year end covenant:	1.50	1.35	1.24	2.31	2.01

The updated long-term financial plans for Optima demonstrate compliance with the lender's covenant throughout the business planning period.

Value for Money (VfM)

The regulatory framework sets out the required standards for the social housing sector. The framework includes both economic and consumer standards. Within the economic standards is a specific value for money standard. Our regulator the Homes & Communities Agency (HCA) expects providers to have "a strategy for optimising VfM, and a system to ensure the strategy is effectively delivered."

OPERATING AND FINANCIAL REVIEW (Continued)

Value for Money (VfM) (continued)

Value for Money is often defined as the relationship between economy, efficiency and effectiveness. Our VfM strategy was reviewed during this year to reflect the change from measuring service value to social value. The strategy is designed to support our Group's vision "Creating places where people are proud to live and work."

As a social business, our priorities extend significantly beyond just being a landlord. Our ambition is to continue to make a real and demonstrable difference to people's lives and this will be achieved by our focus on four key aims:

Customer	delivering excellence to our customers
Growth	making the most efficient use of our resources to grow
Staff	developing pride in our workforce
Communities	maximising our impact in local communities

Achieving VfM is fundamental for WM Housing Group and we have a clear and robust approach to achieve it which provides an effective framework to enable the Group to obtain best value and embed a VfM culture across the organisation. Our VfM strategy links with our work on community cohesion, diversity, customer excellence, financial inclusion, communications and people.

How we deliver VfM

Financial - we have re-defined our budget setting process to include focus on improving the VfM of our services. Efficiency gains are included within the self-assessment and VfM action plan. We also have a Group wide project to help us manage and mitigate the impact of the Government's welfare reform agenda. This has wide ranging implications for our business and our customers and we have been working with customers and local agencies to support our customers in managing these changes.

Growth - our approach is to maximise the potential of the Group structure with shared, efficient services that provide VfM and deliver our aims. We have continued to grow through acquisition and Optima Community Association joined the WM Housing Group on the 1st April 2012 which has delivered the year 1 savings set out in the original business case.

Governance - in 2012/13 we reviewed our Governance and Leadership structures with the aim of streamlining and creating locally accountable associations that benefit from effective and efficient central services

Managing performance - we benchmark our costs and performance against other providers using HouseMark and various other benchmarking clubs. Our aim is to be a top quartile performer and to continually improve our service delivery performance for our customers. We continue to invest in our staff through training and development and we are currently undertaking a fundamental review of what we do and how we do it. This includes developing a programme to invest heavily in our technology to enable the flexibility of service that our customers and staff require to deliver a much higher rate of first time fixes and customer satisfaction. It also involves a major review of structures and processes to ensure that new systems compliment excellent ways of delivering improved services. This is our Journey to Excellence (J2E) project.

OPTIMA COMMUNITY ASSOCIATION

OPERATING AND FINANCIAL REVIEW (Continued)

Value for Money (VfM) (continued)

Customer - customer satisfaction is important to our assessment of whether we deliver VfM. We regularly conduct satisfaction surveys which include value for money determinations to ensure that we are delivering services that meet customer need and are efficient and effective. Our scrutiny panels role is to scrutinise services and work with Boards and staff to make improvements where services are not meeting customer needs, standards or are inefficient and do not provide value for money.

Value for Money Self Assessment

We are on-track to meet the regulatory requirement to produce a VFM self assessment by 30 September 2013. This will demonstrate:

Costs (Economy)

- Provide a statement of costs for major services
- Comparisons of costs against other landlords

Outputs (Effectiveness)

- Explanation of how we are protecting quality
- What are the social and environmental returns
- Detail how we prioritise spending
- How do the Board and residents drive VFM

Savings (Efficiency)

- What savings were made last year and how do they compare to target
- Explanation of how the savings were made
- Detail what we are doing with the savings
- Detail any future predicted savings

Financial review

The main accounting policies of Optima Community Association are set out in Note 1 of the Financial Statements.

Summary income and expenditure accounts and balance sheets for the 5 years up to and including 2012/13 for Optima are shown in the tables below:

Summary Income and Expenditure Account	2012/13 £m	2011/12 £m	2010/11 £m	2009/10 £m	2008/09 £m
Turnover	13.9	11.5	9.9	9.9	8.4
Operating Surplus	2.4	1.4	2.0	0.1	0.6
Surplus on Sale of Fixed Assets	-	-	-	0.1	6.7
Net Interest Payable	(2.6)	(2.7)	(2.3)	(2.2)	(1.8)
Pension finance costs	-	-	(0.2)	(0.2)	(0.1)
Gift Aid	-	-	-	-	-
Taxation	-	-	-	-	-
(Deficit)/Surplus for the year	(0.2)	(1.3)	(0.5)	(2.2)	5.4

OPERATING AND FINANCIAL REVIEW (Continued)

Financial review (continued)

With the April 2012 rent increase being based on the September 2011 RPI of 5.6%, the increased turnover is driven by the rent increase and by management fee income payable, for the first time in 2012/13, by West Mercia Homes for the management and maintenance of properties Optima manages on its behalf. Operating costs did not increase, in percentage terms, by as much as turnover which is partly due to the planned expenditure on a number of schemes being deferred until 2013/14. This contributed to an increased operating surplus for 2012/13.

Summary Balance Sheet	2012/13 £m	2011/12 £m	2010/11 £m	2009/10 £m	2008/09 £m
Total fixed assets	66.6	67.8	70.6	63.4	62.1
Net current assets	0.8	-	0.8	3.2	3.5
Loans and other long term creditors	(56.8)	(56.9)	(59.1)	(54.0)	(51.0)
Liability for final salary pension scheme	(3.1)	(2.6)	(2.1)	(4.0)	(1.9)
Reserves	7.5	8.3	10.2	8.6	12.7

Total fixed assets are shown at historic cost which reflects the investment made in the housing stock since transfer (part-funded by a grant of £46m from the Government under the Estates Renewal Challenge Fund) and new properties developed since transfer

Loans and other long term creditors predominantly reflect the housing loan outstanding to Nationwide

The increase in the estimate for the pension scheme liability is a result of the March 2010 valuation and assumptions used by actuaries in determining the estimated value of the scheme at a given point in time.

