



Scott-Moncrieff
business advisers and accountants

MOLENDINAR PARK HOUSING ASSOCIATION

Financial Statements
For the year ended 31 March 2017

MOLENDINAR PARK HOUSING ASSOCIATION

Report and Financial Statements For the year ended 31 March 2017

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Registration Particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered Number 2400 (S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number HAL 274
Scottish Charity Number	SC043725

MOLENDINAR PARK HOUSING ASSOCIATION

Management Committee, Executives and Professional Advisors

Management Committee

L McElroy - Chairperson
C McKinlay – Secretary (removed 29 March 2017, appointed 25 April 2017)
A Scott (removed 29 March 2017, appointed 25 April 2017)
A Hendry
B Johnston (Secretary)
A Culley (appointee 19 April 2017)
C Taylor (appointee 19 April 2017)
C Brien (appointee 19 April 2017)
A Kilgour (appointee 19 April 2017)
P Warren (appointed 20 September 2016, resigned 17 January 2017)
J Connelly (resigned 17 January 2017)

The following members were removed on 29 March 2017

A Blair
C McNealy
A Howard
M O'Donnell
E Martin
D Walker

Key Management

Julie Smilie	Director
Jayne Lundie	Deputy Director
David Service	Finance Officer
Scott Rae	Maintenance Officer

Registered Office

3 Graham Square
Glasgow
G31 1AD

Auditor

Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Bankers

The Royal Bank of Scotland
139 St Vincent Street
Glasgow
G2 5JF

Nationwide
Caledonia House
Carnegie Avenue
Dunfermline
KY11 8JP

Solicitors

Shepherd and Wedderburn
191 West George Street
Glasgow
G2 2LB

T C Young
Merchants House
7 West George Street
Glasgow
G2 1BA

MOLENDINAR PARK HOUSING ASSOCIATION

Report of the Management Committee (incorporating the Strategic Report) For the year ended 31 March 2017

The Management Committee present their report (incorporating the Strategic Report) and audited financial statements for the year ended 31 March 2017.

Principal activity

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

The Association became a registered charity in January 2014.

Void levels are low and the level of satisfaction among tenants and owners continues to be very high. The Committee, however, is guarded against complacency, and to this end, over the last year has developed the organisational structure to improve scrutiny of the Association's practices during this important time of change.

Business review

The results for the year are shown in these financial statements.

In 2016/17, with no funding being made available to the Association for redevelopment, a decision was made to commence a programme of major repairs in its inter-war tenement properties. A window replacement programme and external repairs for all such properties was therefore commenced with further improvements being evaluated for possible future investment. Additional investment was made in these properties to ensure the Association is fully compliant with the Scottish Housing Quality Standard. As well as investing in its properties the Association has been careful to maintain its strong financial position which has benefited from careful management of spending, an 11% reduction in the estimated SHAPS Pension Scheme liability and supplementary payments to its property loans.

In the second half of this year a governance review instigated by the recently appointed Director uncovered an historic governance issue. This led to a situation where the number of committee members fell below the minimum required as per the Association's governance rules. The Association reported this to the Scottish Housing Regulator and asked for their assistance in relation to the matter. The Scottish Housing Regulator then appointed members to the Management Committee which is now fully functioning and going through the process of inviting new members. At the same time the governance review is being continued and the Association is determined to use this period to emerge stronger and better able to carry forward its commitment to providing tenants with the best possible homes backed up with excellent services.

Despite the inevitable extra work caused by the governance review the Association is ensuring that services to tenants are not affected. The same day repair service, landscaping and estate management continue to be provided to a high standard which is backed up by tenant satisfaction levels being over 90%.

Result for the year and transfers

The results for the year are shown in the Statement of Comprehensive Income on page 10.

Principal risks and uncertainties

Risks are identified to enable the Association to put measures in place to mitigate these risks and to enable our objectives to be achieved. Management Committee agendas ensure that new, current and emerging risks are evaluated. Medium and high risks are included in the Internal Management Plan together with details of the controls to mitigate each risk and any necessary further action.

MOLENDINAR PARK HOUSING ASSOCIATION

Report of the Management Committee (incorporating the Strategic Report) For the year ended 31 March 2017

Principal risks and uncertainties (continued)

The 5 highest gross scoring risks identified are as follows:

1. Number of staff approaching retirement.
2. Breach of Loan Covenant.
3. Volatility of loan interest rates.
4. Impact of Major Repairs programme identified in the 30 year plan.
5. Increase in the time spent by staff managing rent accounts as a result of changes in welfare reform/universal credit.

