Scottish Charity Number SC 023106

MANOR ESTATES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2011

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MANOR ESTATES HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

Registered Office:	11 Washington Lane EDINBURGH EH11 2HA
Management Committee:	David Lindsay (Chairman) William McBeath (Vice Chairman) Ian Johnston Margaret Fountain Elizabeth Curran Margaret Currie Bryan Fraser William Hardie Grant Nicol John McIntosh (resigned 30 March 2011) Alexander Motion
Director:	Lynn McDonald
Bankers:	Royal Bank of Scotland plc Santander Bank of Scotland
Solicitors:	Lindsays WS Stewart Watt & Co
Auditor:	Chiene + Tait Chartered Accountants and Statutory Auditor 61 Dublin Street Edinburgh EH3 6NL
Industrial & Provident Society:	2484R(S)
Registered with the Scottish Housing Regulator:	HEP 284
Scottish Charity Number:	SC 023106

MANOR ESTATES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

The members of the Management Committee have pleasure in presenting their report on the Association's affairs for the year ended 31 March 2011

Membership of Management Committee

Members of the Management Committee during the year and to the date of this report were:-

David Lindsay (Chairman)
William McBeath (Vice Chairman)
Ian Johnston (resigned as secretary in September 2010)
Margaret Fountain
Elizabeth Curran
Margaret Currie
Bryan Fraser
William Hardie
Grant Nicol
John McIntosh (resigned 30 March 2011)
Alexander Motion (appointed as secretary in September 2010)

Business review

Introduction

On the basis of our review of the current position and future forecasts the Management Committee believe it is appropriate to prepare the financial statements for Manor Estates Housing Association Ltd (the Association) on a going concern basis. No foreseeable, material uncertainties that cast significant doubt about the ability of the Association to continue as a going concern have been identified by the governance body, the Management Committee.

The Management Committee is confident that we have sufficient reserves and income to cover the costs of the Association's business over future years and to carry out our long term planned maintenance programme.

The Association's main source of income is the rent paid by tenants. In this economic climate there is a greater risk that the Association's success in collecting rents may reduce. The Association continues to maximise its rental income by maintaining good performance in managing the level of rent arrears and rent lost on empty houses.

The Management Committee receives reports on key performance indicators at every meeting. In addition, we carry out a six monthly budget review. This allows the Management Committee to ensure effective oversight of the Association's finances and to quickly introduce appropriate action should this prove necessary.

Business Activities

2010/11 was Manor Estates Housing Association's 16th year in operation. During the year the Association continued its major programme of expenditure on managing and maintaining its houses. In 2010/11 the Association again increased its housing stock through Mortgage to Rent purchases and benefited from the earlier review of its loan arrangements. The Association's subsidiary company, Manor Estates Associates Limited (MEA Limited) continued trading, undertaking a range of activities.

The Association spends significant sums each year maintaining and improving its properties. We have plans in place to meet the requirements set out in the Scottish Housing Quality Standard by 2015 and to carry out the necessary maintenance and component replacement work identified in the stock condition survey carried out during the current year.

In order to ensure the Association has sufficient resources available in the short term, we agreed with our lender in 2007 to defer loan repayments until March 2012. In March 2010, the fixed interest rate on one of the Association's loans expired. The Management Committee decided to move this loan to a variable rate, with an interest rate cap, in order to benefit from the current low level of interest rates. This situation will be kept under review over the coming years.

Business Activities (Contd.)

During 2010/11 no properties were sold through the Right to Buy (compared to two in each of the previous two years). We anticipate that the level of RTB sales will not change significantly in future as the number of tenants who retain RTB reduces year by year.

The Association has participated in the Mortgage to Rent scheme run by The Scottish Government since it was introduced in 2003. The scheme is designed to prevent homelessness by enabling home owners in financial difficulties to sell their home to the Association and become tenants. In 2010/11 we acquired a further 11 Mortgage to Rent properties. This brings the total number of such properties acquired to 55 and we are committed to continuing to participate in the scheme.

The Association provides factoring services to around 1700 home owners, principally in estates where we have an interest as a landlord. Recovering the costs of the factoring service is a significant area of work for the Association and we take all practical steps to ensure the effective management of debt, including taking legal action where necessary.

