Scottish Charity Number SC 023106

MANOR ESTATES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2012

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For the year ended 31 March 2012

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MANOR ESTATES HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

Registered Office:	11 Washington Lane EDINBURGH EH11 2HA
Management Committee:	William Hardie (Chairman) Margaret Fountain (Vice Chairman) Alexander Motion (Secretary) Ian Johnston (died 12 May 2012) William McBeath Elizabeth Curran Margaret Currie Bryan Fraser David Lindsay Grant Nicol (resigned 29 February 2012) Carol Tait (appointed 14 September 2011) Doug McEwan (appointed 14 September 2011) Charles Munro (appointed 14 September 2011)
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 2012

Membership of Management Committee

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

William Hardie (Chairman)
Margaret Fountain (Vice Chairman)
Alexander Motion (Secretary)
Ian Johnstone (died 12 May 12)
William McBeath
Elizabeth Curran
Margaret Currie
Bryan Fraser
David Lindsay
Grant Nicol (resigned 29 February 2012)
Carol Tait (appointed 14 September 2011)
Doug McEwan (appointed 14 September 2011)
Charles Munro (appointed 14 September 2011)

It is with great sadness that the death of Ian Johnstone is reported.

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 governing 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 level of risk has increased due to the series of planned reforms to the welfare benefits system which are likely to have a negative impact by reducing incomes for some tenants and ending the current system of Housing Benefit being paid directly to landlords. 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. We have also developed a welfare reform strategy to assist us in managing the outcomes of the reforms being introduced over the coming years.

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

2011/12 was Manor Estates Housing Association's 17th year in operation. During the year the Association continued its major programme of expenditure on managing and maintaining its houses. In 2011/12 the Association again increased its housing stock through Mortgage to Rent purchases and continued to benefit from the 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

Business Activities (Contd.)

2015 and to carry out the necessary maintenance and component replacement work identified in our most recent stock condition survey.

In order to ensure the Association has sufficient resources available in the short term, we agreed with our lender to defer loan repayments until March 2012. The first loan repayment of £400,000 was made on schedule and the Association's financial plans demonstrate that we will have the necessary resources available to meet future repayments as these fall due.

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 is being kept under review.

During 2011/12 two properties were sold through the Right to Buy (compared to no sales in the previous two years). We anticipate that the level of RTB sales will not increase 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 2011/12 we acquired a further nine Mortgage to Rent properties. This brings the total number of such properties acquired to 64 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. Work is currently underway to ensure that we comply fully with the requirements of the Property Factors (Scotland) Act 2011.

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 the most recent independent survey 92% of tenants stated they were satisfied with the Association as a landlord.

Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment. Major components (Note 1) of our housing properties are identified and depreciated over specific economic life spans. Their replacement is then capitalised in fixed assets as they occur. The resulting prior period adjustment is shown in the relevant notes to the financial statements and detailed in Note 28.

Management Committee

The Association has 11 Management Committee members, including seven tenants. The Management Committee sets the organisation's strategic direction and is committed to ensuring that the Association complies fully with the highest governance standards. 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. The Association is committed to the highest standards in staff management, training and development and carries out regular staff

Staff (Contd.)

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.

Last year, the Management Committee approved a 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 2012/13 we will be spending £1.65 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.

Ensuring full compliance with the new Scottish Social Housing Charter and the Regulatory Framework published by the Scottish Housing Regulator will be a key priority for the Association during 2012/13. We will assess and review our performance and report on the outcome to our customers.

Surplus for the year and transfers to reserves

The Association has generated a surplus of £1,215,659 for 2011/12 which is broadly in line with our financial plans. The surplus has been transferred to the revenue reserve.

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.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

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 by the by the recently appointed internal auditors (TIAA), which covers those areas of the Association's activity where potential risks have been identified. Overall the reviews carried out by TIAA auditor indicate that the Association has systems in place that are designed and operated to provide effective control.

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

A motion regarding the reappointment of Chiene and Tait as the Association's auditor will be made at the Annual General Meeting.

By order of the Committee

Alexander Motion
Secretary
2012
27 June

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 2012 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet 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).

