



**MANOR ESTATES HOUSING
ASSOCIATION LIMITED**

**ANNUAL REPORT
and
GROUP FINANCIAL STATEMENTS**

For the year ended 31 March 2017

MANOR ESTATES HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
For the year ended 31 March 2017

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MANOR ESTATES HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

Registered Office: 11 Washington Lane
EDINBURGH
EH11 2HA

Management Committee: Nigel Hicks (Chairman)
Rachel Hutton (Vice Chair)
Carol Tait
Doug McEwan
Derek Hanley
Sandra Brydon (Casual Vacancy)
Mike Trant (Co – optee)
Kerry McLeod (Casual Vacancy)
Tracey Kelly (Co – optee)

Chief Executive and Secretary: Graeme Russell (appointed 18 May 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

Anderson Strathern LLP
1 Rutland Court
Edinburgh
EH3 8ET

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 2017

The members of the Management Committee have pleasure in presenting their report on the Association's affairs for the year ended 31 March 2017.

Membership of Management Committee

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

William Hardie (stood down as Chairman – 15 September 2016, retired 5 May 2017)

David Lindsay (Vice Chairman) – resigned 29 November 2016

Alexander Motion (Secretary) – resigned 1 January 2017

Carol Tait

Doug McEwan

Janette Montgomery – resigned 13 February 2017

Nigel Hicks (Chairman with effect from 25 January 2017)

Rachel Hutton (Vice Chair with effect from 25 January 2017)

Derek Hanley

Sandra Brydon (filled Casual Vacancy from 25 January 2017)

Mike Trant (Co-opted on 25 January 2017)

Kerry McLeod (filled Casual Vacancy from 25 January 2017)

Tracey Kelly (Co-opted on 25 January 2017)

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 the current economic climate and as a consequence of restrictions to welfare benefit entitlements, there is a greater risk that the Association's success in collecting rents may reduce. The Association continues to maximise its rental income by maintaining good performance in managing the level of rent arrears and rent lost on void properties. This combined with a proactive approach and assistance provided to tenants seeking assistance in claiming welfare benefits will continue to mitigate the impacts of reduced income available to tenants.

The Management Committee receives a range of key performance indicators at every meeting. In addition, a mid - year budget review is undertaken. This allows the Management Committee to ensure effective oversight of the Association's finances and to quickly introduce appropriate action should it be necessary.

Business Activities

2016/17 was Manor Estates Housing Association's 22nd year in operation. During the year the Association continued its major programme of expenditure on managing and maintaining its properties. During 2016/17 the Association again progressed growth in its housing stock, as stage 3 of the Sandilands new build development nears completion. 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 2017

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 meet our obligations in respect of the Scottish Housing Quality Standard, albeit progress in attaining full compliance is limited by the mixed tenure nature of many of our estates. 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 (ESSH). We, like all social landlords must meet this standard by 2020 and we 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 South Queensferry, Ratho and Muirhouse, complimenting work already completed at our two biggest estates; Telford and Niddrie Mill. In conjunction with our partner organisations we have completed an extensive programme of work within these 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 many tenants and owners.

The Association began work on the third and final phase of the Greendykes development (Sandilands Close) in March 2016 and this will provide an additional 35 properties, 15 for MMR and 20 for social rent, in the summer of 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.

The impending abolition of the Right to Buy during the year resulted in a small number of enquiries. Three properties were sold during the year.

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 a Tenant Satisfaction Survey conducted during the year continued to demonstrate positive feedback from customers on the quality of services provided. The set of tenant satisfaction results from 2016/17 demonstrated that 91% of tenants were satisfied with the overall level of service provided by the association (compared with 89% in 2013 when the last survey was done), 90% were satisfied with the standard of their home (compared with 76% previously) but only 84% considered their home and the rent they pay value for money (compared with 88% in 2013). A detailed action plan has been produced and will in the coming year seek to address the issues highlighted by our customers.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2017

Management Committee

The Association has nine Management Committee members, including two tenants. A recruitment exercise conducted during 2016 resulted in the Association recruiting as co-optees and filling casual vacancies with four experienced individuals with a background in housing who will be of considerable assistance to the Association in developing services. The Management Committee continues to set the organisation's strategic direction and is committed to ensuring that the Association continues to meet the highest governance standards. A revised Corporate Plan, complimented by a detailed Internal Management Plan, both of which were developed and endorsed by the Management Committee during 2016/17, detail the key objectives, business priorities and targets to be achieved during 2017 /19.

