

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

Registered Housing Association No. HAL 274

Financial Services Authority No. 2400(S)

BAKER TILLY UK AUDIT LLP
Chartered Accountants

Glasgow

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

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Registration Particulars:

Financial Services Authority

Industrial and Provident Societies Act 1965
Registered Number 2400 (S)

Scottish Housing Regulator

Housing (Scotland) Act 2001
Registered Number HAL 274

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2011

The Committee of Management present their report and audited financial statements for the year ended 31 March 2011.

Principal activity

The principal activity of the Association is the provision, construction, improvement and management of rented and shared ownership accommodation.

Molendinar Park Housing Association is registered with the Financial Services Authority as an Industrial and Provident Society and the Scottish Housing Regulator as a Registered Social Landlord.

Business review

The results for the year are shown in the attached income and expenditure account. Following the sale and letting of all the properties in the Moore Street development the Association has seen a consequent increase its rental income and strengthening of its balance sheet.

In the past year the Association undertook major repair programmes to replace windows, central heating systems and kitchens amounting to £223k. Despite the increase in the number of properties managed by the Association the cost of Reactive Maintenance has remained more or less level. If this pattern continues the Association's finances will allow increasing Major Repairs programs in the future. There are no other developments ongoing or planned.

Result for the year and transfers

The results for the year are shown in the Income and Expenditure Account on page 8.

Members of Committee of Management and Executive Officer

The Members of the Committee of the Association and Executive Officers during the year to 31 March 2011 were as follows:

A Scott (Chair)	A Blair
K Dolan (Secretary)	L McElroy
A Hendry	M O'Donnell
B Johnston	J Small (resigned October 2010)
S John (resigned October 2010)	Professor A McMillan (Honorary)
S Birrell (resigned March 2011)	S Moore (appointed November 2010)

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2011

(Continued)

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

Maintenance policies

The Association seeks to maintain its properties to the highest standard. To this end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, included works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs would be charged to the Income and Expenditure account, unless it was agreed they could be capitalised within the terms outlined in the SORP.

Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

Internal Financial Control

The Committee of Management is responsible for establishing and maintaining the Association's system of internal control. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Committee of Management has established with a view to providing effective internal financial control are outlined on pages 4 and 5.

Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives.

Future Developments

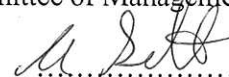
Subject to the availability of public funding the Association is committed to an ongoing development programme to provide new housing for our tenants.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

On behalf of the Committee of Management

Date: 21-6-11


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MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

STATEMENT OF COMMITTEE RESPONSIBILITIES

31 MARCH 2011

Under the legislation relating to Industrial and Provident Societies we are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the profit or loss of the Association for that period. In preparing those financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the Association's assets;
- taking reasonable steps for the prevention and detection of fraud.

As far as the Committee members are aware there is no relevant audit information of which the auditors are unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

By order of the Committee of Management



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Date: 21-6-11

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

31 MARCH 2011

The Committee of Management acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association or for publication
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

It is the Committee of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that;

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- experienced and suitably qualified staff take responsibility for important business functions, annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared regularly which allow the Committee of Management and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Committee of Management.
- the Committee of Management review reports from management, from directors, staff and from the internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed, including a general review of the major risks facing the Association.
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

**COMMITTEE OF MANAGEMENT'S STATEMENT OF INTERNAL FINANCIAL
CONTROLS**

**31 MARCH 2011
(Continued)**

The Committee of Management have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2011 and until the below date. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Committee of Management



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Date: 21-6-11
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MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on pages 4 and 5 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review in accordance with Bulletin 2006/5 issued by the Auditing Practices Board. 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 reasons given for non compliance.

Opinion

In our opinion the statement on internal financial control on pages 4 and 5 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow

Date: 23/6/11

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Molendinar Park Housing Association Limited for the year ended 31 March 2011 on pages 8 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association 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 Committee and auditor

As explained more fully in the Committee's Responsibilities Statement set out on page 3, the Committee are responsible for the preparation of the financial statements and for being satisfied that they 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB'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 2011 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 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 of the Association; or
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Statutory Auditor
Breckenridge House
274 Sauchiehall Street
GLASGOW
G2 3EH

Date:23/6/11.....