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 Statement of Comprehensive Income.

In addition, the Association has a long-term programme of major repairs to cover works which have become necessary since the original development were completed, including 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. In line with the SORP 2014, replacements to building components are capitalised in the financial statements as they occur. All other major repairs are charged to the Statement of Comprehensive Income.

Treasury management

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Management Committee. 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.

Employee involvement and Health & Safety

The Management Committee take seriously their responsibilities to employees under Health & Safety legislation and endeavor to provide information on any matters that may be of concern to them. The Association also encourages employee involvement in all major initiatives so that their views may be taken into account in making decisions that may affect their interests.

Future Prospects

The Association will continue to invest in its housing stock in the coming year. The Association does not envisage any further housing property developments at this time.

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on page 1 of these financial statements.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Committee.

MOLENDINAR PARK HOUSING ASSOCIATION

Report of the Management Committee (incorporating the Strategic Report) For the year ended 31 March 2017

Governance

Governing Document

The Association is a registered social landlord and is thus registered with The Scottish Housing Regulator and is also registered with the Financial Conduct Authority. It is also a registered charity with the Office of the Scottish Charity Regulator (OSCR).

Recruitments and Appointment of the Management Committee

At the Annual General Meeting in accordance with the rules of the Association, members retire by rotation. Members can all offer themselves for re-election.

The Management Committee seeks to ensure that the needs of its stakeholders are appropriately reflected through the diversity of the Board and Committee. To enhance the potential pool of members, the Association has, through selective networking, sought to identify people who would be willing to become members and utilise their own skills and experience to assist the Association.

The Management Committee has a broad range of skills and members.

Management Committee Members Induction and Training

Most members of the Management Committee are already familiar with the practical work of the Association. Where new members are elected, information is supplied regarding the obligation of Management Committee members, details of the Association's main documents and up to date financial statements. In addition, a formal training and induction programme is provided for any new member of the Management Committee. Committee training is discussed annually. Training needs are then identified to ensure the competencies of the Committee are properly maintained. The Management Committee of Molendinar Park Housing Association is experienced and its members possess the required level of competencies to govern its activities.

Organisational Structure

At 31 March 2017 the Management Committee comprised 3 members, with 12 vacancies. The Management Committee meet ten times per year and there is also Local Management Committees who meet regularly and report directly to the Management Committee.

A scheme of delegation is in place and the day to day responsibility for the provision of the Association's projects rests with the Director, along with the Deputy Director. The Director is responsible for ensuring that the Association delivers the services specified and that operational objectives are met.

Statement of Management Committee's Responsibilities

Statute requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those financial statements, the Management Committee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. They are 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.

MOLENDINAR PARK HOUSING ASSOCIATION

Report of the Management Committee (incorporating the Strategic Report) For the year ended 31 March 2017

Internal Financial Control

The Management Committee 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 Management Committee has established with a view to providing effective internal financial control are outlined on page 6.

Information for the Auditor

As far as the Committee members are aware there is no relevant audit information of which the auditor is 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 auditor is aware of any such information.

Charitable Donations

During the year, the Association made charitable donations amounting to £nil (2016 - £nil).

Auditor

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants, will be put to the members at the Annual General Meeting.

The Report of the Management Committee (incorporating the Strategic Report) has been approved by the Management Committee on 5 September 2017.



L McElroy
Chairperson

MOLENDINAR PARK HOUSING ASSOCIATION

Management Committee's Statement on Internal Financial Controls For the year ended 31 March 2017

The Management Committee 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 Management Committee'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 will be established to maintain standards of performance;
- forecasts and budgets are prepared regularly which allow the Management Committee 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 Management Committee;
- the Management Committee review reports, from directors, staff and from the external auditor 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; and
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management Committee have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2017 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 auditor's report on the financial statements.

The Management Committee's statement on Internal Financial Controls has been approved by the Management Committee on 5 September 2017.



L McElroy
Chairperson

MOLENDINAR PARK HOUSING ASSOCIATION

Auditor's Report on Corporate Governance Matters For the year ended 31 March 2017

In addition to our audit of the Financial Statements, we have reviewed your statements on page 6 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 on corporate governance matters within Bulletin 2009/4 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 6 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.



Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Dated: 5 September 2017

MOLENDINAR PARK HOUSING ASSOCIATION

Report of the Independent Auditor to the members of Molendinar Park Housing Association For the year ended 31 March 2017

We have audited the financial statements of Molendinar Park Housing Association for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with Section 87 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 Management Committee Responsibilities set out on page 4, the Management Committee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 Financial Reporting Council's web site 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 properly 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 2014 issued by the Scottish Housing Regulator.

MOLENDINAR PARK HOUSING ASSOCIATION

**Report of the Independent Auditor to the Members of Molendinar Park Housing Association
For the year ended 31 March 2017**

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.

Scott-Moncrieff

Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Dated: 5 September 2017

MOLENDINAR PARK HOUSING ASSOCIATION

Statement of Comprehensive Income For the year ended 31 March 2017

	Notes	2017 £	2016 £
Turnover	4	2,204,980	2,150,747
Operating expenditure	4	(1,618,490)	(1,654,818)
Operating surplus	4	586,490	495,929
Gain on sale of assets	8	37,893	33,643
Interest payable and other charges	9	(52,933)	(48,239)
Interest receivable	10	639	334
Surplus before tax		572,089	481,667
Taxation		-	-
Surplus for year		572,089	481,667
Other comprehensive income		-	-
Total comprehensive income for the year		572,089	481,667

The results for the year relate wholly to continuing activities.

The notes on pages 14 to 31 form part of the financial statements.

MOLENDINAR PARK HOUSING ASSOCIATION

Statement of Changes in Capital and Reserves

As at 31 March 2017

	Share Capital	Revenue Reserve	Total Reserves
	£	£	£
Balance at 1 April 2016	16	2,794,508	2,794,524
Surplus from statement of comprehensive income	-	572,089	572,089
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	16	3,366,597	3,366,613
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Statement of Changes in Capital and Reserves

As at 31 March 2016

	Share Capital	Revenue Reserve	Total Reserves
	£	£	£
Balance at 1 April 2015 restated	16	2,312,841	2,312,857
Surplus from statement of comprehensive income	-	481,667	481,667
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	16	2,794,508	2,794,524
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

MOLENDINAR PARK HOUSING ASSOCIATION

**Statement of Financial Position
As at 31 March 2017**

	Notes	2017		2016	
		£	£	£	£
Tangible Fixed Assets					
Housing properties	11		13,620,847		13,200,324
Other Assets	11		37,245		38,358
			<u>13,658,092</u>		<u>13,238,682</u>
Current Assets					
Debtors	13	121,225		124,310	
Cash and cash equivalents	14	1,010,335		723,729	
		<u>1,131,560</u>		<u>848,039</u>	
Current Liabilities					
Creditors due within one year	15	(1,022,855)		(812,008)	
Net current assets			<u>108,705</u>		<u>36,031</u>
			<u>13,766,797</u>		<u>13,274,713</u>
Creditors due after more than one year	16		(3,144,461)		(3,077,535)
Deferred Income: Social Housing Grant	17		(7,255,723)		(7,402,654)
Net Assets			<u>3,366,613</u>		<u>2,794,524</u>
Capital and Reserves					
Called up share capital	19		16		16
Revenue reserves			3,366,597		2,794,508
			<u>3,366,613</u>		<u>2,794,524</u>

These financial statements were approved by the Management Committee and authorised for issue on 5 September 2017 and signed on its behalf by:

L McElroy - Chairperson... 

A Scott - Committee member... 

B Johnston (Secretary) ... 

The notes on pages 14 to 31 form part of the financial statements.

MOLENDINAR PARK HOUSING ASSOCIATION

**Statement of Cash Flows
For the year ended 31 March 2017**

	Notes	2017		2016	
		£	£	£	£
Net cash generated from operating activities	20		815,821		638,686
Cash flow from investing activities					
Purchase of tangible fixed assets		(789,087)		(238,972)	
Proceeds from sale of tangible fixed assets		56,144		78,024	
Housing Association Grant received		95,944		-	
Interest received		639		334	
			(636,360)		(160,614)
Cash flow from financing activities					
Interest paid		(40,933)		(35,239)	
New loan secured		332,492		-	
Repayment of borrowings		(184,414)		(193,463)	
			107,145		(228,702)
Net changes in cash and cash equivalents			286,606		249,370
Cash and cash equivalents at 1 April			723,729		474,359
Cash and cash equivalents at 31 March			<u>1,010,335</u>		<u>723,729</u>

The notes on pages 14 to 31 form part of the financial statements.

MOLENDINAR PARK HOUSING ASSOCIATION

Notes to the Financial Statements For the year ended 31 March 2017

1. General Information

The financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Housing Requirements 2014 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014. The principal accounting policies are set out below.