Capital structure and treasury policy

The Board recognises that the Association's high level of debt makes it important to consider its treasury policy. The Group's 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.

Debt profile

Optima has a £66m loan facility with Nationwide Building Society that falls due to be repaid by 31 March 2035. A proportion of debt is at fixed rates to generate the desired interest profile and manage the Association's exposure to interest rate fluctuations.

Loan Facility	2013 £'000	2012 £'000
Fixed rate loans	45,000	45,000
Variable rate loans	12,000	12,000
Total loans	57,000	57,000
Average duration of fix	11.9 years	12.9 years
Weighted average interest rate	4.72%	4.72%

OPERATING AND FINANCIAL REVIEW (Continued)

Debt profile (continued)

By the year end the Association's borrowings amounted to £57m, none of which falls due to be repaid within the next year. All of Optima's debt falls due to be repaid in more than 20 years.

Cash flow and liquidity

The cash flow statement is shown on page 21. Interest payments have reduced in the year, Optima having benefited from low variable interest rates on its variable rate loans. Optima has also funded improvements to its existing housing properties without the need to draw down from its remaining loan facility during the year. Our loan covenant is based on interest cover and we have been comfortably within the limit set by Nationwide during the year.

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 continue to adopt the going concern basis in the financial statements.

Statement of compliance

The operating and financial review has been prepared in accordance with best practice



Peter Taylor
Chairman

Optima Community Association
15 July 2013



Pat Brandum
Group Chief Executive

OPTIMA COMMUNITY ASSOCIATION

HOUSING ASSOCIATION GOVERNANCE

NHF Excellence in Governance

WM Housing Group has adopted the National Housing Federation (NHF) Code of Governance (revised). The NHF code was felt to be closely aligned with the Group's objectives as set out in the Corporate Plan 2010-15 and its vision and values, as it provides a good framework on which to further develop governance arrangements

Optima complies with the Code of Governance in all material aspects. The exceptions the Board has made to the standard code is -

- The size of the Board: The Code recommends that the maximum size of the Board should be twelve. The Association's Board consists of 13 directors, including 6 elected tenant directors reflecting the desire for a high degree of tenant involvement and participation, whilst maintaining an appropriate balance between the two constituent director groups
- The maximum term of office of directors: The Code recommends that the maximum term of office should be 9 years. The Association's Board has no limit on length of service, although there is a robust appraisal process in place to ensure continued objectivity of directors.

The Group is working through fully implementing the requirements of the code including strengthening board member recruitment processes as well as the induction, annual assessment, training and development processes for Board members

The Board are supported by an experienced executive team to ensure:

- adherence to the relevant legislation;
- the interest of taxpayers and the reputation of the sector are protected;
- the Group operates in accordance with its Rules, Intragroup Agreement and other governance documentation and complies with all the relevant regulatory requirements.

Risk management arrangements which were introduced across the Group, assisted by specialist consultants from Zurich Municipal, are regularly reviewed and reported at appropriate levels within the Group's governance structures

Board

The Board members of the Association during the year to 31 March 2013 are listed on page 1. The Board comprises 13 non-executive members (6 tenant members and 7 independent members) and is responsible for governing the affairs of the Association. Membership of the Board at the date of the accounts being signed totalled 12 members with an independent member vacancy. The Board members are drawn from a wide background bringing together professional, commercial and local experience.

The Board is supported by the Chairman and lead members who meet regularly with officers, managers and staff to look at specific Optima issues. WM Housing Group's Audit & Risk Management Committee, Finance & Development Committee and Human Resources Committee review specific issues in the context of the WM Housing Group. WM Housing Group's Chairs' group acts as a sounding board on major Group issues prior to them being presented to Boards/Committees. The membership of this group is each of the WM Housing Group's Board and Committee chairs.

OPTIMA COMMUNITY ASSOCIATION

HOUSING ASSOCIATION GOVERNANCE (Continued)

Board (Continued)

All Board Members undertake an annual self assessment of their contribution which is discussed with the Chairman and an action and training plan is agreed. In addition the Board reviews the skills and experience held by members, together with the levels of representation in order to identify gaps which need to be filled either by recruitment or training and development

The Board delegates the day-to-day management of the Association to the Executives and staff. Certain Executives and staff attend the Board meetings. The Board obtains external specialist advice from time to time as necessary.

Independent Housing Ombudsman Scheme (“IHOS”)

No matters have been referred to IHOS during the period (2012 - nil)

Internal controls assurance

The Board acknowledges its ultimate responsibility for ensuring that Optima has in place a system of control that is appropriate to the various business environments in which it operates. Any such system can provide reasonable but not absolute assurance against material misstatements or loss and the development of the system is a continuing process. The system of control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group’s assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which Optima is exposed and has been in place throughout the period commencing 1 April 2012 up to the date of approval of the report and financial statements. The risk assessments are updated at least annually and reported to the Board.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes.

- Environment and control procedures
- Appropriately qualified staff
- Identification and evaluation of key risks
- Information and financial reporting systems
- Monitoring and corrective action

A process of regular management reporting on control issues provides assurance to senior management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of our services.