For a number of years we have been providing agency services (Finance and Technical services) to other Housing Associations. In 2008/09 we transferred responsibility for this area of activity to our subsidiary company, MEA Ltd, and have implemented effective systems to ensure it recovers the full cost of service provision.

The Association is committed to providing excellent services and continues to receive positive feedback from customers on the quality of services provided. In an independent survey carried out in late 2010, 92% of tenants stated they were satisfied with the Association as a landlord.

For a number of years the Association has been in discussions with the Scottish Government about the treatment of receipts from Right to Buy sales. The stock transfer contract signed in 1995 set out a requirement for receipts above an agreed level to be paid to Scottish Homes with provisions for circumstances in which no payment would be due. The Association and the Scottish Government have reached agreement for the transfer contract to be set aside. While the matter had been under discussion, the Association had a creditor in the accounts for the excess Right to Buy receipts. As the matter has been resolved with the agreement to set aside the contract, this creditor has been released to the Income and Expenditure account as an exceptional item and will be reinvesting in the Association's housing stock.

Management Committee

The Association has 10 Management Committee members, including six tenants. The Management Committee sets the organisation's strategic direction and is committed to ensuring that the Association complies fully with the requirements in the Regulatory Code of Governance. The Management Committee ensures that members attend regular training events each year to enable them to carry out their responsibilities to the highest standards.

Staff

The Association keeps its staff structure under review to ensure that it continues to be appropriate to the scale and scope of the organisation's activities and enables us to operate effectively and efficiently in meeting the objectives set by the Management Committee. In preparing the Association's long term financial projections and annual budget for 2011/12, the Management Committee identified the need to reduce operating costs. A range of cost savings were identified including reducing staff costs. As a result, the decision was take to reduce staff numbers by making one full time and one part time post redundant with effect from 1 April 2011.

The Association is committed to the highest standards in staff management, training and development and carries out regular staff appraisals. We are members of EVH and through this ensure that staff terms and conditions are in line with the sector generally and that all aspects of health and safety are effectively managed.

Following a review in 2010/11, the Association continues to be recognised as an Investor in People and is accredited as a user of the disability equality symbol by Jobcentre Plus.

Future Developments

The Management Committee has approved a new three year corporate plan which sets out the Association's strategic objectives and key priorities for the period to April 2014.

Through our planned maintenance programme for 2011/12 we will be spending £1.6 million maintaining and improving our housing stock and will continue to implement our plans for meeting the SHQS.

The Association is a member of the Edinburgh Affordable Housing Partnership and through this forum we will continue to work with the City Council and other Housing Associations to contribute to achieving the objectives of the Local Housing Strategy.

Manor Estates works with seven other Housing Associations in the Rowan Group. The Rowan Group has retained its status as one of the City Council's preferred partners for development funding. The Association is committed to working with our Rowan Group partners to identify development opportunities, including further new build activity, which can contribute to meeting the widely recognised need for more affordable housing in Edinburgh.

During 2009/10 we carried out a review of the Association's IT system and as a result have invested in new software which was implemented in 2010/11. This will enable the organisation to improve its efficiency while continuing to provide good quality services to our customers.

In April 2010 the Association entered into a contract for reactive maintenance services with R3 Repairs Ltd. This is a new company set up as a subsidiary of East Lothian Housing Association; it makes extensive use of IT and mobile working systems with the aim of improving the repairs service to tenants.

Surplus for the year and transfers to reserves

The Association has generated a surplus of £1,046,346 (prior to the exceptional item) for 2010/11 (£266,569 for 2009/10) which is broadly in line with our financial plans. The surplus has been transferred to the revenue reserve.

Each year the Association carries out an impairment review to establish whether there has been any reduction in value of its housing assets. A key part of the review is the regular independent housing stock revaluation. The results of the stock valuation undertaken as at May 2011 show that the value of the Association's housing assets has increased by more than 5% since the last valuation in 2009.

Statement of the Management Committee's Responsibilities

Housing Association legislation requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association at the balance sheet date, and of the income and expenditure of the Association for the period ended on that date. In preparing those financial statements, the Management Committee is required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Committee is responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Association.