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 £	2010 £
Turnover	2	1,811,772	5,215,502
Less: Operating costs	2	<u>1,611,360</u>	<u>5,032,850</u>
Operating surplus	2	200,412	182,652
Profit on sale of fixed assets	5	-	89,540
Interest receivable and other income		7	-
Interest payable and other charges	6	<u>(75,062)</u>	<u>(121,548)</u>
Surplus on ordinary activities before tax		125,356	150,644
Taxation on surplus on ordinary activities	4	<u>(44,249)</u>	<u>(8,920)</u>
Surplus for year after taxation	7	<u>81,107</u>	<u>141,724</u>

The results for the year relate wholly to continuing activities.

The Association has no recognised gains or losses in 2011 and 2010 other than the results for the years set out above.

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 31 MARCH 2011

	Notes	£	2011 £	2010 £
Tangible Fixed Assets				
Housing properties	8		15,609,112	15,698,344
- gross cost less depreciation				
Less : HAG	8		(11,215,572)	(11,085,564)
			<u>4,393,540</u>	<u>4,612,780</u>
Other Assets	8		<u>43,923</u>	<u>45,383</u>
			<u>4,437,463</u>	<u>4,658,163</u>
Current Assets				
Debtors	9	113,209		169,030
Stock	10	-		45,723
Cash at bank and in hand		489,472		615,998
		<u>602,681</u>		<u>830,751</u>
Current Liabilities				
Creditors due within one year	11	(395,195)		(735,011)
Net current assets			<u>207,486</u>	<u>95,740</u>
			4,644,949	4,753,903
Creditors due after more than one year	12		(3,819,769)	(4,009,829)
Net Assets			<u>825,180</u>	<u>744,074</u>
Capital and Reserves				
Share capital	16		15	16
Designated reserves	7		405,768	361,670
Revenue Reserves	7		419,397	382,388
			<u>825,180</u>	<u>744,074</u>

These financial statements were approved by the Committee of Management and authorised for issue on 21.6.11 and signed on their behalf by:

Committee member:

M. Scott

Committee member:

Marian Hendry

Secretary:

Karen Todd

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

YEAR TO 31 MARCH 2011

	Notes	£	2011 £	2010 £
Net cash (outflow)/ inflow from operating activities	17		(11,333)	1,810,326
Returns on investments and servicing of finance				
Interest received		6		-
Interest paid		(75,062)		(121,548)
		<u>(75,056)</u>		<u>(121,548)</u>
Taxation				
Corporation tax paid		(8,853)		(39,093)
Less: Grants received		-		-
Net cash outflow on taxation			<u>(8,853)</u>	<u>(39,093)</u>
Investing activities				
Cash paid for construction and purchases		-		(28,966)
Housing association grant received		-		930,933
Housing association grant repaid		130,008		-
Proceeds from sale of fixed assets		-		121,196
Net cash inflow from investing activities			<u>130,008</u>	<u>1,023,163</u>
Net cash inflow before financing			<u>34,766</u>	<u>2,672,848</u>
Financing				
Loan principal repayments		(161,291)		(2,455,833)
(Decrease) in share capital		(1)		-
Net cash (outflow) from financing		<u>(161,292)</u>		<u>(2,455,833)</u>
(Decrease)/Increase in cash			<u>(126,526)</u>	<u>217,015</u>

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

1. Accounting Policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in the paragraphs (b) to (q) below. The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services Authority. The accounts have been prepared under the historical cost convention, and in compliance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Landlords" and relevant accounting standards.

(b) Finance

The financial statements have been prepared on the basis that the capital expenditure referred to in note 8 will be grant aided, funded by loans or met out of reserves, or from proceeds of sales.

(c) Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from local authorities and other agencies, first tranche sales of shared ownership properties and sales of shared equity properties.

(d) Housing Association Grants

Housing Association Grants (HAG) are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost (note 1(f)) of the scheme in accordance with instructions issued from time to time. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

(e) Housing Association Grant - Acquisition and Development Allowances receivable

Acquisition and Development Allowances are advanced as grants. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Development allowances become available in instalments according to the progress of work on the scheme. These allowances are credited to development costs in line with the progress of the contract to which they relate.