OPTIMA COMMUNITY ASSOCIATION

HOUSING ASSOCIATION GOVERNANCE (Continued)

Internal controls assurance (Continued)

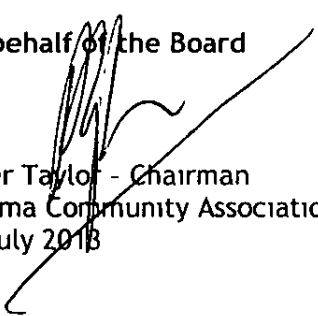
The internal control framework and the risk management process are subject to regular review by Internal Audit who advise the senior management team and report to the WM Housing Group's Audit & Risk Management Committee.

WM Housing Group's Audit & Risk Management Committee conducts an annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and control process. The WM Housing Group's Audit & Risk Management Committee make an annual report to the Board. The Board has received this report.

Every incident recorded on the fraud register is reported in detail to the WM Housing Group's Audit & Risk Management Committee and these incidents are summarised in the report to the Board on internal controls which is presented each year. During 2012/13 and up to the date of signing the accounts, there has been 2 incidents (£108) recorded in the fraud register.

The Board confirms that there is an ongoing process for identifying and managing significant risks faced by the Association. This process has been in place throughout the year under review, up to the date of the annual report and accounts and is regularly reviewed by the Board

On behalf of the Board



Peter Taylor - Chairman
Optima Community Association
15 July 2013

OPTIMA COMMUNITY ASSOCIATION

REPORT OF THE BOARD

The Board present their report and audited financial statements for the year ended 31 March 2013

The Association

The Association is a not-for-profit organisation that operates primarily in Birmingham. These accounts cover the year ended 31 March 2013. As at 31 March 2013, Optima owned a number of residential schemes providing 2,032 units of accommodation.

Principal activities

Optima's principal activities are the development and management of social housing. An operating and financial review of the year's activities appears on pages 3-10.

Board Members and Executive Officers

The present Board Members and Executive Officers of the Group are set out on pages 1-2. The Executive Officers hold no interest in the Association's shares and have no legal status as directors although they act as executives within the authority delegated by the Board.

Employees

The strength of Optima lies in the quality and commitment of its employees. Our ability to meet our business objectives and commitments to tenants in an efficient manner depends on the contribution of employees throughout the organisation. We are committed to equal opportunities for all employees and will not discriminate on the grounds of ability or impairment, age, gender, sexuality, race or religious beliefs. Optima demonstrates its commitment to equality and diversity in all aspects of employment, including recruitment, career development, training, promotion and welfare.

WM Housing Group's training strategy defines and promotes the philosophy and practice of continuous development for all staff, aligned to the delivery of defined business objectives, through access to quality driven training and development. This will enable staff to make the best possible contribution to the objectives of the organisation whilst achieving their own potential at work.

The Group's pay strategy ensures its employees are appropriately rewarded within the context of the market place. The Group operates a Performance Framework, which measures what we do and also how we do it, through individual job specific targets and corporate competencies.

Statement of the responsibilities of the Board for the financial statements

Housing Association legislation requires the Board to prepare financial statements for each year which give a true and fair view of the state of affairs of Optima Community Association and of the surplus or deficit for that period. In preparing those financial statements the Board has:

- Selected suitable policies, applied them consistently and stated them in the financial statements.
- Made judgements and estimates that are reasonable and prudent.
- Followed applicable accounting standards and the Statement of Recommended Practice: "Accounting by Registered social housing providers"
- Prepared the financial statements on a going concern basis

OPTIMA COMMUNITY ASSOCIATION

REPORT OF THE BOARD (Continued)

Statement of the responsibilities of the Board for the financial statements (Continued)

The Board is responsible for ensuring that Optima maintains proper books of account with respect to its transactions and its assets and liabilities, which disclose with reasonable accuracy at any time the financial position of Optima Community Association and to enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing Act 1996 (to 31 March 2010), the Housing & Regeneration Act 2008 (from 1 April 2010) and the Accounting Direction for Private Registered Providers of Social Housing 2012.

The Board is also responsible for maintaining a satisfactory system of control over Optima's transactions and for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud, error or non-compliance with law or regulations

The Board is also responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice. Accounting by registered social housing providers (2010).

Annual General Meeting

The Annual General Meeting will be held on 12 November 2013

Auditors

Mazars LLP are auditors to Optima Community Association and to its parent, WM Housing Group Limited

The report of the Board was approved on 15 July 2013 and signed on its behalf by:



Phillip Allkins
Board Member

OPTIMA COMMUNITY ASSOCIATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OPTIMA COMMUNITY ASSOCIATION

We have audited the financial statements of Optima Community Association for the year ended 31 March 2013 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Surpluses and Deficits and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the director and auditor

As explained more fully in the Statement of Director's Responsibilities set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Association's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Housing and Regeneration Act 2008. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2013 and of the Association's income and expenditure for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

OPTIMA COMMUNITY ASSOCIATION

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OPTIMA COMMUNITY ASSOCIATION
(continued)**

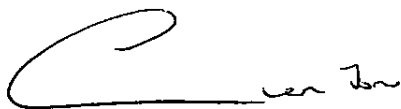
Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board and Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Glen Jones (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street
Birmingham
B3 2RT

1 August 2013

OPTIMA COMMUNITY ASSOCIATION

INCOME AND EXPENDITURE ACCOUNT
For the Year Ended 31 March 2013

	Notes	2013 £'000	2012 £'000
Turnover	2	13,984	11,505
Operating Costs	2	(11,536)	(10,051)
Operating Surplus	5	2,448	1,454
Deficit on Sale of Fixed Assets	8	-	(40)
Interest Receivable and Similar Income	9	3	7
Interest Payable and Similar Charges	10	(2,637)	(2,702)
Pension Finance Costs	7	(45)	(27)
Gift Aid from Parent		8	-
Deficit on Ordinary Activities before Taxation		(223)	(1,308)
Taxation	11	-	-
Deficit for the Financial Year	20	(223)	(1,308)

The turnover and operating surplus derive from continuing operations. The above surpluses are the historical cost surpluses.

