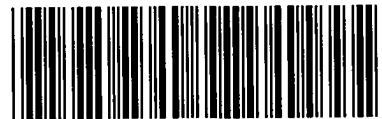


OPTIMA COMMUNITY ASSOCIATION

Report and Financial Statements

**For the year ended
31 March 2014**

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COMPANIES HOUSE

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
Colin Brown (appointed 17 March 2014)
Eileen Bailey (resigned 17 March 2014)
Paul Broadhurst
Tricia Gbinigie (appointed 13 May 2013)
Robert Pagett (resigned 3 May 2013)
Jane Sargeant
Colin Williams

Independent Directors

Hardeep Bhermi
Margaret Coward
Helen George (resigned 17 March 2014)
David Guy (resigned 30 July 2013)
Paul Raymer (resigned 17 March 2014)
Kindy Sandhu (appointed 25 November 2013)
Danielle Oum (appointed 1 April 2014)
Michael Sullivan (appointed 1 April 2014)
Peter Taylor (Chair)

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	Executive Director Whitefriars and Property Investment
Denise Shuker	Executive Director West Mercia Homes, Optima, Family & Housing Strategy
Kevin Willetts	Executive Director Development

Statutory auditor	Internal auditor	Principal bankers	Principal solicitors
Mazars LLP 45 Church Street Birmingham B3 2RT	BDO LLP 125 Colmore Row Birmingham B3 3SD	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

OPTIMA COMMUNITY ASSOCIATION

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 2014 owned 2,044 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, West Mercia Homes and Family Housing Association (Birmingham) Limited - the Group will begin April 2014 with around 30,000 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.

On 1 April 2014, Family Housing Association (Birmingham) Limited (FHA) and its subsidiary, Cornerstone Commercial Services Limited, joined the WM Housing Group. FHA operates primarily in Birmingham and other areas of the West Midlands, and will complement the Group's existing housing offer and services provided by Optima Community Association in those geographical areas. The results of FHA and Cornerstone Commercial Services are not included in the consolidated figures for the years ended 31 March 2013 and 2014.

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*
 - *Acting with integrity*
 - *Valuing people*
 - *Delivering creative solutions*

In contributing to creating places where people are proud to live, the 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. In addition to the grant for new homes, the Group was also successful in securing £2.1m of the HCA's Homelessness Change Programme funding to transform homeless accommodation provision within Coventry. Grant funding levels have reduced significantly in recent years and now contribute an average of only 15% of the capital cost of new homes. The new funding model for new development requires a much greater contribution from the Group's own resources delivered through the reinvestment of our surpluses and higher levels of debt which brings new risks. Our close monitoring of the programme over the last three years has been critical to understanding how the model is working and has influenced our approach to the HCA's 2015-18 Programme. We have submitted a bid for grant funding and await the outcome of our submission.

OPERATING AND FINANCIAL REVIEW (Continued)

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 next Regulatory Judgement is due in the Autumn of 2014.

In October 2013, the HCA published its 2013 Financial Viability Judgment of the Group. The Group's 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 judgement represents the best judgment available to registered providers and is unchanged from the grading of the previous Viability Report published in December 2012.

Our business strategy for the next 5 years

In June 2014 we adopted a new business strategy for the next five years. This establishes six key objectives for the Group and a number of success measures and projects to help us achieve our aims. Each of these will help us improve our financial performance whilst protecting and enhancing our asset base.

The six key objectives for the Group are:

- ***Strengthening our governance and corporate configuration***
It is important for our Group that we retain our federal structure as it offers the flexibility to create business efficiencies whilst maintaining local delivery flexibility. Our federal structure has been a significant factor in attracting others to join the Group. By focusing on our governance arrangements and corporate configuration we can ensure clarity of roles across the Group and ensure decisions are taken at the right level to deliver our corporate aims.
- ***Delivering excellent customer services***
We recognise that our customers' needs will change over the next few years. Through the use of business intelligence we will be better able to predict, understand and respond to these changes. This will allow us to deliver the right products and services to our customers now and into the future.
- ***Maintaining and investing in our assets***
Our approach to investment must be based on good stock condition and income and expenditure information. Our aim is to ensure we deliver a good financial and social return on the money we spend on our homes and estates.
- ***Growing the number of homes we provide and diversifying our services***
The shortage of decent affordable housing continues to be a national problem. We recognise that we are a leading developer of new and affordable homes across the West Midlands and we want to continue to offer new opportunities for people to live in high-quality and affordable homes in areas where there is demand.

OPERATING AND FINANCIAL REVIEW (Continued)

Our business strategy for the next 5 years (Continued)

- ***Enhancing our financial strength***

Managing our financial resources enables us to be more efficient and generate a healthy 'profit for purpose' which we can reinvest into our homes and communities. Maintaining our credit rating enables us to approach the markets for additional funding if we feel it is necessary to deliver key projects.

