



**MANOR ESTATES HOUSING
ASSOCIATION LIMITED**

FINANCIAL STATEMENTS

For the year ended 31 March 2013

MANOR ESTATES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2013

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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)
William McBeath (ceased 24 April 2013)
Elizabeth Curran
Margaret Currie
Bryan Fraser (removed 14 March 2013)
David Lindsay
Carol Tait
Doug McEwan
Charles Munro (resigned 27 March 2013)
Janette Montgomery (elected 12 September 2012)
Duncan Murray (elected 12 September 2012)
Robert Brodie (elected 12 September 2012)

Director: Lynn McDonald

Bankers: Royal Bank of Scotland plc
Santander

Solicitors: Lindsays WS
Stewart Watt & Co
ACH Shoosmiths

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 2013.

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)
William McBeath (ceased 24 April 2013)
Elizabeth Curran
Margaret Currie
Bryan Fraser (removed 14 March 2013)
David Lindsay
Carol Tait
Doug McEwan
Charles Munro (resigned 27 March 2013)
Janette Montgomery (elected 12 September 2012)
Duncan Murray (elected 12 September 2012)
Robert Brodie (elected 12 September 2012)

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

2012/13 was Manor Estates Housing Association's 18th year in operation. During the year the Association continued its major programme of expenditure on managing and maintaining its houses. In 2012/13 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

MANOR ESTATES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

Business Activities (Contd.)

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

This year we repaid £400,000 of our outstanding loan and the Association's financial plans demonstrate that we will have the necessary resources available to meet future repayments as these fall due.

During 2012/13, the Management Committee decided to fix part of the outstanding loan while keeping part on a variable rate, with an interest rate cap, in order to continue benefitting from the current low level of interest rates.

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 2012/13 we acquired a further 10 Mortgage to Rent properties. This brings the total number of such properties acquired to 74 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. We are now a Registered Factor and 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.

In May 2013, the Association began work on our latest new build project which will provide 49 properties for let at the New Greendykes development in south east Edinburgh. Eight properties will be let as social rented housing with the other 41 being for Mid Market Rent (MMR). These will be the Association's first MMR properties and will be leased to our subsidiary company, MEA Ltd, which will carry out routine management and maintenance. The development will be funded by a mix of private finance and grant funding provided by the City of Edinburgh Council on behalf of the Scottish Government.

Management Committee

The Association has 12 Management Committee members, including nine 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. The Committee has commissioned a review of the Association's governance arrangements to ensure it is operating to the highest standards and complying fully with the requirements set by the Scottish Housing Regulator.

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 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.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

Staff (Contd.)

Following a review in 2012/13, 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 reviewed and updated its 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 2013/14 we will be spending £2.2 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.

Surplus for the year and transfers to reserves

The Association has generated a surplus of £1,343,509 for 2012/13 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 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

to
20 June 2013



We have audited the financial statements of Manor Estates Housing Association Limited for the year ended 31 March 2013 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 2013 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 2010, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Scottish Housing Regulator's Determination of Accounting Requirements (2012).

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

3 July 2013

MANOR ESTATES HOUSING ASSOCIATION LIMITED**INCOME AND EXPENDITURE ACCOUNT**

For the year ended 31 March 2013

	Note	2013	2012
		£	£
Turnover	2	4,488,890	4,246,567
Operating costs	2	2,973,487	2,769,042
Operating surplus	2	<u>1,515,403</u>	<u>1,477,525</u>
Interest receivable and similar income	8	19,402	7,121
Interest payable and similar charges	8	(274,742)	(305,125)
Surplus on ordinary activities	5	<u>1,260,063</u>	<u>1,179,521</u>
Surplus on disposal of Housing Accommodation/Garages:			
House Disposals in year		-	36,138
Garage Disposals in year		83,446	-
Surplus on ordinary activities before taxation		<u>1,343,509</u>	<u>1,215,659</u>
Tax on surplus on ordinary activities	9	-	-
Surplus for the year	15	<u><u>1,343,509</u></u>	<u><u>1,215,659</u></u>

The above results relate wholly to continuing activities.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

BALANCE SHEET

As at 31 March 2013

	Note	2013 £	2012 £
Tangible fixed assets			
Housing properties	10	27,458,581	26,399,194
Housing Association Grant	10	(11,733,483)	(11,221,957)
		-----	-----
		15,725,098	15,177,237
Other fixed assets	10	76,010	91,374
Investments	24	100	100
		-----	-----
		15,801,208	15,268,711
Current assets			
Debtors	11	323,074	498,281
Cash at bank and in hand		2,280,432	2,040,006
		-----	-----
		2,603,506	2,538,287
Creditors - amounts falling due within one year	12	783,480	1,129,272
		-----	-----
Net current assets		1,820,026	1,409,015
Total assets less current liabilities		17,621,234	16,677,726
Creditors - amounts falling due after more than one year	13	9,400,000	9,800,000
		-----	-----
Net assets		8,221,234	6,877,726
		=====	=====
Capital and reserves			
Share capital	14	127	128
Revenue reserves	15	8,221,107	6,877,598
		-----	-----
		8,221,234	6,877,726
		=====	=====

The financial statements were approved by the Management Committee on 26 June 2013.