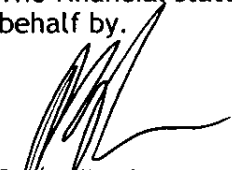
OPTIMA COMMUNITY ASSOCIATION

BALANCE SHEET

As at 31 March 2013

	Notes	2013 £'000	2012 £'000
Tangible Fixed Assets			
Housing Properties	12	138,315	138,027
Less: Social Housing Grant	12	(63,454)	(63,372)
Depreciation	12	(10,540)	(9,161)
		64,321	65,494
 Other Tangible Fixed Assets	 13	 2,260	 2,306
		66,581	67,800
Current Assets			
Stock of Housing for Sale	15	-	335
Debtors	16	626	756
Short Term Investments		1,927	587
Cash at Bank		147	190
		2,700	1,868
 Creditors: Amounts falling due within one year	 17	 (1,833)	 (1,845)
NET CURRENT ASSETS		867	23
TOTAL ASSETS LESS CURRENT LIABILITIES		67,448	67,823
 Creditors: Amounts falling due after more than one year:			
Housing Loan	18	56,786	56,776
Recycled Capital Grant Fund	19	-	82
Other Creditors		2	4
		56,788	56,862
 Pension Liability	 7	 3,156	 2,643
 Capital and Reserves			
Designated Reserve	20	55	39
General Reserves	20	7,449	8,279
 ASSOCIATION'S SURPLUS		 7,504	 8,318
		67,448	67,823

The financial statements on pages 18 to 41 were approved by the Board on 15 July 2013 and signed on its behalf by.


Peter Taylor
Chairman


Phillip Allkins
Board Member

OPTIMA COMMUNITY ASSOCIATION

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS FOR YEAR ENDED 31 MARCH 2013

	Notes	2013 £'000	2012 £'000
Deficit for the Financial Year		(223)	(1,308)
Actuarial loss recognised in Defined Benefit Pension Schemes	7	(591)	(555)
Total Recognised Surpluses and (Deficits) Relating to the Year		(814)	(1,863)

OPTIMA COMMUNITY ASSOCIATION

CASH FLOW STATEMENT

For the Year Ended 31 March 2013

	2013 £'000	2012 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 23)	4,483	4,981
Returns on Investments and Servicing of Finance		
Interest Received	3	7
Interest Paid	(2,594)	(2,709)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(2,591)	(2,702)
Capital Expenditure and Financial Investment		
Purchase and Improvement of Housing Properties	(593)	(2,846)
Social Housing Grant Received	-	3,122
Purchase of Other Fixed Assets	-	(2)
Sale of Housing Properties	-	5
Disposal of Other Fixed Assets	-	-
NET CASH (OUTFLOW)/INFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT ACTIVITIES	(593)	279
NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING	1,299	2,558
Management of Liquid Resources and Financing		
<u>(i) Liquid Resources</u>		
(Increase) in short term deposits	(1,340)	(383)
<u>(ii) Financing</u>		
Housing & other loans Repaid	(2)	(2,002)
NET CASH OUTFLOW FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING	(1,342)	(2,385)
(DECREASE)/INCREASE IN CASH (Note 24)	(43)	173

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2013

1 ACCOUNTING POLICIES

Legal Status

The Association was incorporated on 4 December 1998 as a company limited by guarantee under the Companies Act 2006 and is registered with the Homes & Communities Agency and Charity Commission

Basis of accounting

The financial statements have been prepared under the historical cost accounting rules to comply with the Accounting Direction for Private Registered Providers of Social Housing 2012, applicable accounting standards, the Statement of Recommended Practice "Accounting by Registered Social Landlords" updated in 2010 ("the SORP").

Turnover

Turnover is comprised of rental and service charge income, management fees, certain revenue grants, first tranche shared ownership sales and other miscellaneous income. All income is recognised on a receivable basis.

Operating costs

Operating costs include the actual costs of repairs and maintenance incurred during the period and the cost of sales relating to first tranche shared ownership sales. Direct employee, administration and operating costs are charged to the income and expenditure account.

Interest payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) Interest on borrowings specifically financing the development programme after deduction of interest on Social Housing Grant (SHG) in advance, or
- b) Interest on borrowings of the Association as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year

Supporting People

Following the introduction of the Government's national Supporting People initiative on 1 April 2003, grant income received and operating costs incurred in respect of Supporting People schemes are required to be disclosed separately from turnover and operating costs from social housing lettings.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

1. ACCOUNTING POLICIES (Continued)

Pensions

Optima Community Association participates in two pension schemes, the West Midlands Metropolitan Authorities Pension Fund (WMMAPF) (as an Admitted Body) which is a final salary pension scheme and the Social Housing Pension Scheme (SHPS) which is a defined contribution scheme. The assets of both schemes are invested and managed independently of Optima Community Association.

For the WMMAPF, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The service costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

For the WMMAPF, the pension scheme liabilities are measured using a projected unit method and discounted at an AA corporate bond rate. The pension scheme assets are valued at market rate. The pension scheme deficit is recognised in full on the balance sheet.

Taxation

The charge for taxation is based on surpluses arising on activities which are liable to tax.