- ***Developing awareness of our work amongst our people and partners***

To attract and retain the highly-skilled and motivated people a modern business needs we must continue to invest in training, developing and rewarding our staff whilst ensuring their work focuses on achieving our corporate aims. We work with many hundreds of partners, contractors and suppliers. In many cases these relationships deliver benefits to the businesses concerned but also the communities we work in. This means it is important for us to make sure those with whom we work understand our business and objectives and work positively with us to help achieve them.

Our business strategy acts as a guide for all our activities although it does not attempt to cover every aspect of our operations in detail. Instead it provide a clear linkage that runs from the work of an individual member of staff through to decisions to raise funds on the financial markets.

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. During the year the Group's strategic risk map has been formally reviewed twice by the Board and detailed operational risk maps have been reviewed by the Group's Audit & Risk Committee at each of its meetings.

The risk management framework has recently been revised to strengthen the ownership and management of risk at individual legal entity level.

Our approach to risk management was the subject of an internal audit review during the year, and the level of assurance was assessed as being 'Substantial' in respect of both design and operational effectiveness.

The following table summarises the key strategic risks and actions that are being taken to mitigate these risks.

OPERATING AND FINANCIAL REVIEW (Continued)

Risks facing the Group (Continued)

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 - particularly the introduction of Universal Credit (risk of collecting less rent) • Changes to Right to Buy legislation (risk of reducing the Group's asset base) • Changes to the rent regime • 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>Known changes, such as the change to the rent regime, have been incorporated into the group's financial plans.</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>
<p>Risk of not delivering business case/integration plan and benefits to customers With Family Housing Association (Birmingham) Limited joining the group on 1 April 2014, there is a risk that unless the integration plan is carefully managed and monitored the targets, which include the benefits to customers, will not be achieved.</p>	<p>An integration implementation team comprising of senior managers from across the group meets monthly to review progress against the plan. In addition, progress is reported regularly to the joint Family/Optima Board at their quarterly meetings.</p>

OPERATING AND FINANCIAL REVIEW (Continued)

Risks facing the Group (Continued)

<p>Risk of policy / government change being made which is at odds with current objectives and priorities</p> <p>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 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 & Community 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

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	2013/14	2012/13	2011/12	2010/11	2009/10
Rent collected as % of rent due	100.38%	99.1%	98.9%	97.7%	96.8%
Average re-let times for dwellings (weeks)	2.3	2.1	2.0	1.7	1.7
% Dwellings vacant and available/unavailable for letting	0.4%	0.6%	0.5%	0.4%	0.4%
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 2013/14. We acknowledge that rent collection will become increasingly challenging when the changes arising from Welfare Reform continue to impact on Optima and the WM Housing Group in 2014.

2,000 customers across the WM Housing Group were affected by cuts to Housing Benefit due to under occupation charges (the Bedroom Tax) and we have made efforts to contact each customer to give advice and support. Across the group, we have also made personal contact with over 100 customers who have been affected by the Benefit Cap and are now looking ahead to further changes the Government have planned, focussing on supporting our customers through the introduction of Universal Credit. Working closely with our customers has helped to contain the impact of Welfare Reform during 2013/14 and our financial performance has been better than we had predicted in this area, although we have seen a significant rise in tenancy terminations as a direct result of the changes.

We have 430 customers involved in formal structures, such as Boards, Customer Panels and Resident Associations. 1,010 customers have been involved in community projects. 47 customers have been involved in one-off events or meetings. We have received 3,154 responses to customer surveys.

Communicating with our customers is key to our success, and as we continue to develop our use of social media the last year has seen 370 updates posted on our group Facebook pages, generating an average of 50 views per week. We also now have 3,075 followers on our group Twitter accounts.

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 2013/14 has been in line with, or better than target.

Performance indicator	2013/14 target	2013/14 actual
% emergency repairs completed on time	99.6%	99.86%
Average number of days to complete a repair	10	7
Gas servicing completed within target	100%	100%

OPTIMA COMMUNITY ASSOCIATION

OPERATING AND FINANCIAL REVIEW (Continued)

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	2013/14	2012/13	2011/12	2010/11	2009/10
Net operating cashflow to total interest:					
Covenant to exceed:	0.72	0.56	0.46	0.49	1.55
Year end covenant:	1.24	1.50	1.35	1.24	2.31

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

Value for Money (VfM)

As a Group we have achieved value for money savings of £5 million in the last year from improved procurement, use of external funds and utilising our skills and experience to generate income from the commercial market.

Details of these and our comparative performance on key financial and operational measures are described in our Group accounts along with our future plans for further improvements.