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

(f) **Fixed assets - Housing land and buildings** (note 8)

Properties included in housing properties are stated at cost. The cost of such properties includes the following:

- (i) cost of acquiring land and buildings
- (ii) development expenditure including applicable overheads
- (iii) interest charged on the loans raised to finance the scheme

These costs are either termed "qualifying costs" for approved HAG schemes and are considered for mortgage loans by the relevant lending authorities or they are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the financial statements for the year, provided that the dates of issue or valuations are prior to the year end.

Development costs are capitalised to the extent that they are attributable to specific schemes, where such costs are not felt to be excessive.

If expenditure does not qualify for HAG, it is nevertheless capitalised.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the scheme will not be developed to completion.

Interest on the loan financing the development is capitalised up to the relevant date of completion.

(g) **Depreciation**

(i) **Housing Properties**

Housing properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 2%. No depreciation is charged on the cost of land.

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

(ii) **Other fixed assets**

The Association's assets are written off evenly over their expected useful lives as follows:

Office property	-	2%	per annum
Furniture, fittings & equipment-		20%	per annum
Computer equipment		33%	per annum

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

(h) **Designated Reserves**

Designated reserve -reserves for future cyclical repairs and maintenance (note 7)

Accrued cyclical maintenance, being the Association's commitment to maintain its properties in accordance with planned programme of works, is set aside in a designated reserve, to the extent that it will not be met from revenue in the year in which it is incurred.

Designated reserve - reserves for major repairs (note 7)

Accrued major repair expenditure, being the Association's commitment to undertake major repairs to its properties, is set aside in a designated reserve to the extent that it is not met from HAG.

(i) **Apportionment of management expenses**

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in those accounts.

(j) **Lease obligations**

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

(k) **Sale of housing properties**

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

(k) **Sale of housing properties (cont'd)**

First tranche Shared Ownership disposals are credited to turnover on completion, the cost of construction of these sales is taken to operating costs. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal taken to the income and expenditure account, in accordance with the Statement of Recommended Practice.

Disposals under Shared Equity schemes are accounted for in the income and expenditure account. The remaining equity in properties sold before 1 April 2008 is treated as a fixed asset investment, which is matched with the grant received. For properties sold after 1 April 2008 the standard security over the remaining equity lies with the Scottish Government and is therefore not reflected in the Association's balance sheet.

(l) **Value added tax**

The Association is de-registered for VAT in the year ended 31 March 2011. A large proportion of the income, namely rents, was exempt for VAT purposes and therefore gave rise to a partial exemption calculation. Expenditure is shown inclusive of VAT.

(m) **Pensions**

The Association participates in the centralised SFHA Defined Benefit Pension Scheme and retirement benefits to employees of the Association are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The expected cost to the Association of pensions is charged to the Income and Expenditure Account so as to spread the cost of pensions over the service lives of the employees.

(n) **Impairment of fixed assets**

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the income and expenditure account.

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011
(Continued)

(o) **Improvements**

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income or
- a material reduction in future maintenance costs or
- a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

(p) **Property development cost**

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the income and expenditure account in accordance with the Statement of Recommended Practice.

(q) **Liquid Resources**

Liquid resources comprise of balances held in bank current and deposit accounts, and balances held on fixed term deposit.

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

2. Particulars of turnover, operating costs and operating surplus

	Turnover £	Operating Costs £	Operating Surplus £	Operating Surplus/ (Deficit) 2010 £
Social lettings	1,553,015	(1,406,973)	146,042	198,366
Other Activities	258,757	(204,387)	54,370	(15,714)
Total	<u>1,811,772</u>	<u>(1,611,360)</u>	<u>200,412</u>	<u>182,652</u>
2010	<u>5,215,502</u>	<u>(5,032,850)</u>	<u>182,652</u>	

