

MELVILLE HOUSING ASSOCIATION LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2010

Registered Housing Association No. HAL 286

Financial Services Authority No. 2466 R(S)

Recognised Scottish Charity No. SC 032755



MELVILLE HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

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MELVILLE HOUSING ASSOCIATION LIMITED

EXECUTIVES AND ADVISERS

MELVILLE HOUSING ASSOCIATION LIMITED

EXECUTIVES AND ADVISERS

MANAGEMENT COMMITTEE: Mr B Christie C.A. (Chairman)
Mr J Scott (Secretary)
Mr R Anderson (Vice Chairman)
Mrs D Carmichael (Treasurer)
Mr S Campbell
Mr R Haddow
Mrs N McNeill
Mr W McAleece
Mrs B Shearer
Mr S McAleece
Mrs E Smith
Mrs G Gourlay
Mr D Fletcher
Mr D Jarrold
Mr R Walkinshaw

SECRETARY: Mr J Scott

CHIEF EXECUTIVE: Mr A Noble

REGISTERED OFFICE: 7 Eskdail Court
Dalkeith
Midlothian
EH22 1AG

AUDITORS: Chiene + Tait
Chartered Accountants & Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

SOLICITORS: Harper Macleod LLP
The Cadoro
45 Gordon Street
Glasgow
G1 3PE

BANKERS: The Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

Registration Particulars:

Financial Services Authority Industrial and Provident Societies Act 1965
Registered Number 2466 R(S)
Recognised Scottish Charity SC 032755
The Scottish Government, Housing (Scotland) Act 2001
Registered Number HAL 286

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

The Management Committee of Melville Housing Association Limited present the group report and the audited financial statements for the year ended 31 March 2010.

Principal activities

The Association was formed on 9 February 1994 and is registered under the Industrial and Provident Societies Act 1965 and with the Scottish Government under the Housing (Scotland) Act 2001.

Ironmills Developments Limited was incorporated on 17 October 2007, and is a wholly-owned subsidiary of Melville Housing Association Limited.

The principal activities of the group are providing and managing rented accommodation. Buying and developing homes for low cost ownership and other non-charitable activities are carried out by Ironmills Developments Ltd.

Objectives

We set ourselves a number of objectives, spread across all areas of the organisation, for the year.

Our main objectives were to:

- Build on the early successes of our Tenancy Support service, helping new tenants maintain their tenancies and in turn achieve a positive report from our first Care Commission inspection
- Appoint a new Money Adviser to help tenants manage their finances
- Improve our rent payment options for tenants to help minimise rent arrears
- Increase efficiency through better use of Information Technology systems
- Improve homes to improve the quality and energy efficiency of our homes and make progress towards achieving the Scottish Housing Quality Standard.
- Explore options for improving effectiveness and responsiveness of our repairs service
- Supporting communities in which we operate
- Build and acquire high-quality new homes to help meet ever-increasing demand
- Improve tenant communications and look at ways to encourage greater tenant participation and feedback
- Develop a new corporate strategy outlining the direction Melville will take in the next five years
- Pursue initiatives to make Melville a healthier place to work and achieve Healthy Working Live bronze award
- Increase our profile and promote our services to tenants and partners

REVIEW OF BUSINESS

Introduction

A very successful year saw us build on the successes of recent years with continued growth, service improvements, improved efficiency and high levels of customer satisfaction.

Economy, Effectiveness and Efficiency

Following the restructuring of our loans in 2007 and our governance and staffing structures in 2008/9, these were fully implemented during the 2009/10 year.

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

Through a combination of long-term fixed rates and lower interest rates on our variable-rate loans, we made significant savings on loan interest payable during the year. We negotiated a new £4.5m loan facility in support of our ongoing development programme and arranged forward-fixed rates on £5.6m of loans which are currently on variable rates. We were delighted with the support of The Royal Bank of Scotland in helping us achieve our targets at a time when the world economy was facing a number of challenges.

During 2009/10, we replaced our IT and phone systems, improving the flexibility and capacity of our systems as well as reducing the ongoing costs associated with our IT systems through reduced staffing costs and lower energy costs.

Housing services

Our key housing indicators showed excellent progress in our management of arrears, and good management of voids during a period where we saw a significant increase in the turnover of properties.

Rent arrears

Our arrears performance continued a long-term trend of improved performance, with arrears being 2.6% of rental income at 31 March 2010 (31 March 2009 – 2.8%). Our target for rent arrears is 2.5%.

This improvement has been achieved through the commitment of our housing staff, changes to our arrears management processes, and the introduction of new, more accessible methods of payment.

Relets

In recent years we have seen a significant increase in properties for let and relet due to the success of our own new-build programme and the success of Midlothian Council's new build programme which has led to an increase in transfers from our properties. 177 properties were relet in the year (compared with 162 in 2008/9 and 111 in 2007/8). On average, we took 16 days to relet properties. While this is above our target of 11 days, it represents very good performance in comparison with other RSLs in our peer group which average 39 days.

Rent lost on empty properties was 0.28% of rental income (2008/9 – 0.29%), just above our target of 0.26%. The average rent lost on empty properties for our peer group is 1.8%.

We are constantly looking at ways of reducing the time it takes to relet properties through early inspection, providing easy access for contractors and closely monitoring progress during the completion of repairs.

Tenancy Support

Our "New Beginnings" tenancy support service has proved very successful with over 70 tenants having benefited from practical support and advice from our support workers. The service, established in 2008 with support from The Big Lottery, is delivered in partnership with Home Scotland Ltd who provide specialised management support. The aim of the service is to help tenants become established in their new homes, reducing tenancy failures and helping to build stable communities.

During the year, the service received its first Care Commission inspection. New Beginnings was given a 'very good' rating for both quality of care and quality of staffing, an excellent result for a new service.

Money Advice

While Tenancy support provides help and advice to new Melville tenants, our Money Advice and Welfare Benefits Advice services are available to all our tenants. Our Money Advice service was developed with the support of the Big Lottery to complement our existing welfare benefits service.

MELVILLE HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
YEAR ENDED 31 MARCH 2010

Our Welfare and Money Advice service helped tenants access over £250,000 in unclaimed benefits during the year.

Building for the future

In recent years, we have established a successful New Build Development programme. In the year to 31 March 2010, we invested over £6.3million through Housing Association Grant and Private Finance, completing 49 high-quality homes.