The Management Committee carries out regular 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. An Internal Audit exercise reviewing compliance with the Regulator's Financial and Regulatory Framework provided reassurance during the year that the Association had sound governance arrangements in place (recommendations and actions having been progressed). The Association's Chair also conducts annual review meetings with individual Committee members where their skills and knowledge are appraised and training needs identified. In line with recommendations made by its Internal Auditor, the Association revised and is applying new practices in respect of Management Committee member annual reviews and succession planning arrangements. A programme of Management Committee training commenced in January 2017 ensuring that members have the requisite skills required of them to carry out their responsibilities.

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:

- Political and economic uncertainty
- Westminster and Scottish 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 Audit Committee as well as the Management 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 resources 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 strategic objectives set by the Management Committee. The Association is committed

MANOR ESTATES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2017

Staff (continued)

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.

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). The Management Committee are all voluntary and receive no remuneration.

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

The results for the Group are shown in the Statement of Comprehensive Income on page 12. The surplus for the Group is £2,241,890 (2016: surplus of £1,124,735). The surplus resulted in an increase in reserves to £12,515,988 (2016: restated £10,274,146). This surplus includes the £1,046,000 pension re-measurement credit shown in notes 3 and 8 and explained in note 21.

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 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 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 – December 2014. 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.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2017

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 Committee Members in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

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

The Rent policy is designed to set rents that are fair, reasonable and affordable to current and prospective tenants. Rents and service charges must however 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. This committee meet quarterly and regularly receive reports and reassurance from our Internal Auditor.

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

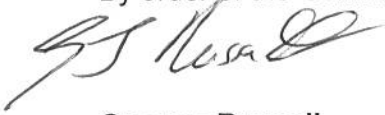
REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2017

Auditor

A motion regarding the reappointment of Chiene and Tait LLP as the Association's auditor will be made at the Annual General Meeting. The tender process will conclude before 31 March 2018.

By order of the Committee

A handwritten signature in black ink, appearing to read 'GR Russell', written over a horizontal line.

Graeme Russell
Secretary



We have audited the consolidated financial statements of Manor Estates Housing Association Limited for the year ended 31 March 2017 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) including FRS102 'The Financial Reporting Standard applicable in the UK and The Republic of Ireland'.

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/auditscopeukprivate.

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 2017 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 Co-operative and Community Benefit Societies Act 2014, 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

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

6 July 2017

**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
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

6 July 2017

MANOR ESTATES HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	Group		Association	
		2017	2016	2017	2016
		£	£	£	£
Turnover	2/3	6,250,450	8,313,798	6,152,950	8,243,044
Operating expenditure	3	3,743,159	6,603,151	3,645,659	6,532,397
Operating surplus	3	2,507,291	1,710,647	2,507,291	1,710,647
Gain on disposal of property, plant and equipment		436,807	102,976	436,807	102,976
Interest receivable	9	6,498	18,557	6,498	18,557
Interest and financing costs	9	(708,706)	(707,445)	(708,706)	(707,445)
Surplus before tax		2,241,890	1,124,735	2,241,890	1,124,735
Tax	10	-	-	-	-
Surplus and total comprehensive income for the year		2,241,890	1,124,735	2,241,890	1,124,735

The above results relate wholly to continuing activities.

