



**MANOR ESTATES HOUSING
ASSOCIATION LIMITED**

FINANCIAL STATEMENTS

For the year ended 31 March 2014

MANOR ESTATES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2014

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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 24/4/13)
Elizabeth Curran
Margaret Currie (resigned 27/11/2013)
David Lindsay
Carol Tait
Doug McEwan
Janette Montgomery
Duncan Murray (resigned 30/04/14)
Robert Brodie
Mustafizur Rahman (appointed 11/9/2013)
Graeme Duncan (appointed 11/9/2013)
Wilma Malik (appointed 11/9/2013)

Director: Lynn McDonald

Bankers: Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2AD

Santander
Bootle
Merseyside
L30 4GB

Solicitors: Lindsays WS
Caledonian Exchange
19a Canning Street
Edinburgh
EH3 8HE

Stewart Watt & Co
202 Dalry Road
Edinburgh
EH11 2ES

Harper McLeod 8 Melville Street
Edinburgh
EH3 7NS

ACH Shoosmiths
Saltire Court
Edinburgh
EH1 2EN

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

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 2014

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 24/4/13)
Elizabeth Curran
Margaret Currie (resigned 27/11/2013)
David Lindsay
Carol Tait
Doug McEwan
Janette Montgomery
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Graeme Duncan (appointed 11/9/2013)
Wilma Malik (appointed 11/9/2013)

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 changes to the welfare benefits system which are having a negative impact by reducing incomes for some tenants and, in time, will end 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 implemented a welfare reform strategy to assist us in managing the outcomes of the reforms as these are introduced.

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

2013/14 was Manor Estates Housing Association's 19th year in operation. During the year the Association continued its major programme of expenditure on managing and maintaining its houses. In 2013/14 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.

REPORT OF THE MANAGEMENT COMMITTEE

Business Activities (Contd.)

The Association spends significant sums each year maintaining and improving its properties. We have plans in place to meet the requirements set out in the Scottish Housing Quality Standard by 2015 and to carry out the necessary maintenance and component replacement work identified in our most recent stock condition survey. This will involve spending nearly £2 million maintaining and improving our housing stock during 2014/15.

This year we repaid a further £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.

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 2013/14 we acquired a further five Mortgage to Rent properties. This brings the total number of such properties acquired to 79.

For the first time in a number of years, the Association sold two properties under the Right to Buy. It is anticipated that the number of houses sold may increase over the next two years before the Right to Buy is abolished under the provisions of the current Housing (Scotland) Bill.

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.

Over the last 10 years we have had a series of discussions with the City of Edinburgh Council (CEC) about responsibility for the maintenance of footpaths in our South Queensferry estates. The Association's records clearly show that the areas in question have been adopted for maintenance meaning that the City Council is responsible for arranging and funding any necessary repairs. In early 2014 CEC confirmed that their records support the position taken by the Association and we are pleased to report that this long outstanding matter has been resolved and local residents informed.

For a number of years we have been providing agency services (Finance and Technical services) to other Housing Associations. These activities are carried out by our subsidiary company, MEA Ltd, and we have effective systems in place 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, carried out in late 2013, 89% of tenants stated they were satisfied with the services provided by the Association and 88% considered the rent they pay to be good value for money.

Our Operating costs have increased this year by nearly £500k, this has largely been due to an increased charge for depreciation, an increase in non capitalised investment in our assets and an increase in staffing costs

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 is being funded by a mix of private finance and grant funding provided by the City of Edinburgh Council on behalf of the Scottish Government. The first handovers of properties are scheduled for June 2014. Throughout 2013/14 rather than draw down the loan, the Association used its own cash reserves to fund the development. The first drawdown of the new £7.5m loan was in April 2014.

The Association will begin work on the next phase of this development in April 2014 which will provide an additional 44 properties, 24 for MMR and 20 for social rent. Completion of the development is planned for May 2015. The private finance arranged for the first phase of the development will fund this further phase along with approved grant funding.

REPORT OF THE MANAGEMENT COMMITTEE

Management Committee

The Association has 12 Management Committee members, including eight 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 Association's Chair conducts annual review meetings with individual Committee members where their skills and knowledge are appraised and training needs identified. 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 completed a review of the Association's governance arrangements in 2013 to ensure it is operating effectively and complying fully with the requirements set by the Scottish Housing Regulator.