Over the four years 2006 – 2010, we have invested over £21m in new properties, completing 156 properties through our new build and rehabilitation programme. We have consistently achieved our investment targets, and have been able to attract over £4.6m of additional Housing Association Grant over and above our original allocation by responding to opportunities and working closely with a range of private developers.

During the year we commenced work on two new developments, a 23-unit site at Wester Cowden, Dalkeith, and started ground preparation work on our largest ever development in Mayfield, Dalkeith which will deliver 133 high-quality homes.

We are grateful to the support of the Scottish Government, Midlothian Council and the Royal Bank of Scotland in delivering our Development Programme.

Maintenance and Improvement

During the year we invested over £2.3m in property maintenance and improvement, underlining our commitment to the improvement of our existing properties.

Our window Improvement programme has proven to be one of our most successful contracts ever. Delivered through a partnership with Sidey Ltd, the contract has run to programme, on budget, and has recorded over 99% tenant satisfaction levels. Over 900 homes will have been improved through this programme by summer 2010, giving immediate improvement to energy efficiency of homes by an average of 11%.

Through ongoing investment, we are determined to improve the condition and quality of our housing and aim to meet or exceed the requirements of the Scottish Housing Quality Standard in advance of the target date of 2015.

Repairs service

Following the introduction of new systems by main repairs contractor and in response to recommendations from the Scottish Housing Regulator, we carried out a detailed review of our repairs monitoring and reporting. The result was that our reported performance in achieving our repairs targets was significantly lower than our targets, however the actual service delivered to tenants has been of a high standard with consistently high satisfaction levels. During 2010/11 we plan to introduce a new repairs service, which will deliver new levels of quality and control and efficiency to meet and exceed our tenants' expectations.

Adaptations

We continue to employ an occupational therapist in conjunction with Midlothian Council, to help with the large number of tenants who may benefit from physical help in their homes in the form of equipment and/or adaptations. This service has been very successful, linking with other housing and maintenance services and directly improving peoples' lives. We invested almost £100,000 on medical adaptations during the year, the majority being funded by grants received from the Scottish Government.

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

Investing in technology to improve performance

We have an ongoing programme of investment in technology to improve our efficiency and communication. The implementation of a new reporting tool on our main housing systems has improved the quality and ease of production of information, to help improve our monitoring and control.

Customer service has also seen improvements through greater use of technology. A new phone system introduced in 2009 has improved our internal and external communications and our out-of-hours service. Rent payments have been made easier with the introduction of allpay©. Among improvements are an increased number of payment locations, a more flexible direct debit system and new payment options including the internet and mobile phone.

Working with the community

We recognise that as well as our core landlord and development roles, we have a wider role to play in the communities in which we operate. In the year, we have participated in a number of projects to improve the lives of local residents.

- Our “Living in Harmony” project, funded by the Big Lottery – is aimed at creating a better understanding between residents and young people in our flats in Mayfield. The project has identified a number of strategies which we can progress and may be able to apply in a wider context;
- Arniston Rangers Cherokees - annual sponsorship agreement with an under-8s football team allowing them to buy kit and equipment as well as access SportsScotland matched funding;
- Melville staff have been providing advice and support to the Gorebridge Community Development Trust with their plans to create a new Community Hub that will provide a state-of-the-art venue for charities, businesses, conferences and social events.

Staffing

During the year, we employed on average 35 staff. We take a positive approach to individual and group development to ensure staff have the skills to carry out their jobs in a changing environment. This is delivered through structured group training and supporting staff to attain relevant professional qualifications. We are accredited with Investors in People.

During the year, through the efforts of staff, we were delighted to attain the Bronze “Healthy Working Lives” award.

Governance

Our Management Committee consists of 15 members elected at the Annual General meeting. Some members serve on our Audit Sub-Committee. Each Board member holds one fully paid share of £1 in Melville Housing Association.

The Committee are responsible for the strategic direction and internal controls of the Association. During the year, Committee approved a new five-year strategic plan. In support of this role, members attend a two-day strategic planning event, and throughout the year participate in a structured training programme. Members are also encouraged to attend relevant conferences.

Under our Governance policies, all members receive an annual appraisal, through which overall Committee performance, individual contribution, skills audit and future training needs are reviewed. The results of the appraisals are reported to Committee and are used to develop the forward training plan.

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

We continue to appreciate the efforts of all Committee members for their time, commitment and enthusiasm in helping the Association achieved our aims and objectives.

FUTURE DEVELOPMENTS

In 2010 we will continue with our new build housing development programme. In June 2010, we shall start on-site with a 10-unit development in Penicuik. In October 2010, we plan to start construction on our largest ever development in Mayfield, Dalkeith through which 133 new homes will be provided.

To maximise our future opportunities, we aim to secure leading developer status in Midlothian to maximise our future development opportunities.

We will also seek to grow through our continued support of the Mortgage to Rent scheme, helping those in significant housing need and avoiding homelessness.

Investing in our existing tenants' homes remains a priority. Through our five-year rolling investment programme, we aim to achieve the Scottish Housing Quality Standard for our properties ahead of the 2015 target date. We will complete a major stock condition survey during the year with the aim of verifying our existing information and providing information on our future investment requirements and priorities. These will be used to update our long-term business plan.

We plan to continue our investment in property improvements through extending our successful window improvement programme to include an additional 248 properties.

During the year, we will launch our new repairs service through which we aim to deliver new levels of customer service, quality and efficiency.

We will continue to focus on our Housing and Support services, adapting to changing customer requirements and changing tenant profiles. We will ensure a particular focus providing welfare and money advice during a period of welfare reform.

We will continue to develop our IT systems, and during the year plan to continue with improvements to our reporting systems, implement a new Planned Maintenance system, new financial ledger systems and update our website to improve accessibility and functionality.

We will continue to support staff and Committee through structured and personal training, ensuring that we have the skills to achieve our strategic objectives.

Across all our activities, we will continue to review how we work and who we work with. We have been successful in working with a range of partners to help us deliver our services. Through continued partnership working we can generate efficiencies through shared services and skills, maximising the benefits while minimising the cost of our activities.

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

CREDIT PAYMENT POLICY

The Association's policy concerning the payment of its trade creditors recognises that it deals with a significant number of local small and medium sized entities and Melville always seeks to pay suppliers within agreed payment terms. The average payment period is less than thirty days.