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 2013/14 for Optima are shown in the tables below:

Summary Income and Expenditure Account	2013/14 £m	2012/13 £m	2011/12 £m	2010/11 £m	2009/10 £m
Turnover	13.8	14.0	11.5	9.9	9.9
Operating Surplus	3.3	2.4	1.4	2.0	0.1
Surplus on Sale of Fixed Assets	-	-	-	-	0.1
Net Interest Payable	(2.6)	(2.6)	(2.7)	(2.3)	(2.2)
Pension finance costs	-	-	-	(0.2)	(0.2)
Gift Aid	-	-	-	-	-
Taxation	-	-	-	-	-
Surplus / (Deficit) for the year	0.7	(0.2)	(1.3)	(0.5)	(2.2)

With the April 2013 rent increase being based on the September 2012 RPI of 2.6%, rental income increased in 2013/14. The reduction in turnover compared to 2012/13 is a combination of reduced service charge income (with a corresponding reduction in service cost expenditure) and lower first tranche sales proceeds. The improved operating margin (24% in 2013/14 compared to 17% in 2012/13) is a result of overall social housing lettings expenditure being held at 2012/13 levels and reduction in operating costs in relation to first tranche property sales.

OPTIMA COMMUNITY ASSOCIATION

OPERATING AND FINANCIAL REVIEW (Continued)

Summary Balance Sheet	2013/14 £m	2012/13 £m	2011/12 £m	2010/11 £m	2009/10 £m
Total fixed assets	67.4	66.6	67.8	70.6	63.4
Net current assets	0.9	0.8	-	0.8	3.2
Loans and other long term creditors	(56.9)	(56.8)	(56.9)	(59.1)	(54.0)
Liability for final salary pension scheme	(2.5)	(3.1)	(2.6)	(2.1)	(4.0)
Reserves	8.9	7.5	8.3	10.3	8.6

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	2014 £'000	2013 £'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 Years	11.9 years
Weighted average interest rate	4.50%	4.72%

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.

OPERATING AND FINANCIAL REVIEW (Continued)

Cash flow and liquidity

The cash flow statement is shown on page 20. 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. Optima's 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.



Margaret Coward
Board Member



Pat Brandum
Group Chief Executive

Optima Community Association
14 July 2014

OPTIMA COMMUNITY ASSOCIATION

HOUSING ASSOCIATION GOVERNANCE

NHF Excellence in Governance

Optima Community Association (Optima) has adopted and complies with the National Housing Federation's Excellence in Governance - Code for Members, 2010, other than in respect of two exceptions:

- The size of the Board. The Code recommends that the maximum size of the Board should be twelve. Family Housing Association (Birmingham) Limited (Family) joined WM Housing Group in April 2014 and since joining the Group, Optima has operated a co terminus Board with Family. The co terminus Board accommodates the recent joining of Family and consists of 6 elected tenants, reflecting the desire for a high degree of tenant involvement and participation and places for seven independent members which is considered necessary and in the best interests of the organisations to maintain an appropriate balance between the constituent members. The composition and size of the co terminus Board will be further reviewed in 2016, as part of the implementation of the integration of Family into the Group
- The maximum term of office. The Code recommends that the maximum term of office should be 9 years. Given the recent joining of Family and the formation of the co terminus Board, it has been agreed that extending the Chair of the Board's term of office beyond his 9 year term to September 2015 is in the best interests of the organisations to enable the Chair to oversee the smooth implementation of the integration of Family into the Group and lead the co terminus Board.

The Board delegates certain governance responsibilities to Group Committees, which have their own Terms of Reference. The Group's Committees during the period were:

- Audit and Risk Management Committee
- Finance and Development Committee
- HR Committee
- Chairs Committee

Day to day management is delegated to an experienced Executive Team to ensure:

- adherence to 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.

Board

The Board members of the Association during the year to 31 March 2014 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.

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”)

One matter was referred to IHOS during the period which has yet to be concluded. (2013 - nil).

Internal controls assurance

The Board acknowledges its ultimate responsibility for ensuring that the Association 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 the Group is exposed and has been in place throughout the period commencing 1 April 2013 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
- Clear policies in place for both employees and Board Members covering key risk areas (e.g. Probity Policy, Conduct Becoming Policy, Anti-Fraud Policy, Anti-Bribery Policy and a Confidential Reporting (Whistleblowing) Policy).

BDO LLP were appointed as internal auditors for the Group and have delivered the 2013/14 internal audit programme. The BDO Internal Audit approach complies with best professional practice, in particular, Government Internal Audit Standards and the Chartered Institute of Internal Auditors’ Position Statement on Risk Based Internal Auditing.

