



**MANOR ESTATES HOUSING
ASSOCIATION LIMITED**

**ANNUAL REPORT
and
GROUP FINANCIAL STATEMENTS**

For the year ended 31 March 2016

MANOR ESTATES HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
For the year ended 31 March 2016

INDEX	PAGE
Management Committee, Executives and Advisers	1 - 2
Report of the Management Committee	3 - 8
Report of the independent auditor	9 – 10
Report by the independent auditor on corporate governance	11
Consolidated statement of comprehensive income	12
Statement of changes in reserves	13
Consolidated statement of financial position	14
Consolidated statement of cash flows	15
Notes to the financial statements	16 – 33

MANOR ESTATES HOUSING ASSOCIATION LIMITED
MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

Registered Office: 11 Washington Lane
EDINBURGH
EH11 2HA

Management Committee: William Hardie (Chairman)
David Lindsay (Vice Chairman)
Alexander Motion (Secretary)
Carol Tait
Doug McEwan
Janette Montgomery
Nigel Hicks
Margaret Fountain (retired 16/09/15)
Ian Parker (retired 16/09/15)
Mustafizur Rahman (removed 26/08/15)
Rachel Hutton (appointed 16/09/15)
Derek Hanley (appointed 16/09/15)

Chief Executive: Graeme Russell (appointed 18 May 2016)
Lynn McDonald (retired 29 April 2016)

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

Shoosmiths
Saltire Court
Edinburgh
EH1 2EN

Auditor: Chiene + Tait LLP
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

MANOR ESTATES HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

Financial Conduct Authority No. 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

For the year ended 31 March 2016

The members of the Management Committee have pleasure in presenting their report on the Association's affairs for the year ended 31 March 2016.

Membership of Management Committee

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

William Hardie (Chairman)
David Lindsay (Vice Chairman)
Alexander Motion (Secretary)
Carol Tait
Doug McEwan
Janette Montgomery
Nigel Hicks
Margaret Fountain (retired 16/09/15)
Ian Parker (retired 16/09/15)
Mustafizur Rahman (removed 26/08/15)
Rachel Hutton (appointed 16/09/15)
Derek Hanley (appointed 16/09/15)

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 consolidated 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, may 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 continue to be 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

2015/16 was Manor Estates Housing Association's 21st year in operation. During the year the Association continued its major programme of expenditure on managing and maintaining its houses. In 2015/16 the Association again increased its housing stock due to the completion of the second stage of a major new build development project. The Association's subsidiary company, Manor Estates Associates Limited (MEA Limited) continued trading, undertaking a range of activities.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2016

Business Activities (continued)

The Association spends significant sums each year maintaining and improving its properties. During the past year we carried out work to ensure we have successfully met the requirements of the Scottish Housing Quality Standard. We also carried out the necessary maintenance and component replacement work identified in our asset management plan.

In 2015 the Scottish Government introduced a new energy efficiency standard for social housing (EESSH). We must meet this standard by 2020 and have been investigating various sources of funding to enable us to carry out external wall insulation to our no fines properties in mixed tenure estates. During the year we were successful in securing grant funding to enable us to carry out a programme of external wall insulation at our two biggest estates at Telford and Niddrie Mill. We have completed an extensive programme of work at both estates within very tight timescales which has enabled us to claim all the grant funding available. This insulation programme will significantly improve energy efficiency and lead to savings in energy costs for more than 500 residents.

In November 2015, work was completed on our latest new build project which provided 44 properties for let at the Greendykes development in south east Edinburgh. 20 properties have been let as social rented housing with the other 24 let for Mid Market Rent (MMR). These MMR properties have been leased to our subsidiary company, MEA Ltd, which is carrying out routine management and maintenance. The development was funded by a mix of private finance and grant funding provided by the City of Edinburgh Council on behalf of the Scottish Government.

The Association began work on the third and final phase of the Greendykes development in March 2016 and this will provide an additional 35 properties, 15 for MMR and 20 for social rent, in May 2017. In order to fund this phase of the project the Association has secured additional private finance of £1.5 million from its lenders, Santander. This additional loan will take the Association's total borrowing for the Greendykes project to £9 million. Grant funding will again be provided by the City of Edinburgh Council for phase 3 of the development.

This year we repaid a further £600,000 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 as well as complying with our banking covenants each year.

In 2015/16, the Association had no Right to Buy sales. It is anticipated that a small number of houses may be sold before the Right to Buy is abolished in August 2016 under the provisions of the Housing (Scotland) Act.

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 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. 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.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2016

Management Committee

The Association has nine Management Committee members, including five tenants. The Management Committee sets the organisation's strategic direction and is committed to ensuring that the Association continues to meet the highest governance standards. The Management Committee carries out annual reviews of the Association's governance arrangements to ensure it is operating effectively and complying fully with the requirements set by the Scottish Housing Regulator. The Association's Chair also 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.