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 2012 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).

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

20 July 2012

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2012

	Note	2012 £	2011 (Restated) £
Turnover	2	4,246,567	4,045,035
Operating costs	2	2,769,042	2,695,465
Operating surplus	2	1,477,525	1,349,570
Interest receivable and similar income	8	7,121	4,900
Interest payable and similar charges	8	(305,125)	(293,642)
Surplus on ordinary activities	5	1,179,521	1,060,828
Surplus on disposal of Housing Accommodation:			
Disposals in year		36,138	-
Exceptional item: release of creditor in contract set aside.		-	607,320
Surplus on ordinary activities before taxation		1,215,659	1,668,148
Tax on surplus on ordinary activities	9	-	-
Surplus for the year	15	1,215,659	1,668,148

The above results relate wholly to continuing activities.

STATEMENT OF TOTAL RECOGNISED SUPLUSES AND DEFICITS

	Note	2012 £	2011 (Restated) £
Surplus for the year	15	1,215,659	1,668,148
Prior Year Adjustment	28	1,208,556	
Total surpluses and deficits recognised since last annual report		2,424,215	

The notes on pages 11 to 24 form part of these financial statements.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

BALANCE SHEET

As at 31 March 2012

	Note	2012 £	2011 (Restated) £
Tangible fixed assets			
Housing properties	10	26,399,194	25,415,182
Housing Association Grant	10	(11,221,957)	(10,769,838)
		15,177,237	14,645,344
Other fixed assets	10	91,374	123,495
Investments	24	100	100
		15,268,711	14,768,939
Current assets			
Debtors	11	498,281	263,383
Cash at bank and in hand		2,040,006	1,822,164
		2,538,287	2,085,547
Creditors - amounts falling due within one year	12	1,129,272	992,420
Net current assets		1,409,015	1,093,127
Total assets less current liabilities		16,677,726	15,862,066
Creditors - amounts falling due after more than one year	13	9,800,000	10,200,000
Net assets		6,877,726	5,662,066
Capital and reserves			
Share capital	14	128	127
Revenue reserves	15	6,877,598	5,661,939
		6,877,726	5,662,066

The financial statements were approved by the Management Committee on 27 June 2012.

.... William Hardie

.... David Lindsay

.... Alexander Motion

The notes on pages 11 to 24 form part of these financial statements

CASH FLOW STATEMENT

For the year ended 31 March 2012

	Note	2012 £	2011 (Restated) £
Net cash inflow from operating activities	16	1,720,995	1,951,421
Returns on investments and servicing of finance			
Interest received		7,253	4,468
Interest paid		(303,875)	(297,308)
Net cash outflow from returns on investments and servicing of finance		(296,622)	(292,840)
Capital expenditure and financial investment			
Payments to improve housing properties and develop housing		(1,362,892)	(1,481,461)
Grants received for housing improvements and developments		499,217	795,351
Payments to acquire non-housing fixed assets		(5,964)	(117,526)
Net receipts from sale of housing properties and lockups		63,094	-
Net cash (outflow) from capital expenditure and financial investment		(806,545)	(803,636)
Net cash inflow before financing		617,828	854,945
Financing			
Loans repaid (housing)		(400,000)	-
Shared capital issued		14	8
Net cash (outflow)/inflow from financing		(399,986)	8
Increase in cash	18	217,842	854,953

The notes on pages 11 to 24 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 social housing and other public grants less accumulated depreciation.

Works to existing properties will generally be capitalised under the following circumstances:

(i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
(ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account.

The adoption of component accounting represents a change in accounting policy. Previously the major components of the Association's housing properties were deemed to be land and buildings. The major components are now deemed to be land, roof, walls, bathroom, kitchen, windows, boilers and external doors. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown below. The new accounting policy is compliant with the SORP 2010.

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.

Depreciation

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Land	infinity
Roof	65 years (Depreciated at 1.54% per annum)
Walls	65 years (Depreciated at 1.54% per annum)
Bathroom	30 years (Depreciated at 3.33% per annum)
Kitchen	15 years (Depreciated at 6.67% per annum)
Windows	30 years (Depreciated at 3.33% per annum)
Boilers	20 years (Depreciated at 5% per annum)
External Doors	40 years (Depreciated at 2.5% per annum)

Principal Accounting Policies, Depreciation (cont.)