The Management Committee is also responsible for taking adequate steps to safeguard the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Treasury Management Policy

It is the policy of the Association that any surplus funds (that is, cash not needed to meet immediate short-term needs) are invested to maximise interest income without the Association becoming open to unnecessary risk.

Rent Policy

Rent policy is to set rents that are fair, reasonable and affordable to current and prospective tenants. They must cover the Association's costs and promote confidence in the Association.

Internal Financial Control

The Committee is responsible for ensuring that the Association has an appropriate system of internal financial control. Whilst no system of internal financial control can provide absolute assurance against material loss or misstatement, the Association's systems and procedures are designed to provide reasonable assurance that the controls in place are operating effectively.

Audit Committee

The Association has established an Audit Committee in line with 'The Code of Audit Practice' in "Raising Standards in Housing" published by the Scottish Federation of Housing Associations.

Internal Audit

The Association operates an independent internal audit function, which reports directly to the Audit Committee. A programme of work has been prepared and agreed based on an Audit Needs Assessment, which covers those areas of the Association's activity where potential risks have been identified. During 2010/11, the Association's Risk Management Strategy was reviewed by the Internal Auditor and found to provide full assurance that the Association has effective control systems in operation.

Internal Financial Control System

The key elements of the internal financial control system are as follows:-

- Documented financial regulations, including statements of delegation to and authority of executive management, who are appropriately qualified;
- Approval by the Management Committee of a detailed business plan and of income and expenditure and cashflow budgets;
- Approval by the Management Committee of an annual programme for planned maintenance and improvement work, as part of the business planning and budgeting process;
- Quarterly reporting to the Management Committee of actual results for the year to date and forecasts for the remainder of the year, including comparison to budget, with commentary on significant variations, and a half yearly budget review;
- Experienced and suitably qualified staff with executive responsibility for important business functions, and a formal staff appraisal and training systems to maintain skills and competence.

Throughout the year, the Committee has monitored and reviewed the effectiveness of the Association's internal financial controls using the key elements noted above. No weaknesses in internal control resulting in material losses, contingencies or uncertainties which require disclosure in the financial statements were found.

Auditor

It is the Association's intention to carry out a tendering exercise to determine the appointment of auditors with the outcome being recommended for approval at the Annual General Meeting.

By order of the Committee

A Motion
Secretary
29 June 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

MANOR ESTATES HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Manor Estates Housing Association Limited for the year ended 31 March 2011 set out on pages 8 to 23. 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).

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968, and to the charity's trustees as a body, in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). 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, the Association's members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Management Committee and the auditor

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page 4, the Management Committee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2011 and of its 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 Industrial and Provident Societies Acts, 1965 to 2002, the Housing (Scotland) Act 2001, The Registered Social Landlords Accounting Requirements (Scotland) Order 2007, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

MANOR ESTATES HOUSING ASSOCIATION LIMITED

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Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002, or the Charity Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the information given in the Report of the Management Committee is inconsistent in any material respect with the financial statements; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Corporate Governance Matters
In addition to our audit of the financial statements, we have reviewed the Management Committee's statement concerning internal financial control made under "The Code of Audit Practice" contained within the publication "Raising Standards in Housing" which is the guidance issued by the Scottish Federation of Housing Associations. The object of our review is to draw attention to non-compliance with the guidance.

Basis of opinion
We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

Opinion
With respect to the Management Committee's statements on internal financial control, in our opinion the Committee has provided the disclosures required by the guidance and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Chiene + Tait

CHIENE + TAIT
Chartered Accountants and Statutory Auditor
61 Dublin Street
EDINBURGH EH3 6NL

22 July 2011

MANOR ESTATES HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2011

	Note	2011 £	2010 £
Turnover	2	4,045,035	3,903,325
Operating costs	2	2,709,947	2,982,660
Operating surplus	2	1,335,088	920,665
Interest receivable and similar income	8	4,900	3,647
Interest payable and similar charges	8	(293,642)	(685,292)
Surplus on ordinary activities	5	1,046,346	239,020
Surplus on disposal of Housing Accommodation:			
Disposals in year		-	27,549
Exceptional item: release of creditor in contract set aside	28	607,320	
Surplus on ordinary activities before taxation		1,653,666	266,569
Tax on surplus on ordinary activities	9	-	-
Surplus for the year	15	1,653,666	266,569

The above results relate wholly to continuing activities.