In May 2015, the Management Committee approved the Association's Corporate Plan for the four year period to 2019. The Committee agreed the Association's aim, objectives and strategic direction and the Plan was finalised taking account of input from staff and customers.

Principal Risks & Uncertainties

The Association recognises the importance of effective identification, evaluation and management of all key strategic and operational risks, and this is a requirement set out by the Scottish Housing Regulator's Regulatory Standards.

Risk Management covers the whole spectrum of risks and not just those associated with finance, health and safety, business continuity and insurance. It also includes risks associated with service provision, effectiveness and continuity, public image (reputation), compliance with legislation and regulation and environment.

The principal risks facing the Association are:

- Government policy
- Welfare reform
- Business continuity and disaster recovery
- Development and growth
- Financial risk management

Risk is assessed by considering how likely it is that an event will occur and what the impact of this would be. The likelihood and impact of each event are multiplied together to identify a rating for each risk. In the Risk Management Strategy risks with a rating of 12 and above are classed as major. Major risk is defined as an unacceptable level of risk exposure which requires constant monitoring and measures to be put in place to reduce exposure. The Committee is responsible for monitoring the management of major risks while management of lower level risks is delegated to the Management Team.

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.

At the end of April 2016, the Association's first Director, Lynn McDonald, left the organisation. The Management Committee carried out a recruitment exercise with the assistance of EVH and has appointed Graeme Russell as the Association's new Chief Executive effective from 18 May 2016.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2016

Staff (continued)

The Management Committee and senior staff, including the Chief Executive, Housing Manager, Technical Services Manager (Operational), Technical Services Manager (Strategic) and Corporate Services Manager, are defined as the key management of the Association. Remuneration for all staff including the key management personnel is based on EVH salary scales (further information is contained within note 7).

Financial Review

Income and Expenditure Reserve

Details of movements in the year are below, under the Surplus for the year and transfers to reserves.

Surplus for the year and transfers to reserves

The results for the Group are shown in the Statement of Comprehensive Income on page 11. The surplus for the Group is £1,124,735 (2015: restated surplus of £1,553,331). The surplus plus transfers result in an increase in reserves to £10,274, 146 (2015: restated £9,149,410).

Statement of the Management Committee's Responsibilities

The Management Committee is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and social housing legislation require 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 its income and expenditure for the year ended on that date. In preparing these financial statements, the Board 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 and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business; and
- prepare a Statement on Internal Financial Control

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012. The Management Committee is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Information for the Auditors

The Management Committee members have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Management Committee members has confirmed that they have taken all the steps they ought to take as trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2016

Treasury Management Policy

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

Rent Policy

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

Internal Financial Control

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

Audit Committee

The Association has established an Audit Committee in line with 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 (Quinn Internal Audit and Business Support Services, QIABSS), which covers those areas of the Association's activity where potential risks have been identified. Overall the reviews carried out by QIABSS 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.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2016

Auditor

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

By order of the Committee

A handwritten signature in black ink, appearing to read 'A. Motion', written in a cursive style.

Alexander Motion
Secretary

29 June 2016



We have audited the consolidated financial statements of Manor Estates Housing Association Limited for the year ended 31 March 2016 which comprise the Consolidated Statement of comprehensive income, the Consolidated and Association Statement of changes in reserves, the Consolidated and Association Statement of financial position, the Consolidated and Association Statement of cash flows 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 the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

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 6, 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

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

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 2016 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 C, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements December 2014.



Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014, requires 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 LLP

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

12 July 2016

**REPORT BY THE AUDITORS TO THE MEMBERS OF
MANOR ESTATES HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS**



In addition to our audit of the Financial Statements, we have reviewed your statement on page 7 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 7 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Chiene + Tait LLP

CHIENE + TAIT LLP
Chartered Accountants and Statutory Auditors
61 Dublin Street
Edinburgh
EH3 6NL

12 July 2016

MANOR ESTATES HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Note	Group 2016 (Restated) £	2015 (Restated) £	Association 2016 (Restated) £	2015 (Restated) £
Turnover	2/3	8,313,798	5,475,475	8,243,044	5,430,726
Operating expenditure	3	6,603,151	3,619,716	6,532,397	3,574,967
Operating surplus	3	1,710,647	1,855,759	1,710,647	1,855,759
Gain on disposal of property, plant and equipment		102,976	153,726	102,976	153,726
Interest receivable	9	18,557	2,326	18,557	2,326
Interest and financing costs	9	(707,445)	(458,480)	(707,445)	(458,480)
Surplus before tax		1,124,735	1,553,331	1,124,735	1,553,331
Tax	10	-	-	-	-
Surplus and total comprehensive income for the year		1,124,735	1,553,331	1,124,735	1,553,331

The above results relate wholly to continuing activities.

Comparative figures have been restated to reflect the adoption of FRS 102 and the Housing SORP 2014.