In late 2013, the Management Committee began the process of developing the Association's new Corporate Plan for the next five year period to 2019. The Committee agreed the Association's aim, objectives and strategic direction. The Plan was finalised in early 2014 taking account of input from staff and customers.

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 Employers in Voluntary Housing (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. 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.

Surplus for the year and transfers to reserves

The Association has generated a surplus of £1,116,019 for 2013/14 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.

REPORT OF THE MANAGEMENT COMMITTEE

Rent Policy

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

Internal Financial Control

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

Audit Committee

The Association has established an Audit Committee in line with good practice.

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

25 June 2014



We have audited the financial statements of Manor Estates Housing Association Limited for the year ended 31 March 2014 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. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 and of its income and expenditure for the year then ended;
- have been prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements April 2012.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MANOR ESTATES HOUSING ASSOCIATION LIMITED**



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 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; 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.

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

16 July 2014

MANOR ESTATES HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2014

	Note	2014 £	2013 £
Turnover	2	4,685,359	4,488,890
Operating costs	2	3,414,828	2,973,487
		-----	-----
Operating surplus	2	1,270,531	1,515,403
Interest receivable and similar income	8	3,525	19,402
Interest payable and similar charges	8	(294,634)	(274,742)
		-----	-----
Surplus on ordinary activities	5	979,422	1,260,063
Surplus on disposal of Housing Accommodation/Garages:			
House Disposals in year		79,644	-
Garage Disposals in year		56,953	83,446
		-----	-----
Surplus on ordinary activities before taxation		1,116,019	1,343,509
Tax on surplus on ordinary activities	9	-	-
		-----	-----
Surplus for the year	15	1,116,019	1,343,509
		=====	=====

The above results relate wholly to continuing activities.

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


MANOR ESTATES HOUSING ASSOCIATION LIMITED

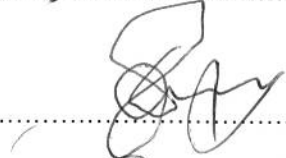
BALANCE SHEET


As at 31 March 2014

	Note	2014	2013
		£	£
Tangible fixed assets			
Housing properties	10	32,517,323	27,458,581
Housing Association Grant	10	(13,542,607)	(11,733,483)
		<u>18,974,716</u>	<u>15,725,098</u>
Other fixed assets	10	100,013	76,010
Investments	24	100	100
		<u>19,074,829</u>	<u>15,801,208</u>
Current assets			
Debtors	11	532,464	323,074
Cash at bank and in hand		142,350	2,280,432
		<u>674,814</u>	<u>2,603,506</u>
Creditors - amounts falling due within one year	12	1,412,391	783,480
		<u>(737,577)</u>	<u>1,820,026</u>
Net current (liabilities) / assets			
		<u>18,337,252</u>	<u>17,621,234</u>
Creditors - amounts falling due after more than one year	13	9,000,000	9,400,000
		<u>9,337,252</u>	<u>8,221,234</u>
Net assets		<u>9,337,252</u>	<u>8,221,234</u>
Capital and reserves			
Share capital	14	126	127
Revenue reserves	15	9,337,126	8,221,107
		<u>9,337,252</u>	<u>8,221,234</u>
		<u>9,337,252</u>	<u>8,221,234</u>

The financial statements were approved by the Management Committee on 25 June 2014.


William Hardie: Chairman


David Lindsay: Committee Member


Alexander Motion: Secretary

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

MANOR ESTATES HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

For the year ended 31 March 2014

	Note	2014 £	2013 £
Net cash inflow from operating activities	16	1,791,042	1,724,188
Returns on investments and servicing of finance			
Interest received		10,371	13,324
Interest paid		(296,166)	(293,157)
		-----	-----
Net cash outflow from returns on investments and servicing of finance		(285,795)	(279,833)
		-----	-----
Capital expenditure and financial investment			
Payments to improve housing properties and develop housing		(5,147,341)	(1,387,778)
Grants received for housing improvements and developments		1,828,951	521,578
Payments to acquire non-housing fixed assets		(71,878)	(21,183)
Net receipts from sale of housing properties and lockups		146,931	83,446
		-----	-----
Net cash outflow from capital expenditure and financial investment		(3,243,337)	(803,937)
		-----	-----
Net cash outflow/inflow before financing		(1,738,090)	640,418
		-----	-----
Financing			
Loans repaid (housing)		(400,000)	(400,000)
Shared capital issued		8	8
		-----	-----
Net cash outflow from financing		(399,992)	(399,992)
		-----	-----
(Decrease)/increase in cash	18	(2,138,082)	240,426
		=====	=====