There were no recognised gains or losses other than the result for the year.

The notes on pages 11 to 23 form part of these financial statements.

BALANCE SHEET

As at 31 March 2011

	Note	2011 £	2010 £
Tangible fixed assets			
Housing properties	10	24,236,681	23,035,210
Housing Association Grant	10	(10,799,893)	(10,004,542)
		13,436,788	13,030,668
Other fixed assets	10	123,495	45,282
Investments	24	100	100
		13,560,383	13,076,050
Current assets			
Debtors	11	263,383	447,949
Cash at bank and in hand		1,822,164	967,211
		2,085,547	1,415,160
Creditors - amounts falling due within one year	12	992,420	1,091,308
Net current assets		1,093,127	323,852
Total assets less current liabilities		14,653,510	13,399,902
Creditors - amounts falling due after more than one year	13	10,200,000	10,600,000
Net assets		4,453,510	2,799,902
Capital and reserves			
Share capital	14	127	185
Revenue reserves	15	4,453,383	2,799,717
		4,453,510	2,799,902

The financial statements were approved by the Management Committee on 29 June 2011.

.... Committee Member

.... Committee Member

.... Secretary

The notes on pages 11 to 23 form part of these financial statements

CASH FLOW STATEMENT

For the year ended 31 March 2011

	Note	2011 £	2010 £
Net cash inflow from operating activities	16	1,671,431	855,969
Returns on investments and servicing of finance			
Interest received		4,468	4,211
Interest paid		(297,308)	(569,066)
Arrangement fee paid for interest rate cap		-	(145,000)
Net cash outflow from returns on investments and servicing of finance		(292,840)	(709,855)
Capital expenditure and financial investment			
Payments to improve housing properties and develop housing		(1,201,471)	(1,586,039)
Grants received for housing improvements and developments		795,351	1,068,559
Payments to acquire non-housing fixed assets		(117,526)	(3,619)
Net receipts from sale of housing properties		-	57,805
Net cash (outflow) from capital expenditure and financial investment		(523,646)	(463,294)
Net cash inflow/(outflow) before financing		854,945	(317,180)
Financing			
Shared capital issued		8	9
Net cash inflow from financing		8	9
Increase/(decrease) in cash	18	854,953	(317,171)

The notes on pages 11 to 23 form part of these financial statements

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards and Statements of Recommended Practice. The principal accounting policies of the Association are set out below.

Basis of accounting
The financial statements are prepared under the historical cost basis of accounting. As the parent of Manor Estates Associates Limited (note 24), Manor Estates Housing Association has been exempted from the preparation of consolidated accounts on the basis that it would be of no real value to the members.

Turnover
Turnover represents rental and service income receivable and fees and grants of a revenue nature from local authorities and the Scottish Government.

Housing properties
Housing properties are stated at cost less accumulated depreciation. The cost of properties includes the purchase price including land cost, all construction costs and professional fees, development administration costs and improvement costs.

No depreciation is charged on land and depreciation is no longer charged on housing properties as, in the opinion of the Committee, the depreciation charge and the accumulated depreciation not charged are considered to be immaterial due to the long useful economic life and high residual values of the properties. All housing properties are assumed to have a useful economic life of 50 years. Major repair costs are all expensed in the period they are incurred and so are not capitalised. In accordance with FRS 15 an impairment review of housing properties is carried out annually at the balance sheet date with any impairment recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value and its value in use. Value in use represents the net present value of expected future cash flows from these units. The impairment review did not result in any adjustment to the carrying value of the properties.

Housing Association Grant and other capital grants
Where developments have been financed wholly or partly by Housing Association Grant (HAG) or other capital grants, the cost of those developments has been reduced by the amount of the grant received. The amount of grant received is shown separately on the balance sheet. HAG is repayable under certain circumstances, primarily following sale of the related property but will normally be restricted to net proceeds of sale.