The notes on pages 16 to 33 form part of these financial statements.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2016

Group

	Share Capital £	Income and expenditure Reserve £	Total Unrestricted Funds £
Balance at 1 April 2015 (restated)	110	9,149,300	9,149,410
New shares issued	3	-	3
Shares cancelled	(2)	-	(2)
Surplus from statement of total comprehensive income	-	1,124,735	1,124,375
	-----	-----	-----
Balance at 31 March 2016	111	10,274,035	10,274,146
	=====	=====	=====

Association

	Share Capital £	Income and expenditure Reserve £	Total Unrestricted Funds £
Balance at 1 April 2015 (restated)	110	9,149,300	9,149,410
New shares issued	3	-	3
Shares cancelled	(2)	-	(2)
Surplus from statement of total comprehensive income	-	1,124,735	1,124,735
	-----	-----	-----
Balance at 31 March 2016	111	10,274,035	10,274,146
	=====	=====	=====

Comparative figures have been restated to reflect the adoption of FRS 102 and the Housing SORP 2014.

The notes on pages 16 to 33 form part of these financial statements.

MANOR ESTATES HOUSING ASSOCIATION LIMITED


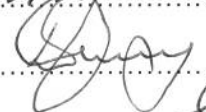

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	2016 £	Group 2015 (Restated) £	2016 £	Association 2015 (Restated) £
Fixed assets					
Tangible fixed assets					
Housing properties	11(a)	37,759,450	35,220,671	37,759,450	35,220,671
Other fixed assets	11(b)	164,807	149,575	164,807	149,575
Investments	12	-	-	100	100
		-----	-----	-----	-----
		37,924,257	35,370,246	37,924,357	35,370,346
Current assets					
Debtors	13	1,262,428	316,712	1,291,011	353,189
Cash and cash equivalents		3,429,241	707,995	3,397,468	661,132
		-----	-----	-----	-----
		4,691,669	1,024,707	4,688,479	1,014,321
Creditors: amounts falling due within one year	14	1,936,554	1,959,208	1,933,464	1,948,922
		-----	-----	-----	-----
Net current assets/(liabilities)		2,755,115	(934,501)	2,755,015	(934,601)
		-----	-----	-----	-----
Total assets less current liabilities		40,679,372	34,435,745	40,679,372	34,435,745
Creditors: amounts falling due after more than one year	15	30,405,226	25,286,335	30,405,226	25,286,335
		-----	-----	-----	-----
Total net assets		10,274,146	9,149,410	10,274,146	9,149,410
		=====	=====	=====	=====
Reserves					
Share capital	16	111	110	111	110
Income and expenditure reserve		10,274,035	9,149,300	10,274,035	9,149,300
		-----	-----	-----	-----
Total reserves		10,274,146	9,149,410	10,274,146	9,149,410
		=====	=====	=====	=====

Comparative figures have been restated to reflect the adoption of FRS 102 and the Housing SORP 2014.

The financial statements were approved by the Management Committee on 29 June 2016.

.......... William Hardie: Chairman
..... David Lindsay: Committee Member
..... Alexander Motion: Secretary

The notes on pages 16 to 33 form part of these financial statements

MANOR ESTATES HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31 March 2016

	Note	2016 £	Group 2015 (Restated) £	2016 £	Association 2015 (Restated) £
Net cash generated from operating activities	17	1,328,073	2,344,942	1,343,163	2,319,845
Cash flow from investing activities					
Purchase of tangible fixed assets		(3,724,010)	(5,028,152)	(3,724,010)	(5,028,152)
Proceeds from sale of tangible fixed assets		161,016	167,454	161,016	167,454
Grants received		701,882	1,841,187	701,882	1,841,187
Grants repaid		(57,857)	-	(57,857)	-
Interest received		18,557	2,326	18,557	2,326
Cash flow from financing activities					
Interest paid		(606,418)	(383,879)	(606,418)	(383,879)
New secured loans		5,500,000	2,000,000	5,500,000	2,000,000
Repayment of borrowings		(600,000)	(400,000)	(600,000)	(400,000)
Share capital issued		3	1	3	1
Net change in cash and Cash equivalents		2,721,246	543,879	2,736,336	518,782
Cash and cash equivalents at beginning of year		707,995	164,116	661,132	142,350
Cash and cash equivalents at end of year		3,429,241	707,995	3,397,468	661,132

Comparative figures have been restated to reflect the adoption of FRS 102 and the Housing SORP 2014.

The notes on pages 16 to 33 form part of these financial statements.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

Legal Status

Manor Estates Housing Association Limited is registered under the Co-operative and Communities Benefit Societies Act 2014, a registered Scottish charity, and is a housing association registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010. The principle activity of the Association is the provision of social housing. The registered office is 11 Washington Lane, Edinburgh, EH11 2HA. The Association is a Public Benefit Entity. The financial statements have been presented in Pounds Sterling as this is the functional and presentational currency of the company.