The notes on pages 16 to 32 form part of these financial statements.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2017

Group

	Share Capital £	Income and expenditure Reserve £	Total Unrestricted Funds £
Balance at 1 April 2016	111	10,274,035	10,274,146
New shares issued	6	-	6
Shares cancelled	(54)	-	(54)
Surplus from statement of total comprehensive income	-	2,241,890	2,241,890
	-----	-----	-----
Balance at 31 March 2017	63	12,515,925	12,515,988
	=====	=====	=====

Association

	Share Capital £	Income and expenditure Reserve £	Total Unrestricted Funds £
Balance at 1 April 2016	111	10,274,035	10,274,146
New shares issued	6	-	6
Shares cancelled	(54)	-	(54)
Surplus from statement of total comprehensive income	-	2,241,890	2,241,890
	-----	-----	-----
Balance at 31 March 2017	63	12,515,925	12,515,988
	=====	=====	=====

The notes on pages 16 to 32 form part of these financial statements.




MANOR ESTATES HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	Group		Association	
		2017	2016	2017	2016
		£	£	£	£
Fixed assets					
Tangible fixed assets					
Housing properties	11(a)	40,306,592	37,759,450	40,306,592	37,759,450
Other fixed assets	11(b)	143,827	164,807	143,827	164,807
Investments	12	-	-	100	100
		-----	-----	-----	-----
		40,450,419	37,924,257	40,450,519	37,924,357
Current assets					
Debtors	13	942,594	1,262,428	971,742	1,291,011
Cash and cash equivalents		2,800,118	3,429,241	2,766,621	3,397,468
		-----	-----	-----	-----
		3,742,712	4,691,669	3,738,363	4,688,479
Creditors: amounts falling due within one year	14	2,209,230	1,830,420	2,204,981	1,827,330
		-----	-----	-----	-----
Net current assets		1,533,482	2,861,249	1,533,382	2,861,149
		-----	-----	-----	-----
Total assets less current liabilities		41,983,901	40,785,506	41,983,901	40,785,506
Creditors: amounts falling due after more than one year	15	29,467,913	30,511,360	29,467,913	30,511,360
		-----	-----	-----	-----
Total net assets		12,515,988	10,274,146	12,515,988	10,274,146
		=====	=====	=====	=====
Reserves					
Share capital	16	63	111	63	111
Income and expenditure reserve		12,515,925	10,274,035	12,515,925	10,274,035
		-----	-----	-----	-----
Total reserves		12,515,988	10,274,146	12,515,988	10,274,146
		=====	=====	=====	=====

The financial statements were approved by the Management Committee on

 Rachel Hutton: Vice Chair
 Doug McEwan: Committee Member
 Graeme Russell: Secretary

The notes on pages 16 to 32 form part of these financial statements

MANOR ESTATES HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31 March 2017

	Note	Group		Association	
		2017	2016	2017	2016
		£	£	£	£
Net cash generated from operating activities	17	2,298,107	1,328,073	2,296,383	1,343,163
Cash flow from investing activities					
Purchase of tangible fixed assets		(3,302,231)	(3,724,010)	(3,302,231)	(3,724,010)
Proceeds from sale of tangible fixed assets		506,333	161,016	506,333	161,016
Grants received		918,558	701,882	918,558	701,882
Grants repaid		(52,760)	(57,857)	(52,760)	(57,857)
Interest received		6,498	18,557	6,498	18,557
Cash flow from financing activities					
Interest paid		(669,667)	(606,418)	(669,667)	(606,418)
New secured loans		-	5,500,000	-	5,500,000
New unsecured loans		266,033	-	266,033	-
Repayment of borrowings		(600,000)	(600,000)	(600,000)	(600,000)
Share capital issued		6	3	6	3
Net change in cash and Cash equivalents		(629,123)	2,721,246	(630,847)	2,736,336
Cash and cash equivalents at beginning of year		3,429,241	707,995	3,397,468	661,132
Cash and cash equivalents at end of year		2,800,118	3,429,241	2,766,621	3,397,468

The notes on pages 16 to 32 form part of these financial statements.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

Legal Status

Manor Estates Housing Association Limited is registered under the Co-operative and Community 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 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 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 2017. 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, the grant is recognised as income using the accrual model in accordance with SORP 2014. Unamortised 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 2017

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 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.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2017

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 Statement of Comprehensive Income on a straight-line basis over the lease term.