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

Leasehold improvements	20%
Office furniture and equipment	10%
Computer equipment	20%
Motor vehicles	33⅓%

Leased assets
All leases are regarded as operating leases and the payments made under them are charged to the income and expenditure account on a straight-line basis over the lease term.

Pension costs
The Association participates in the Scottish Housing Associations' defined benefits pension scheme. The cost of the pension provision is charged to the income and expenditure account as contributions fall due.

2. Particulars of turnover, operating costs and operating surplus/(deficit)

	Turnover	Operating Costs	Operating surplus or deficit 2011	Operating surplus or deficit 2010
	£	£	£	£
Social lettings (note 3)	3,752,005	2,435,963	1,316,042	882,696
Other activities (note 4)	293,030	273,984	19,046	37,969
Total	4,045,035	2,709,947	1,335,088	920,665
2010	3,903,325	2,982,660	920,665	

3. Particulars of turnover, operating costs and operating surplus or deficit from social letting activities

	General Needs Housing £	Sheltered Housing Accommo-dation £	2011 £	2010 £
Rent receivable net of service charges	3,032,151	564,572	3,596,723	3,449,668
Service charges	15,288	169,063	184,351	178,363
Gross income from rents and service charges	3,047,439	733,635	3,781,074	3,628,031
Less: Voids	(17,863)	(11,206)	(29,069)	(24,792)
Total turnover from social letting activities	3,029,576	722,429	3,752,005	3,603,239
Management and maintenance administration Costs	1,073,112	168,253	1,241,365	1,093,419
Service Costs	18,113	123,607	141,720	143,548
Planned and cyclical maintenance including Major repair costs	624,961	42,121	667,082	1,121,997
Reactive maintenance costs	292,110	60,978	353,088	333,093
Bad debts (rents and service charges)	27,816	4,892	32,708	28,486
Depreciation of social housing	-	-	-	-
Impairment of social housing	-	-	-	-
Operating costs for social letting activities	2,036,112	399,851	2,435,963	2,720,543
Operating surplus or deficit for social lettings	993,464	322,578	1,316,042	882,696
2010	550,650	332,046	882,696	

4. Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Operating costs - bad debts £	Other operating costs £	Operating surplus or deficit 2011 £	Operating surplus or deficit 2010 £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	21,215	(21,215)	(17,552)
									-
Factoring	-	-	-	194,917	194,917	9,332	194,203	(8,618)	(1,086)
Other activities	-	-	-	60,155	60,155	-	6,926	53,229	58,976
Medical adaptations	37,958	-	-	-	37,958	-	42,308	(4,350)	(2,369)
Total from other activities	37,958	-	-	255,072	293,030	9,332	264,652	19,046	37,969
Total from other activities for the previous period of account	29,930	6,700	-	263,456	300,086	(1,028)	263,145	37,969	

Note: Other activity headings as noted in The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 do not apply.

5. Surplus on ordinary activities

	2011	2010
	£	£
Surplus on ordinary activities is stated after:-		
Auditor's remuneration including Value Added Tax for external audit services	7,680	7,400

6. Officers' emoluments and interests

Officers are defined as the members of the Management Committee, the Secretary and the Director and any other manager whose total emoluments (excluding pension contributions) exceed £60,000 per annum. No emoluments were paid to any member of the Management Committee during the year and details of emoluments exceeding £60,000 per annum paid to the officers and other directors follow.

	2011	2010
	£	£
The emoluments of the Director (Chief Executive) were as follows:		
Salary	73,338	71,725
Pension contributions	10,267	10,041
	83,605	81,766

	2011	2010
Other Managers (£60,000 to £70,000)	2	1

Expenses payable to the Management Committee amounted to £2,661 (2010: £3,328).

No payment by way of fees or other remuneration was made to members of the Management Committee.

7. Employee information

	2011	2010
	£	£
Staff costs during the year were as follows:-		
Salaries	741,898	713,474
Social Security costs	58,559	54,539
Pension costs (note 19)	89,848	92,670
Costs of recruitment	7,235	7,811
	897,540	868,494

7. Employee information (Contd.)

	2011 £	2010 £
The average number of persons (full time equivalents) employed by the Association during the year was as follows:		
Housing management	14	14
Administration	7	7
	21	21

8. Interest

	2011 £	2010 £
Interest receivable	4,900	3,647
Interest payable on bank loans	293,642	540,292
Arrangement fee for interest rate cap	-	145,000
	293,642	685,292

9. Tax on surplus on ordinary activities

The Association has charitable status and no Corporation Tax charge arises in the year.