Internal Audit provides an independent and objective assurance and consulting activity that is designed to add value to the Group’s operations. It helps the Group to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

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 Group's Audit & Risk Management Committee.

The 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 Group's Audit & Risk Management Committee makes an annual report to the Board. The Board has received this report.

The Association has in place policies to ensure that every incident recorded on the fraud register is reported in detail to the 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 2013/14 and up to the date of signing the accounts, there have been no incidents recorded in the fraud register.

The Board confirms that there is an ongoing process for identifying and managing significant risks faced by the Group. 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



Margaret Coward - Board Member
Optima Community Association
14 July 2014

REPORT OF THE BOARD

The Board present their report and audited financial statements for the year ended 31 March 2014.

The Association

The Association is a not-for-profit organisation that operates primarily in Birmingham. These accounts cover the year ended 31 March 2014. As at 31 March 2014, Optima owned a number of residential schemes providing 2,044 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 2-10.

Board Members and Executive Officers

The present Board Members and Executive Officers of the Group are set out on page 1. 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

A key 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 is dependant on the contribution of employees throughout the Group. We are committed to equality and diversity in the workplace and demonstrates this commitment in all aspects of employment, including recruitment, career development, learning & development, career progression and welfare.

The Group's Learning & Development Strategy defines and promotes the philosophy and practice of continuous development for all staff, aligned to the delivery of defined business objectives. This is supported by an extensive Learning & Development programme, which enables staff to make the best possible contribution to the objectives of the organisation, whilst achieving their own potential at work.

Employee Excellence Awards recognise the excellent contribution to the Group of individual employees over the year. They focus on employees at all levels who have demonstrated excellence within one or more of our four key Values.

The Group's Reward Strategy ensures employees are appropriately rewarded, within the context of the market place. WM Housing Group operates a performance review system, which measures what employees do and also how they do it, through individual job specific targets and corporate competencies.

REPORT OF THE BOARD (Continued)

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.

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).

Statements as to disclosure of information to Auditor

The Board members who held office at the date of approval of this Report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware, and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Annual General Meeting

The Annual General Meeting will be held on 15 September 2014.

Auditor

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

The report of the Board was approved on 14 July 2014 and signed on its behalf by:



Jane Sargeant
Board Member

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 2014 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 2014 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.

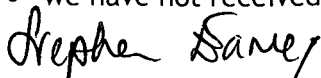
Opinion on the other matter prescribed by the Companies Act 2006

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.



Stephen Eames (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

45 Church Street
Birmingham, B3 2RT

22 July 2014

OPTIMA COMMUNITY ASSOCIATION

INCOME AND EXPENDITURE ACCOUNT
For the Year Ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Turnover	2	13,753	13,984
Operating Costs	2	<u>(10,486)</u>	<u>(11,536)</u>
Operating Surplus	5	3,267	2,448
Deficit on Sale of Fixed Assets	8	(24)	-
Interest Receivable and Similar Income	9	6	3
Interest Payable and Similar Charges	10	(2,626)	(2,637)
Pension Finance Costs	7	(16)	(45)
Gift Aid from Parent		130	8
Surplus/(Deficit) on Ordinary Activities before Taxation		<u>737</u>	<u>(223)</u>
Taxation	11	<u>-</u>	<u>-</u>
Surplus/(Deficit) for the Financial Year	19	<u>737</u>	<u>(223)</u>

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 2014

	Notes	2014 £'000	2013 £'000
Tangible Fixed Assets			
Housing Properties	12	140,535	138,315
Less: Social Housing Grant	12	(63,447)	(63,454)
Depreciation	12	(11,948)	(10,540)
		<u>65,140</u>	<u>64,321</u>
Other Tangible Fixed Assets	13	<u>2,218</u>	<u>2,260</u>
		<u>67,358</u>	<u>66,581</u>
Current Assets			
Debtors	15	2,236	626
Short Term Investments		1,379	1,927
Cash at Bank		208	147
		<u>3,823</u>	<u>2,700</u>
Creditors: Amounts falling due within one year	16	<u>(2,886)</u>	<u>(1,833)</u>
NET CURRENT ASSETS		<u>937</u>	<u>867</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>68,295</u>	<u>67,448</u>
Creditors: Amounts falling due after more than one year:			
Housing Loan	17	56,793	56,786
Other Creditors		-	2
Recycled Capital Grant Fund	18	121	-
		<u>56,914</u>	<u>56,788</u>
Pension Liability	7	<u>2,500</u>	<u>3,156</u>
Capital and Reserves			
Designated Reserve	19	71	55
General Reserves	19	8,810	7,449
ASSOCIATION'S SURPLUS		<u>8,881</u>	<u>7,504</u>
		<u>68,295</u>	<u>67,448</u>