TREASURY MANAGEMENT POLICY

The Association's Treasury Management policy seeks to ensure that Melville always has access to sufficient resources to operate its business; and that these are available in a timely manner, at reasonable cost. In addition our policy aims to achieve value for money and limit risk in managing our cash resources.

MAINTENANCE POLICIES

The Association seeks to maintain its properties to the highest standard commensurate with good practice. 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 will be charged to the Income and Expenditure account.

In addition the Association has a long term programme of major repairs to cover for works which have become necessary since the original development was completed, 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. The cost of these repairs will be reviewed to identify whether or not they add value to the properties; if so the cost will be capitalised in line with the Statement of Recommended Practice (SORP), if not they will be treated as revenue expenditure.

RESERVES

A full analysis of reserve movements is given in notes 12 to 16 in the Financial Statements.

Pension Reserve: For the year ended 31 March 2010 the Lothian Pension Scheme actuary has informed Melville that its share of the pension deficit amounts to £1,461,000 and this is shown on the Balance Sheet.

Revaluation Reserve: All of Melville's housing properties in ownership as at 31 March 2010 were re-valued at that date by DTZ and movements in value are shown in the revaluation reserve (note 13) for previously valued stock or written off directly to the income and expenditure account for first time valuations where the revalued amounts are lower than original cost.

EMPLOYEE INVOLVEMENT AND HEALTH AND SAFETY

Melville Housing Association encourages employee involvement in all major initiatives and holds an annual review day where there is an opportunity for staff to discuss and agree strategic objectives. A staff meeting is held monthly where staff members can and do raise health and safety issues. In addition, Health and Safety matters are considered on an ongoing basis at Management Committee meetings.

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

SURPLUS FOR THE YEAR AND TRANSFERS

The results for the Group are shown in the Income and Expenditure Account on page 14. The surplus for the Group of £1,548,000 (2009: deficit of £540,000) is decreased by a £29,000 transfer to the Pensions Reserve, and increased by transfers of £145,000 from the Revaluation Reserve. The surplus plus transfers result in a £1,664,000 increase in the Group Revenue Reserves at 31 March 2009 (2009: increase of £77,000). Our subsidiary company, Ironmills Developments Limited, achieved a profit of £2,411 during the year to 31 March 2010 (2009: loss of £9,210).

Whilst turnover has increased, both by the rent increase of 4% (5%, 2008/09) and new developments coming into management, the dramatic increase in Group surplus of £2,088,000 in 2010 comes predominantly from three sources:

- In 2009 we introduced a policy that all our properties are re-valued annually. We have found that the first-time valuation of properties results in a loss on value compared with their initial build-cost. As 2009 was the first year in which we adopted this policy, a large number of properties were subject to initial valuation resulting write-off of £1,078,000 charged to the Income and Expenditure Account. In 2010, fewer properties were valued for the first time, resulting in a reduced write-off of £453,000 in the year. Overall, the revaluation of our properties resulted in an increase in total property value; this gain is reported both as a revaluation reserve movement and in the Statement of Recognised Surpluses and Deficits, not the Income and Expenditure Account.
- A planned reduction in maintenance costs of £684,000 as several upgrade programmes came to end.
- An exceptional revenue item of £517,000 arising from the Scottish Government's agreement to release sums previously set aside as a liability for excess Right to Buy receipts not now due to be repaid.

MANAGEMENT COMMITTEE AND EXECUTIVE OFFICERS

The Management Committee and executive officers of the Association are listed on page 1. Each member of the Management Committee holds one fully paid share of £1 in the Association.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

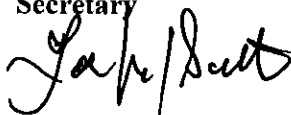
The Management Committee and executive officers who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Management Committee and executive officers have confirmed that they have taken all the steps that they ought to have taken as Committee members and executive officers in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

BY ORDER OF THE COMMITTEE

7 Eskdail Court
Dalkeith
Midlothian
EH22 1AG

J Scott
Secretary

Date: 11.02.2010



MELVILLE HOUSING ASSOCIATION LIMITED

STATEMENT OF RESPONSIBILITIES OF THE MANAGEMENT COMMITTEE

The Industrial and Provident Societies Acts and registered social housing legislation require the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the RSL and of the surplus or deficit for that period. In preparing these financial statements, the board is required to:

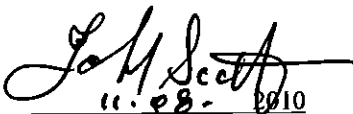
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RSL 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 RSL and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. The Management Committee also has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.

BY ORDER OF THE COMMITTEE

J Scott

Secretary



11.08.2010

MELVILLE HOUSING ASSOCIATION LIMITED

INTERNAL FINANCIAL CONTROL

MANAGEMENT COMMITTEE STATEMENT

The Management Committee acknowledge their ultimate responsibility for ensuring that the Association has in place a system of financial controls that is appropriate for the business environment in which it operates. These financial 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;
- 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 of the Association's systems include ensuring that:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of financial controls and restrict unauthorised use of the Association's assets;
- Experienced and suitably qualified staff take responsibility for important business functions, and annual appraisal procedures have been established to maintain standards of performance;
- Forecasts and budgets are prepared which allow the Management Committee and Management Team to monitor the key business risks, financial objectives and the progress being made towards achieving financial plans set for the year and for the medium term;
- Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget being 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 receive an annual report from the internal and external auditors who review and test the systems of internal financial control only to the extent necessary to express their audit opinion;
- Formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external reports.

MELVILLE HOUSING ASSOCIATION LIMITED

INTERNAL FINANCIAL CONTROL

MANAGEMENT COMMITTEE STATEMENT– (Continued)


The effectiveness of the Association's system of internal financial control has been reviewed in the year ended 31 March 2010, and until the below date to the extent that formal policies and procedures are in place. A full Risk Assessment has been carried out and a 3 year programme of internal audit is in progress.

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 external auditors' report on the financial statements.

BY ORDER OF THE COMMITTEE

J Scott

Secretary



11.08.. 2010

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MELVILLE HOUSING ASSOCIATION LIMITED (Continued)**



This report is issued in respect of an audit carried out under Section 9 of the Friendly and Industrial and Provident Societies Act 1968 and Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005.