Housing property assets

Cost of property

Housing properties are shown at cost, rather than valuation. The capitalised cost of developed or purchased housing properties includes the cost of acquiring land and buildings and directly attributable professional fees. The table on the following page shows the asset lives for the separately identified components within the building element of each property. Housing properties in the course of construction are stated at cost and are not depreciated.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2013

Housing property assets (continued)

Cost of property (continued)

Component type	Component Life (years)
Structure (house)	100
Structure (flat)	60
Roof (pitched/concrete)	60
Roof (other)	20
Lift	30
Kitchen	20
Bathroom	25
Windows	30

Shared Ownership properties

All properties are split between fixed and current assets in line with the expectation relating to the first tranche sale percentage. The expected first tranche proportion is classified as a current asset until the point of the first tranche sale. The current asset is then transferred to cost of sales and matched against sales proceeds within the operating surplus in the Income and Expenditure Account. Any operating surplus is restricted to the overall surplus which takes account of the Existing Use Value - Social Housing (EUV-SH) of the remaining fixed asset element. The remaining element of the asset is classified as a fixed asset and included in housing properties at cost less any provision for depreciation or impairment.

Major repairs/improvements

Optima Community Association capitalises expenditure on existing housing properties in line with the requirements of the SORP 2010. The components capitalised are those as shown in the table above. The cost of capitalised improvements is written off over the expected useful life of the components. Component lives are aligned to the assumed life within the stock condition survey database. Otherwise, such costs are taken as a charge to the Income & Expenditure account in the year they are incurred.

Grants

Estates Renewal Challenge Fund (ERCF) grant and Social Housing Grant (SHG)

The Association has received ERCF grant through the then Housing Corporation. The scope of the costs which can be covered by the grant, and the regulations covering recycling, are set out by the Department of Communities and Local Government. ERCF grant is not normally repayable unless conditions as to its use have been breached.

SHG is receivable from the Homes & Communities Agency. Grants received in advance of scheme commencement will be shown as a current liability.

Grants for capital expenditure are deducted from the cost of the fixed asset to which they relate.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2013

1 ACCOUNTING POLICIES (Continued)

Housing property assets (Continued)

Housing property depreciation

Freehold land is not depreciated. The cost of housing properties is depreciated net of grant to their estimated residual value on a straight-line basis. The useful economic lives of the properties are:

Housing Properties - Houses	- 100 years from date of build
Housing Properties - Flats	- 60 years from date of build
Major Repairs/Improvements	- over the expected life of the component (see table above)

Impairment

Optima reviews its properties for impairment on an annual basis. Any permanent diminution in the carrying value of such properties is charged to the Income and Expenditure Account. As noted in the shared ownership accounting policy, if first tranche sale surpluses on a scheme are greater than the overall surplus for the scheme, the surpluses have to be restricted to the overall surplus by reducing the carrying value of the fixed asset element and increasing the operating cost (via transfer through current assets). Any first tranche elements of shared ownership in current assets that are transferred to fixed assets are transferred at the lower of cost and net realisable value.

Other tangible fixed assets

Tangible fixed assets other than housing properties are stated at cost less accumulated depreciation. Depreciation is charged over the expected useful economical life of the asset, at the following annual rates:

Office and community premises	- Period of lease
Office refurbishment	- Period of lease (maximum 10 years)
Computer equipment	- 4 years
Office furniture and equipment	- 5 years
Motor vehicles & estate equipment	- 4 years
Photovoltaic panels	- 25 years

Leased assets

Rentals paid under operating leases are charged to the Income and Expenditure Account as incurred. There are no finance leases in operation.

Website development costs

Website design and content development costs are capitalised to the extent that they deliver demonstrable benefits to the Association and are amortised over 4 years. Ongoing costs of maintaining and operating the website are charged as other operating costs as incurred.

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2013

1. ACCOUNTING POLICIES (Continued)

Attwood Green Estate Services (AGES)

The transactions of AGES have not been consolidated into the Association's financial statements as they are deemed to be immaterial, and are shown under investments in the balance sheet

Designated reserves

Designated reserves represent amounts contributed by purchasers of shared ownership flats in relation to the programmed replacement of structural elements. The reserves will be applied to the replacement of the components as and when they reach the end of their useful economic lives.

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

2. TURNOVER, COST OF SALES, OPERATING COSTS
AND OPERATING SURPLUS/(DEFICIT) BY CLASS OF BUSINESS

	2013			2012		
	Turnover	Operating Costs/Cost of Sales	Operating Surplus/(Deficit)	Turnover	Operating Costs/Cost of Sales	Operating Surplus/(Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (Note 3)	12,954	(9,663)	3,291	9,979	(7,429)	2,550
Other social housing activities						
Development administration	-	(350)	(350)	-	(399)	(399)
Development administration costs capitalised	-	-	-	-	59	59
Current asset property sales	657	(854)	(197)	1,125	(1,599)	(474)
Community regeneration	-	(352)	(352)	-	(368)	(368)
Regeneration Grant Income	-	2	2	-	3	3
Charges for support services	80	(104)	(24)	82	(101)	(19)
Non-social housing activities						
Leasehold accommodation	180	(192)	(12)	203	(193)	10
Garages and commercial	113	(23)	90	116	(24)	92
	13,984	(11,536)	2,448	11,505	(10,051)	1,454

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2013

3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General Needs	Shared Ownership	Designated Supported Housing	2013 Total	2012 Total
	£'000	£'000	£'000	£'000	£'000
Rents receivable net of identifiable service charges	8,539	348	277	9,164	8,542
Service charge income	1,292	58	73	1,423	1,437
Net rental income	9,831	406	350	10,587	9,979
Other income	2,367	-	-	2,367	-
Turnover from social housing lettings	12,198	406	350	12,954	9,979
Management	(1,676)	(86)	(35)	(1,797)	(1,166)
Service charge costs	(1,257)	(26)	(31)	(1,314)	(1,593)
Routine maintenance	(3,470)	-	(44)	(3,514)	(1,892)
Planned maintenance	(1,244)	-	(9)	(1,253)	(994)
Major repairs expenditure	(63)	-	-	(63)	(173)
Bad debts	(343)	-	-	(343)	(232)
Depreciation on housing properties	(1,339)	-	(40)	(1,379)	(1,379)
Operating costs on social housing lettings	(9,392)	(112)	(159)	(9,663)	(7,429)
Operating surplus on social housing lettings	2,806	294	191	3,291	2,550
Voids included within net rental income:					
Rental income	(40)	(20)	(3)	(63)	(60)
Service charge income	(3)	(2)	(1)	(6)	(7)
Total voids	(43)	(22)	(4)	(69)	(67)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2013