The preparation of these financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see note 3).

The presentation currency is pounds sterling and the financial statements are rounded to the nearest whole number.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities. The Association is a registered social landlord in Scotland and its registered number is HAL 274. These financial statements represent the results of the Association only.

The Association's registered number is SC043725

The address of the Association's registered office is:

3 Graham Square
Glasgow
G31 1AD

2. Accounting Policies

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards. The effect of events relating to the year ended 31 March 2017, which occurred before the date of approval of the financial statements by the Management Committee have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2017 and of the results for the year ended on that date.

Going concern

The Management Committee anticipate that a surplus will be generated in the year to 31 March 2018 and the year to 31 March 2019. The Association has a healthy cash and net current asset position and thus the Management Committee are satisfied that there is sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Finance

The financial statements have been prepared on the basis that the capital expenditure referred to in note 11 will be grant aided, funded by loans or met out of reserves, or from proceeds of sales.

MOLENDINAR PARK HOUSING ASSOCIATION

Notes to the Financial Statements For the year ended 31 March 2017

2. Accounting Policies (cont'd)

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from local authorities and other agencies. Also included is any income from first tranche shared ownership disposals and management fees for the factoring of properties for private owners as the provision of factoring services is accounted for on an ongoing basis.

Apportionment of management expenses

Direct employee administration and operating costs have been apportioned to the Statement of Comprehensive Income on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in the financial statements.

The costs of cyclical and major repairs are charged to the Statement of Comprehensive Income in the year in which they are incurred.

Interest receivable

Interest receivable is recognised in the Statement of Comprehensive Income using the effective interest rate method.

Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Depreciation

(i) Housing Properties

Housing properties are stated at cost, less accumulated depreciation. Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. The following major components and useful lives have been identified by the Association.

- Land - not depreciated.
- Structure - over 50 years.
- Windows - over 40 years.
- Kitchen - over 20 years.
- Bathroom - over 30 years.
- Central Heating - over 20 years.

(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.

MOLENDINAR PARK HOUSING ASSOCIATION

Notes to the Financial Statements For the year ended 31 March 2017

2. Accounting Policies (cont'd)

Housing Properties

Housing properties are stated at cost less accumulated depreciation. The cost of such properties includes the following:

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

These costs are either termed "qualifying costs" for approved Government grant 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.

Works to existing properties will generally be capitalised under the following circumstances:

- (iv) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life if replaced or restored; or
- (v) 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.

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.

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 Statement of Comprehensive Income. 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 Statement of Comprehensive Income.

Development administration costs

Development administration costs relating to development activities are capitalised based on an apportionment of the staff time spent directly on this activity.

Capitalisation of interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

MOLENDINAR PARK HOUSING ASSOCIATION

Notes to the Financial Statements For the year ended 31 March 2017

2. Accounting Policies (cont'd)

Debtors

Short term debtors are measured at transaction price, less any impairment.

Rental arrears

Rental arrears represents amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in note 13.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Financial Instruments

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Association has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Government Capital Grants

Government capital grants, at amounts approved by The Scottish Government or Glasgow City Council, are paid directly to the Association as required to meet its liabilities during the development process. These are treated as deferred capital grants and are released to income over the useful life of the assets they relate to on completion of the development phase.

MOLENDINAR PARK HOUSING ASSOCIATION

Notes to the Financial Statements For the year ended 31 March 2017

2. Accounting Policies (cont'd)

Government Revenue Grants

Government revenue grants are recognised using the accrual method which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Non-government capital and revenue grants

Non-government capital grants and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as income when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Loans

Mortgage loans are advanced by financial institutions under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Government Capital Grant by the Scottish Government or Glasgow City Council.

Pension Costs (Note 23)

The Association participates in The Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) and retirement benefits to employees of the Association are funded by the 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.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers 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.

Thus the scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust code per FRS 102. This discounted past service deficit liability has been recognised in the Statement of Financial Position.

Value added tax

The Association 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.

3. Judgement in applying policies and key sources of 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.

MOLENDINAR PARK HOUSING ASSOCIATION

Notes to the Financial Statements For the year ended 31 March 2017

3. Judgement in applying policies and key sources of uncertainty (cont'd)

The Management Committee are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate

Valuation of housing properties

Useful lives of property and equipment

The main components of housing properties and their useful lives

Recoverable amount of rental and other trade receivables

The obligations under the SHAP pension scheme

The allocation of costs for shared ownership

Basis of estimation

Housing Properties are held at deemed cost which is based on existing use valuations at the date of transition to FRS 102 of 1 April 2014.

