



**Scott-Moncrieff**  
business advisers and accountants

**MOLENDINAR PARK HOUSING ASSOCIATION**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

# MOLENDINAR PARK HOUSING ASSOCIATION

## MANAGEMENT COMMITTEE, EXECUTIVES AND PROFESSIONAL ADVISORS

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**Management Committee**

A Scott (Chairperson from 17 October 2017)  
L McElroy (Chairperson until 19 September 2017)  
C McKinlay (Secretary until 19 April 2017, re-appointed 19 September 2017)  
B Johnston (Secretary from 25 April 2017 to 17 October 2017)  
A Hendry  
A Culley (resigned 21 November 2017)  
C Taylor (appointed 19 April 2017)  
C Brien (appointed 19 April 2017)  
A Kilgour (appointed 19 April 2017, resigned 21 November 2017)  
M O'Donnell (removed 19 April 2017, re-appointed 19 September 2017)  
A Howard (removed 19 April 2017, re-appointed 19 September 2017, resigned 17 April 2018)  
C McNealy (removed 19 April 2017, re-appointed 19 September 2017, resigned 17 April 2018)  
E Martin (removed 19 April 2017, re-appointed 19 September 2017, resigned 16 January 2018)  
F Sheeran (appointed 19 September 2017)  
A Blair (resigned 19 April 2017)  
D Walker (appointed 19 September 2017)

**Key Management**

Julie Smilie	Director
	Secretary (appointed 17 October 2017)
Jayne Lundie (retired January 2018)	Deputy Director
David Service (retired March 2018)	Finance Officer
Paul Carey (from 1 April 2018)	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

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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**

### **REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018**

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The Management Committee present their report (incorporating the Strategic Report) and audited financial statements for the year ended 31 March 2018.

#### **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 2013.

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 2017/18, the Association commissioned an independent Governance Review and as a result a historic governance issue was identified. Assistance was immediately sought from the Scottish Housing Regulator (SHR) who responded appropriately by appointing members to the Management Committee and placing the Association under high engagement. In October 2017, the SHR ended their statutory intervention as appropriate and swift action had been taken by the Association to address the membership issue. This led to the Association's level of engagement with the SHR being reduced to medium. On completion of the Governance Review, an Action Plan was developed. The Association has made great progress with the Action Plan and most items identified have now been completed. A revised Governance Structure has also been introduced, which has resulted in the former Local Management Associations being dissolved and the formation of two sub-committees. This structure will strengthen the Association's overall governance and will ensure that excellent services continue to be delivered. 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.

The Association is in a strong, vibrant and positive position. It continues to provide an excellent level of service to its residents, and attracts satisfaction levels of 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 2018**

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#### **Principal risks and uncertainties (continued)**

The 4 highest gross scoring risks identified are as follows:

1. Breach of Loan Covenant.
2. Volatility of loan interest rates.
3. Impact of Major Repairs programme identified in the 30 year plan.
4. 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 in the immediate future.

#### **Management Committee and Executive Officers**

The members of the Management Committee and the Executive Officers are listed on the front 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 2018

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#### Governance

##### *Governing Document*

The Association is a registered social landlord and is thus registered with The Scottish Housing Regulator and 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 2018 the Management Committee comprised 10 members, with 5 vacancies. The Management Committee meet ten times per year. Two Sub-committees have recently been introduced as a result of a revised Governance Structure; these are the Finance and Audit Committee and the Risk and Services 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. 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.

## **MOLENDINAR PARK HOUSING ASSOCIATION**

### **REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018**

#### **Statement of Management Committee's Responsibilities (continued)**

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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.

#### **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 5.

#### **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.

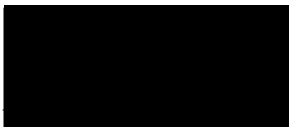
#### **Charitable Donations**

During the year, the Association made charitable donations amounting to £nil (2017 - £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 21 August 2018.



A Scott  
Chairperson

## MOLENDINAR PARK HOUSING ASSOCIATION

### MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROLS FOR THE YEAR ENDED 31 MARCH 2018

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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:

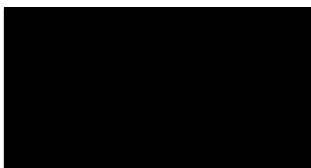
- the reliability of financial information used within the Association or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

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 2018 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 21 August 2018.