..... 	William Hardie
..... 	David Lindsay
..... 	Alexander Motion

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

MANOR ESTATES HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

For the year ended 31 March 2013

	Note	2013 £	2012 £
Net cash inflow from operating activities	16	1,724,188	1,720,995
Returns on investments and servicing of finance			
Interest received		13,324	7,253
Interest paid		(293,157)	(303,875)
		-----	-----
Net cash outflow from returns on investments and servicing of finance		(279,833)	(296,622)
		-----	-----
Capital expenditure and financial investment			
Payments to improve housing properties and develop housing		(1,387,778)	(1,362,892)
Grants received for housing improvements and developments		521,578	499,217
Payments to acquire non-housing fixed assets		(21,183)	(5,964)
Net receipts from sale of housing properties and lockups		83,446	63,094
		-----	-----
Net cash outflow from capital expenditure and financial investment		(803,937)	(806,545)
		-----	-----
Net cash inflow before financing		640,418	617,828
		-----	-----
Financing			
Loans repaid (housing)		(400,000)	(400,000)
Shared capital issued		8	14
		-----	-----
Net cash outflow from financing		(399,992)	(399,986)
		-----	-----
Increase in cash	18	240,426	217,842
		=====	=====

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

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards and Statements of Recommended Practice "Accounting by Registered Social Housing Providers". 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.

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)

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.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31 March 2013

1. Principal accounting policies (cont.)

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 2013 £	Operating surplus or deficit 2012 £
Social lettings (note 3)	4,166,740	2,672,678	1,494,062	1,454,606
Other activities (note 4)	322,150	300,809	21,341	22,919
Total	4,488,890	2,973,487	1,515,403	1,477,525
2012	4,246,567	2,769,042	1,477,525	

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2013

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

	General Needs Housing £	Sheltered Housing Accommo- dation £	2013 £	2012 £
Rent receivable net of service charges	3,386,684	619,623	4,006,307	3,779,095
Service charges	22,405	172,043	194,448	193,983
	-----	-----	-----	-----
Gross income from rents and service charges	3,409,089	791,666	4,200,755	3,973,078
<u>Less: Voids</u>	(22,058)	(11,957)	(34,015)	(27,939)
	-----	-----	-----	-----
Total turnover from social letting activities	3,387,031	779,709	4,166,740	3,945,139
	-----	-----	-----	-----
Management and maintenance administration Costs	1,062,829	175,541	1,238,370	1,152,011
Service Costs	23,398	118,256	141,654	217,981
Planned and cyclical maintenance				
Major repair costs	487,548	41,678	529,226	401,869
Reactive maintenance costs	355,969	62,608	418,577	360,672
Bad debts (rents and service charges)	23,731	2,781	26,512	53,174
Depreciation of social housing	271,553	46,786	318,339	304,826
Impairment of social housing	-	-	-	-
	-----	-----	-----	-----
Operating costs for social letting activities	2,225,028	447,650	2,672,678	2,490,533
	-----	-----	-----	-----
Operating surplus for social lettings	1,162,003	332,059	1,494,062	1,454,606
	=====	=====	=====	=====
2012	1,210,363	244,243	1,454,606	
	=====	=====	=====	

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31 March 2013

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 2013 £	Operating surplus or deficit 2012 £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	236,429	1,000	262,968	(27,539)	(26,270)
Factoring	-	-	-	-	236,429	1,000	262,968	(27,539)	(26,270)
Other activities	12,914	-	-	38,024	50,938	-	1,482	49,456	53,294
Medical adaptations	34,783	-	-	-	34,783	-	35,359	(576)	(4,105)
Total from other activities	47,697	-	-	274,453	322,150	1,000	299,809	21,341	22,919
Total from other activities for the previous period of account	29,838	-	-	271,590	301,428	5,139	273,370	22,919	

Note: Other activity headings as noted in The Scottish Housing Regulator's Determination of Accounting Requirements 2012 do not apply.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2013

5. Surplus on ordinary activities	2013	2012
	£	£
Surplus on ordinary activities is stated after:-		
Auditor's remuneration including Value Added Tax for external audit services	7,980	7,800
for accounting services	9,006	-
	=====	=====

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.