1. Principal accounting policies

The financial statements have been prepared for the first time in accordance with Financial Reporting Standard 102 (FRS 102), the Statement of Recommended Practice for social housing providers "Housing SORP 2014" (SORP 2014) and the Determination of Accounting Requirements 2014. The transition to FRS 102 and SORP 2014 has resulted in a number of changes in accounting policies to those used previously. The nature of these changes and their impact on the figures reported in the comparative period are explained in note 24.

The principal accounting policies of the Association are set out below.

Group accounts/basis of preparation

The Group financial statements consolidate the financial statements of Manor Estates Housing Association Limited and its subsidiary, Manor Estates Associates Limited made up to 31 March 2016. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 102.

Basis of accounting

The financial statements are prepared under the historical cost basis of accounting.

Going concern

The financial statements have been prepared on a going concern basis. The Management Committee have assessed the Group and Association's ability to continue as a going concern and have reasonable expectation that the Group and the Association have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Turnover

Turnover represents rental and service income receivable and fees and grants from local authorities and the Scottish Government and is measured at the fair value of the consideration received or receivable.

Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, which are held at valuation, the grant is recognised as income using the performance model in accordance with SORP 2014. Prior to satisfying the performance conditions, capital grant is held as deferred income on the statement of financial position.

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts due to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2016

1. Principal accounting policies (continued)

Tangible fixed assets - Housing properties

Housing Properties are stated at cost 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 Consolidated Statement of Comprehensive Income.

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		not depreciated
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)

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)
Mid Market Rent properties:		
Floor Coverings	10%	(10 years)
Appliances	20%	(5 years)

Impairment

Reviews for impairment of housing properties are carried out at scheme level when a possible impairment is highlighted by a change in circumstances (such as high repair costs or difficulties in lettings). Any impairment in an income generating unit is recognised by a charge in the Statement of Comprehensive Income and is recognised when the carrying value of the unit exceeds the higher of its net realisable value or value in use. The net realisable value is determined by an external valuation by a RICS approved valuer.

For the year ended 31 March 2016

1. Principal accounting policies (continued)

Housing Association Grant and other capital grants

Certain developments have been financed wholly or partly by Housing Association Grant (HAG) or other capital grants. HAG is repayable under certain circumstances, primarily following sale of the related property but will normally be restricted to net proceeds of sale.

Capital grants are accounted for using the accrual model and are recognised in income on a systematic basis over the useful life of the related housing asset. The Association uses the useful lives of all housing components on a pro-rata basis to calculate the annual amortisation.

Financial instruments

Debtors and creditors receivable/payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at the transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other administrative expenses.

Loans and borrowings

Bank loans provided by Private Lenders are also classed as basic under the requirements of FRS 102, and are therefore also measured at amortised cost.

Payment arrangements with tenants

In the case of payment arrangements that exist with tenants, these are deemed to constitute financing transactions and, where material, are measured at the present value of future payments discounted at a market rate of interest applicable to similar debt instruments.

Deposits

Cash comprises cash in hand and deposits less overdrafts repayable on demand.

Leased assets

All leases are regarded as operating leases and the payments made under them are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

Pension costs

The Association participates in the Scottish Housing Associations' defined benefits pension scheme.

Value Added Tax

The Association is not registered for VAT and operating expenditure therefore includes Input VAT.

Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The members of the management committee are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied in apportioning the cost of housing properties between constituent components and in determining the depreciation rates which have been deemed to be appropriate for the class of asset or asset component and in determining the appropriate level of bad debt provision for rental arrears.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2016

2. Turnover

	2016	Group 2015 (Restated)	2016	Association 2015 (Restated)
	£	£	£	£
Income from lettings	5,377,424	4,967,815	5,003,320	4,787,654
Management services and other income	2,936,374	507,660	3,239,724	643,072
Total	8,313,798	5,475,475	8,243,044	5,430,726
	=====	=====	=====	=====

3. Particulars of turnover, operating costs and operating surplus/(deficit): Association only

	Turnover	Operating costs	Operating surplus or Surplus or (deficit) 2016	Operating surplus or surplus or (deficit) 2015 (Restated)
	£	£	£	£
Affordable letting activities (note 4)	5,003,320	3,624,678	1,378,642	1,636,722
Other activities (note 5)	3,239,724	2,907,719	332,005	219,037
Total	8,243,044	6,532,397	1,710,647	1,855,759
	=====	=====	=====	=====
2015 (restated)	5,430,726	3,574,967	1,855,759	=====
	=====	=====	=====	=====

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2016

4. Particulars of turnover, operating costs and operating surplus or deficit from affordable letting activities: Association only