A Scott  
Chairperson



## **MOLENDINAR PARK HOUSING ASSOCIATION**

### **AUDITOR'S REPORT ON CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 31 MARCH 2018**

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In addition to our audit of the Financial Statements, we have reviewed your statement on page 5 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 5 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: 21 August 2018

## **MOLENDINAR PARK HOUSING ASSOCIATION**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOLENDINAR HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

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#### **Opinion**

We have audited the financial statements of Molendinar Housing Association Limited (the Association) for the year ended 31 March 2018 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 the notes to the financial statements, including a summary of significant accounting policies. 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Committee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **MOLENDINAR PARK HOUSING ASSOCIATION**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOLENDINAR HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

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#### **Other information**

The Management Committee are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

#### **Responsibilities of the Management Committee**

As explained more fully in the Statement of the Management Committee's Responsibilities set out on pages 3 and 4, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

## MOLENDINAR PARK HOUSING ASSOCIATION

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOLENDINAR HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Act and relevant regulations made or having effect thereunder.

#### **Auditor's responsibilities for the audit of the financial statements (continued)**

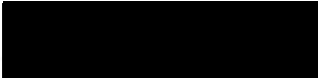
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the Association's members, as a body, in accordance with Section 87 of 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, as a body, 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.

  
**Scott-Moncrieff, Statutory Auditor**  
**Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006**  
Chartered Accountants  
25 Bothwell Street  
Glasgow  
G2 6NL

Date: 21 August 2018

**MOLENDINAR PARK HOUSING ASSOCIATION**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2018**

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	Notes	2018 £	2017 £
Turnover	4	2,238,004	2,204,980
Operating expenditure	4	(1,731,806)	(1,618,490)
<b>Operating surplus</b>	4	<b>506,198</b>	<b>586,490</b>
Gain on sale of assets	8	39,341	37,893
Interest payable and other charges	9	(24,593)	(52,933)
Interest receivable	10	1,108	639
<b>Surplus before tax</b>		<b>522,054</b>	<b>572,089</b>
Taxation		-	-
<b>Surplus for year</b>		<b>522,054</b>	<b>572,089</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>522,054</b>	<b>572,089</b>

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 2018**

	<b>Share Capital £</b>	<b>Revenue Reserve £</b>	<b>Total Reserves £</b>
Balance at 1 April 2017	16	3,366,597	3,366,613
Surplus from statement of comprehensive income	10	522,054	522,064
Balance at 31 March 2018	<u>26</u>	<u>3,888,651</u>	<u>3,888,677</u>

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES  
AS AT 31 MARCH 2017**

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

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

**MOLENDINAR PARK HOUSING ASSOCIATION**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2018**

	Notes	£	2018 £	£	2017 £
<b>Tangible Fixed Assets</b>					
Housing properties	11		13,548,628		13,620,847
Other assets	11		52,730		37,245
			<u>13,601,358</u>		<u>13,658,092</u>
<b>Current Assets</b>					
Debtors	13	61,267		121,225	
Cash and cash equivalents	14a	841,605		1,010,335	
Investments	14b	500,729		-	
		<u>1,403,601</u>		<u>1,131,560</u>	
<b>Current Liabilities</b>					
Creditors due within one year	15	(927,687)		(1,022,855)	
<b>Net current assets</b>			<u>475,914</u>		<u>108,705</u>
			<u>14,077,272</u>		<u>13,766,797</u>
<b>Creditors due after more than one year</b>	16		(3,131,193)		(3,144,461)
<b>Deferred Income: Social Housing Grant more than one year</b>	17		(7,057,402)		(7,255,723)
<b>Net Assets</b>			<u>3,888,677</u>		<u>3,366,613</u>
<b>Capital and Reserves</b>					
Called up share capital	19		26		16
Revenue reserves			3,888,651		3,366,597
			<u>3,888,677</u>		<u>3,366,613</u>

These financial statements were approved by the Management Committee and authorised for issue on 21 August 2018 and signed on its behalf by:

A Scott - Chairperson



B Johnston - Committee member



J Smillie (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 2018**

	Notes	£	2018 £	£	2017 £
<b>Net cash generated from operating activities</b>	20		493,948		815,821
<b>Cash flow from investing activities</b>					
Purchase of tangible fixed assets		(339,066)		(789,087)	
Proceeds from sale of tangible fixed assets		66,707		56,144	
Housing Association Grant received		60,974		95,944	
Interest received		1,108		639	
			(210,277)		(636,360)
<b>Cash flow from financing activities</b>					
Interest paid		(21,593)		(40,933)	
New loan secured		296,760		332,492	
Repayment of borrowings		(226,849)		(184,414)	
Issue of share capital		10		-	
Withdrawal from/(deposit to) current asset investment		(500,729)		-	
			(452,401)		107,145
<b>Net changes in cash and cash equivalents</b>			(168,730)		286,606
Cash and cash equivalents at 1 April			1,010,335		723,729
<b>Cash and cash equivalents at 31 March</b>	14a		841,605		1,010,335

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 2018

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#### 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 2018, 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 2018 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 2018

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#### 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 2018

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#### 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 2018

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#### 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 2018**

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#### **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 2018**

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**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

**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.

Useful lives of property and equipment

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 main components of housing properties and their useful lives

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.

Recoverable amount of rental and other trade receivables

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.

The obligations under the SHAP pension scheme

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

The allocation of costs for shared ownership

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 2018

4. Particulars of Turnover, Operating Expenditure and Operating Surplus

	Notes	2018			2017		
		Turnover £	Operating Expenditure £	Operating Surplus £	Turnover £	Operating Expenditure £	Operating Surplus £
<b>Income and Expenditure from lettings</b>							
Social Lettings	5a	2,179,130	(1,699,400)	479,730	2,147,879	(1,583,575)	564,304
Other activities	5b	58,874	(32,406)	26,468	57,101	(34,915)	22,186
		<u>2,238,004</u>	<u>(1,731,806)</u>	<u>506,198</u>	<u>2,204,980</u>	<u>(1,618,490)</u>	<u>586,490</u>

**MOLENDINAR PARK HOUSING ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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

	General Needs Housing £	Shared Ownership £	Sheltered Housing £	2018 Total £	2017 Total £
<b>Income from social lettings</b>					
Rent receivable net of service charges	1,558,445	119,136	112,981	1,790,562	1,750,253
Service charges	32,465	56,947	43,287	132,699	129,138
Gross income from rents net of service charges	1,590,910	176,083	156,268	1,923,261	1,879,391
Less: Rent Losses from Voids	(10,043)	-	(1,809)	(11,852)	(7,965)
Grants from Scottish Ministers	1,580,867	176,083	154,459	1,911,409	1,871,426
Other revenue grants	26,255	-	-	26,255	28,822
Release of deferred government capital grants	148,642	72,581	20,243	241,466	247,631
<b>Total Income from social letting</b>	<b>1,755,764</b>	<b>248,664</b>	<b>174,702</b>	<b>2,179,130</b>	<b>2,147,879</b>
<b>Expenditure on Social Letting Activities</b>					
Service costs	32,465	54,276	39,039	125,780	114,299
Management and maintenance administration costs	669,072	33,457	41,370	743,899	660,533
Reactive Maintenance	211,331	-	11,653	222,984	214,848
Planned and Cyclical Maintenance including major repairs	178,699	-	20,431	199,130	202,865
Bad Debts – rents and service charges	7,852	510	370	8,732	-
Depreciation of social housing	275,683	85,728	7,023	368,434	351,426
Recoverable repairs	30,441	-	-	30,441	39,604
<b>Operating costs for social letting</b>	<b>1,405,543</b>	<b>173,971</b>	<b>119,886</b>	<b>1,699,400</b>	<b>1,583,575</b>
<b>Operating Surplus for social lettings 2018</b>	<b>350,221</b>	<b>74,693</b>	<b>54,816</b>	<b>479,730</b>	<b>564,304</b>
<b>Operating Surplus for social lettings 2017</b>	<b>426,609</b>	<b>59,380</b>	<b>78,315</b>	<b>564,304</b>	<b>487,771</b>

The amount for service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2017 - £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 (2017: £nil) relating to the loss on disposal of components.