The useful lives of property and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.

The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.

Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.

This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.

Management and administration costs are allocated on the basis of rental income that shared ownership properties represent of the Association's total rental income.

MOLENDINAR PARK HOUSING ASSOCIATION

Notes to the Financial Statements
For the year ended 31 March 2017

4. Particulars of Turnover, Operating Expenditure and Operating Surplus

	Notes	2017		2016	
		Turnover £	Operating Expenditure £	Operating Expenditure £	Operating Surplus £
Income and Expenditure From lettings					
Social Lettings	5a	2,147,879	(1,583,575)	(1,622,604)	487,771
Other activities	5b	57,101	(34,915)	(32,214)	8,158
		<u>2,204,980</u>	<u>(1,618,490)</u>	<u>(1,654,818)</u>	<u>495,929</u>
		<u>2,110,375</u>			
		40,372			
		<u>2,150,747</u>			

MOLENDINAR PARK HOUSING ASSOCIATION

**Notes to the Financial Statements
For the year ended 31 March 2017**

5a. Particulars of turnover, operating costs and operating surplus from social letting activities

	General Needs Housing £	Sheltered Housing £	Shared ownership £	2017 Total £	2016 Total £
Income from social lettings					
Rent receivable net of service charges	1,516,313	115,767	118,173	1,750,253	1,714,134
Service charges	-	44,751	84,387	129,138	128,954
	<u>1,516,313</u>	<u>160,518</u>	<u>202,560</u>	<u>1,879,391</u>	<u>1,843,088</u>
Gross income from rents net of service charges	(7,292)	-	(673)	(7,965)	(6,792)
Less: Rent Losses from Voids	<u>1,509,021</u>	<u>160,518</u>	<u>201,887</u>	<u>1,871,426</u>	<u>1,836,296</u>
Grants from Scottish Ministers	-	-	-	-	-
Other revenue grants	28,822	-	-	28,822	31,093
Release of deferred government capital grants	150,807	20,760	76,064	247,631	242,986
	<u>1,688,650</u>	<u>181,278</u>	<u>277,951</u>	<u>2,147,879</u>	<u>2,110,375</u>
Total Income from social letting					
Expenditure on Social Letting Activities					
Service costs	-	39,774	74,525	114,299	122,188
Management and maintenance administration costs	587,383	35,329	37,821	660,533	674,498
Reactive Maintenance	203,579	11,269	-	214,848	229,377
Planned and Cyclical Maintenance including major repairs	181,343	21,522	-	202,865	221,029
Bad Debts – rents and service charges	-	-	-	-	-
Depreciation of social housing	265,491	5,754	80,181	351,426	340,299
Recoverable repairs	24,245	8,250	7,109	39,604	35,213
	<u>1,262,041</u>	<u>121,898</u>	<u>199,636</u>	<u>1,583,575</u>	<u>1,622,604</u>
Operating costs for social letting					
Operating Surplus for social lettings 2017	<u>426,609</u>	<u>59,380</u>	<u>78,315</u>	<u>564,304</u>	<u>487,771</u>
Operating Surplus for social lettings 2016	<u>378,509</u>	<u>30,849</u>	<u>78,413</u>	<u>487,771</u>	<u>375,801</u>

The amount for service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2016 - £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.
Included in depreciation of social housing is £nil (2016: £nil) relating to the loss on disposal of components.

MOLENDINAR PARK HOUSING ASSOCIATION

Notes to the Financial Statements
For the year ended 31 March 2017

5b Particulars of turnover, operating costs and operating surplus 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/ (deficit) £	2016 £
Wider action/wider role	-	-	-	-	-	-	-	-	-
Care and repair	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	36,592	36,592	-	(31,208)	5,384	1,474
Development activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management service	-	-	-	-	-	-	-	-	-
Developments and improvements for sale (inc first tranche shared ownership sales to non-registered social landlords)	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	20,509	20,509	-	(3,707)	16,802	6,684
Total from other activities 2017									
	-	-	-	57,101	57,101	-	(34,915)	22,186	8,158
Total from other activities 2016									
	-	-	-	40,372	40,372	-	(32,214)	8,158	6,107

MOLENDINAR PARK HOUSING ASSOCIATION

**Notes to the Financial Statements
For the year ended 31 March 2017**

6. Employees	2017	2016
	£	£
Staff costs during year		
Wages and salaries	380,130	403,154
Pension costs	36,937	38,085
Social security costs	36,753	36,956
Temporary or agency staff	9,150	9,000
	<u>462,970</u>	<u>487,195</u>

The SHAPs past service deficit liability is subject to remeasurement each financial year.