Where assets are depreciated over more than 50 years, FRS 15 "Tangible Fixed Assets" requires an annual impairment review to be carried out. As the Association depreciates certain components over 65 years an impairment review has been carried out on housing properties and the Association is satisfied that no impairment charge requires to be recognised.

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% (5 years)
Office furniture and equipment	10% (10 years)
Computer equipment	20% (5 years)
Motor vehicles	33⅓% (3 years)

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 2012	Operating surplus or deficit (Restated) 2011
	£	£	£	£
Social lettings (note 3)	3,945,139	2,490,533	1,454,606	1,330,524
Other activities (note 4)	301,428	278,509	22,919	19,046
Total	4,246,567	2,769,042	1,477,525	1,349,570
2011(Restated)	4,045,035	2,695,465	1,349,570	

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

	General Needs Housing	Sheltered Housing Accommo-dation	2012	2011 (Restated)
	£	£	£	£
Rent receivable net of service charges	3,188,233	590,862	3,779,095	3,596,723
Service charges	20,222	173,761	193,983	184,351
Gross income from rents and service charges	3,208,455	764,623	3,973,078	3,781,074
Less: Voids	(19,117)	(8,822)	(27,939)	(29,069)
Total turnover from social letting activities	3,189,338	755,801	3,945,139	3,752,005
Management and maintenance administration Costs	986,013	165,998	1,152,011	1,241,365
Service Costs	21,407	196,574	217,981	141,720
Planned and cyclical maintenance Major repair costs	364,200	37,669	401,869	387,092
Reactive maintenance costs	302,685	57,987	360,672	353,088
Bad debts (rents and service charges)	45,109	8,065	53,174	32,708
Depreciation of social housing	259,561	45,265	304,826	265,508
Impairment of social housing	-	-	-	-
Operating costs for social letting activities	1,978,975	511,558	2,490,533	2,421,481
Operating surplus or deficit for social lettings	1,210,363	244,243	1,454,606	1,330,524
2011	1,040,890	289,634	1,330,524	

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 2012 £	Operating surplus or deficit 2011 £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	-	-	(21,215)
Factoring	-	-	-	218,296	218,296	5,139	239,427	(26,270)	(8,618)
Other activities	-	-	-	53,294	53,294	-	-	53,294	53,229
Medical adaptations	29,838	-	-	-	29,838	-	33,943	(4,105)	(4,350)
Total from other activities	29,838	-	-	271,590	301,428	5,139	273,370	22,919	19,046
Total from other activities for the previous period of account	37,958	-	-	255,072	293,030	9,332	264,652	19,046	

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

5. Surplus on ordinary activities

	2012	2011
	£	£
Surplus on ordinary activities is stated after:-		
Auditor's remuneration including Value Added Tax for external audit services	7,800	7,680

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.

	2012	2011
	£	£
The emoluments of the Director (Chief Executive) were as follows:		
Salary	73,943	73,338
Pension contributions	13,281	10,267
	87,224	83,605

Pension contributions include a percentage of the organisation's lump sum payment to cover past service deficit (see note 19, Pension Scheme).

	2012	2011
Other Managers (£60,000 to £70,000)	2	2

Expenses payable to the Management Committee amounted to £3,595 (2011: £2,661).