We have audited the consolidated financial statements of Melville Housing Association Limited for the year ended 31 March 2010 set out on pages 14 to 36. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968 and to the charity's trustees as a body, in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. 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 auditors' 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, the Association's members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Management Committee and auditors

The Management Committee's Responsibilities for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Management Committee's Responsibilities on page 9.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accounts (Scotland) Regulations 2006, and The Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Management Committee's Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, or if we have not received all the information and explanations we require for our audit.

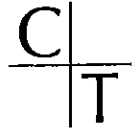
We read the Management Committee's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Management Committee. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Management Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MELVILLE HOUSING ASSOCIATION LIMITED (Continued)**



Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's and the Group's affairs as at 31 March 2010 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accounts (Scotland) Regulations 2006, and The Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Management Committee's statement concerning internal financial control made under "The Code of External Audit Practice" contained within the publication "Raising Standards in Housing" which is the guidance issued by the Scottish Federation of Housing Associations. The object of our review is to draw attention to non-compliance with the guidance.

Basis of Opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Management Committee. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

Opinion

With respect to the Management Committee's statements on internal financial control, in our opinion the Management Committee has provided the disclosures required by the guidance and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Chiene & Tait

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

11 August 2010

MELVILLE HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED 31 MARCH 2010

		Group		Association	
	Note	2010	2009	2010	2009
		£'000	£'000	£'000	£'000
TURNOVER	2	6,306	5,801	6,306	5,801
Operating costs	2	(4,453)	(5,549)	(4,452)	(5,539)
OPERATING SURPLUS	2	1,853	252	1,854	262
Gain on sale of fixed assets		173	212	173	212
Exceptional item: release of creditor from contract set aside		517	-	517	-
Interest receivable and other income		10	64	6	63
Interest payable and loan redemption charges	5	(1,005)	(1,068)	(1,005)	(1,068)
SURPLUS / (DEFICIT) FOR THE YEAR		1,548	(540)	1,545	(531)

All results derive from continuing activities.

The notes on pages 20 to 36 form part of these financial statements.

MELVILLE HOUSING ASSOCIATION LIMITED

YEAR ENDED 31 MARCH 2010

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	Note	Group		Association	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
Surplus / (Deficit) for the year		1,548	(540)	1,545	(531)
Gain / (Loss) on revaluation of properties	7	2,217	(318)	2,217	(318)
Actuarial (deficit) on pension obligations	19	(1,284)	(257)	(1,284)	(257)
Total recognised surplus / (deficit) for the year		2,481	(1,115)	2,478	(1,106)
Prior year adjustment:					
Increase in operating surplus for year		-	292	-	292
Corresponding decrease in gain on revaluation		-	(292)	-	(292)
Total surplus / (deficit) recognised since last annual report		2,481	(1,115)	2,478	(1,106)

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Surplus / (Deficit) for the year before taxation	1,548	(540)	1,545	(531)
Difference between a historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	110	122	110	122
Realisation of property revaluation gains of previous years	36	101	36	101
Historical cost surplus / (deficit) on ordinary activities before taxation	1,694	(317)	1,691	(308)
Historical cost surplus / (deficit) for the year retained after transfers	1,694	(317)	1,691	(308)

The notes on pages 20 to 36 form part of these financial statements.

MELVILLE HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AT 31 MARCH 2010

	Notes	Group		Association	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
TANGIBLE FIXED ASSETS					
Housing properties – gross valuation less depreciation	7	42,225	38,653	42,225	38,653
Less: HAG	7	(4,845)	(5,462)	(4,845)	(5,462)
		<u>37,380</u>	<u>33,191</u>	<u>37,380</u>	<u>33,191</u>
Other Fixed Assets	7	307	293	307	293
		<u>37,687</u>	<u>33,484</u>	<u>37,687</u>	<u>33,484</u>
Debtors	8	910	558	981	572
Cash at bank and in hand		<u>1,580</u>	<u>1,066</u>	<u>1,508</u>	<u>1,051</u>
		2,490	1,624	2,489	1,623
CREDITORS: Amounts falling due within one year	9	<u>(1,664)</u>	<u>(2,047)</u>	<u>(1,651)</u>	<u>(2,031)</u>
NET CURRENT ASSETS		<u>826</u>	<u>(423)</u>	<u>838</u>	<u>(408)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>38,513</u>	<u>33,061</u>	<u>38,525</u>	<u>33,076</u>
CREDITORS: Amounts falling due after more than one year	10	<u>(20,773)</u>	<u>(19,057)</u>	<u>(20,773)</u>	<u>(19,057)</u>
NET ASSETS BEFORE PENSION DEFICIT		<u>17,740</u>	<u>14,004</u>	<u>17,752</u>	<u>14,019</u>
Pension (Deficit)	19	<u>(1,461)</u>	<u>(206)</u>	<u>(1,461)</u>	<u>(206)</u>
NET ASSETS AFTER PENSIONS DEFICIT		<u>16,279</u>	<u>13,798</u>	<u>16,291</u>	<u>13,813</u>
CAPITAL AND RESERVES					
Share capital	11	-	-	-	-
Revaluation reserve	13	13,324	11,252	13,324	11,252
Revenue reserve	14	4,416	2,752	4,428	2,767
Pension reserve	15	<u>(1,461)</u>	<u>(206)</u>	<u>(1,461)</u>	<u>(206)</u>
	16	<u>16,279</u>	<u>13,798</u>	<u>16,291</u>	<u>13,813</u>

The financial statements were approved and authorised for issue by the Management Committee on 11 AUGUST 2010.

.....  B Christie Chairman

.....  D. Carmichael Treasurer

.....  J Scott Secretary

The notes on pages 20 to 36 form part of these financial statements.