	2017	2016
	£	£
Remeasurement – impact of any change in assumptions	<u>8,000</u>	<u>(3,000)</u>

This is included in management and administration costs.

During the year past service deficit contributions of £48,503 (2016: £48,235) were paid. Of this payment, £46,937 (2016: £46,000) was a payment in respect of the SHAPS past service deficit liability. The remainder of £1,566 (2016: £2,235) was pension management costs which have been included in the pension contributions total included in staff costs above.

The unwinding of the discount has been charged to finance costs in the Statement of Comprehensive Income. This finance cost was £12,000 (2016: £13,000) in the year.

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

	2017	2016
	No	No
Housing Services and Management Staff	<u>11</u>	<u>10</u>

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. No emoluments were paid to any member of the Management Committee.

	2017	2016
	£	£
Emoluments payable to Chief Executive (excluding pension contributions) amounted to:	<u>66,495</u>	<u>59,902</u>

The Association's pension contributions for the Chief Executive in the year amounted to £8,093 (2016 - £5,895).

	2017	2016
	£	£
Director - £60,000 - £70,000	<u>1</u>	<u>1</u>

MOLENDINAR PARK HOUSING ASSOCIATION

**Notes to the Financial Statements
For the year ended 31 March 2017**

7. Operating surplus		
Operating surplus is stated after charging:	2017	2016
	£	£
Depreciation	351,426	340,300
Auditor's remuneration	7,100	6,700
	<u> </u>	<u> </u>
8. Gain on disposal of fixed assets		
	2017	2016
	£	£
Housing property disposals	37,893	33,643
	<u> </u>	<u> </u>
9. Interest payable and similar charges		
	2017	2016
	£	£
On bank loans and overdrafts	40,933	35,239
SHAPS deficit repayment plan – interest expense	12,000	13,000
	<u> </u>	<u> </u>
	<u>52,933</u>	<u>48,239</u>
10. Interest receivable and similar income		
	2017	2016
	£	£
Bank interest received	639	334
	<u> </u>	<u> </u>

MOLENDINAR PARK HOUSING ASSOCIATION

**Notes to the Financial Statements
For the year ended 31 March 2017**

11. Tangible Fixed Assets

	Housing properties held for letting £	Shared Ownership Held for Letting £	Mortgage to rent £	Total Housing Properties £	Office Equipment £	Office property £	Total £
Cost							
At 1 April 2016	13,233,743	4,302,238	36,164	17,572,145	136,037	55,629	17,763,811
Additions during year	789,087	-	-	789,087	-	-	789,087
Disposals in year	(25,770)	-	-	(25,770)	-	-	(25,770)
At 31 March 2017	13,997,060	4,302,238	36,164	18,335,462	136,037	55,629	18,527,128
Depreciation							
At 1 April 2016	2,880,020	1,491,138	663	4,371,821	136,037	17,271	4,525,129
Provided during year	263,593	86,045	675	350,313	-	1,113	351,426
Disposals in year	(7,519)	-	-	(7,519)	-	-	(7,519)
At 31 March 2017	3,136,094	1,577,183	1,338	4,714,615	136,037	18,384	4,869,036
Net book value							
As at 31 March 2017	10,860,966	2,725,055	34,826	13,620,847	-	37,245	13,658,092
As at 31 March 2016	10,353,723	2,811,100	35,501	13,200,324	-	38,358	13,238,682

Total major repair costs during the year were £832,087 (2016: £241,929) of which £789,087 (2016: £238,972) was capitalised. Of the amount capitalised £112,712 (2016: £238,972) related to replacement of components and £676,375 (2016: £nil) related to improvements.

Capitalised component expenditure (component expenditure capitalised during the year which would previously have been expensed through the Income & Expenditure account prior to transition to FRS 102 and the introduction of component accounting) was £112,712 (2016: £238,972).

Additions to Housing Properties during the year includes no capitalised interest (2016 - £nil) and no capitalised administration costs (2016 - £nil). All housing properties are freehold. Properties with a cost of £25,770 (2016: £50,207) and accumulated depreciation of £7,519 (2016: £5,829) have been disposed of in the year for net proceeds of £56,145 (2016: £78,021). The proceeds were before a grant to be repaid of £nil.