MOLENDINAR PARK HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

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 £	2017 £
Wider action/wider role	-	-	-	-	-	-	-	-	-
Care and repair	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	31,689	31,689	-	(30,951)	738	5,384
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	-	-	-	27,185	27,185	-	(1,455)	25,730	16,802
<b>Total from other activities 2018</b>	-	-	-	<b>58,874</b>	<b>58,874</b>	-	<b>(32,406)</b>	<b>26,468</b>	<b>22,186</b>
<b>Total from other activities 2017</b>	-	-	-	<b>57,101</b>	<b>57,101</b>	-	<b>(34,915)</b>	<b>22,186</b>	<b>8,158</b>

**MOLENDINAR PARK HOUSING ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

<b>6. Employees</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Staff costs during year</b>		
Wages and salaries	384,662	380,130
Pension costs	43,723	36,937
Social security costs	38,346	36,753
Temporary or agency staff	10,000	9,150
	<u>476,731</u>	<u>462,970</u>

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

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Remeasurement – impact of any change in assumptions	<u>(2,000)</u>	<u>8,000</u>

This is included in management and administration costs.

During the year past service deficit contributions of £54,500 (2017: £48,503) were paid. Of this payment, £52,817 (2017: £46,937) was a payment in respect of the SHAPS past service deficit liability. The remainder of £1,683 (2017: £1,566) 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 £3,000 (2017: £12,000) in the year.

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

	<b>2018</b>	<b>2017</b>
	<b>No</b>	<b>No</b>
	<u>8</u>	<u>11</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.

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Emoluments payable to Chief Executive (excluding pension contributions) amounted to:	<u>68,187</u>	<u>66,495</u>

The Association's pension contributions for the Chief Executive in the year amounted to £8,462 (2017 - £8,093).

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
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 2018****7. Operating surplus**

Operating surplus is stated after charging:	<b>2018</b>	<b>2017</b>
	£	£
Depreciation	<b>368,434</b>	<b>351,426</b>
Auditor's remuneration	<b>8,450</b>	<b>10,990</b>
	<u><u>          </u></u>	<u><u>          </u></u>

**8. Gain on disposal of fixed assets**

	<b>2018</b>	<b>2017</b>
	£	£
Housing property disposals	<b>39,342</b>	<b>37,893</b>
	<u><u>          </u></u>	<u><u>          </u></u>

**9. Interest payable and similar charges**

	<b>2018</b>	<b>2017</b>
	£	£
On bank loans and overdrafts	<b>21,593</b>	<b>40,933</b>
SHAPS deficit repayment plan – interest expense	<b>3,000</b>	<b>12,000</b>
	<u><u>          </u></u>	<u><u>          </u></u>
	<b>24,593</b>	<b>52,933</b>
	<u><u>          </u></u>	<u><u>          </u></u>

**10. Interest receivable and similar income**

	<b>2018</b>	<b>2017</b>
	£	£
Bank interest received	<b>1,108</b>	<b>639</b>
	<u><u>          </u></u>	<u><u>          </u></u>

MOLENDINAR PARK HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

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 £
<b>Cost</b>							
<i>At 1 April 2017</i>	13,997,060	4,302,238	36,164	18,335,462	136,037	55,629	18,527,128
Additions during year	339,066	-	-	339,066	-	-	339,066
Disposals in year	(26,184)	(15,860)	-	(42,044)	-	-	(42,044)
Transfers	(25,772)	-	-	(25,772)	-	25,772	-
<b>At 31 March 2018</b>	<b>14,284,170</b>	<b>4,286,378</b>	<b>36,164</b>	<b>18,606,712</b>	<b>136,037</b>	<b>81,401</b>	<b>18,824,150</b>
<b>Depreciation</b>							
<i>At 1 April 2017</i>	3,136,094	1,577,183	1,338	4,714,615	136,037	18,384	4,869,036
Provided during year	280,403	85,728	675	366,806	-	1,628	368,434
Disposals in year	(8,334)	(6,344)	-	(14,678)	-	-	(14,678)
Transfers	(8,659)	-	-	(8,659)	-	8,659	-
<b>At 31 March 2018</b>	<b>3,399,504</b>	<b>1,656,567</b>	<b>2,013</b>	<b>5,058,084</b>	<b>136,037</b>	<b>28,671</b>	<b>5,222,792</b>
<b>Net book value</b>							
<b>As at 31 March 2018</b>	<b>10,884,666</b>	<b>2,629,811</b>	<b>34,151</b>	<b>13,548,628</b>	<b>-</b>	<b>52,730</b>	<b>13,601,358</b>
<i>As at 31 March 2017</i>	<i>10,860,966</i>	<i>2,725,055</i>	<i>34,826</i>	<i>13,620,847</i>	<i>-</i>	<i>37,245</i>	<i>13,658,092</i>