MELVILLE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2010

	Note	Group		Association	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
Net cash inflow from operating activities	(i)	3,100	2,138	3046	2,148
Returns on investments and servicing of finance	(ii)	(975)	(1,022)	(979)	(1,023)
Capital expenditure and financial investment	(ii)	<u>(1,611)</u>	<u>(1,947)</u>	<u>(1,610)</u>	<u>(1,947)</u>
(Decrease)/Increase in cash in the year		<u>514</u>	<u>(831)</u>	<u>457</u>	<u>(822)</u>
Reconciliation of net cashflow to Movement in net debt	(iii)				
(Decrease)/Increase in cash in the year		514	(831)	457	(822)
Amortisation of finance costs		-	(1)	-	(1)
Net cash flow from debt		<u>(1,716)</u>	<u>(2,496)</u>	<u>(1,716)</u>	<u>(2,496)</u>
Movement in net debt in the year		(1,202)	(3,328)	(1,259)	(3,319)
Net debt at 1 April 2009		<u>(17,991)</u>	<u>(14,663)</u>	<u>(18,006)</u>	<u>(14,687)</u>
Net debt at 31 March 2010		<u>(19,193)</u>	<u>(17,991)</u>	<u>(19,265)</u>	<u>(18,006)</u>

The notes on pages 18 and 19 form part of the cash flow statement.

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2010

i RECONCILIATION OF OPERATING SURPLUS TO OPERATING CASHFLOWS

	Group		Association	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Operating surplus	1,853	252	1,854	262
Depreciation charge	384	387	384	387
Loss on revaluation	453	1,078	453	1,078
(Decrease) / Increase in pensions provision	(49)	(32)	(49)	(32)
Decrease / (Increase) in Work-in-progress	-	295	-	-
(Increase) / Decrease in debtors	(13)	30	(70)	341
(Decrease) / Increase in creditors	472	128	474	112
Net cash inflow from operating activities	3,100	2,138	3,046	2,148

ii ANALYSIS OF CASHFLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Group		Association	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Returns on investments and Servicing of finance				
Interest received	10	64	6	63
Net loss / (return) on Pension Scheme Assets	20	(19)	20	(19)
Interest paid	(1,005)	(1,068)	(1,005)	(1,068)
Bank arrangement fee amortisation	-	1	-	1
Net cash outflow from returns on investments and servicing of finance	(975)	(1,022)	(979)	(1,023)
Capital expenditure and financial investment				
Acquisition of housing properties	(8,183)	(9,773)	(8,183)	(9,773)
Purchase of LIFT properties	-	(157)	-	(157)
Sales of LIFT properties	86	206	86	206
Purchase of other fixed assets	5	(218)	6	(218)
Proceeds from sale of fixed assets	536	403	536	403
HAG	4,229	5,096	4,229	5,096
Loans draw down	1,716	2,496	1,716	2,496
Net cash (outflow) from capital expenditure and financial investment	(1,611)	(1,947)	(1,610)	(1,947)

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE CASH FLOW STATEMENT - (Continued)

YEAR ENDED 31 MARCH 2010

iii ANALYSIS OF NET DEBT (Group)

	At 31 March 2009 £'000	Cash flow Movements £'000	Other Non-cash Movements £'000	At 31 March 2010 £'000
Cash at bank and in hand	1,066	514	-	1,580
Debt due after one year	(19,057)	(1,716)	-	(20,773)
Total	(17,991)	(1,202)	-	(19,193)

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

1 ACCOUNTING POLICIES

a) Group accounts/basis of preparation

The group financial statements consolidate the financial statements of Melville Housing Association Limited and its subsidiary, Ironmills Developments Limited, for the year ended 31 March 2010.

b) Accounting Basis

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by the Financial Services Authority. The financial statements have been prepared under the historical cost convention, modified for the revaluation of housing properties held for letting, and in compliance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP 2008), "Accounting by Registered Social Landlords" and all applicable accounting standards.

c) Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from the Scottish Government, local authorities and other agencies.

d) Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs relating to the share of property sold are removed from the financial statements at the date of sale.

e) Fixed Assets

All properties were revalued at 31 March 2010 and as a matter of policy all owned housing stock are revalued annually.

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

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

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

Other fixed assets are stated at cost.

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

YEAR ENDED 31 MARCH 2010

1 ACCOUNTING POLICIES (Continued)

f) Depreciation

Depreciation on housing properties is charged on a straight-line basis over the expected economic useful lives of the properties, which has been calculated at 80 years. No depreciation has been charged on the cost of land.

Depreciation is charged on a straight-line basis over the expected useful life of housing furniture and fittings, which has been calculated at 10 years.

Depreciation is provided on all non-housing tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Office Improvements	- over remainder of lease
Office Ventilation System	- over 10 years
Fixtures, fittings and equipment	- over 3 - 5 years

g) Housing Association Grants and other Grants

Housing Association Grants (HAG) are made by the Scottish Government, and are utilised to reduce the capital costs of an approved scheme to an amount of required loan finance which it is estimated can be serviced by the net rental income of the scheme. The amount of HAG is calculated on qualifying costs of the scheme in accordance with instructions issued from time to time by the Scottish Government. The total amount of HAG Melville has received to date is stated in Note 7. Tangible Fixed Assets.

HAG and other grants are repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale.

h) LIFT (previously Homestake) Properties

Properties developed under the Scottish Government's shared equity LIFT initiative are funded by grant and ultimate sales proceeds.

The net investment in LIFT properties is shown on the face of the balance sheet and represents total costs incurred at the balance sheet date less grants receivable and proceeds of sales. LIFT allowances receivable to market the properties are taken to income as developments are completed and until that point they are included within deferred income.

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

YEAR ENDED 31 MARCH 2010

1 ACCOUNTING POLICIES (Continued)

i) Pension Reserve

This reserve is based on the Association's liability with regard to the defined benefits, final salary pension scheme. In line with FRS 17 the deficit is now required to be disclosed on the face of the balance sheet.

j) Pensions

The Association participates in a defined benefit, final salary scheme operated by the Lothian Pension Fund. Contributions are charged to the income and expenditure account so as to spread the cost of pensions over the employees' working lives within the Association.

k) Operating leases

Rentals paid under operating leases are charged to the income and expenditure account as they are incurred.

l) Impairment of fixed assets

Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use at the date an impairment loss is recognised. Value in use represents the net present value of expected future cash flows from these units.

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

m) Financial Instruments

Financial assets and financial liabilities are recognised on the Association's balance sheet when the Association becomes a party to the contractual provisions of the instrument.