MOLENDINAR PARK HOUSING ASSOCIATION

**Notes to the Financial Statements
For the year ended 31 March 2017**

12. Housing stock		
The number of units in Management at 31 March was as follows:		
	2017	2016
	No	No
General Needs Housing	464	465
Shared Ownership Housing	84	84
Supported Housing Accommodation	31	32
	<u>579</u>	<u>581</u>
	<u><u>579</u></u>	<u><u>581</u></u>
13. Debtors	2017	2016
	£	£
Gross rents in arrears	73,633	76,117
Less: bad debt provision	(17,001)	(17,001)
	<u>56,632</u>	<u>59,116</u>
Other debtors	25,575	28,763
Prepayments	39,018	36,431
	<u>121,225</u>	<u>124,310</u>
	<u><u>121,225</u></u>	<u><u>124,310</u></u>
14. Cash and cash equivalents	2017	2016
	£	£
Current accounts	1,010,335	723,729
	<u>1,010,335</u>	<u>723,729</u>
	<u><u>1,010,335</u></u>	<u><u>723,729</u></u>
15. Creditors due within one year	2017	2016
	£	£
Trade creditors	4,410	64,691
Loans	205,910	163,728
Accruals and deferred income	252,567	26,794
Prepaid rent	138,955	130,067
Other creditors	118,952	125,966
Deferred Government Capital Grants	240,482	245,237
SHAPS deficit repayment plan	52,563	46,453
Other tax and social security	9,016	9,072
	<u>1,022,855</u>	<u>812,008</u>
	<u><u>1,022,855</u></u>	<u><u>812,008</u></u>
Secured creditors	<u>205,910</u>	<u>163,728</u>
	<u><u>205,910</u></u>	<u><u>163,728</u></u>

Pension contributions of £10,397 (2016: £9,501) are outstanding and included within accruals at the year end.

MOLENDINAR PARK HOUSING ASSOCIATION

**Notes to the Financial Statements
For the year ended 31 March 2017**

16. Creditors due after more than one year	2017	2016
	£	£
Housing Loans	2,928,657	2,822,759
SHAPS deficit repayment plan	215,804	254,776
	<u>3,144,461</u>	<u>3,077,535</u>
Secured creditors	<u>2,928,657</u>	<u>2,822,759</u>

The loans are secured by both a fixed and specific charge on the Association's properties.

	2017	2016
	£	£
In one year or less	205,910	163,728
Between one and two years	205,910	165,408
Between two and five years	617,731	506,492
In five years or more	2,105,016	2,150,859
	<u>3,134,567</u>	<u>2,986,487</u>

The loans are advanced to finance the development and refurbishment of housing properties and are repayable by monthly instalments of principal and interest. The loans bear interest at varying rates.

17. Deferred capital grants	2017	2016
	£	£
Deferred capital grants at 1 April	7,647,891	7,909,163
Received in year	95,944	-
Released to income in year	(247,630)	(242,986)
Grants disposed of in year	-	(18,286)
Deferred capital grants at 31 March	<u>7,496,205</u>	<u>7,647,891</u>
In one year or less	240,482	245,237
Between one and two years	480,964	245,237
Between two and five years	480,964	735,711
In five years or more	6,293,795	6,421,706
Total	<u>7,496,205</u>	<u>7,647,891</u>

MOLENDINAR PARK HOUSING ASSOCIATION

**Notes to the Financial Statements
For the year ended 31 March 2017**

18. Financial instruments

	2017	2016
	£	£
Financial Assets		
Cash and cash equivalents	1,010,335	723,729
Financial assets measured at amortised cost	82,207	87,879
	<u>1,092,542</u>	<u>811,608</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	3,778,863	3,505,167
	<u>3,778,863</u>	<u>3,505,167</u>

Financial assets measured at amortised cost comprises rental arrears and other debtors.

Financial liabilities measured at amortised cost comprises bank loans, other creditors, trade creditors, accruals and SHAPS deficit repayment plan.

19. Share capital

	2017	2016
	£	£
Shares of £1 fully paid and issued at beginning of year	16	16
Shares issued during year	-	-
	<u>16</u>	<u>16</u>
Shares issued at end of year	<u>16</u>	<u>16</u>

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.