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

7. Employee information

	2012	2011
	£	£
Staff costs during the year were as follows:-		
Salaries	719,047	741,898
Social Security costs	57,978	58,559
Pension costs (note 19)	129,987	89,848
Costs of recruitment	1,824	7,235
	908,836	897,540

Pension costs include the organisation's lump sum payment to cover past service deficit costs (see note 19, Pension Scheme)

7. Employee information (Contd.)

	2012 £	2011 £
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

	2012 £	2011 £
Interest receivable	7,121	4,900
Interest payable on bank loans	305,125	293,642

9. Tax on surplus on ordinary activities

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

10. Fixed assets

(a) Housing properties

	Note	Total Held for Letting £
Cost		
At 1 April 2011 – as previously reported		25,460,114
Prior year adjustment	28	2,324,735
As restated		27,784,849
Additions		1,362,892
Disposals – sales		(26,956)
– replaced components		(110,967)
At 31 March 2012		29,009,818
Depreciation		
At 1 April 2011 – as previously reported		1,223,433
Prior year adjustment	28	1,146,234
As restated		2,369,667
Provided in year		304,826
Disposals (replaced components)		(63,869)
At 31 March 2012		2,610,624
Gross cost less depreciation		**26,399,194**
HAG		
At 1 April 2011 – as previously reported		10,799,893
Prior Year adjustment	28	(30,055)
As restated		10,769,838
Additions		499,217
Disposals (replaced components)		(47,098)
At 31 March 2012		11,221,957

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2012

10. Fixed assets (Contd.)

(a) Housing properties (Contd.)

Net book value 31 March 2012	15,177,237
Net book value 31 March 2011(restated)	14,645,344

HAG eliminated on components replaced during the year amounted to £47,098. This amount and amounts previously eliminated (totalling £77,153) remain potentially repayable in the event of the sale of the related properties (see note 21).

All land and buildings are owned by the Association.

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

	Mainstream	Sheltered	Total
At 1 April 2011	813	143	956
At 31 March 2012	820	143	963

(b) Other fixed assets

	Office & IT Equipment £	Leasehold Improvements £	Total £
Cost			
At 1 April 2011	261,346	62,216	323,562
Additions	5,964	-	5,964
At 31 March 2012	267,310	62,216	329,526
Depreciation			
At 1 April 2011	147,807	52,260	200,067
Provided in year	33,936	4,149	38,085
At 31 March 2012	181,743	56,409	238,152
Net book value 31 March 2012	85,567	5,807	91,374
Net book value 31 March 2011	113,539	9,956	123,495

The leasehold office premises are held on a short lease (note 25).

11. Debtors

	2012 £	2011 £
Rent arrears	135,469	120,434
Doubtful debt provision	(54,727)	(42,909)
	80,742	77,525
Other debtors	282,273	97,300
Subsidiary Company (MEAL note 24)	96,291	55,642
Prepayments	38,975	32,916
	498,281	263,383

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2012

12. Creditors - amounts falling due within one year	2012 £	2011 £
Trade creditors	207,032	164,757
Other creditors	26,210	21,346
Social Security and other taxes	17,851	19,234
Prepayments of rent and service charges	83,975	85,793
Accruals and deferred income	373,361	281,697
Loan interest currently due	20,843	19,593
Bank loan repayable within one year	400,000	400,000
	1,129,272	992,420

13. Creditors - amounts falling due after one year	2012 £	2011 £
Bank loans repayable by instalments:-		
Repayable between two and five years	2,000,000	1,800,000
Repayable after five years	7,800,000	8,400,000
	9,800,000	10,200,000

The bank loan is secured over housing properties and is repayable by instalments which commenced on 30 March 2012. At 31 March 2012, 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	2012 £	2011 £
Allotted, issued and fully paid:		
At 1 April 2011	127	185
Issued during the year - shares of £1	14	8
Cancelled in year	(13)	(66)
At 31 March 2012	128	127

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

	2012 £	2011 (Restated) £
At 1 April 2011 as originally reported	4,453,383	2,799,717
Prior Year Adjustment	1,208,556	1,194,074
As 1 April 2011 restated	5,661,939	3,993,791
Surplus for the year (restated 2011)	1,215,659	1,668,148
At 31 March 2012	6,877,598	5,661,939

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

	2012 £	2011 (Restated) £
Operating surplus	1,477,525	1,349,570
Depreciation charges	342,911	304,821
(Increase) / decrease in debtors	(235,030)	184,998
Increase in creditors	135,602	112,098
Share capital cancelled	(13)	(66)
Net cash inflow from operating activities	1,720,995	1,951,421