4. STAFF COSTS

	2013 £'000	2012 £'000
Full Time Equivalents	74	56
Employee costs:		
Wages and salaries	2,171	1,716
Social security costs	176	146
Pension costs	303	285
	2,650	2,147
	2013 £'000	2012 £'000
Full Time Equivalents split by remuneration bands of:		
£60,000 - £69,999	-	-
£70,000 - £79,999	-	1
£80,000 - £89,999	-	-
£90,000 - £99,999	1	2
£100,000 - £109,999	-	-
£110,000 - £119,999	1	-
£120,000 - £129,999	-	1

The number of full time equivalents has been calculated on a 37 hour per week basis

5. OPERATING SURPLUS

	2013 £'000	2012 £'000
Operating Surplus is stated after charging		
Depreciation:		
On Fixed Assets other than Housing Properties	46	55
On Housing Properties	1,379	1,379
Group Auditor's Remuneration (excluding VAT):		
In their Capacity as Auditors	9	12
In Respect of Other Services	-	3
Operating Lease Payments:		
Office equipment	13	15

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2013

6 DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

	2013				2012
	Basic Salary £'000	Benefits in Kind £'000	Pension Costs £'000	Total £'000	Total £'000
The emoluments (including pension contributions and benefits in kind) of the Executive Officers for the period were:	-	-	-	-	449

The Directors of the Group are defined as the Board of Management and Executive Officers as set out on page 1

Following the integration with WM Housing Group on 1 April 2012, Simon Kimberley became an Executive Officer of the Group. Whilst his contract of employment is with the Association, his costs are recharged to the Group's parent, WM Housing Group Limited. As such, disclosures relating to his remuneration are included within WM Housing Group's accounts, along with the other executive officers of the Group

Board directors received a combined £18,841 in emoluments. Board directors received no emoluments in 2011/12. Expenses paid to Board directors amounted to £1,206 (2012: £442). As noted on page 1 certain Board members are residents of the Group. Their tenancies are on normal commercial terms and the members cannot use their position to their advantage.

7. PENSION COSTS

Optima participates as an Admitted Body in the West Midlands Metropolitan Authorities Pension Fund, a defined benefit scheme.

The assets of the funds are invested and managed independently of the finances of Optima Community Association. Employee contribution rates are fixed and the employer's contribution rate is assessed in accordance with the advice of an independent and professionally qualified actuary.

West Midlands Metropolitan Authorities Pension Fund

Optima Community Association is able to estimate its share of the underlying assets and liabilities of the West Midlands Metropolitan Authorities Pension Fund. The pension contributions for Optima during the year to 31 March 2013 amounted to £0.3m (2012: £0.3m). A full actuarial valuation of the Fund was carried out at 31 March 2010 by a qualified independent actuary the major assumptions used by the actuary were (in nominal terms)

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

7. PENSION COSTS (Continued)

West Midlands Metropolitan Authorities Pension Fund (Continued)

	2013 £'000	2012 £'000
Amounts recognised in the balance sheet		
Present value of funded obligations	(11,498)	(9,833)
Fair value of plan assets	8,342	7,190
Net amounts recognised as liabilities	(3,156)	(2,643)
Components of pension cost		
Current service cost	192	202
Interest cost	499	494
Expected return on plan assets	(454)	(467)
Past service cost	-	-
Total pension cost recognised in the I&E account	237	229
Actuarial (loss)/gain immediately recognised	(591)	(555)
Total pension cost recognised in the Statement of Total Recognised Surpluses and Deficits	(591)	(555)
Actual return on plan assets	900	186
Change in benefit obligation		
Benefit obligation at beginning of year	9,833	8,885
Current service cost	192	202
Interest cost	499	494
Member contributions	76	83
Past service costs	-	-
Actuarial losses/(gains)	1,037	274
Benefits paid	(139)	(105)
Benefit obligation at end of year	11,498	9,833
Change in plan assets		
Fair value of plan assets at beginning of year	7,190	6,756
Expected return on plan assets	454	467
Actuarial gains/(losses)	446	(281)
Employer contribution	315	270
Member contributions	76	83
Benefits paid	(139)	(105)
Fair value of plan assets at end of year	8,342	7,190

The weighted average asset allocation at the year-end were as follows:

Asset category	Expected rate of return	Plan assets at 31/3/13 £'000	Expected rate of return	Plan assets at 31/3/12 £'000
Equities/absolute return	7.00%	3,511	7.00%	4,932
Government Bonds	2.80%	751	3.50%	705
Other Bonds	3.90%	1,001	5.05%	561
Property/infrastructure	5.70%	751	6.40%	899
Cash/liquidity	0.50%	184	0.50%	93
Other	7.00%	2,144	7.00%	-
	5.85%	8,342	6.21%	7,190

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2013

7. PENSION COSTS (Continued)

West Midlands Metropolitan Authorities Pension Fund (Continued)

To develop the expected long-term rate of return on assets assumption, the employer considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the above assumptions

	2013	2012
Weighted average assumptions used to determine benefit obligations		
Discount rate	4.40%	5.05%
Rate of salary increase	4.15%	4.35%
Rate of pension increase	2.40%	2.60%
Inflation assumption (CPI)	2.40%	2.60%
Further life expectancies (in years) from age 65:		
Retiring today		
Males	22.1	21.9
Females	24.8	24.9
Retiring in 20 years		
Males	23.9	23.7
Females	26.7	26.9