	General Needs Social Housing	Supported (Sheltered) Housing Accommo- -dation	Total 2016	Total 2015 (Restated)
	£	£	£	£
Rent receivable net of service charges	3,808,479	687,032	4,495,511	4,331,540
Service charges	25,688	190,213	215,901	209,258
	-----	-----	-----	-----
Gross income from rents and service charges	3,834,167	877,245	4,711,412	4,540,798
<u>Less: Voids</u>	<u>(27,937)</u>	<u>(11,038)</u>	<u>(38,975)</u>	<u>(19,007)</u>
	-----	-----	-----	-----
Net Income from rents and service charges	3,806,230	866,207	4,672,437	4,521,791
Grants released from deferred income	284,631	46,252	330,883	265,863
	-----	-----	-----	-----
Total turnover from affordable letting activities	4,090,861	912,459	5,003,320	4,787,654
	-----	-----	-----	-----
Management and maintenance administration costs	1,011,534	183,950	1,195,484	1,382,060
Service Costs	29,268	136,669	165,937	158,253
Planned and cyclical maintenance Including major repair costs	1,077,234	59,538	1,136,772	493,251
Reactive maintenance costs	352,971	57,887	410,858	373,886
Bad debts (rents and service charges)	11,599	2,038	13,637	8,095
Depreciation of affordable let properties	603,862	98,128	701,990	735,387
	-----	-----	-----	-----
Operating costs for affordable letting activities	3,086,468	538,210	3,624,678	3,150,932
	-----	-----	-----	-----
Operating surplus for affordable letting properties	1,004,393	374,249	1,378,642	1,636,722
	=====	=====	=====	=====
2015 (Restated)	1,317,030	319,692	1,636,722	
	=====	=====	=====	

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2016

5. Particulars of turnover, operating costs and operating surplus or deficit from other activities: Association only

	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 2016	Operating surplus or deficit 2015 (Restated)
	£	£	£	£	£	£	£	£	£
Factoring	-	-	-	269,015	269,015	(1,797)	269,923	889	(60,721)
Other activities	2,459,931	-	-	489,049	2,948,980	-	2,614,211	334,769	282,744
Medical adaptations	21,729	-	-	-	21,729	-	25,382	(3,653)	(2,986)
Total from other activities	2,481,660	-	-	758,064	3,239,724	(1,797)	2,909,516	332,005	219,037
Totals 2015	38,010	-	-	605,062	643,072	13,535	410,500	219,037	

Note: Other activity headings as noted in The Scottish Housing Regulator's Determination of Accounting Requirements 2014 do not apply.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2016

6. Surplus for the year	2016	Group 2015 (Restated)	2016	Association 2015 (Restated)
	£	£	£	£
Surplus for the year is stated after:				
Auditor's remuneration (including Value Added Tax):				
for external audit services	11,280	10,980	9,720	9,480
for taxation services	1,800	1,740	810	780
for accounting services (FRS102 SORP 2014)	2,400	-	2,400	-
	=====	=====	=====	=====

7. Emoluments and interests of key management personnel

Manor Estates Housing Association Limited employs all staff for the Group and provides staff and services to Manor Estates Associates Limited.

The Management Committee and senior staff, including the Chief Executive, Housing Manager, Technical Services Manager (Operational), Technical Services Manager (Strategic) and Corporate Services Manager, are defined as the key management of the Association. No emoluments were paid to any member of the Management Committee during the year and details of the aggregate emoluments payable to key management personnel whose emoluments were £60,000 per annum or more follow.

	2016	2015
	£	£
Total emoluments (excluding pension contribution of £24,280 (2015: £30,622))	281,562	274,169
	=====	=====

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

Salary	81,099	79,901
Pension contributions	7,074	8,930
	-----	-----
	88,173	88,831
	=====	=====

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

	2016	2015
£60,001 to £70,000	3	3
£70,001 to £80,000	-	1
£80,001 to £90,000	1	-
	=====	=====

Expenses payable to the Management Committee amounted to £2,642 (2015: £3,611).

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2016

8. Employee information

	2016	2015
	£	(Restated)
		£
Staff costs during the year were as follows:-		
Salaries	861,679	826,604
Social Security costs	72,003	70,780
Pension costs (note 21) - current contributions	49,653	63,808
- past service deficit re-measurement cost	1,000	164,000
- expenses	6,312	7,007
Costs of recruitment	9,620	2,203
	-----	-----
	1,000,267	1,134,402
	=====	=====

	2016	2015
	£	£
The average number of persons (full time equivalents) employed by the Association during the year was as follows:		
Housing management	15	15
Administration	8	7
	-----	-----
	23	22
	=====	=====

9. Interest	2016	Group	2016	Association
	£	2015	£	2015
		(Restated)		(Restated)
		£		£
Interest receivable	18,557	2,326	18,557	2,326
	=====	=====	=====	=====
Interest payable on bank loans	650,205	380,528	650,205	380,528
Financing costs pensions	50,000	74,000	50,000	74,000
Finance cost of setting up loans	7,240	3,952	7,240	3,952
	-----	-----	-----	-----
	707,445	458,480	707,445	458,480
	=====	=====	=====	=====