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

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

	General Needs Housing £	Shared Ownership £	Supported Housing £	2011 Total £	2010 Total £
Income from social lettings					
Rent receivable net of service charges	1,145,912	153,359	144,551	1,441,822	1,425,834
Service charges	-	51,492	70,363	121,855	126,620
Gross income from rents net of service charges	1,145,912	204,851	212,914	1,563,677	1,552,454
Less: Rent Losses from Voids	(8,612)	-	(2,050)	(10,662)	(29,214)
Grants from Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
Total Income from social letting	1,137,300	204,851	210,864	1,553,015	1,523,240
Expenditure on Social Letting Activities					
Service costs	-	62,659	68,551	131,210	134,563
Management and maintenance administration costs	413,909	65,196	65,196	544,301	537,359
Reactive Maintenance	167,891	-	24,851	192,742	194,743
Planned and Cyclical Maintenance including major repairs	405,924	-	43,564	449,488	348,287
Bad Debts – rents and service charges	-	-	-	-	-
Depreciation of social housing	89,232	-	-	89,232	109,922
Operating costs for social letting	(1,076,956)	(127,855)	(202,162)	(1,406,973)	1,324,874
Operating Surplus for social lettings	60,344	76,996	8,702	146,042	198,366
2010	12,503	133,042	52,821	198,366	

The amount for service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2010 - £nil).

The total for voids includes development voids, where the Association has chosen to keep decant properties vacant to allow developments going on site to proceed as planned.

The total amount of major repairs expenditure incurred in the year was £223,054 (2010 - £148,418). No major repairs were capitalised as no enhanced economic benefit has arisen from these repairs (2010 - £nil).

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011
(Continued)

3b – Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus or (deficit)	2010
	£	£	£	£	£	£	£	£	£
Wider action/wider role	-	-	-	-	-	-	-	-	-
Care and Repair	-	-	-	-	-	-	-	-	(10,510)
Factoring	-	-	-	24,064	24,064	-	(29,930)	(5,866)	(5,204)
Development activities	-	-	-	-	-	-	-	-	-
Support Activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	35,699	35,699	-	-	35,699	-
Other agency/management service	-	-	-	-	-	-	-	-	-
Developments and improvements for sale, (inc first tranche shared ownership sales to non registered social landlords)	-	-	-	126,756	126,756	-	(126,756)	-	-
Other activities	-	-	-	72,238	72,238	-	(47,701)	24,537	-
Total from other activities	-	-	-	258,757	258,757	-	(204,387)	54,370	(15,714)
2010	-	-	-	3,692,262	3,692,262	-	(3,707,976)	(15,714)	

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011
(Continued)

4. Taxation

The charge in respect of corporation tax arose in respect of the Association's housing and other activities. The charge was made up as follows:

	2011 £	2010 £
UK Corporation tax based on the results for the year at 21% (2010 – 21%)	44,274	36,553
under provision in prior year	(25)	(27,633)
Total current tax	44,249	8,920

Factors affecting current tax charge

	2011 £	2010 £
Surplus on ordinary activities before taxation	125,357	150,644
Surplus on ordinary activities by rate of tax	26,324	31,635
Expenses deductible for tax purposes	19,052	4,735
Adjustments in respect of prior periods	(25)	(27,633)
Capital Allowances in excess of timings differences	(343)	(591)
Other Short term timing differences	(759)	774
Total current tax	44,249	8,920

5. Gain on sale of fixed assets

	2011 £	2010 £
Gross proceeds	-	119,414
Cost of sales	-	(29,874)
	-	89,540

All disposals occurred under the right to buy legislation or sale of shared ownership tranches.

6. Interest payable

	2011 £	2010 £
On Bank Loans and Overdrafts	75,062	121,548
Less: Capitalised Interest	-	-
	75,062	121,548

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

7. Reserves

(a) Designated reserves	At 31 March 2010	Transfer from revenue reserve	At 31 March 2011
	£	£	£
Cyclical repairs reserve	27,249	(3,355)	23,894
Major repairs reserve	334,421	47,453	381,874
	<u>361,670</u>	<u>44,098</u>	<u>405,768</u>

No restrictions are placed upon these reserves, but the Committee has designated their use for specific purposes.

(b) Revenue Reserves

	2011	2010
	£	£
Opening balance at 1 April 2010	382,388	320,826
Surplus for year	81,107	141,724
Transfer to designated reserves	<u>(44,098)</u>	<u>(80,162)</u>
Closing balance at 31 March 2011	<u>419,397</u>	<u>382,388</u>

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011
(Continued)