10. Fixed assets

(a) Housing properties

	Total Held for Letting £
Cost	
At 1 April 2010	24,258,643
Additions	1,201,471
Disposals	-
At 31 March 2011	25,460,114
Depreciation	
At 1 April 2010 and 31 March 2011	1,223,433
Gross cost less depreciation	24,236,681
HAG	
At 1 April 2010	10,004,542
Additions	795,351
At 31 March 2011	10,799,893
Net book value 31 March 2011	13,436,788
Net book value 31 March 2010	13,030,668

All land and buildings are owned by the Association.

10. Fixed assets (Contd.)

(a) Housing properties (Contd.)

The number of units of accommodation at the start and end of the accounting period was as follows:-

	Mainstream	Sheltered	Total
At 1 April 2010	802	143	945
At 31 March 2011	813	143	956

(b) Other fixed assets

	Office & IT equipment £	Leasehold improvements £	Motor vehicle £	Total £
Cost				
At 1 April 2010	147,969	58,067	7,265	213,301
Additions	113,377	4,149	-	117,526
Disposals	-	-	(7,265)	(7,265)
At 31 March 2011	261,346	62,216	-	323,562
Depreciation				
At 1 April 2010	115,064	48,111	4,844	168,019
Provided in year	32,743	4,149	2,421	39,313
Disposals	-	-	(7,265)	(7,265)
At 31 March 2011	147,807	52,260	-	200,067
Net book value 31 March 2011	113,539	9,956	-	123,495
Net book value 31 March 2010	32,905	9,956	2,421	45,282

The leasehold office premises are held on a short lease.

11. Debtors

	2011 £	2010 £
Rent arrears	120,434	102,338
Doubtful debt provision	(42,909)	(26,973)
	77,525	75,365
Other debtors	152,942	210,634
Prepayments	32,916	161,950
	263,383	447,949

12. Creditors - amounts falling due within one year

	2011 £	2010 £
Trade creditors	164,757	123,170
Other creditors	21,346	634,346
Social Security and other taxes	19,234	17,617
Prepayments of rent and service charges	85,793	80,744
Accruals and deferred income	281,697	212,172
Loan interest currently due	19,593	23,259
Bank loan repayable within one year	400,000	-
	992,420	1,091,308

13. Creditors - amounts falling due after one year

	2011 £	2010 £
Bank loans repayable by instalments:-		
Repayable between two and five years	1,800,000	1,600,000
Repayable after five years	8,400,000	9,000,000
	10,200,000	10,600,000

The bank loan is secured over housing properties and is repayable by instalments commencing 31 March 2012. At 31 March 2011, interest on £4,000,000 of the above loan was based on a fixed rate. The interest on the remaining loan is charged at a variable rate. The Association purchased an interest rate cap for £4,000,000 of the variable part of the loan at 4.5% effective from 22 March 2010, for 5 years. Under certain circumstances, part of the above loan may, at the request of the lender, become repayable within one year. Under normal circumstances, such a situation could only arise where increased cash has been generated and projections indicate that the Association's expenditure plans will not be jeopardised by an additional loan repayment.

The loan can also be repaid early at the option of the Association.

14. Share capital

	2011 £	2010 £
Allotted, issued and fully paid:		
At 1 April 2010	185	176
Issued during the year - shares of £1	8	9
Cancelled in year	(66)	-
At 31 March 2011	127	185

Ownership of these shares does not entitle the holder to participate in the Association's assets. Each member of the Management Committee holds one share of £1 in the Association.