10. Tax on surplus on ordinary activities

The Association has charitable status and no Corporation Tax charge arises on activities in the year. The subsidiary company, Manor Estates Associates Limited is liable to Corporation Tax, however no Corporation Tax charge has arisen in the year.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2016

11. Tangible fixed assets

(a) Housing properties: Group and Association

	Housing Properties In course of construction £	Housing Properties Held for Letting £	Mid Market Rent Properties £	Total £
Cost/Valuation				
At 1 April 2015	2,899,923	32,898,812	4,581,534	40,380,269
Additions – properties under construction	2,838,255	-	2,682	2,840,937
Capitalised improvements including components	-	549,254	-	549,254
Disposals including replaced components	-	(314,853)	-	(314,853)
Transferred	(5,020,187)	2,281,902	2,738,285	-
At 31 March 2016	717,991	35,415,115	7,322,501	43,455,607
Depreciation				
At 1 April 2015 – as previously reported	-	3,473,807	40,911	3,514,718
Prior year adjustment	-	1,628,591	16,289	1,644,880
As restated	-	5,102,398	57,200	5,159,598
Charge for the year	-	707,505	85,867	793,372
On disposals including replaced components	-	(256,813)	-	(256,813)
At 31 March 2016	-	5,553,090	143,067	5,696,157
Net book value				
At 31 March 2016	717,991	29,862,025	7,179,434	37,759,450
At 31 March 2015 (Restated)	2,899,923	27,796,414	4,524,334	35,220,671
Housing units:				
		Mainstream No	Sheltered No	Total No
At 1 April 2015		880	143	1,023
At 31 March 2016		922	143	1,065

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2016

11. Tangible fixed assets (continued)

(b) Other fixed assets: Group and Association

	Office & IT Equipment £	Leasehold Improve- ments £	MMR Furnishings £	Total £
Cost				
At 1 April 2015	255,062	60,654	96,337	412,053
Additions	478	6,120	49,122	55,720
	-----	-----	-----	-----
At 31 March 2016	255,540	66,774	145,459	467,773
	-----	-----	-----	-----
Depreciation				
At 1 April 2015	197,122	52,935	12,421	262,478
Provided in year	18,053	3,796	18,639	40,488
	-----	-----	-----	-----
At 31 March 2016	215,175	56,731	31,060	302,966
	-----	-----	-----	-----
Net book value 31 March 2016	40,365	10,043	114,399	164,807
	=====	=====	=====	=====
Net book value 31 March 2015	57,939	7,719	83,916	149,575
	=====	=====	=====	=====

The leasehold office premises are held on a short lease (note 18).

12. Investment

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

	2016 £	2015 £
At 1 April 2015 and 31 March 2016		
100 ordinary shares of £1 each	100	100
	=====	=====

The subsidiary has net assets, capital and reserves of £100 at 31 March 2016. The taxable surplus is transferred by Gift Aid to the Association and amounts to £31,535 for 2016 (2015: £7,299).

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2016

13. Debtors	2016 £	Group 2015 £	2016 £	Association 2015 £
Rent arrears	141,342	138,014	135,033	136,709
Doubtful debt provision	(48,230)	(49,500)	(48,230)	(49,500)
	-----	-----	-----	-----
	93,112	88,514	86,803	87,209
Other debtors	847,635	99,708	868,423	96,592
Subsidiary Company (note 12)	-	-	14,104	40,898
Prepayments	235,998	47,657	235,998	47,657
Finance costs (note 15)	85,683	80,833	85,683	80,833
	-----	-----	-----	-----
	1,262,428	316,712	1,291,011	353,189
	=====	=====	=====	=====

14. Creditors: amounts falling due within one year

	2016 £	Group 2015 (Restated) £	2016 £	Association 2015 (Restated) £
Trade creditors	282,350	197,792	282,350	197,792
Other creditors	52,511	45,330	52,511	45,330
Social Security and other taxes	21,251	20,750	21,251	20,750
Prepayments of rent and service charges	65,866	64,855	64,554	74,800
Accruals and deferred income	572,768	645,023	570,990	624,792
Loan interest currently due	47,674	1,497	47,674	1,497
Bank loan repayable within one year	600,000	600,000	600,000	600,000
Deferred Housing Association Grant	294,134	383,961	294,134	383,961
	-----	-----	-----	-----
	1,936,554	1,959,208	1,933,464	1,948,922
	=====	=====	=====	=====