8. Tangible Fixed Assets	Housing properties held for letting	Completed shared ownership housing properties	Housing properties under construction	Total Housing Properties	Office Equipment	Office property	Total
Cost							
At 1 April 2010	11,886,467	4,353,977	-	16,240,444	136,037	55,629	16,432,110
Additions during year	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-
Disposals in year	-	-	-	-	-	-	-
At 31 March 2011	11,886,467	4,353,977	-	16,240,444	136,037	55,629	16,432,110
Housing Association Grant							
At 1 April 2010	7,393,326	3,692,238	-	11,085,564	-	-	11,085,564
Additions during year	130,008	-	-	130,008	-	-	130,008
Transfer from current assets	-	-	-	-	-	-	-
Disposals in year	-	-	-	-	-	-	-
At 31 March 2011	7,523,334	3,692,238	-	11,215,572	-	-	11,215,572
Depreciation							
At 1 April 2010	476,124	65,976	-	542,100	135,692	10,591	688,383
Provided during year	78,188	11,044	-	89,232	345	1,115	90,692
Disposals in year	-	-	-	-	-	-	-
At 31 March 2011	554,312	77,020	-	631,332	136,037	11,706	779,075
Net book value							
As at 31 March 2011	3,808,821	584,719	-	4,393,540	-	43,923	4,437,463
As at 31 March 2010	4,017,017	595,673	-	4,612,780	345	45,038	4,658,163

Development administration costs capitalised amounted to £nil (2010: £nil) for which development allowances amounted to £nil (2010: £nil). Interest capitalised amounted to nil (2010: £131,589). None of the Association's land or buildings were held under a lease.

HAG additions in the year relates to the receipt of a final rebate for the development completed in the prior year.

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011
(Continued)

9. Debtors	2011 £	2010 £
Gross rents in arrears	89,194	81,681
Less: bad debt provision	<u>(12,001)</u>	<u>(6,135)</u>
	77,193	75,546
Other debtors	9,428	72,845
Prepayments and accrued income	26,588	20,639
	<u>113,209</u>	<u>169,030</u>
10. Stock – New supply shared equity		
Cost of developing properties	-	126,756
Grant received to develop properties	<u>-</u>	<u>(81,033)</u>
	<u>-</u>	<u>45,723</u>
11. Creditors due within one year		
Trade creditors	91,455	44,739
Loans (note 12)	150,460	121,691
Corporation tax	44,342	8,946
Tax and Social Security	8,631	-
Accruals and deferred income	4,672	-
Prepaid rent	94,560	154,655
Other creditors	1,075	404,980
	<u>395,195</u>	<u>735,011</u>
12. Creditors due after more than one year		
Loans	<u>3,819,769</u>	<u>4,009,829</u>
The loans are secured by both a fixed and specific charge on the Association's properties. Loans are repayable at rates of interest from 1.033% to 2.265% (2010: 0.88% to 5.19%).		
In one year or less (note 11)	150,460	121,691
Between one and two years	152,550	123,479
Between two and five years	470,514	349,967
In five years or more	3,196,705	3,536,382
	<u>3,970,229</u>	<u>4,131,519</u>

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2011
(Continued)**

13. Employees	2011 £	2010 £
Staff costs during year		
Wages and salaries	352,204	339,268
Pension costs	26,899	25,259
Social security costs	46,822	44,694
Temporary or agency staff	8,000	7,500
	433,925	416,821

The average full time equivalent number of persons employed by the Association during the year were as follows

	No	No
Management and maintenance	10	9

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Director or the Management Committee whose total emoluments exceed £60,000 per year. The Association does not have any Directors in 2011 under this definition.

	£	£
Emoluments payable to Chief Executive (2010: highest paid director) excluding pension contributions	32,102	30,991
	32,102	30,991

The Association's contributions for the Director in the year amounted to £5,937 (2010 - £5,574).

No member of the Committee of Management received any emoluments in respect of their services to the Association.

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

14. SFHA Pension Scheme

Molendinar Park Housing Association Limited participates in the SFHA Pension Scheme (the "Scheme"). The Scheme is funded and is contracted out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed at 30 September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets as at the valuation date was £295 million. The valuation showed a shortfall of assets compared to liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Molendinar Park Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for Molendinar Park Housing Association Limited was £797,414.

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

14. Pension Fund – General (cont.)

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate, contracted in.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Molendinar Park Housing Association has elected to operate the final salary with a 1/60th accrual rate benefit option for active members as at 1 April 2010 and the same benefit structure for new entrants.