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

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

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 2014

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)

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 2014	Operating surplus or deficit 2013
	£	£	£	£
Social lettings (note 3)	4,337,620	3,063,894	1,273,726	1,494,062
Other activities (note 4)	347,739	350,934	(3,195)	21,341
Total	4,685,359	3,414,828	1,270,531	1,515,403
2013	4,488,890	2,973,487	1,515,403	

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2014

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

	General Needs Housing £	Sheltered Housing Accommo- dation £	2014 £	2013 £
Rent receivable net of service charges	3,532,231	640,694	4,172,925	4,006,307
Service charges	22,635	179,662	202,297	194,448
	-----	-----	-----	-----
Gross income from rents and service charges	3,554,866	820,356	4,375,222	4,200,755
<u>Less: Voids</u>	(29,095)	(8,507)	(37,602)	(34,015)
	-----	-----	-----	-----
Total turnover from social letting activities	3,525,771	811,849	4,337,620	4,166,740
	-----	-----	-----	-----
Management and maintenance administration Costs	1,127,524	187,113	1,314,637	1,238,370
Service Costs	23,725	122,123	145,848	141,654
Planned and cyclical maintenance				
Major repair costs	685,193	37,166	722,359	529,226
Reactive maintenance costs	361,573	63,279	424,852	418,577
Bad debts (rents and service charges)	33,974	2,406	36,380	26,512
Depreciation of social housing	358,308	61,510	419,818	318,339
Impairment of social housing	-	-	-	-
	-----	-----	-----	-----
Operating costs for social letting activities	2,590,297	473,597	3,063,894	2,672,678
	-----	-----	-----	-----
Operating surplus for social lettings	935,474	338,252	1,273,726	1,494,062
	=====	=====	=====	=====
2013	1,162,003	332,059	1,494,062	
	=====	=====	=====	

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31 March 2014

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 2014 £	Operating surplus or deficit 2013 £
Factoring	-	-	-	284,698	284,698	6,966	318,174	(40,442)	(27,539)
Other activities	7,246	-	-	36,337	43,583	-	264	43,319	49,456
Medical adaptations	19,458	-	-	-	19,458	-	25,530	(6,072)	(576)
Total from other activities	26,704	-	-	321,035	347,739	6,966	343,968	(3,195)	21,341
Total from other activities for the previous period of account	47,697	-	-	274,453	322,150	1,000	299,809	21,341	

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 2014

5. Surplus on ordinary activities	2014	2013
	£	£
Surplus on ordinary activities is stated after:-		
Auditor's remuneration including Value Added Tax for external audit services	8,160	7,980
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.

	2014	2013
	£	£
Total emoluments (excluding pension contribution of £23,383 (2013: £17,165))	268,005	201,598
	=====	=====
The emoluments of the Director (Chief Executive) were as follows:		
Salary	78,105	75,792
Pension contributions	6,813	6,614
	-----	-----
	84,918	82,406
	=====	=====

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

	2014	2013
£60,001 to £70,000	3	2
£70,001 to £80,000	1	1
	=====	=====

Expenses payable to the Management Committee amounted to £4,796 (2013: £3,344).

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

7. Employee information	2014	2013
	£	£
Staff costs during the year were as follows:-		
Salaries	801,130	748,438
Social Security costs	65,105	59,540
Pension costs (note 19)		
- current contributions	62,992	61,560
- past service deficit contribution	80,700	75,031
Costs of recruitment	940	2,528
	-----	-----
	1,010,867	947,097
	=====	=====

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2014

7. Employee information (Contd.)	2014 £	2013 £
The average number of persons (full time equivalents) employed by the Association during the year was as follows:		
Housing management	15	14
Administration	7	7
	-----	-----
	22	21
	=====	=====

8. Interest	2014 £	2013 £
Interest receivable	3,525	19,402
	=====	=====
Interest payable on bank loans	294,634	274,742
	=====	=====