20. Net cash flow from operating activities

	2017	2016
	£	£
Surplus for the year	572,089	481,667
Adjustments for non-cash items:		
Carrying amount of tangible fixed asset disposals	18,251	44,378
Depreciation of tangible fixed assets	351,426	340,300
Pension costs less contributions payable	20,000	10,000
Decrease in trade and other debtors	3,085	21,678
Increase in trade and other creditors	161,450	90,734
Reclassification of deferred grant to other creditor	-	(18,286)
Adjustments for investing and financing activities:		
Interest payable	40,933	35,239
Interest received	(639)	(334)
Release of Deferred Government Capital Grants	(247,630)	(242,986)
SHAPS past service deficit payment	(47,000)	(45,680)
Proceeds from sale of fixed assets	(56,144)	(78,024)
Net cash inflow from operating activities	<u>815,821</u>	<u>638,686</u>

MOLENDINAR PARK HOUSING ASSOCIATION

Notes to the Financial Statements For the year ended 31 March 2017

21. Legislative Provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and was incorporated in Scotland.

22. Payments to related parties and Key Management Personnel

There are 2 members of the Committee that were tenants of the Association during the year (2016: 6). The tenancies of these Committee members are on normal terms and the members cannot use their position to their advantage.

The total rent and service charge payable in the year relating to tenant members is £6,655 (2016: £20,428). The total rent and service arrears relating to tenant members included within debtors at the year end is £nil (2016: £ nil).

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are listed on page 1 was £230,578 (2016: £228,742).

The emoluments of key management (excluding pension contributions and including benefits in kind) for the year were £210,072 (2016: £209,858). Their pension contributions (including the past service element) for the year were £20,506 (2016: £18,884).

23. Retirement Benefit Obligations

General

Molendinar Park Housing Association participates in the Scottish Housing Pension Scheme (the Scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme offers six 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; and
- Defined Contribution

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. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

Molendinar Park Housing Association has elected to operate the final salary with a 1/60th accrual rate for existing new entrants.

The Trustee commission 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 actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

MOLENDINAR PARK HOUSING ASSOCIATION

Notes to the Financial Statements For the year ended 31 March 2017

23. Retirement Benefit Obligations (cont'd)

During the accounting period Molendinar Park Housing Association paid contributions at the rate of 12.3% of pensionable salaries. Member contributions were 12.3%. There was an additional annual employer past service deficit contribution of £47,000 (net of administration costs) made in the year ended 31 March 2017 (2016 - £46,000).

As at the balance sheet date there were 8 (2016: 7) active members of the Scheme employed by Molendinar Park Housing Association. The annual pensionable payroll in respect of these members was £309,991 (2016: £265,483). Molendinar Park Housing Association continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers 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.

Thus the scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

The last formal valuation of the Scheme was performed as at 30 September 2015 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £616 million. The valuation revealed a shortfall of assets compared to liabilities of £198 million, equivalent to a past service funding level of 76%.

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2015 are detailed below:

Financial Assumptions

The key financial assumptions underlying the valuation as at 30 September 2012 were as follows:

	% p.a.
Investment return pre-retirement	5.3
Investment return post-retirement – non-pensioners	3.4
Investment return post-retirement – pensioners	3.4
Rate of salary increases	4.1
Rate of pension increases - pension accrued pre 6 April 2005	2.0
- pension accrued from 6 April 2005	1.7%
Rate of price inflation:	2.6

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 buyout 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

Notes to the Financial Statements For the year ended 31 March 2017

23. Retirement Benefit Obligations (cont'd)

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2016. As of this date the estimated employer debt for the Association was £2,201,392 (2016: £1,711,203).

Past service deficit repayment liability

	2017 £	2016 £
Provision at start of period	301,229	336,909
Unwinding of the discount factor (interest expense)	12,000	13,000
Deficit contribution paid	(47,000)	(46,000)
Re-measurements – impact of any changes in assumptions	(8,000)	(2,680)
Other movement	10,138	-
	<u>268,367</u>	<u>301,229</u>
Provision at end of period	<u>268,367</u>	<u>301,229</u>
Liability split as:		
< 1 year	52,563	46,453
1-2 years	53,572	51,103
2-5 years	162,232	155,446
> 5 years	-	48,227
	<u>268,367</u>	<u>301,229</u>

Impact on Statement of Comprehensive Income

	2017 £	2016 £
Interest expense	12,000	13,000
Re-measurements – impact of any change in assumptions	(8,000)	(3,000)
	<u>4,000</u>	<u>10,000</u>

Assumptions	2017	2016
Rate of discount	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 band yield curve to discount the same recovery plan contributions.