15. Creditors: amounts falling due after one year

	2016 £	Group 2015 (Restated) £	2016 £	Association 2015 (Restated) £
Bank loans repayable by instalments:-				
Repayable between two and five years	2,400,000	2,400,000	2,400,000	2,400,000
Repayable after five years	12,900,000	8,000,000	12,900,000	8,000,000
	-----	-----	-----	-----
	15,300,000	10,400,000	15,300,000	10,400,000
Deferred Housing Association Grant	12,891,226	12,541,335	12,891,226	12,541,335
Provision for pension deficit contributions (note 21)	2,214,000	2,345,000	2,214,000	2,345,000
	-----	-----	-----	-----
	30,405,226	25,286,335	30,405,226	25,286,335
	=====	=====	=====	=====

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2016

15. Creditors: amounts falling due after one year (continued)

£8,400,000 of the above bank loan is secured over housing properties and is repayable by instalments which commenced on 30 March 2012. At 31 March 2016, interest on £6,450,000 of the above loan was based on a fixed rate of 2.99% for a period of 5 years. The interest on the remaining loan is charged at a variable rate. 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.

The balance of £7,500,000 is the loan that has financed phase 1 and phase 2 of the new development at Sandilands Close. The finance costs for this loan are held in debtors until the loan is drawn down. A further £1.5m has been approved and will be used to finance the third phase of the development.

The average rate of interest paid in the year is 3.94% (2015: 3.34%).

16. Share capital

Ownership of a share 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.

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

	2016	Group	2016	Association
	£	2015	£	2015
		£		£
Surplus for the year	1,124,735	1,553,331	1,124,735	1,553,331
Depreciation charges	833,860	814,140	833,860	814,140
Pension costs less contributions payable	(181,000)	(12,000)	(181,000)	(12,000)
(Increase)/decrease in debtors	(947,615)	204,050	(942,672)	180,040
Increase/(decrease) in creditors	296,144	(120,965)	306,291	(122,052)
Adjustments for investing or financing activities:				
Gains on disposal of tangible fixed assets	(102,976)	(153,726)	(102,976)	(153,726)
Housing Association Grant utilised in the year	(383,961)	(396,025)	(383,961)	(396,025)
Interest and financing costs	707,445	458,480	707,445	458,480
Interest receivable	(18,557)	(2,326)	(18,557)	(2,326)
Share capital cancelled	(2)	(17)	(2)	(17)
Net cash flow from operating activities	1,328,073	2,344,942	1,343,163	2,319,845
	=====	=====	=====	=====

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2016

18. Leasing commitments

The future aggregate minimum lease payments under non-cancellable operating leases is as follows:

	2016	2015
	£	£
No later than one year	75,000	75,000
Later than one year but no later than five years	225,000	300,000
After five years	-	-
	-----	-----
	300,000	375,000
	=====	=====

19. Capital commitments

	2016	Group	2016	Association
	£	2015	£	2015
		£		£
Capital expenditure that has been contracted for but not been provided for in the financial statements	3,743,592	2,085,467	3,743,592	2,085,467
	=====	=====	=====	=====

These costs are the final costs for phase 3 of the development at Greendykes. This 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 will draw down the final £1.5m of the loan later in the year.

20. Contingent liabilities

Housing Association Grant received to assist in the funding of the development of housing properties is recognised as deferred income and released to the Statement of Comprehensive Income on a systematic basis (as detailed in note 1); nonetheless this grant remains repayable should the associated property be disposed of and therefore a contingent liability exists in respect of the amortised amounts. At 31 March 2016 £ 2,705,944 (2015: £2,321,983) of grant had been amortised.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2016

21. Pension scheme

(i) The Pensions Trust – Scottish Housing Associations' Pension Scheme (SHAPS)

Manor Estates Housing Association participates in the scheme a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a "last man standing arrangement". Therefore the Association is potentially liable for the other participating employer's obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

From 1 April 2014 to 30 September 2027:

£26.3m per annum (payable monthly and increasing by 3% each 1 April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate noted below. The unwinding of the discount rate is recognised as a finance cost.

Assumptions

Rate of discount – % per annum	2.29	2.22
	=====	=====

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2016

21. Pension scheme (Contd.)

(i) The Pensions Trust – Scottish Housing Associations' Pension Scheme (continued)

The liability recognised is as follows:

	2016	2015
	£'000	£'000
Present value of provision at 1 April	2,325	2,262
Unwinding of the discount factor (interest expense)	50	74
Deficit contributions paid	(180)	(174)
Remeasurements – impact of any change in assumptions	(9)	163
Remeasurements – amendments to the contribution schedule	-	-
	-----	-----
Present value of the provision at 31 March	2,186	2,325
	=====	=====

(ii) Pension Trust's Growth Plan

Manor Estates Housing Association also participates in The Pensions Trust's Growth Plan (the Plan) which is a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers.

The Plan is a defined benefit scheme in the UK and in common with the SHAP scheme it is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The Plan is subject to the same funding legislation outlined above and as a "last man standing arrangement" is under similar obligations to meet any share of a deficit on withdrawal from the Plan.