The financial statements on pages 17 to 40 were approved by the Board on 14 July 2014 and signed on its behalf by:



Margaret Coward
Board Member



Jane Sargeant
Board Member

OPTIMA COMMUNITY ASSOCIATION

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS FOR YEAR ENDED 31 MARCH 2014

	Notes	2014 £'000	2013 £'000
Surplus/(Deficit) for the Financial Year		737	(223)
Actuarial gain /(loss) recognised in Defined Benefit Pension Schemes	7	640	(591)
Total Recognised Surpluses and (Deficits) Relating to the Year		<u>1,377</u>	<u>(814)</u>

OPTIMA COMMUNITY ASSOCIATION

CASH FLOW STATEMENT

For the Year Ended 31 March 2014

	Notes	2014 £'000	2013 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	4,420	4,483
Returns on Investments and Servicing of Finance			
Interest Received		6	3
Interest Paid		(2,633)	(2,594)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(2,627)	(2,591)
Capital Expenditure and Financial Investment			
Purchase and Improvement of Housing Properties		(2,583)	(593)
Social Housing Grant Received		80	-
Purchase of Other Fixed Assets		-	-
Sale of Housing Properties		225	-
Disposal of Other Fixed Assets		-	-
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT ACTIVITIES		(2,278)	(593)
NET CASH (OUTFLOW) / INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(485)	1,299
Management of Liquid Resources and Financing			
<u>(i) Liquid Resources</u>			
Decrease / (Increase) in short term deposits		548	(1,340)
<u>(ii) Financing</u>			
Housing and other loans repaid		(2)	(2)
NET CASH INFLOW/(OUTFLOW) FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING		546	(1,342)
INCREASE / (DECREASE) IN CASH	24	61	(43)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

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 2014

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 2014

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
Solar PV Panels	25
Heating System	30
Lift	30
Kitchen	20
Bathroom	25
Windows	30
Boiler	15

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

1. ACCOUNTING POLICIES (Continued)

Housing property assets (Continued)

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.

Grants for capital expenditure are deducted from the cost of the fixed asset to which they relate. Grants received in advance of scheme commencement will be shown as a current liability. Social Housing Grant attached to a property that is sold during the year may be recycled on new property development subject to certain conditions. Otherwise, unless formally abated, any Social Housing Grant attached to a property that is sold may be repayable to the Homes & Communities Agency.

Property sales

Property sales arise from tenants exercising their Right to Buy or Right to Acquire. The surplus from the sale of such properties is disclosed in the Income and Expenditure Account as a separate figure and is excluded from turnover. For Right to Acquire sales, the surplus represents the difference between the sales proceeds and carrying value after deduction of the required contribution to the Disposal Proceeds Fund. Properties sold on shared ownership terms are treated as noted above.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

1. ACCOUNTING POLICIES (Continued)

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

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.

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 2014

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

	2014			2013		
	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)	13,175	(9,652)	3,523	12,954	(9,663)	3,291
Other social housing activities:						
Development administration	-	(86)	(86)	-	(350)	(350)
Current asset property sales	157	(142)	15	657	(854)	(197)
Community regeneration	-	(283)	(283)	-	(352)	(352)
Regeneration Grant Income	-	-	-	-	2	2
Charges for support services	74	(104)	(30)	80	(104)	(24)
Non-social housing activities:						
Leasehold accommodation	208	(177)	31	180	(192)	(12)
Garages and commercial	139	(42)	97	113	(23)	90
	13,753	(10,486)	3,267	13,984	(11,536)	2,448

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General Needs £'000	Shared Ownership £'000	Designated Supported Housing £'000	2014 Total £'000	2013 Total £'000
Rents receivable net of identifiable service charges	9,073	285	295	9,653	9,164
Service charge income	1,187	44	67	1,298	1,423
Net rental income	10,260	329	362	10,951	10,587
Other income	2,224	-	-	2,224	2,367
Turnover from social housing lettings	12,484	329	362	13,175	12,954
Management	(2,114)	(96)	(47)	(2,257)	(1,797)
Service charge costs	(1,149)	-	(20)	(1,169)	(1,314)
Routine maintenance	(2,713)	-	(66)	(2,779)	(3,514)
Planned maintenance	(1,623)	-	(15)	(1,638)	(1,253)
Major repairs expenditure	(257)	-	-	(257)	(63)
Bad debts	(144)	-	-	(144)	(343)
Depreciation on housing properties	(1,368)	-	(40)	(1,408)	(1,379)
Operating costs on social housing lettings	(9,368)	(96)	(188)	(9,652)	(9,663)
Operating surplus on social housing lettings	3,116	233	174	3,523	3,291
Voids included with in net rental income:					
Rental income	(43)	(24)	(2)	(69)	(63)
Service charge income	(3)	(3)	-	(6)	(6)
Total voids	(46)	(27)	(2)	(75)	(69)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