Total major repair costs during the year were £339,066 (2017: £832,087) of which £339,066 (2017: £789,087) was capitalised. Of the amount capitalised £289,538 (2017: £112,712) related to replacement of components and £49,528 (2017: £676,375) 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 £289,538 (2017: £112,712).

Additions to Housing Properties during the year includes no capitalised interest (2017 - £nil) and no capitalised administration costs (2017 - £nil). All housing properties are freehold. Properties with a cost of £42,044 (2017: £25,770) and accumulated depreciation of £14,678 (2017: £7,519) have been disposed of in the year for net proceeds of £66,708 (2017: £56,145). The proceeds were before a grant to be repaid of £16,845 (2017-£nil).

**MOLENDINAR PARK HOUSING ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

<b>12. Housing stock</b>	<b>2018</b>	<b>2017</b>
	<b>No</b>	<b>No</b>
The number of units in Management at 31 March was as follows:		
General Needs Housing	461	464
Shared Ownership Housing	84	84
Supported Housing Accommodation	31	31
	<u>576</u>	<u>579</u>
	<u><u>576</u></u>	<u><u>579</u></u>
<b>13. Debtors</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Gross rents in arrears	71,882	73,633
Less: bad debt provision	(65,653)	(17,001)
	<u>6,229</u>	<u>56,632</u>
Other debtors	14,268	25,575
Prepayments	40,770	39,018
	<u>61,267</u>	<u>121,225</u>
	<u><u>61,267</u></u>	<u><u>121,225</u></u>
<b>14a. Cash and cash equivalents</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Current accounts	841,605	1,010,335
	<u>841,605</u>	<u>1,010,335</u>
	<u><u>841,605</u></u>	<u><u>1,010,335</u></u>
<b>14b. Investments</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Balances held in deposit accounts	500,729	-
	<u>500,729</u>	<u>-</u>
	<u><u>500,729</u></u>	<u><u>-</u></u>
<b>15. Creditors due within one year</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Trade creditors	120,177	4,410
Loans	235,622	205,910
Accruals and deferred income	18,532	252,567
Prepaid rent	110,147	138,955
Other creditors	137,386	118,952
Deferred Government Capital Grants	241,466	240,482
SHAPS deficit repayment plan	54,030	52,563
Other tax and social security	10,327	9,016
	<u>927,687</u>	<u>1,022,855</u>
	<u><u>927,687</u></u>	<u><u>1,022,855</u></u>
Secured creditors	235,622	205,910
	<u>235,622</u>	<u>205,910</u>
	<u><u>235,622</u></u>	<u><u>205,910</u></u>

Pension contributions of £12,754 (2017: £10,397) 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 2018**

16. Creditors due after more than one year	2018 £	2017 £
Housing Loans	2,968,856	2,928,657
SHAPS deficit repayment plan	162,337	215,804
	<u>3,131,193</u>	<u>3,144,461</u>
Secured creditors	<u>2,968,856</u>	<u>2,928,657</u>

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

	2018 £	2017 £
In one year or less	235,622	205,910
Between one and two years	235,622	205,910
Between two and five years	706,866	617,731
In five years or more	2,026,368	2,105,016
	<u>3,204,478</u>	<u>3,134,567</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	2018 £	2017 £
Deferred capital grants at 1 April	7,496,205	7,647,891
Received in year	60,974	95,944
Released to income in year	(241,466)	(247,630)
Grants disposed of in year	(16,845)	-
Deferred capital grants at 31 March	<u>7,298,868</u>	<u>7,496,205</u>
In one year or less	241,466	240,482
Between one and two years	482,932	480,964
Between two and five years	482,932	480,964
In five years or more	6,091,538	6,293,795
Total	<u>7,298,868</u>	<u>7,496,205</u>

**MOLENDINAR PARK HOUSING ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

<b>18. Financial instruments</b>	<b>2018</b>	<b>2017</b>
	£	£
<b>Financial Assets</b>		
Cash and cash equivalents	1,342,334	1,010,335
Financial assets measured at amortised cost	20,497	82,207
	<u>1,362,831</u>	<u>1,092,542</u>
<b>Financial Liabilities</b>		
Financial liabilities measured at amortised cost	<u>3,696,940</u>	<u>3,778,863</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.