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

	2012 £	2011 £
Increase in cash	217,842	854,953
Net cash flow from movement in debt	400,000	-
Change in net debt resulting from cash flows	617,842	854,953
Net debt at beginning of year	(8,777,836)	(9,632,789)
Net debt at end of year	(8,159,994)	(8,777,836)

18. Analysis of net debt

	At 1 April 2011 £	Cash Flows £	Other Changes £	At 31 March 2012 £
Cash at bank and in hand	1,822,164	217,842	-	2,040,006
	1,822,164	217,842	-	2,040,006
Debt due within one year	(400,000)	400,000	(400,000)	(400,000)
Debt due after one year	(10,200,000)	-	400,000	(9,800,000)
	(8,777,836)	617,842	-	(8,159,994)

19. Pension scheme

(i) SHAP 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.

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 2011. 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 £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

6. Manor Estates Housing Association has elected to operate the final salary with a 1/60th accrual rate. During the accounting period to 31 March 2012, Manor Estates Housing Association paid contributions at the rate of 9.6% of pensionable salaries as did the members. Manor Estates Housing Association also pay an annual lump sum, which amounted to £71,796 this year, to fund the past service deficit.

7. 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.

8. 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.

9. 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.

19. Pension Scheme (Contd.)

10. Manor Estates Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SHA Pension Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for the Association was £4,853,780. 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.

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 latest full actuarial valuation was 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.

19. Pension Scheme (Contd.)

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

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.

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 2011, as of this date the estimated employer debt for the Association was £35,495. This has been updated as at 31 March 2012, as of this date the estimated employer debt for the Association was £38,690.

20. Capital commitments

	2012	2011
	£	£
Capital expenditure that has been contracted for but not been provided for in the financial statements	29,254	39,804

21. Contingent liabilities

Housing Association Grant allocated to components (as detailed in Note 1) that have subsequently been replaced by the Association is recognised in the Income and Expenditure account (as part of the net depreciation cost), with the cost of the replacement and any additional funding for this replacement being capitalised. The grant thus recognised in the Income and Expenditure account during the year was £47,098 resulting in a cumulative position at 31 March 2012 of £77,153.

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 (MEAL).

	2012	2011
	£	£
At 1 April 2011 and 31 March 2012	100	100

The subsidiary has net assets, capital and reserves of £100 at 31 March 2012. The taxable surplus is transferred by Gift Aid to the Association and amounts to £542 for 2012 (2011: £1,201).

25. Leasing Commitments

At 31 March 2012 the Association was committed to making the following payments under non-cancellable operating leases in the next financial year:

	Land and Buildings	
	2012	2011
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 £23,249 in the year (2011: £23,272). The balance owed by Manor Estates Associates Limited to the Association at 31 March 2012 is £96,291 (2011: £55,642) (included in "Other debtors" in note 11).

27. Tenant Committee Members

Seven of the Management Committee were tenants of the Association as at 31 March 2012. They have standard tenancy agreements and were awarded their tenancies in line with best practice allocations policy.

28. Prior Year Adjustment

The principle of component accounting is to account separately for each major component of a property asset with substantially different useful economic lives, and to depreciate them over their individual useful economic life. This change in accounting policy has resulted in major works expenditure written off in prior years being capitalised, and an additional depreciation charge now being recognised.

The effect of this change in accounting policy on the 31 March 2011 financial statements is shown below. At 31 March 2012 opening reserves have been increased by £1,208,556 of which £1,146,234 relates to increased depreciation, £2,324,735 relates to major repairs previously written off to the Income and Expenditure Account now capitalised as components and £30,055 relates to HAG released to the revenue reserve on the replacement of components.

The effect of this change on the comparative year's figures of 2011 has been to:

	£
Increase depreciation charge	(265,508)
Decrease major works charged against income	279,990
Increase in the surplus for the year	14,482

In addition the effect upon the balance sheet at 31 March 2011 has been to:

Increase fixed asset cost	2,324,735
Increase fixed asset depreciation	(1,146,234)
Release of HAG	30,055
Net movement in the balance sheet	1,208,556

Therefore, the overall effect of the prior period adjustment is £1,208,556.