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

YEAR ENDED 31 MARCH 2010

2 Particulars of turnover, operating surplus and net surplus by class of business.

	GROUP				ASSOCIATION			
	Turnover £'000	Operating Costs £'000	Operating Surplus 2010 £'000	Operating Surplus 2009 £'000	Turnover £'000	Operating Costs £'000	Operating Surplus 2010 £'000	Operating Surplus 2009 £'000
Social lettings (Note 3)	5,959	(4,090)	1,869	248	5,959	(4,089)	1,870	258
Other activities (Note 4)	347	(363)	(16)	4	347	(363)	(16)	4
Total	6,306	(4,453)	1,853	252	6,306	(4,452)	1,854	262
Total for previous period of account	5,801	(5,549)	252		5,801	(5,539)	262	

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

YEAR ENDED 31 MARCH 2010

3. Particulars of Turnover, operating costs and operating surplus or deficit from social letting activities – Association only

	2010	2009
	£'000	£'000
Rent receivable net of service charges	5,837	5,448
Service charges	19	14
	<hr/>	<hr/>
Gross income from rents and service charges	5,856	5,462
Less voids	(21)	(16)
	<hr/>	<hr/>
Net income from rents and service charges	5,835	5,446
Grants from the Scottish Ministers	124	180
	<hr/>	<hr/>
Total turnover from social letting activities	5,959	5,626
	<hr/>	<hr/>
Management and maintenance administration costs	1,670	1,734
Service costs	19	14
Planned and cyclical maintenance including major repairs costs	736	1,420
Reactive maintenance costs	851	764
Bad debts – rents and service charges	57	50
Depreciation of social housing	303	308
Loss on initial revaluation of social housing	453	1,078
	<hr/>	<hr/>
Operating costs for social letting activities	4,089	5,368
	<hr/>	<hr/>
Operating surplus or deficit for social lettings	1,870	258
	<hr/>	<hr/>

There is no other income except for General Needs

MEVILLE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS – (Continued)

YEAR ENDED 31 MARCH 2010

4. Particulars of Turnover, operating costs and operating surplus or deficit from other activities – Association & Group

	Grants from Scottish Ministers £'000	Other Revenue Grants £'000	Other income £'000	Total Turnover £'000	Operating costs – bad debts £'000	Other Operating costs £'000	Operating surplus or deficit 2010 £'000	Operating surplus or deficit 2009 £'000
Other agency/management services	-	-	-	-	-	-	-	1
Other activities (see note 16) *	-	97	50	147	-	(163)	(16)	3
Development activities **	200	-	-	200	-	(200)	-	-
Total from other activities	200	97	50	347	-	(363)	(16)	4
Total from other activities for the previous period of account	-	91	84	175	-	(171)	4	

* Other Revenue of £90,274 were received from the Big Lottery Fund in the year to assist with the provision of support for new tenants
 ** Development activities refer to abortive development costs written off in the year.

There are no other activities to report.

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

YEAR ENDED 31 MARCH 2010

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Association	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
On loans partly repayable after five years	1,005	1,068	1,005	1,068
	<u>1,005</u>	<u>1,068</u>	<u>1,005</u>	<u>1,068</u>

6 TAXATION ON SURPLUS FOR THE YEAR

There is no liability on the Association's exempt activities as the Association has charitable status. The Group is subject to tax in respect of Ironmills Developments Limited but no charges have arisen in respect of the period to 31 March 2010.

7 TANGIBLE FIXED ASSETS – Association and Group

	Housing Properties Held for Letting £'000	Development Programme £'000	Total Housing Properties £'000	Homestake Properties £'000	Office Fixtures Fittings & Equipment £'000	Total £'000
Cost/valuation						
At 31 March 2009	32,376	6,277	38,653	-	795	39,448
Additions	894	6,802	7,696	-	92	7,788
Transfers	7,151	(7,151)	-	-	-	-
Disposals	(75)	(489)	(564)	-	(204)	(768)
Loss on revaluation	(3,560)	-	(3,560)	-	-	(3,560)
At 31 March 2010	<u>36,786</u>	<u>5,439</u>	<u>42,225</u>	<u>-</u>	<u>683</u>	<u>42,908</u>
Depreciation						
At 31 March 2009	-	-	-	-	502	502
Provided in year	306	-	306	-	78	384
Disposals	-	-	-	-	(204)	(204)
Gain on revaluation	(306)	-	(306)	-	-	(306)
At 31 March 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376</u>	<u>376</u>
HAG						
At 31 March 2009	-	5,462	5,462	-	-	5,462
Additions	95	4,506	4,601	-	-	4,601
Transfers	4,923	(4,923)	-	-	-	-
Disposals	-	(200)	(200)	-	-	(200)
Adjustment for revaluation	(5,018)	-	(5,018)	-	-	(5,018)
At 31 March 2010	<u>-</u>	<u>4,845</u>	<u>4,845</u>	<u>-</u>	<u>-</u>	<u>4,845</u>
Net book value						
At 31 March 2010	<u>36,786</u>	<u>594</u>	<u>37,380</u>	<u>-</u>	<u>307</u>	<u>37,687</u>
At 31 March 2009	<u>32,376</u>	<u>815</u>	<u>33,191</u>	<u>-</u>	<u>293</u>	<u>33,484</u>

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

YEAR ENDED 31 MARCH 2010

7 TANGIBLE FIXED ASSETS – Association and Group (Contd.)

None of the Association's land or buildings is held under a lease.

All Housing properties held for letting as at the 31 March 2009 were revalued as at 31 March 2010 in accordance with our Accounting Policies (see note 1(e)). Housing properties held for letting that were acquired or developed after 1 April 2009 were valued for the first time as at 31 March 2010.

Housing Association Grants (HAG) received in respect of all properties owned at 31 March 2010 amounted to £18,150,000; whilst eliminated on revaluation for accounting purposes HAG remains legally repayable to the Scottish Government in certain circumstances.

The valuation was carried out by DTZ, an external valuer, on the basis of Existing Use Value for Social Housing (EUV-SH) as defined in the RICS Valuation Standards. In determining this valuation, the valuers made use of discounted cash flow methodology and key assumptions made concerned the level of future rental growth and the discount rate. For the 2010 valuation the assumed real discount rate was 6.25% for LSVT stock (2009, 6.50%) and ranged between 5.75% and 6.5% for all other, non-LSVT, stock (2009, 6.0 %).

The historic cost less HAG and depreciation of all properties at 31 March 2010 was £8,811,267 (2009, £6,134,617).