4. STAFF COSTS

	2014	2013
Full Time Equivalents	73	74
Full Time Equivalents split by remuneration bands of:		
£60,000 - £69,999	-	-
£70,000 - £79,999	-	-
£80,000 - £89,999	1	-
£90,000 - £99,999	1	1
£100,000 - £109,999	-	-
£110,000 - £119,999	-	1
£120,000 - £129,999	-	-
Staff Costs for the Above	£'000	£'000
Wages and Salaries	2,078	2,171
Social Security Costs	160	176
Other Pension Costs	375	303
	<u>2,613</u>	<u>2,650</u>

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

5. OPERATING SURPLUS

	2014 £'000	2013 £'000
Operating Surplus is stated after charging		
Depreciation:		
On Fixed Assets other than Housing Properties	42	46
On Housing Properties	1,408	1,379
Group Auditor's Remuneration (excluding VAT):		
In their Capacity as Auditors	-	9
In Respect of Other Services	-	-
Operating Lease Payments:		
Office equipment	14	13

The Group's audit fee is incurred and paid by the Group.

6. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

All executive directors fulfil Group roles and are employed directly by WM Housing Group, with appropriate disclosures within the Group accounts.

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2014

6. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (Continued)

Aggregate emoluments paid to or received by Directors who are not executive staff members including salaries, honoraria or other benefits: -

	2014 £'000	2013 £'000
Peter Taylor	8	8
Phillip Allkins	1	1
Eileen Bailey	1	-
Paul Broadhurst	1	-
Tricia Gbinigie	1	-
Jane Sargeant	1	-
Colin Williams	1	-
Hardeep Bhermi	1	1
Margaret Coward	1	1
Helen George	1	1
David Guy	-	1
Joy Gayle	-	1
Felix Kupay	-	1
Robert Pagett	-	1
Paul Rayner	1	1
Nasser Mugisha	-	1
Helen Southwell	-	1
Total	18	19

The Directors of the Group are defined as the Board of Management and Executive Officers as set out on page 1. Expenses paid to Board directors amounted to £3,863 (2013: £1,206). 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.

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2014

7. PENSION COSTS (Continued)

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 2014 amounted to £0.3m (2013: £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):

	2014 £'000	2013 £'000
Amounts recognised in the balance sheet		
Present value of funded obligations	(11,189)	(11,498)
Fair value of plan assets	8,689	8,342
Net amounts recognised as liabilities	(2,500)	(3,156)
Components of pension cost		
Current service cost	231	192
Interest cost	508	499
Expected return on plan assets	(492)	(454)
Past service cost	-	-
Total pension cost recognised in the I&E account	247	237
Actuarial gain / (losses) immediately recognised	640	(591)
Total pension cost recognised in the Statement of Total Recognised Surpluses and Deficits	640	(591)
Actual return on plan assets	253	900
Change in benefit obligation		
Benefit obligation at beginning of year	11,498	9,833
Current service cost	231	192
Interest cost	508	499
Member contributions	70	76
Past service costs	-	-
Actuarial (gains)/losses	(917)	1,037
Benefits paid	(201)	(139)
Benefit obligation at end of year	11,189	11,498
Change in plan assets		
Fair value of plan assets at beginning of year	8,342	7,190
Expected return on plan assets	492	454
Actuarial (losses)/gains	(277)	446
Employer contribution	263	315
Member contributions	70	76
Benefits paid	(201)	(139)
Fair value of plan assets at end of year	8,689	8,342

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

7. PENSION COSTS (Continued)

West Midlands Metropolitan Authorities Pension Fund (Continued)

The weighted average asset allocation at the year-end were as follows:				
Asset category	Expected rate of return	Plan assets at 31/3/14 £'000	Expected rate of return	Plan assets at 31/3/13 £'000
Equities/absolute return	7.00%	5,066	7.00%	3,511
Government Bonds	3.40%	712	2.80%	751
Other Bonds	4.30%	930	3.90%	1,001
Property/infrastructure	6.20%	782	5.70%	751
Cash/liquidity	0.50%	235	0.50%	184
Other	7.00%	964	7.00%	2,144
	5.98%	8,689	5.85%	8,342

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.