Pension costs

The Association participates in the Scottish Housing Associations' Pension Scheme, in both the defined benefit and the defined contribution sections.

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 2017

2. Turnover

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Income from lettings	5,549,993	5,377,424	5,091,140	5,003,320
Management services and other income	700,457	2,936,374	1,061,810	3,239,724
Total	6,250,450	8,313,798	6,152,950	8,243,044

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

	Turnover	Operating costs	Operating Surplus or (deficit) 2017	Operating Surplus or (deficit) 2016
	£	£	£	£
Affordable letting activities (note 4)	5,091,140	3,911,412	1,179,728	1,378,642
Other activities (note 5)	1,061,810	780,247	281,563	332,005
Pension re-measurement credit (note 21)	-	(1,046,000)	1,046,000	-
Total	6,152,950	3,645,659	2,507,291	1,710,647
2016	8,243,044	6,532,397	1,710,647	

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2017

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

	General Needs Social Housing	Retirement Housing Accommo- -dation	Total 2017	Total 2016
	£	£	£	£
Rent receivable net of service charges	3,907,721	687,003	4,594,724	4,495,511
Service charges	25,295	192,158	217,453	215,901
	-----	-----	-----	-----
Gross income from rents and service charges	3,933,016	879,161	4,812,177	4,711,412
<u>Less: Voids</u>	(19,108)	(8,034)	(27,142)	(38,975)
	-----	-----	-----	-----
Net Income from rents and service charges	3,913,908	871,127	4,785,035	4,672,437
Grants released from deferred income	306,105	-	306,105	330,883
	-----	-----	-----	-----
Total turnover from affordable letting activities	4,220,013	871,127	5,091,140	5,003,320
	-----	-----	-----	-----
Management and maintenance administration costs	1,138,738	190,902	1,329,640	1,195,484
Service Costs	28,200	150,395	178,595	165,937
Planned and cyclical maintenance including major repair costs	1,065,573	102,803	1,168,376	1,136,772
Reactive maintenance costs	481,855	80,780	562,635	410,858
Bad debts (rents and service charges)	18,412	3,087	21,499	13,637
Depreciation of affordable let properties	594,228	56,439	650,667	701,990
	-----	-----	-----	-----
Operating costs for affordable letting activities	3,327,006	584,406	3,911,412	3,624,678
	-----	-----	-----	-----
Operating surplus for affordable letting properties	893,007	286,721	1,179,728	1,378,642
	=====	=====	=====	=====
2016	1,004,393	374,249	1,378,642	
	=====	=====	=====	

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2017

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 2017	Operating surplus or deficit 2016
	£	£	£	£	£	£	£	£	£
Factoring	210,402	-	-	312,305	522,707	10,159	499,443	13,105	889
Other activities*	51,965	-	-	466,752	518,717	-	248,445	270,272	334,769
Medical adaptations	20,386	-	-	-	20,386	-	22,200	(1,814)	(3,653)
Total from other activities	282,753	-	-	779,057	1,061,810	10,159	770,088	281,563	332,005
Totals 2016	2,481,660	-	-	758,064	3,239,724	(1,797)	2,909,516	332,005	

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

*Other activities include £315,200 (2016: £255,415) in respect of the leasing of the Mid Market Rent properties to MEA Ltd.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2017

6. Surplus for the year	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Surplus for the year is stated after:				
Auditor's remuneration (including Value Added Tax):				
for external audit services	11,610	11,280	9,990	9,720
for taxation services	2,214	1,800	1,194	810
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.