8 DEBTORS

	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Gross rental debtors	243	240	243	240
Less bad debt provision	(83)	(88)	(83)	(88)
	160	152	160	152
Due from subsidiary company	-	-	71	14
Other debtors	70	83	70	83
Less bad debt provision	(59)	(58)	(59)	(58)
Prepayments and accrued income	739	381	739	381
	910	558	981	572

9 CREDITORS: Amounts falling due within one year

	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade creditors	53	634	53	538
Other taxes and social security costs	27	34	27	34
Other creditors	14	37	-	-
Accruals and deferred income	1,378	1,217	1,379	1,334
Rents in advance	192	125	192	125
	1,664	2,047	1,651	2,031

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

YEAR ENDED 31 MARCH 2010

10. CREDITORS: Amounts falling due after more than one year, excluding pensions liability

	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Housing property loans not wholly repayable within five years	20,826	19,088	20,826	19,088
Housing property loans are repayable in instalments:				
Within one year	-	-	-	-
Between one year and two years	-	-	-	-
Between two years and five years	375	-	375	-
After five years	20,451	19,088	20,451	19,088
	20,826	19,088	20,826	19,088
Less unamortised loan issue expenses	(53)	(31)	(53)	(31)
	<u>20,773</u>	<u>19,057</u>	<u>20,773</u>	<u>19,057</u>

Housing property loans are secured with RBS plc by a standard security over the Association's property and impledgement over the Association's bank account. The loans are repayable by quarterly instalments commencing on 17 July 2022 on £19,591,852 the remainder, £1,234,680, is part of a £4.5M facility that must be drawn in full by 8 October 2012 with quarterly repayments commencing on 7 January 2013. Interest is currently charged quarterly on variable rate loans at LIBOR plus mandatory costs and margins ranging between 0.225% and 1.8%.

Interest rate swap contracts have been entered as follows:

- £10m is fixed at 6.65% until 2037.
- £4m is fixed at 4.86% until 2037.
- £3m is fixed at 4.83% commencing from July 2011 until 2036
- £2.6m is fixed at 4.89% commencing from July 2011 until 2036

11. SHARE CAPITAL

	Association	
	2010 £	2009 £
Shares of £1 each		
At 1 April 2009	144	146
Issued in year	5	6
Cancelled in year	(4)	(8)
At 31 March 2010	<u>145</u>	<u>144</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on 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.

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

YEAR ENDED 31 MARCH 2010

12. DESIGNATED RESERVES

	Group		Association	
	2010	2009	2010	2009
Scottish Housing Quality Standard reserve	£'000	£'000	£'000	£'000
At 1 April 2009	-	445	-	445
Transfer to Revenue Reserve (note 14)	-	(445)	-	(445)
At 31 March 2010	-	-	-	-

A designated reserve for the purpose of complying with Scottish Housing Quality Standard requirements by 2015 is no longer deemed necessary and the funds have been transferred to Revenue Reserves. The current SORP disclosure preference is to minimise the use of designated reserves.

13. REVALUATION RESERVE

	Group		Association	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
At 1 April 2009	11,252	11,793	11,252	11,793
Release to Income and Expenditure Account (note 14)	(145)	(223)	(145)	(223)
Gain / (Loss) on revaluation (note 7)	2,217	(318)	2,217	(318)
Reserve at 31 March 2010	13,324	11,252	13,324	11,252

14. REVENUE RESERVE

	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
At 1 April 2009	2,752	2,675	2,767	2,681
Transfer from Income and Expenditure Account	1,548	(540)	1,545	(531)
Release from Designated Reserve (note 12)	-	445	-	445
Release from Revaluation Reserve (note 13)	145	223	145	223
Transfer to Pensions Reserve (note 15)	(29)	(51)	(29)	(51)
Reserve at 31 March 2010	4,416	2,752	4,428	2,767

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

YEAR ENDED 31 MARCH 2010

15. PENSION RESERVE

	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
At 1 April 2009	(206)	-	(206)	-
From Revenue Reserve (note 14)	29	51	29	51
Actuarial (loss) surplus	<u>(1,284)</u>	<u>(257)</u>	<u>(1,284)</u>	<u>(257)</u>
Reserve at 31 March 2010 (note 19)	<u>(1,461)</u>	<u>(206)</u>	<u>(1,461)</u>	<u>(206)</u>

16. RECONCILIATION OF MOVEMENT IN ACCUMULATED RESERVES

	Group		Association	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
At 1 April 2009	13,798	14,913	13,813	14,919
Surplus / (Deficit) for the year before gain on revaluation of properties and actuarial surplus on pension scheme	1,548	(540)	1,545	(531)
Gain / (Loss) on revaluation of property	2,217	(318)	2,217	(318)
Actuarial (deficit) in pension scheme	<u>(1,284)</u>	<u>(257)</u>	<u>(1,284)</u>	<u>(257)</u>
Accumulated reserves at 31 March 2010	<u>16,279</u>	<u>13,798</u>	<u>16,291</u>	<u>13,813</u>

The Big Lottery provided a grant of £90,274 during the year to 31 March 2010 to assist Melville to provide support to new tenants, a project called New Beginnings. All of the Big Lottery grant was fully spent as at the 31 March 2010 and there was no balance outstanding. Funds received from the Big Lottery have been accounted for as restricted funds during the year, and applied in accordance with the terms of the grant.

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

YEAR ENDED 31 MARCH 2010

17. EMPLOYEES

	2010	2009
	£'000	£'000
Staff costs during year		
Wages and salaries	1,040	873
Social security costs	81	65
Other pension costs	192	146
Temporary staff costs	39	154
	<u>1,352</u>	<u>1,238</u>
	No.	No.
The average number of staff employed by the Association during the year were as follows:		
Directorate	2	2
Corporate Services	6	7
Finance	3	5
Housing Services	11	15
Property & Lettings	10	8
Development	3	3
	<u>35</u>	<u>40</u>
(including temporary/agency staff)		
The average full time equivalent number of persons employed by the Association during the year were as follows:	<u>34</u>	<u>28</u>

The Directors are defined as the members of the Management Committee, the Chief Executive and any other person reporting directly to the Chief Executive or the Management Committee whose total emoluments, excluding pension contributions, exceed £60,000 per year.