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	Under Construction £	Held for Letting £	Total £
Cost			
At 1 April 2013	-	30,322,520	30,322,520
Additions			
- mortgage to rent properties	-	522,979	522,979
- Improvements to existing properties	-	695,245	695,245
- Under Development	4,290,497	-	4,290,497
Disposals			
- sales	-	(25,141)	(25,141)
- replaced components	-	(112,858)	(112,858)
	-----	-----	-----
At 31 March 2014	4,290,497	31,402,745	35,693,242
	-----	-----	-----
Depreciation			
At 1 April 2013	-	2,863,939	2,863,939
Provided in year	-	419,818	419,818
Disposals (replaced components)	-	(107,838)	(107,838)
	-----	-----	-----
At 31 March 2014	-	3,175,919	3,175,919
	-----	-----	-----
Gross cost less depreciation	4,290,497	28,226,826	32,517,323
	-----	-----	-----
HAG			
At 1 April 2013	-	11,733,483	11,733,483
Additions	1,558,944	270,007	1,828,951
Disposals (replaced components)	-	(19,827)	(19,827)
	-----	-----	-----
At 31 March 2014	1,558,944	11,983,663	13,542,607
	-----	-----	-----
Net book value 31 March 2014	2,731,553	16,243,163	18,974,716
	=====	=====	=====
Net book value 31 March 2013	-	15,725,098	15,725,098
	=====	=====	=====

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2014

10. Fixed assets (Contd.)

(a) Housing properties (Contd.)

HAG eliminated on components replaced during the year amounted to £19,827. This amount and amounts previously eliminated (in total £107,032) 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 2013	830	143	973
At 31 March 2014	833	143	976
	=====	=====	=====
	Office & IT Equipment	Leasehold Improvements	Total
	£	£	£
Cost			
At 1 April 2013	255,164	62,216	317,380
Additions	59,011	12,867	71,878
Disposals	(66,298)	(14,429)	(80,727)
At 31 March 2014	247,877	60,654	308,531
	-----	-----	-----
Depreciation			
At 1 April 2013	180,812	60,558	241,370
Provided in year	44,473	3,402	47,875
Disposals	(66,298)	(14,429)	(80,727)
At 31 March 2014	158,987	49,531	208,518
	-----	-----	-----
Net book value 31 March 2014	88,890	11,123	100,013
	=====	=====	=====
Net book value 31 March 2013	74,352	1,658	76,010
	=====	=====	=====

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

11. Debtors

	2014	2013
	£	£
Rent arrears	138,001	148,083
Doubtful debt provision	(55,372)	(48,523)
	-----	-----
Other debtors	82,629	99,560
Subsidiary Company (MEAL note 24)	135,468	141,507
Prepayments	29,919	22,996
Finance costs (see note 13)	193,615	59,011
	90,833	-
	-----	-----
	532,464	323,074
	=====	=====

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2014

12. Creditors - amounts falling due within one year	2014	2013
	£	£
Trade creditors	351,497	138,467
Other creditors	37,064	59,989
Social Security and other taxes	19,538	18,225
Prepayments of rent and service charges	82,196	66,104
Accruals and deferred income	521,200	98,267
Loan interest currently due	896	2,428
Bank loan repayable within one year	400,000	400,000
	-----	-----
	1,412,391	783,480
	=====	=====

13. Creditors - amounts falling due after one year	2014	2013
	£	£
Bank loans repayable by instalments:-		
Repayable between two and five years	2,400,000	2,200,000
Repayable after five years	6,600,000	7,200,000
	-----	-----
	9,000,000	9,400,000
	=====	=====

The bank loan is secured over housing properties and is repayable by instalments which commenced on 30 March 2012. At 31 March 2014, 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.

A further bank loan for £7.5m had been arranged but not yet drawn at the Balance Sheet date. The finance costs for this loan are held in debtors until the loan is drawn down.