<b>19. Share capital</b>	<b>2018</b>	<b>2017</b>
	£	£
Shares of £1 fully paid and issued at beginning of year	16	16
Shares issued during year	10	-
	<u>26</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.

<b>20. Net cash flow from operating activities</b>	<b>2018</b>	<b>2017</b>
	£	£
Surplus for the year	522,054	572,089
<b>Adjustments for non-cash items:</b>		
Carrying amount of tangible fixed asset disposals	27,366	18,251
Depreciation of tangible fixed assets	368,434	351,426
Pension costs less contributions payable	1,000	20,000
Decrease in trade and other debtors	59,958	3,085
(Decrease)/increase in trade and other creditors	(127,331)	161,450
Reclassification of deferred grant to other creditor	(16,845)	-
<b>Adjustments for investing and financing activities:</b>		
Interest payable	21,593	40,933
Interest received	(1,108)	(639)
Release of Deferred Government Capital Grants	(241,466)	(247,630)
SHAPS past service deficit payment	(53,000)	(47,000)
Proceeds from sale of fixed assets	(66,707)	(56,144)
	<u>493,948</u>	<u>815,821</u>
Net cash inflow from operating activities	<u>493,948</u>	<u>815,821</u>

## 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 6 members of the Committee that were tenants of the Association during the year (2017: 2). 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 £18,469 (2017: £6,655). The total rent and service arrears relating to tenant members included within debtors at the year end is £29 (2017: £nil).

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are listed on the first page of the financial statements was £230,620 (2017: £230,578).

The emoluments of key management (excluding pension contributions and including benefits in kind) for the year were £212,309 (2017: £210,072). Their pension contributions (including the past service element) for the year were £18,311 (2017: £20,506).

## 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.



**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 £53,000 (net of administration costs) made in the year ended 31 March 2018 (2017 - £47,000).

As at the balance sheet date there were 10 (2017: 8) active members of the Scheme employed by Molendinar Park Housing Association. The annual pensionable payroll in respect of these members was £370,512 (2017: £309,991). 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 2015 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

**30 September 2017 funding update**

The Employer Committee has recently received the 30 September 2017 Actuarial Report, the annual funding update which shows the Scheme's ongoing funding position in between each three-yearly valuation.

A summary is shown below:

30 September	Assets	Liabilities	Deficit	Funding
2015	£616m	£814m	£198m	76%
2016	£810m	£1,020m	£210m	79%
2017	£852m	£981m	£129m	87%

The Trustee's view is that the recovery plan remains appropriate and there is no need to take any action ahead of the next actuarial valuation due at 30 September 2018.

**23. Retirement Benefit Obligations (continued)**

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.

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 2017. As of this date the estimated employer debt for the Association was £1,739,996 (2017: £2,201,392).

<b>Past service deficit repayment liability</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Provision at start of period	268,367	301,229
Unwinding of the discount factor (interest expense)	3,000	12,000
Deficit contribution paid	(53,000)	(47,000)
Re-measurements – impact of any changes in assumptions	(2,000)	(8,000)
Other movement	-	10,138
	<u>216,367</u>	<u>268,367</u>
Provision at end of period	<u>216,367</u>	<u>268,367</u>
Liability split as:		
< 1 year	54,030	52,563
1-2 years	54,823	53,572
2-5 years	107,514	162,232
	<u>216,367</u>	<u>268,367</u>
 <b>Impact on Statement of Comprehensive Income</b>	 <b>2018</b>	 <b>2017</b>
	<b>£</b>	<b>£</b>
Interest expense	3,000	12,000
Re-measurements – impact of any change in assumptions	(2,000)	(8,000)
	<u>1,000</u>	<u>4,000</u>
 Assumptions	 <b>2018</b>	 <b>2017</b>
Rate of discount	1.51%	1.06%

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.