	2013	2012
	£	£
Total emoluments (excluding pension contribution of £36,311 (2012: £25,487))	201,598	198,343
	=====	=====

The emoluments of the Director (Chief Executive) were as follows:

Salary	75,792	73,943
Pension contributions	13,649	13,281
	-----	-----
	89,441	87,224
	=====	=====

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

The number of directors whose emoluments, excluding pension contributions, were above £60,000 for the year were:

	2013	2012
£60,001 to £70,000	2	2
£70,001 to £80,000	1	1
	=====	=====

Expenses payable to the Management Committee amounted to £3,344 (2012: £3,595).

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

7. Employee information	2013	2012
	£	£
Staff costs during the year were as follows:-		
Salaries	748,438	719,047
Social Security costs	59,540	57,978
Pension costs (note 19)	136,591	129,987
Costs of recruitment	2,528	1,824
	-----	-----
	947,097	908,836
	=====	=====

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

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2013

7. Employee information (Contd.)

	2013	2012
	£	£
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

	2013	2012
	£	£
Interest receivable	19,402	7,121
	=====	=====
Interest payable on bank loans	274,742	305,125
	=====	=====

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

	Total Held for Letting
	£
Cost	
At 1 April 2012	29,009,818
Additions - mortgage to rent properties	971,640
- Improvements to existing properties (replacement components)	416,138
Disposals - sales	-
- replaced components	(75,076)

At 31 March 2013	30,322,520

Depreciation	
At 1 April 2012	2,610,624
Provided in year	318,339
Disposals (replaced components)	(65,024)

At 31 March 2013	2,863,939

Gross cost less depreciation	27,458,581

HAG	
At 1 April 2012	11,221,957
Additions	521,578
Disposals (replaced components)	(10,052)

At 31 March 2013	11,733,483

Net book value 31 March 2013	15,725,098
	=====
Net book value 31 March 2012	15,177,237
	=====

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2013

10. Fixed assets (Contd.)

(a) Housing properties (Contd.)

HAG eliminated on components replaced during the year amounted to £10,052. This amount and amounts previously eliminated (in total £87,205) remains 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 2012	820	143	963
At 31 March 2013	830	143	973
	=====	=====	=====
	Office & IT Equipment	Leasehold Improvements	Total
	£	£	£
Cost			
At 1 April 2012	267,310	62,216	329,526
Additions	21,183	-	21,183
Disposals	(33,329)	-	(33,329)
	-----	-----	-----
At 31 March 2013	255,164	62,216	317,380
	-----	-----	-----
Depreciation			
At 1 April 2012	181,743	56,409	238,152
Provided in year	32,398	4,149	36,547
Disposals	(33,329)	-	(33,329)
	-----	-----	-----
At 31 March 2013	180,812	60,558	241,370
	-----	-----	-----
Net book value 31 March 2013	74,352	1,658	76,010
	=====	=====	=====
Net book value 31 March 2012	85,567	5,807	91,374
	=====	=====	=====

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

11. Debtors

	2013	2012
	£	£
Rent arrears	148,083	135,469
Doubtful debt provision	(48,523)	(54,727)
	-----	-----
Other debtors	99,560	80,742
Subsidiary Company (MEAL note 24)	141,507	282,273
Prepayments	22,996	96,291
	59,011	38,975
	-----	-----
	323,074	498,281
	=====	=====

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2013

12. Creditors - amounts falling due within one year	2013	2012
	£	£
Trade creditors	138,467	207,032
Other creditors	59,989	26,210
Social Security and other taxes	18,225	17,851
Prepayments of rent and service charges	66,104	83,975
Accruals and deferred income	98,267	373,361
Loan interest currently due	2,428	20,843
Bank loan repayable within one year	400,000	400,000
	-----	-----
	783,480	1,129,272
	=====	=====

13. Creditors - amounts falling due after one year	2013	2012
	£	£
Bank loans repayable by instalments:-		
Repayable between two and five years	2,200,000	2,000,000
Repayable after five years	7,200,000	7,800,000
	-----	-----
	9,400,000	9,800,000
	=====	=====

The bank loan is secured over housing properties and is repayable by instalments which commenced on 30 March 2012. At 31 March 2013, interest on £7,350,000 of the above loan was based on a fixed rate of 2.99% for a period of 7 years. The interest on the remaining loan is charged at a variable rate. The Association purchased an interest rate cap for 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	2013	2012
	£	£
Allotted, issued and fully paid:		
At 1 April 2012	128	127
Issued during the year - shares of £1	8	14
Cancelled in year	(9)	(13)
	-----	-----
At 31 March 2013	127	128
	=====	=====

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.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2013

15. Revenue Reserves	2013	2012
	£	£
As 1 April 2012	6,877,598	5,661,939
Surplus for the year	1,343,509	1,215,659
	<u>8,221,107</u>	<u>6,877,598</u>
At 31 March 2013	=====	=====