	2013	2012
Weighted average assumptions used to determine net pension cost		
Discount rate	5.05%	5.50%
Expected long-term return on plan assets	6.21%	6.79%
Rate of salary increase	4.35%	4.75%
Rate of pension increase	2.60%	3.00%
Inflation assumption	2.60%	3.00%
Further life expectancies (in years) from age 65:		
Retiring today		
Males	21.9	21.3
Females	24.9	24.2
Retiring in 20 years		
Males	23.7	22.8
Females	26.9	25.8

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

7. PENSION COSTS (Continued)

West Midlands Metropolitan Authorities Pension Fund (Continued)

Five year history	Financial period ending				
	31/3/13	31/3/12	31/3/11	31/3/10	31/3/09
Benefit obligation at end of year (£'000)	(11,498)	(9,833)	(8,885)	(10,255)	(6,462)
Fair value of plan assets at end of year (£'000)	8,342	7,190	6,755	6,278	4,595
(Deficit)	(3,156)	(2,643)	(2,130)	(3,977)	(1,867)
Difference between expected and actual return on scheme assets					
Amount (£'000)	446	(281)	(165)	1,165	(1,427)
Percentage of scheme assets.	5.3%	(3.9%)	(2.4%)	18.6%	(31.1%)
Experience gains and (losses) on scheme liabilities:					
Amount (£'000)	-	-	1,216	-	-
Percentage of scheme liabilities	0.0%	0.0%	13.7%	0.0%	0.0%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	(591)	(555)	2,061	(1,975)	599
Percentage of scheme liabilities	(5.1%)	(5.6%)	23.2%	(19.3%)	9.3%
Contributions					
The employer expects to make contributions in the year to 31 March 2014 of £266k.					

8. DEFICIT ON SALE OF FIXED ASSETS

	2013 £'000	2012 £'000
Sale of Housing Properties		
Proceeds from disposal	-	74
Net Book Value of disposals	-	(63)
Other costs	-	(69)
Deficit on Sale of Housing Properties	-	(58)
Sale of Land and Other Assets		
Proceeds from disposal	-	87
Other costs	-	(69)
Surplus on Sale of Land and Other Assets	-	18
Deficit on Sale of Fixed Assets	-	(40)

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2013

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2013 £'000	2012 £'000
Interest receivable on unlisted investments	3	7

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
Bank Loans		
Repayable by instalments		
wholly or partly in more than 5 years	2,637	2,753
Interest payable capitalised on housing properties under construction	-	(51)
	2,637	2,702
Capitalisation rate used to determine finance costs capitalised	-	4.26%

11. TAXATION

Optima Community Association is a registered charity, and therefore assessable profits on its charitable activities are not subject to UK Corporation Tax.

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2013

12. HOUSING PROPERTIES

	Housing properties held for letting	Housing properties under construction	Completed shared ownership properties	Total
	£'000	£'000	£'000	£'000
COST				
At 1 April 2012	129,756	-	8,271	138,027
Additions - works to existing properties	-	668	-	668
Additions - new developments	-	129	-	129
Transfer: works completed	668	(668)	-	-
Transfer: to current assets	-	-	(509)	(509)
At 31 March 2013	130,424	129	7,762	138,315
SOCIAL HOUSING GRANT				
At 1 April 2012	61,095	-	2,277	63,372
RCGF/DPF transfer	-	82	-	82
At 31 March 2013	61,095	82	2,277	63,454
DEPRECIATION				
At 1 April 2012	9,141	-	20	9,161
Charge for the period	1,379	-	-	1,379
At 31 March 2013	10,520	-	20	10,540
NET BOOK VALUE				
At 31 March 2013	58,809	47	5,465	64,321
At 31 March 2012	59,520	-	5,974	65,494

Total expenditure on works to existing properties.

	2013 £'000	2012 £'000
Amounts capitalised:		
Replacement components	668	429
Amounts charged to Income and Expenditure account	63	173
	731	602

No interest or administration costs have been capitalised in 2012/13 (2012: £51k). There are no long leasehold buildings included within the net book value.

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2013

13 OTHER TANGIBLE FIXED ASSETS

GROUP	Land and Buildings £'000	Computer Equipment £'000	Furniture & Fixtures £'000	Total £'000
COST				
At 1 April 2012	2,396	90	4	2,490
Additions	-	-	-	-
Disposals	-	(23)	-	(23)
At 31 March 2013	2,396	67	4	2,467
DEPRECIATION				
At 1 April 2012	140	43	1	184
Charge for the Year	25	20	1	46
Disposals	-	(23)	-	(23)
At 31 March 2013	165	40	2	207
NET BOOK VALUE				
At 31 March 2013	2,231	27	2	2,260
At 31 March 2012	2,256	47	3	2,306

14. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries which were held by the Association comprise investments in the following subsidiary, which is registered in England and Wales.

	2013 £	2012 £
Attwood Green Estate Services Limited (AGES)	100	100

AGES began trading in the year to 31 March 2005. In the year to 31 March 2013 it had a turnover of £109,154 (2012: £110,320). Optima Community Association owed £2,433 to AGES as at 31 March 2013 (2012: AGES owed Optima £11,412). The £2,433 is shown under creditors - accruals and deferred income.

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

15. STOCK OF HOUSING FOR SALE

	2013 £'000	2012 £'000
At 1 April 2012	335	635
Costs transferred in	519	1,299
Re-classified as fixed assets	-	-
Costs transferred out on sale	(854)	(1,599)
At 31 March 2013	-	335

16. DEBTORS

	2013 £'000	2012 £'000
Amounts Receivable within one year		
Rental debtors	1,095	960
Less. Provision for bad debts	(648)	(440)
	447	520
Other debtors and prepayments	179	236
	626	756

The figure for rental debtors includes Housing Benefit due and payable of £494,116 (2012: £352,034).