	2017	2016
	£	£
Total emoluments (excluding pension contribution of £20,316) (2016: £24,250)	268,579	281,562
	=====	=====

The emoluments of the Chief Executive were as follows:

Salary (from appointment)	68,980	81,099
Pension contributions	6,327	7,074
	-----	-----
	75,307	88,173
	=====	=====

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

	2017	2016
£60,001 to £70,000	4	3
£80,001 to £90,000	-	1
	=====	=====

Expenses payable to the Management Committee amounted to £3,691 (2016: £2,642).

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2017

8. Employee information

	2017	2016
	£	£
Staff costs during the year were as follows:-		
Salaries	927,043	861,679
Social Security costs	90,034	72,003
Pension costs (note 21) - current contributions	46,393	49,653
- past service deficit re-measurement cost	(1,046,000)	1,000
- expenses	6,164	6,312
Costs of recruitment	1,888	9,620
	-----	-----
	25,522	1,000,267
	=====	=====

	2017	2016
	£	£
The average number of persons (full time equivalents) employed by the Association during the year was as follows:		
Housing management	18	16
Administration	7	7
	-----	-----
	25	23
	=====	=====

9. Interest	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Interest receivable	6,498	18,557	6,498	18,557
	=====	=====	=====	=====
Interest payable on bank loans	648,056	650,205	648,056	650,205
Financing costs pensions	49,000	50,000	49,000	50,000
Finance cost of setting up loans	11,650	7,240	11,650	7,240
	-----	-----	-----	-----
	708,706	707,445	708,706	707,445
	=====	=====	=====	=====

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 2017

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				
At 1 April 2016	717,991	35,415,115	7,322,501	43,455,607
Additions – properties under construction	2,812,129	5,730	27,516	2,845,375
Capitalised improvements including components	-	496,633	-	496,633
Disposals including replaced components	-	(222,480)	-	(222,480)
	-----	-----	-----	-----
At 31 March 2017	3,530,120	35,694,998	7,350,017	46,575,135
	-----	-----	-----	-----
Depreciation				
At 1 April 2016	-	5,553,090	143,067	5,696,157
Charge for the year	-	650,667	91,385	742,052
On disposals including replaced components	-	(169,666)	-	(169,666)
	-----	-----	-----	-----
At 31 March 2017	-	6,034,091	234,452	6,268,543
	-----	-----	-----	-----
Net book value				
At 31 March 2017	3,530,120	29,660,907	7,115,565	40,306,592
	=====	=====	=====	=====
At 31 March 2016	717,991	29,862,025	7,179,434	37,759,450
	=====	=====	=====	=====
Housing units:				
	MMR No	Mainstream No	Retirement No	Total No
At 1 April 2016	65	857	143	1,065
At 31 March 2017	65	853	143	1,061
	=====	=====	=====	=====

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2017

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 2016	255,540	66,774	145,459	467,773
Additions	18,032	3,791	-	21,823
Disposals	-	(7,064)	-	(7,064)
	-----	-----	-----	-----
At 31 March 2017	273,572	63,501	145,459	482,532
	-----	-----	-----	-----
Depreciation				
At 1 April 2016	215,175	56,731	31,060	302,966
Provided in year	20,491	4,556	17,756	42,803
Disposals	-	(7,064)	-	(7,064)
	-----	-----	-----	-----
At 31 March 2017	235,666	54,223	48,816	338,705
	-----	-----	-----	-----
Net book value 31 March 2017	37,906	9,278	96,643	143,827
	=====	=====	=====	=====
Net book value 31 March 2016	40,365	10,043	114,399	164,807
	=====	=====	=====	=====

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

12. Investments

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

	2017 £	2016 £
At 1 April 2016 and 31 March 2017		
100 ordinary shares of £1 each	100	100
	=====	=====

The subsidiary has net assets, capital and reserves of £100 at 31 March 2017. The taxable surplus is transferred by Gift Aid to the Association and amounts to £30,877 for 2017 (2016: £31,535).