14. Share capital	2014	2013
	£	£
Allotted, issued and fully paid:		
At 1 April 2013	127	128
Issued during the year - shares of £1	8	8
Cancelled in year	(9)	(9)
	-----	-----
At 31 March 2014	126	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.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2014

15. Revenue Reserves	2014	2013
	£	£
As 1 April 2013	8,221,107	6,877,598
Surplus for the year	1,116,019	1,343,509
At 31 March 2014	<u>9,337,126</u>	<u>8,221,107</u>

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

	2014	2013
	£	£
Operating surplus	1,270,531	1,515,403
Depreciation charges	467,693	354,886
(Increase)/decrease in debtors	(216,236)	181,285
Increase/(decrease) in creditors	269,063	(327,377)
Share capital cancelled	(9)	(9)
Net cash inflow from operating activities	<u>1,791,042</u>	<u>1,724,188</u>

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

	2014	2013
	£	£
(Decrease) / Increase in cash	(2,138,082)	240,426
Net cash flow from movement in debt	400,000	400,000
Change in net debt resulting from cash flows	<u>(1,738,082)</u>	<u>640,426</u>
Net debt at beginning of year	(7,519,568)	(8,159,994)
Net debt at end of year	<u>(9,257,650)</u>	<u>(7,519,568)</u>

18. Analysis of net debt	At	Cash	Other	At
	1 April	Flows	Changes	31 March
	2013	£	£	2014
	£	£	£	£
Cash at bank and in hand	2,280,432	(2,138,082)	-	142,350
Debt due within one year	(400,000)	400,000	(400,000)	(400,000)
Debt due after one year	(9,400,000)	-	400,000	(9,000,000)
	<u>(7,519,568)</u>	<u>(1,738,082)</u>	<u>-</u>	<u>(9,257,650)</u>

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2014

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 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 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.
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 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.
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 2014, 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 £80,700 this year, to fund the past service deficit. The Association's contribution will increase to £180,646 next year and will remain at this level for thirteen and a half years.
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.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2014

19. Pension Scheme (Contd.)

1. Manor Estates Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations Scheme based on the financial position of the Scheme as at 30 September 2013. As of this date the estimated employer debt for the Association was £4,460,057. 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 were completed in 2012 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 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.
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. If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.
8. The rules of the plan state that the proportion of obligatory contributions to be borne by the member and the members' employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide the employer shall pay the whole of them.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2014

19. Pension Scheme (Contd.)

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

9. The Scheme Actuary has prepared a funding position update as at 30 September 2012. The market value of the Plan's assets as that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) was £984 million. The update, therefore revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%.
10. If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan settling out the steps to be taken to make up the shortfall.
11. The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or the recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as required by legislation.
12. Manor Estates Housing Association Limited and members paid no contributions during the accounting period.
13. 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.
14. 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.
15. 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.
16. The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's 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.
17. 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.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2014

20. Capital commitments	2014	2013
	£	£
Capital expenditure that has been contracted for but not been provided for in the financial statements	1,155,641	-
	=====	=====

These costs are the final costs for phase 1 of the development at Greendykes. This new development has been funded by Housing Association Grant and a private loan from Santander. Manor Estates Housing Association used its own cash reserves to fund this development up to the Balance Sheet date, but drew down the first tranche of the £7.5m loan in April 2014.

The cost of the second phase of development at Greendykes has been authorised, but not contracted for at the year end. The net cost of this phase (after Housing Association Grant of £1.8m) will be £3.1m and will also be funded by the loan referred to above.

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 £19,827 resulting in a cumulative position at 31 March 2014 of £107,032.

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.

24. Investment

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

	2014	2013
	£	£
At 1 April 2013 and 31 March 2014 – 100 ordinary shares of £1 each	100	100
	=====	=====

The subsidiary has net assets, capital and reserves of £100 at 31 March 2014. The taxable surplus is transferred by Gift Aid to the Association and amounts to £766 for 2014 (2013: £1,043).

25. Leasing Commitments

At 31 March 2014 the Association was committed to making the following payments under non-cancellable operating leases in the next financial year:

	Land and Buildings	
	2014	2013
	£	£
Operating leases which expire:		
After five years	73,448	73,448
	=====	=====

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2014

26. Related Party Transactions

Management and administration services are provided to Manor Estates Associates Limited (the subsidiary company). These costs amounted to £22,834 in the year (2013: £24,618). The balance owed by Manor Estates Associates Limited to the Association at 31 March 2014 is £29,919 (2013: £22,996) and is included in debtors in note 11.

27. Tenant Committee Members

Eight of the Management Committee were tenants of the Association as at 31 March 2014. They have standard tenancy agreements and were awarded their tenancies in line with best practice allocations policy.