Former tenant rent arrears of £330k (2012: £288k) are fully provided for and are therefore not included within the rental debtors or provision balances above.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Trade creditors	230	446
Rents received in advance	85	79
Amounts due to parent	101	-
Amounts due to fellow Group undertakings	14	-
Other taxes and social security costs	89	-
Accruals and deferred income	1,314	1,320
	1,833	1,845

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2013

18. HOUSING LOAN

	2013 £'000	2012 £'000
Nationwide Loans	57,000	57,000
	57,000	57,000
Debt analysis.		
	2013 £'000	2012 £'000
Due after 5 years	57,000	57,000
	57,000	57,000
Loan issue costs	(214)	(224)
	56,786	56,776

Bank loans are secured by fixed charges on individual properties and by a floating charge over the assets of the Association

£45m of bank loans are at fixed rates of interest ranging from 3.81% to 5.26% excluding margins.

At 31 March 2013, the Association had undrawn loan facilities of £9m (2012: £9m) Final repayment of all loans is due by 31 March 2035.

19. RECYCLED CAPITAL GRANT FUND

	2013 £'000	2012 £'000
Opening balance at 1 April 2012	82	51
Net sale proceeds recycled	(82)	30
Interest accrued	-	1
Closing balance at 31 March 2013	-	82

The amount taken out of the fund relates to the development of four properties in Tylney Close, on the Benmore Estate. The total scheme costs will be £750k with completion in July 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

20. RECONCILIATION OF MOVEMENT IN ASSOCIATION'S SURPLUS

	I&E Reserves £'000	Designated Reserve £'000	Total Reserves £'000
At 31 March 2011	10,158	23	10,181
Deficit for the Financial Year	(1,308)	-	(1,308)
Actuarial loss on pension scheme deficit	(555)	-	(555)
Transfer between Reserves	(16)	16	-
At 31 March 2012	8,279	39	8,318
Deficit for the Financial Year	(223)	-	(223)
Actuarial loss on pension scheme deficit	(591)	-	(591)
Transfer between Reserves	(16)	16	-
At 31 March 2013	7,449	55	7,504

Designated reserves represent amounts contributed by purchasers of shared ownership flats in relation to the programmed replacement of structural elements. The reserves will be applied to the replacement of the components as and when they reach the end of their useful economic lives.

21. COMMITMENTS

(a) Capital Commitments

	2013 £'000	2012 £'000
Capital Expenditure, which has been contracted for but has not been provided for in the financial statements	2,708	-
Capital Expenditure, which has been authorised under authority from the Board but has yet to be contracted for	1,634	-

Of the contracted amount, £412k relates to a new development scheme of four properties in Tylney Close and £750k relates to the purchase of 12 properties from Waterloo Housing Group. In addition £1 546m has been contracted in respect of the 2013/14 planned maintenance programme. The purchases are funded by a combination of rental income, borrowings and Social Housing Grant from the Homes & Communities Agency and the planned maintenance programme is funded by rental income.

The £1.634m reflects the amount included within the 2013/14 planned maintenance programme which has not already been contracted.

These disclosures were not included within the 2012 financial statements.

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2013

21 COMMITMENTS (Continued)

(b) Operating leases

	2013 £'000	2012 £'000
Operating leases which expire:		
Within one year	13	2
In the second to fifth years inclusive	21	3
Over five years	-	-
	34	5

22 CONTINGENT ITEMS

The Association has identified deterioration in the render applied to the three high rise blocks of flats on the Benmore estate. We are undertaking an exercise to establish whether the Association or the contractor is liable to rectify the deterioration. It has not yet been possible to quantify the liability. There were no contingent items at 31 March 2012

23. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013 £'000	2012 £'000
Operating Surplus	2,448	1,454
Adjustment for FRS 17	(123)	(68)
Depreciation charges	1,425	1,434
Gift Aid	8	-
Decrease in Debtors	122	1,195
Decrease in Properties for sale	843	1,503
Decrease in Creditors	(240)	(537)
Net Cash Inflow from Operating Activities	4,483	4,981

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2013 £'000	2012 £'000
(Decrease)/Increase in Cash in the Year	(43)	173
Increase in liquid resources	1,340	383
Loans Repaid	2	2,002
Change in Net Debt	1,299	2,558

Liquid resources are those money market investments that can be readily converted into cash.

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2013

25. ANALYSIS OF CHANGES IN NET DEBT

	At Beginning of the Year £'000	Cash Flows £'000	At End of the Year £'000
Cash at Bank and in Hand	587	1,340	1,927
Liquid resources	190	(43)	147
Housing Loans Due After One Year	(57,000)	0	(57,000)
Carbon Trust Loan	(4)	2	(2)
	(56,227)	1,299	(54,928)

26. ACCOMMODATION IN MANAGEMENT

	2013 Homes	2012 Homes
Owned by Optima Community Association		
Housing Accommodation - general needs	1,877	1,877
Designated supported housing for older people	70	70
Shared ownership	85	85
Number owned at 31 March	2,032	2,032

27 RELATED PARTY DISCLOSURES

(a) Ultimate parent

The ultimate parent of Optima Community Association is WM Housing Group Limited, an Industrial and Provident Society, registered in England and Wales. Optima Community Association has taken advantage of the exemption contained in FRS8 - "Related Party Disclosure", and has therefore not disclosed transactions or balances with entities which are wholly owned members of the Group other than those which are not Registered Providers

(b) Subsidiary organisations

Disclosures relating to subsidiary organisations of Optima Community Association are contained within Note 14.

(c) Related party transactions

Since 1 April 2012, a number of transactions have taken place between Optima Community Association, Whitefriars Housing Group, West Mercia Homes and WM Housing Group Limited, all Registered Providers. They include the recharging of salary costs and management fee income for properties managed by Optima on behalf of other Group members.