	2014	2013
Weighted average assumptions used to determine benefit obligations		
Discount rate	4.50%	4.40%
Rate of salary increase	4.15%	4.15%
Rate of pension increase	2.40%	2.40%
Inflation assumption (CPI)	2.40%	2.40%
Further life expectancies (in years) from age 65:		
Retiring today		
Males	22.9	22.1
Females	25.5	24.8
Retiring in 20 years		
Males	25.1	23.9
Females	27.8	26.7

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

7. PENSION COSTS (Continued)

West Midlands Metropolitan Authorities Pension Fund (Continued)

	2014	2013
Weighted average assumptions used to determine net pension cost		
Discount rate	4.40%	5.05%
Expected long-term return on plan assets	5.85%	6.21%
Rate of salary increase	4.15%	4.35%
Rate of pension increase	2.40%	2.60%
Inflation assumption	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

Five year history	Financial period ending				
	31/3/14	31/3/13	31/3/12	31/3/11	31/3/10
Benefit obligation at end of year (£'000)	(11,189)	(11,498)	(9,833)	(8,885)	(10,255)
Fair value of plan assets at end of year (£'000)	8,689	8,342	7,190	6,755	6,278
(Deficit)	(2,500)	(3,156)	(2,643)	(2,130)	(3,977)
Difference between expected and actual return on scheme assets:					
Amount (£'000)	(277)	446	(281)	(165)	1,165
Percentage of scheme assets:	(3.2%)	5.3%	(3.9%)	(2.4%)	18.6%
Experience gains on scheme liabilities:					
Amount (£'000)	316	-	-	1,216	-
Percentage of scheme liabilities	2.8%	0.0%	0.0%	13.7%	0.0%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	640	(591)	(555)	2,061	(1,975)
Percentage of scheme liabilities:	5.7%	(5.1%)	(5.6%)	23.2%	(19.3%)
Contributions					
The employer expects to make contributions in the year to 31 March 2015 of £309k.					

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2014

8. DEFICIT ON SALE OF FIXED ASSETS

	2014 £'000	2013 £'000
Sale of Housing Properties		
Proceeds from disposal	227	-
Net Book Value of disposals	(249)	-
Transfer to Disposal Proceeds Fund	-	-
Administration costs of disposal	(2)	-
	<hr/>	<hr/>
Deficit on Sale of Fixed Assets	(24)	-

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2014 £'000	2013 £'000
Interest receivable on unlisted investments	6	3

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £'000	2013 £'000
Bank Loans, overdrafts & other loans:		
Repayable by instalments wholly or partly in more than 5 years	2,626	2,637

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 2014

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 2013	130,424	129	7,762	138,315
Additions - works to existing properties	1,356	-	-	1,356
Additions - new developments	-	1,252	-	1,252
Transfer: works completed	1,381	(1,381)	-	-
Transfer: to current assets	-	-	(139)	(139)
Disposals	-	-	(249)	(249)
At 31 March 2014	133,161	-	7,374	140,535
SOCIAL HOUSING GRANT				
At 1 April 2013	61,095	82	2,277	63,454
Received during the year	-	114	-	114
RCGF/DPF transfer	-	-	(121)	(121)
Schemes completed	196	(196)	-	-
At 31 March 2014	61,291	-	2,156	63,447
DEPRECIATION				
At 1 April 2013	10,520	-	20	10,540
Charge for the period	1,408	-	-	1,408
Disposals	-	-	-	-
At 31 March 2014	11,928	-	20	11,948
NET BOOK VALUE				
At 31 March 2014	59,942	-	5,198	65,140
At 31 March 2013	58,809	47	5,465	64,321

Total expenditure on works to existing properties:

	2014 £'000	2013 £'000
Amounts capitalised:		
Replacement components	1,356	668
Amounts charged to Income and Expenditure account	257	63
	<u>1,613</u>	<u>731</u>

No interest or administration costs have been capitalised in 2013/14 (2013: £Nil). 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 2014

13. OTHER TANGIBLE FIXED ASSETS

	Land and Buildings £'000	Computer Equipment £'000	Furniture & Fixtures £'000	TOTAL £'000
COST				
At 1 April 2013	2,396	67	4	2,467
Additions	-	-	-	-
At 31 March 2014	2,396	67	4	2,467
DEPRECIATION				
At 1 April 2013	165	40	2	207
Charge for the year	25	16	1	42
At 31 March 2014	190	56	3	249
NET BOOK VALUE				
At 31 March 2014	2,206	11	1	2,218
At 31 March 2013	2,231	27	2	2,260

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.

	2014 £	2013 £
Attwood Green Estate Services Limited (AGES)	100	100

AGES began trading in the year to 31 March 2005. In the year to 31 March 2014 it had a turnover of £105,803 (2013: £109,021). Optima Community Association is owed £5,887 from AGES as at 31 March 2014 (2013: £2,433 owed to AGES). The £5,887 is shown under debtors - amounts due from subsidiary undertakings.