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

	2013	2012
	£	£
Operating surplus	1,515,403	1,477,525
Depreciation charges	354,886	342,911
Decrease/(increase) in debtors	181,285	(235,030)
(Decrease)/increase in creditors	(327,377)	135,602
Share capital cancelled	(9)	(13)
	<u>1,724,188</u>	<u>1,720,995</u>
Net cash inflow from operating activities	=====	=====

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

	2013	2012
	£	£
Increase in cash	240,426	217,842
Net cash flow from movement in debt	400,000	400,000
	<u>640,426</u>	<u>617,842</u>
Change in net debt resulting from cash flows	640,426	617,842
Net debt at beginning of year	(8,159,994)	(8,777,836)
	<u>(7,519,568)</u>	<u>(8,159,994)</u>
Net debt at end of year	=====	=====

18. Analysis of net debt	At	Cash	Other	At
	1 April	Flows	Changes	31 March
	2012	£	£	2013
	£	£	£	£
Cash at bank and in hand	2,040,006	240,426	-	2,280,432
	<u>2,040,006</u>	<u>240,426</u>	<u>-</u>	<u>2,280,432</u>
Debt due within one year	(400,000)	400,000	(400,000)	(400,000)
Debt due after one year	(9,800,000)	-	400,000	(9,400,000)
	<u>(8,159,994)</u>	<u>640,426</u>	<u>-</u>	<u>(7,519,568)</u>
	=====	=====	=====	=====

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2013

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. The last formal valuation of the Scheme for which results are available was performed as at 30 September 2009. The final results of the 2012 valuation are not yet available but preliminary statements from the Scheme trustees indicate an increase in the deficit in the Scheme and a revised recovery plan requiring deficit contributions to be paid over the period of 13 years and six months from 1 April 2014 to 30 September 2027. The deficit contributions are to increase at 3% per annum under the plan and each employer's revised deficit contribution details are expected to be available in early July 2013. The following disclosures relate to the 2009 actuarial valuation and 2011 update.
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 2013, 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 £75,031 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.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2013

19. Pension Scheme (Contd.)

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.
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 2012. As of this date the estimated employer debt for the Association was £4,833,362. 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 2011 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 £780.3 million and the Plan's Technical Provisions (i.e. past service liabilities) were £927.9 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £147.6 million, equivalent to a funding level of 84.1%.
6. 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.
7. Where a Scheme's assets are less than the Technical Provisions a recovery plan must be put in place to show how the deficit can be eliminated over a fixed period. The proposed recovery plan aims to eliminate the deficit via a combination of additional contributions from employers and investment returns over a period of 10 years from 1 April 2013.
8. Manor Estates Housing Association Limited and members paid no contributions during the accounting period.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2013

19. Pension Scheme (Contd.)

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

9. 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.
10. 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.
11. 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.
12. 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.
13. 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 2012 (including Series 3 liabilities), as of this date the estimated employer debt for the Association was £45,065.

20. Capital commitments

	2013	2012
	£	£
Capital expenditure that has been contracted for but not been provided for in the financial statements	-	29,254
	=====	=====

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 £10,052 resulting in a cumulative position at 31 March 2013 of £87,205.

23. Legislative provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 and registered under Section 20(1) of the Housing (Scotland) Act 2010.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2013

24. Investment

Manor Estates Housing Association has invested in its wholly owned subsidiary, Manor Estates Associates Limited (MEAL).

	2013	2012
	£	£
At 1 April 2012 and 31 March 2013 – 100 ordinary shares of £1 each	100	100
	=====	=====

The subsidiary has net assets, capital and reserves of £100 at 31 March 2013. The taxable surplus is transferred by Gift Aid to the Association and amounts to £1,043 for 2013 (2012: £542).

25. Leasing Commitments

At 31 March 2013 the Association was committed to making the following payments under non-cancellable operating leases in the next financial year:

	Land and Buildings	
	2013	2012
	£	£
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 £24,618 in the year (2012: £23,289). The balance owed by Manor Estates Associates Limited to the Association at 31 March 2013 is £22,996 (2012: £96,291) (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 2013. They have standard tenancy agreements and were awarded their tenancies in line with best practice allocations policy.

29. Events after the Balance Sheet Date

In May 2013 the Association secured an additional loan of £7.5 million from Santander to fund its new build development programme. The first development project, at New Greendykes, will provide 49 flats – 8 for social rent and 41 for Mid Market Rent (MMR). The total cost of the project will be £5.526 million with grant funding of £1.559 million being provided by the City of Edinburgh Council on behalf of the Scottish Government. The development will start on site in June 2013 and is due for completion early in 2014. The 41 MMR flats will be leased to the Association's subsidiary, MEA Ltd, on completion.