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2017

13. Debtors	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Rent arrears	137,687	141,342	129,885	135,033
Doubtful debt provision	(68,684)	(48,230)	(68,684)	(48,230)
	-----	-----	-----	-----
	69,003	93,112	61,201	86,803
Other debtors	568,075	847,635	580,647	868,423
Subsidiary Company (note 12)	-	-	24,378	14,104
Prepayments	229,483	235,998	229,483	235,998
Finance costs (note 15)	76,033	85,683	76,033	85,683
	-----	-----	-----	-----
	942,594	1,262,428	971,742	1,291,011
	=====	=====	=====	=====

14. Creditors: amounts falling due within one year

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Trade creditors	477,854	282,350	477,854	282,350
Other creditors	53,711	52,511	53,711	52,511
Social Security and other taxes	22,891	21,251	22,891	21,251
Prepayments of rent and service charges	67,731	65,866	65,674	64,554
Accruals and deferred income	715,289	572,768	713,097	570,990
Loan interest currently due	47,363	47,674	47,363	47,674
Bank loan repayable within one year	624,391	600,000	624,391	600,000
Pension Deficit Payments	200,000	188,000	200,000	188,000
	-----	-----	-----	-----
	2,209,230	1,830,420	2,204,981	1,827,330
	=====	=====	=====	=====

15. Creditors: amounts falling due after one year

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Bank loans repayable by instalments:-				
Repayable between two and five years	3,706,411	2,400,000	3,706,411	2,400,000
Repayable after five years	11,235,231	12,900,000	11,235,231	12,900,000
	-----	-----	-----	-----
	14,941,642	15,300,000	14,941,642	15,300,000
Deferred Housing Association Grant (note 20)	13,697,271	13,185,360	13,697,271	13,185,360
Provision for pension deficit contributions (note 21)	829,000	2,026,000	829,000	2,026,000
	-----	-----	-----	-----
	29,467,913	30,511,360	29,467,913	30,511,360
	=====	=====	=====	=====

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2017

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

£7,800,000 of the above bank loan is secured over housing properties and is repayable by instalments which commenced on 30 March 2012. At 31 March 2017, interest on £5,850,000 of the above loan was based on a fixed rate of 2.99% for a period of 4 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 3.93% (2016: 3.94%).

During the year we received a loan of £266,030 from the Energy Savings Trust. This is repayable over 10 years at 0% interest rate from May 2017.

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

	Group		Association	
	2017 £	2016 £	2017 £	2016 £
Surplus for the year	2,241,890	1,124,735	2,241,890	1,124,735
Depreciation charges	784,855	833,860	784,855	833,860
Pension costs less contributions payable	(1,234,000)	(181,000)	(1,234,000)	(181,000)
(Increase)/decrease in debtors	304,854	(947,615)	312,207	(942,672)
Increase/(decrease) in creditors	289,048	296,144	279,971	306,291
Adjustments for investing or financing activities:				
Gains on disposal of tangible fixed assets	(436,807)	(102,976)	(436,807)	(102,976)
Housing Association Grant utilised in the year	(353,887)	(383,961)	(353,887)	(383,961)
Interest and financing costs	708,706	707,445	708,706	707,445
Interest receivable	(6,498)	(18,557)	(6,498)	(18,557)
Share capital cancelled	(54)	(2)	(54)	(2)
Net cash flow from operating activities	2,298,107	1,328,073	2,296,383	1,343,163

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2017

18. Leasing commitments

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

	2017 £	2016 £
No later than one year	75,000	75,000
Later than one year but no later than five years	150,000	225,000
After five years	-	-
	-----	-----
	225,000	300,000
	=====	=====

19. Capital commitments

	Group		Association	
	2017 £	2016 £	2017 £	2016 £
Capital expenditure that has been contracted for but not been provided for in the financial statements	854,823	3,743,592	854,823	3,743,592
	=====	=====	=====	=====

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 drew down the final £1.5m on 27 April 2017.