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2014

15. DEBTORS

	2014 £'000	2013 £'000
Amounts receivable within one year		
Rental debtors	1,258	1,095
Less: Provision for bad debts	(645)	(648)
	<u>613</u>	<u>447</u>
Social Housing Grant Receivable	34	-
Amounts due from Subsidiary Undertakings	6	2
Amounts due from Group Undertakings	1,255	-
Other debtors	<u>328</u>	<u>177</u>
	<u>2,236</u>	<u>626</u>

The figure for rental debtors includes Housing Benefit due and payable of £517,558 (2013: £494,116).

Former tenant rent arrears of £431k (2013: £330k) are fully provided for and are therefore not included within the rental debtors or provision balances above.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Trade creditors	66	230
Rents received in advance	121	85
Accruals and deferred income	1,494	1,314
Amounts due to parent	352	101
Amounts due to fellow Group undertakings	763	14
Other taxes and social security costs	<u>90</u>	<u>89</u>
	<u>2,886</u>	<u>1,833</u>

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2014

17. HOUSING LOAN

	Group & Association	
	2014 £'000	2013 £'000
Amounts repayable otherwise than by instalments:		
Repayable after five years	57,000	57,000
	<u>57,000</u>	<u>57,000</u>
Loan issue costs	(207)	(214)
	<u>56,793</u>	<u>56,786</u>

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 3.82% to 5.27% excluding margins.

At 31 March 2014, the Association had undrawn loan facilities of £9m (2013: £9m). Final repayment of all loans is due by 31 March 2035.

18. RECYCLED CAPITAL GRANT FUND

	2014 £'000	2013 £'000
Opening balance at 1 April 2013	-	82
Additions during the year	121	-
Withdrawals during the year	-	(82)
Notional interest accrued	-	-
	<u>121</u>	<u>-</u>
Closing balance at 31 March 2014		

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2014

19. RESERVES

	Designated Reserve £'000	Income & Expenditure Account £'000	Total £'000
At 31 March 2012	39	8,279	8,318
Transfer from Income & Expenditure account	16	(16)	-
Actuarial loss on pension scheme deficit	-	(591)	(591)
Deficit for the year	-	(223)	(223)
At 31 March 2013	55	7,449	7,504
Transfer from Income & Expenditure account	16	(16)	-
Actuarial gain on pension scheme deficit	-	640	640
Surplus for the year	-	737	737
At 31 March 2014	71	8,810	8,881

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.

20. COMMITMENTS

(a) Capital Commitments

	Association	
	2014 £'000	2013 £'000
Capital Expenditure, which has been contracted for but has not been provided for in the financial statements	2,433	2,708
Capital Expenditure, which has been authorised under authority from the Board but has yet to be contracted for	2,824	1,634

The programme maintenance budget for 2014-15 is £5.257m of which £2.433m has been contracted for.

The major works programme for the next five years amounts to a total of £9.2m, an element of which will be of a capital nature, the remainder being revenue. The major works programme is funded by rental income and borrowings.

OPTIMA COMMUNITY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2014

21. COMMITMENTS (Continued)

(b) Operating leases

	2014 £'000	2013 £'000
Operating leases which expire:		
Within one year	16	13
In the second to fifth years inclusive	19	21
Over five years	-	-

There are no operating lease commitments in respect of land and buildings.

22. CONTINGENT ITEMS

At 31 March 2013, the Association had identified deterioration in the render applied to the three high rise blocks of flats on the Benmore estate. Work is ongoing to establish whether the Association or the contractor is liable to rectify the deterioration. At this time it is not possible to quantify the liability.

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

	2014 £'000	2013 £'000
Operating Surplus	3,267	2,448
Adjustment for FRS 17	(32)	(123)
Gift aid from Parent	130	8
Depreciation charges for housing properties	1,408	1,379
Depreciation charges for other fixed assets	42	46
Decrease in properties held for resale	-	843
(Increase) / Decrease in Debtors	(724)	122
Increase/(Decrease) in Creditors	329	(240)
Net Cash Inflow from Operating Activities	4,420	4,483

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

	2014 £'000	2013 £'000
Increase / (Decrease) in Cash in the Year	61	(43)
Loans repaid	2	2
(Decrease) / Increase in liquid resources	(548)	1,340
Change in Net Debt	(485)	1,299

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 2014

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	1,927	(548)	1,379
Liquid resources	147	61	208
Housing Loans Due After One Year	(57,000)	-	(57,000)
Carbon Trust Loan	(2)	2	-
	(54,928)	(485)	(55,413)

26. ACCOMMODATION IN MANAGEMENT

	2014 Homes	2013 Homes
Owned by Optima Community Association		
Housing Accommodation - general needs	1,893	1,877
Designated supported housing for older people	70	70
Shared ownership	81	85
Number owned at 31 March	2,044	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 Financial Reporting Standard 8 - "Related Party Disclosures", 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 2013, 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.