15. Revenue Reserves

	2011 £	2010 £
At 1 April 2010	2,799,717	2,533,148
Surplus for the year	1,653,666	266,569
At 31 March 2011	4,453,383	2,799,717

16. Reconciliation of operating surplus to net cash inflow from operating activities

	2011 £	2010 £
Operating surplus	1,335,088	920,665
Depreciation charges	39,313	20,703
Decrease / (increase) in debtors	184,998	(91,910)
Increase in creditors	112,098	6,511
Share capital cancelled	(66)	-
Net cash inflow from operating activities	1,671,431	855,969

17. Reconciliation of net cash flow to movement in net debt

	2011 £	2010 £
Increase / (decrease) in cash	854,953	(317,171)
Change in net debt resulting from cash flows	854,953	(317,171)
Net debt at beginning of year	(9,632,789)	(9,315,618)
Net debt at end of year	(8,777,836)	(9,632,789)

18. Analysis of net debt

	At 1 April 2010 £	Cash Flows £	Other Changes £	At 31 March 2011 £
Cash at bank and in hand	967,211	854,953	-	1,822,164
	967,211	854,953	-	1,822,164
Debt due within one year	-	-	(400,000)	(400,000)
Debt due after one year	(10,600,000)	-	400,000	(10,200,000)
	(9,632,789)	854,953	-	(8,777,836)

19. Pension scheme

(i) SFHA Scheme

1. Manor Estates Housing Association participates in the Scottish Housing Associations' Pension Scheme. The Scheme is funded and is contracted-out of the State pension scheme.

2. It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

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

19. Pension Scheme (Contd.)

4. The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

5. The scheme actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which the full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

6. Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

7. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

8. The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

9. Manor Estates Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for the Association was £4,113,288. As the crystallisation of this debt is remote no provision is required.

(ii) Pension Trust's Growth Plan

1. Manor Estates Housing Association participates in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

2. Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

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

19. Pension Scheme (Contd.)

(ii) Pension Trust's Growth Plan (Contd.)

4. The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

5. The valuation results at 30 September 2008 have now been completed and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

6. The Scheme Actuary has prepared a funding position update as at 30 September 2010. The market value of the Plan's assets at that date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £825 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £45 million, equivalent to a funding level of 95%.

7. The next full actuarial valuation will be carried out as at 30 September 2011.

8. The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

9. In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in-line with the 'best estimate' assumptions. 'Best estimate' means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre-retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post-retirement (pensioners).

10. Manor Estates Housing Association Limited and members paid no contributions during the accounting period.

11. As at the balance sheet date there were no active members of the Plan employed by Manor Estates Housing Associations Limited. The Association continues to offer membership of the Plan to its employees

12. Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre-October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

13. The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan(calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

19. Pension Scheme (Contd.)

(ii) Pension Trust's Growth Plan (Contd.)

14. The leaving employer's share of the buy-out debt is the proportion of the Plan's pre-October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre-October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

15. Manor Estates Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2009. As of this date the estimated employer debt for the Association was £34,104.

20. Capital commitments	**2011**	**2010**
	£	£
Capital expenditure that has been contracted for but not been provided for in the financial statements	39,804	13,200
	=======	=======

21. Contingent liabilities

There are no contingent liabilities at 31 March 2011.

23. Legislative provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 and registered under Section 57 of the Housing (Scotland) Act 2001.

24. Investment

Manor Estates Housing Association has invested in its subsidiary, Manor Estates Associates Limited.

	2011	**2010**
	£	£
At 1 April 2010 and 31 March 2011	100	100
	=======	=======

25. Leasing Commitments

At 31 March 2011 the Association was committed to making the following payments under non-cancellable operating leases in the next financial year:

	Land and Buildings	
	2011	**2010**
Operating leases which expire:	**£**	**£**
After five years	73,448	73,448
	======	======

26. Related Party Transactions

Management and administration services are provided to Manor Estates Associates Limited (the subsidiary company). These costs amounted to £23,272 in the year (2010: £42,381). The balance owed by Manor Estates Associates Limited to the Association at 31 March 2011 is £55,642 (2010: £94,145) (included in "Other debtors" in note 11).

27. Tenant Committee Members

Six of the Management Committee are tenants of the Association as at 31 March 2011. They have standard tenancy agreements and were awarded their tenancies in line with best practice allocations policy.

28. Exceptional item

As noted in the Business Activities within the Management Committee report this exceptional item is the release of the creditor (Right to Buy receipts) to the Income and Expenditure Account on the setting aside of the contract by the Scottish Government.