20. Housing Association Grant and Contingent Liabilities

	Group		Association	
	2017 £	2016 £	2017 £	2016 £
Summary of HAG movement in the year:-				
Opening Balance	13,185,360	12,925,296	13,185,360	12,925,296
Grants released in the year	(353,887)	(383,961)	(353,887)	(383,961)
Repaid in respect of house disposals	(52,760)	(57,857)	(52,760)	(57,857)
New HAG received	918,558	701,882	918,558	701,882
	-----	-----	-----	-----
	13,697,271	13,185,360	13,697,271	13,185,360
	-----	-----	-----	-----
Due to be released < 1 year	290,812	294,134	290,812	294,134
Due to be released > 1 Year	13,406,459	12,891,226	13,406,459	12,891,226
	-----	-----	-----	-----
	13,697,271	13,185,360	13,697,271	13,185,360
	=====	=====	=====	=====

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 2017 £3,059,831 (2016: £2,705,944) of grant had been amortised.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2017

21. Pension scheme

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

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

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. Further information on this estimated debt on withdrawal is given in part (iii) of this note.

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m liabilities of £814m and a deficit of £198m. 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 2017 to 28 February 2022:

£25.7m per annum (payable monthly and increasing by 3% each 1 April)

From 1 April 2017 to 30 June 2025:

£727,217 per annum (payable monthly and increasing by 3% each 1 April)

From 1 April 2017 to 31 October 2026:

£1.2m 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

	2017	2016
	1.06	2.29
	=====	=====

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 2017

21. Pension scheme (Contd.)

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

The liability recognised is as follows:

	2017 £'000	2016 £'000
Present value of provision at 1 April	2,186	2,325
Unwinding of the discount factor (interest expense)	48	50
Deficit contributions paid	(185)	(180)
Remeasurements – impact of any change in assumptions	29	(9)
Remeasurements – amendments to the contribution schedule	(1,076)	-
	-----	-----
Present value of the provision at 31 March	1,002	2,186
	=====	=====

(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 2014. This actuarial valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. 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 2016 to 30 September 2025:

£12.9m per annum (payable monthly and increasing by 3% each 1 April)

From 1 April 2016 to 30 September 2028:

£54,560 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 2017

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	2017	2016
Rate of discount – % per annum	1.32	2.07
	=====	=====

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:

	2017	2016
	£'000	£'000
Present value of provision at 1 April	28	20
Unwinding of the discount factor (interest expense)	1	-
Deficit contributions paid	(3)	(2)
Remeasurements – impact of any change in assumptions	1	-
Remeasurements – amendments to the contribution schedule	-	10
	-----	-----
Present value of the provision at 31 March	27	28
	=====	=====

(iii) Employer Debt on Withdrawal

The Association has been notified by the Pensions Trust of the estimated employer debt on the withdrawal from the relevant schemes based on the financial position of the schemes as at 30 September 2016. As of this date the total estimated employer debt for the Association is £8.4m for both schemes. There is no current intention to withdraw from the schemes.

22. Related Party Transactions

Management and administration services are provided to Manor Estates Associates Limited (the subsidiary company). These costs amounted to £39,785 in the year (2016: £39,949). In addition, management charges of £25,668 (2016:£31,317) and lease costs of £315,200 (2016:£255,415) have been incurred by Manor Estates Associates Limited in relation to the MMR properties.

Manor Estates Associates Limited agreed a gift aid distribution of £30,877 (2016: £31,535) to the Association. The balance owed by Manor Estates Associates Limited to the Association at 31 March 2017 is £24,378 (2016: £14,014) and is included in the Association's debtors in note 13. The balance owed by Manor Estates Associates Limited to the Association for gift aid at 31 March 2017 is £28,786 (2016: £31,142) and is included in the Association's debtors in note 13.

MANOR ESTATES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March 2017

23. Tenant Committee Members

Two of the Management Committee were tenants of the Association as at 31 March 2017. They have standard tenancy agreements and were awarded their tenancies in line with best practice allocations policy. Rents charged to the five tenant Committee Members during the year was £20,894 and the net balance outstanding from the tenant Committee Members as at 31 March 2017 was £10 (credit) (2016:£9 credit).