During the accounting period Molendinar Park Housing Association paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%

As at the balance sheet date there were 9 active members of the Scheme employed by Molendinar Park Housing Association. The annual pensionable payroll in respect of these members was £302,304.

Molendinar Park Housing Association continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2009 Valuation Assumptions	% p.a.
Investment return pre retirement	7.4
Investment return post retirement – Non pensioners	4.6
Investment return post retirement - Pensioners	4.8
Rate of salary increases	4.5
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

14. Pension Fund – General (cont.)

Mortality Tables	
Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. Minimum improvement

Contribution Rates for Future Service (payable from 1 April 2011)	% p.a.
Final salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions	10.4

Pension Fund – Growth

Molendinar Park Housing Association Limited also participates in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

Molendinar Park Housing Association Limited paid contributions at the rate of 0% during the accounting period. Members paid contributions at the rate of 8% during the accounting period.

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

14. Pension Fund – Growth (cont.)

As at the balance sheet date there were 1 active members of the Plan employed by Molendinar Park Housing Association Limited. Molendinar Park Housing Association Limited continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 were completed in 2009 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% p.a.
Rate of return pre retirement	7.6
Rate of return post retirement:	
Active/Deferred Pensioners	5.1
	5.6
Bonuses on accrued benefits	0.0
Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position update as at 30 September 2010. The market value of the Plan's assets at that date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £825 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £45 million, equivalent to a funding level of 95%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in-line with the 'best estimate' assumptions. 'Best estimate' means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate"

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

14. Pension Fund – Growth (cont.)

assumptions are 8.4% per annum pre-retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post-retirement (pensioners).

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009, as is required by legislation.

The next full actuarial valuation will be carried out as at 30 September 2011.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre-October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre-October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre-October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Molendinar Park Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2010. As of this date the estimated employer debt for Molendinar Park Housing Association Limited was £13,297.17

15. Auditors' remuneration

	2011	2010
	£	£
The remuneration of the external auditors (including expenses and VAT for the year)	9,547	8,982
Remuneration of the auditors in respect of services other than those of external auditors from entities related to Baker Tilly UK Audit LLP	1,230	-
	<u>10,777</u>	<u>8,982</u>

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

16. Share Capital

Shares of £1 fully paid and issued at beginning of year	16	16
Shares (disposed) / issued during year	(1)	-
Shares issued at end of year	15	16

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

17. Notes to the Cash Flow Statement

	2011	2010
	£	£
a. Reconciliation of surplus to net cash inflow from operating activities		
Surplus for the year before tax	125,356	150,644
Net interest payable	75,056	121,548
	200,413	272,192
Depreciation	90,692	111,035
Gain on sale of fixed assets	-	(89,540)
Shares cancelled	(1)	-
Decrease/(increase) in debtors	55,821	(43,223)
(Decrease)/increase in creditors	(403,979)	38,848
Decrease in stock	45,723	1,521,014
	(11,333)	1,810,326
b. Reconciliation of net cash flow to movement in net debt		
(Decrease)/increase in cash for the year	(126,526)	217,015
Loan repayments	161,291	2,455,833
	34,765	2,672,848
Change in net debt		
Net debt as at 1 April 2010	3,515,522	(6,188,370)
Net debt as at 31 March 2011	3,480,757	3,515,522
c. Analysis of Changes in net debt		

	As at 31 March 2010	Cash Flow	Other changes	As at 31 March 2011
	£	£	£	£
Cash at bank and in hand	615,998	(126,526)	-	489,472
Debt due within one year	(121,691)	(28,769)	-	(150,460)
Debt due after one year	(4,009,829)	190,060	-	(3,819,769)
	(3,515,522)	34,765	-	(3,480,757)

MOLENDINAR PARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011
(Continued)

18. Capital Commitments	2011	2010
	£	£
Expenditure authorised by the Committee of Management contracted less certified	-	-
	<hr/>	<hr/>
19. Housing Stock		
The number of units in Management at 31st March was as follows:		
	No	No
General Needs Housing	459	454
Shared Ownership Housing	88	88
Supported Housing Accommodation	44	49
	<hr/>	<hr/>
	591	591
	<hr/>	<hr/>
20. Related Parties		

Various members of the Committee are tenants of the Association. The terms applicable to them are the same as applicable to all of the tenants.