A full actuarial valuation for the scheme was carried out at 30 September 2011. This actuarial valuation showed assets of £780m liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the Plan as follows:

Deficit contributions

From 1 April 2013 to 31 March 2023:

£13.9m per annum (payable monthly and increasing by 3% each 1 April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 liabilities.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2016

21. Pension scheme (Contd.)

(ii) Pension Trust's Growth Plan (continued)

As the Growth Plan is in deficit and the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation in the amount of the net present value of the deficit reduction contributions payable under the agreement. The present value is calculated using the discount rate detailed below. The unwinding of the discount rate is recognised as a finance cost.

Assumptions

Rate of discount – % per annum	2.07	1.74
	=====	=====

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The liability recognised is as follows:

	2016	2015
	£'000	£'000
Present value of provision at 1 April	20	21
Unwinding of the discount factor (interest expense)	-	-
Deficit contributions paid	(2)	(2)
Remeasurements – impact of any change in assumptions	10	1
Remeasurements – amendments to the contribution schedule	-	-
	-----	-----
Present value of the provision at 31 March	28	20
	=====	=====

22. Related Party Transactions

Management and administration services are provided to Manor Estates Associates Limited (the subsidiary company). These costs amounted to £39,949 in the year (2015: £36,880). In addition, management charges of £31,317 (2015: 11,500) and lease costs of £255,415 (2015: £126,200) have been incurred by Manor Estates Associates Limited in relation to the MMR properties.

Manor Estates Associates Limited agreed a gift aid distribution of £31,535 (2015: £7,299) to the Association. The balance owed by Manor Estates Associates Limited to the Association at 31 March 2016 is £14,014 (2014: £40,898) and is included in the Association's debtors in note 11.

23. Tenant Committee Members

5 of the Management Committee were tenants of the Association as at 31 March 2016. They have standard tenancy agreements and were awarded their tenancies in line with best practice allocations policy. Rents charged to the tenant Committee Members for the year was £32,218 and the net balance outstanding from the tenant Committee Members as at 31 March 2016 was £9 (credit).

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2016

24. Prior year adjustments - Adjustments following the adoption of FRS 102:

(a) Recognition of grant income and acceleration of depreciation

Previously capital grant received to assist in funding the cost of housing properties was accounted for as a deduction against costs, thereby reducing the depreciable cost of the properties. In line with the Housing SORP 2014 and FRS 102, capital grants received by the Association are now recognised as deferred income and amortised (or released to income) over the lifetime of the related asset. Grant received in advance of the satisfaction of any performance conditions is also held within creditors as deferred income. The resulting prior year adjustment arising on this change of accounting policy is an increase in liabilities of £12,925,296 and an increase in the Income and Expenditure Reserve of £2,321,983 at 31 March 2015, being the balance of unamortised grants and the accumulated amortisation credits respectively at that date.

As a result of this change to the treatment of grants, the depreciable cost of housing properties increased by £15,247,279 and this in turn results in increased depreciation charges. The prior year adjustment to Income and Expenditure Reserve in respect of the accumulated additional charges to 31 March 2015 is £1,644,880.

(b) Pension liability

The Association participates in the multi-employer defined benefit Scottish Housing Association Pension Scheme. The cost of the scheme is accounted for on a defined contribution basis as it is not possible to separately identify the underlying assets and liabilities of individual participating employers. However as explained in note 21 a past service deficit liability exists and under FRS 102 this liability must be recognised in the financial statements. This has resulted in the recognition of a pension liability of £2.214m at 31 March 2016 with a corresponding charge to the Income and Expenditure Reserve at that date.

(c) Reconciliation - Group	Notes	Reported in 2015 financial statements £	Restate- ments £	Restated 2015 figures £
Statement of financial position				
Fixed assets	(a)	21,767,847	13,602,399	35,370,246
Current assets		1,024,707	-	1,024,707
Creditors: amounts falling due within one year	(a)	(1,575,247)	(383,961)	(1,785,590)
Creditors: amounts falling due after more than 1 year	(a) & (b)	(10,400,000)	(14,886,335)	(25,459,953)
Total net assets		10,817,307	(1,667,897)	9,149,410
Share capital		110	-	110
Income and expenditure reserve	(a) & (b)	10,817,197	(1,667,897)	9,149,300
Total reserves		10,817,307	(1,667,897)	9,149,410

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2016

24. Prior year adjustments (continued)

(c) Reconciliation - Group (continued)	Notes	Reported in 2015 financial statements £	Restate- ments £	Restated 2015 figures £
Statement of comprehensive income				
Turnover	(a)	5,079,449	396,026	5,475,475
Operating expenditure	(a) & (b)	(3,371,716)	(248,000)	(3,619,716)
Gain on disposal of property, plant and equipment		153,726	-	153,726
Interest receivable		2,326	-	2,326
Interest and financing costs	(b)	(384,480)	(74,000)	(458,480)
Total comprehensive income for the year		1,479,305	74,026	1,553,331
		=====	=====	=====

25. 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.