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

YEAR ENDED 31 MARCH 2010

17. EMPLOYEES (Continued)

	2010 £	2009 £
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	<u>84,893</u>	<u>77,658</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>71,322</u>	<u>65,839</u>

The Chief Executive is an ordinary member of the Association's pension scheme described in note 19. No enhanced or special terms apply to memberships and he has no other pension arrangements to which the Association contribute. The Association's contributions for the Chief Executive in the year amounted to £13,571 (2009 - £11,819).

One Director or employee earned more than £60,000 during the year (2009 – one).

	2010 £	2009 £
Total expenses reimbursed insofar as not chargeable to UK Income Tax		
- Chief Executive	293	141
- Management Committee	<u>2,650</u>	<u>2,083</u>

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

18. AUDITOR'S REMUNERATION	2010 £	2009 £
The remuneration of the auditors (including expenses and VAT for the year)	<u>10,917</u>	<u>7,442</u>

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

YEAR ENDED 31 MARCH 2010

19. PENSION OBLIGATIONS

The company's employees belong to one principal pension scheme, the Lothian Pension Fund (LPF) which provides benefits based on the final pensionable salary.

Movement in surplus/(deficit) during the year

Employee benefit obligations

The amounts recognised in the balance sheet are as follows:

	2010	2009
	£'000	£'000
Present value of funded obligations	(5,182)	(2,764)
Fair value of plan assets	3721	2,558
	(1,461)	(206)
Unrecognised past service cost	-	-
(Deficit) / asset	(1,461)	(206)
Net (liability) / asset	(1,461)	(206)
Amounts in the balance sheet		
Liabilities	1,461	206
Assets	-	-
Net (liability) / asset	(1,461)	(206)

The amounts recognised in income and expenditure are as follows

	2010	2009
	£'000	£'000
Current service cost	117	92
Interest on obligations	197	234
Expected return on plan assets	(177)	(253)
Past service cost	26	-
Losses (gain) on curtailment and settlements	-	-
Total	163	73
Actual return on plan assets	924	(604)

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

YEAR ENDED 31 MARCH 2010

19. PENSION OBLIGATIONS (Contd.)

Analysis of the amount recognised in statement of recognised surpluses and deficits

	2010 £'000	2009 £'000
Actual return less expected return on pension scheme assets	747	(1,283)
Experience surplus and deficits arising on the scheme liabilities	-	583
Changes in financial assumptions underlying the present value of the scheme liabilities	(2,031)	340
	<hr/>	<hr/>
Actuarial (deficit) / surplus in pension plan	(1,284)	(360)
	<hr/>	<hr/>
Increase/(decrease) in irrecoverable surplus from membership fall and removal of Pension surplus from the Balance Sheet	-	103
	<hr/>	<hr/>
Actuarial (deficit) recognised in STRSD	(1,284)	(257)
Cumulative actuarial (losses) and gains.	(873)	411

Changes in the present value of the defined benefit obligations are as follows:

	2010 £'000	2009 £'000
Opening defined benefit obligation	2,764	3,342
Service cost	117	92
Interest cost	197	234
Contributions by members	69	40
Actuarial losses (gains)	2,031	(923)
Past services costs (gains)	26	-
Losses (gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Benefits paid	(22)	(21)
	<hr/>	<hr/>
Closing defined benefit obligation	5,182	2,764

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

YEAR ENDED 31 MARCH 2010

19. PENSION OBLIGATIONS (Contd.)

Changes in the fair value of plan assets are as follows:

	2010	2009
	£'000	£'000
Opening fair value of plan assets	2,558	3,445
Expected return	177	253
Actuarial gains and (losses)	747	(1,283)
Contributions by employer	192	124
Contributions by members	69	40
Benefits paid	(22)	(21)
	<hr/>	<hr/>
Closing fair value of plan assets	<u>3,721</u>	<u>2,558</u>

The group expects to contribute £217,000 to its defined benefit pension plans in 2011.

	2010	2009
	%	%
The major categories of plan assets as a percentage of stated plan assets are as follows:		
Equities	79	79
Bonds	8	11
Property	9	10
Cash	4	0

Principal actuarial assumptions at the balance sheet date:

	2010	2009
	% p.a	% p.a
Discount rate	5.5	6.9
Future salary increases	5.3	4.6
Future pension increases	3.8	3.1
The expected return on assets	7.3	6.6

Amounts for the current and previous four periods are as follows:

Defined benefit pension plans	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(5,182)	(2,764)	(3,342)	(3,849)	(3,862)
Plan assets	3,721	2,558	3,445	3,369	2,955
Surplus/(deficit)	(1,461)	(206)	103	(480)	(907)
Experience adjustments on plan liabilities	-	583	(1)	-	(74)
Experience adjustments on plan assets	747	(1,283)	(343)	20	461

The total pension charge for the year was £192,151. At 31 March 2010 £22,145 was due to be paid over to the pension scheme (2009: £23,393). The agreed employer contribution rate from 1 April 2010 is 21.4% (2009, 20.1%)

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

YEAR ENDED 31 MARCH 2010

20. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES & GAINS

As at 31 March 2010, the Association had the following capital commitments:

	2010	2009
	£'000	£'000
Contracted for less certified	2,337	2,490
Authorised not yet contracted for	13,628	11,671
	<u>13,628</u>	<u>11,671</u>

These commitments will be funded £8,392,000 HAG with the balance by private finance.

21. OTHER FINANCIAL COMMITMENTS

At 31 March 2010, the Group and Association was committed to making the following payments during the next year in respect of operating leases

	Land & Buildings 2010 £'000	Land & Buildings 2009 £'000
Leases expiring: -		
Within two to five years	51	-
After five years	-	49
	<u>51</u>	<u>49</u>

22. RELATED PARTY TRANSACTIONS

4 members of the Management Committee rent property from the Association on standard terms, as applicable to all tenants.

23. UNIT NUMBERS

	2010 No.	2009 No.
General Needs	1,762	1,709
	<u>1,762</u>	<u>1,709</u>

24. SUBSIDIARY COMPANY

A subsidiary company limited by shares, Ironmills Developments Limited, was incorporated on 17 October 2007, registered number: SC 332523.

During the year to 31 March 2010 Melville Housing Association Limited incurred expenditure on behalf of Ironmills Developments Limited, principally in respect of development expenditure amounting to £56,220.

Work in Progress

Work in progress consists of development properties of Ironmills Developments Limited and is stated at the lower of cost or net realisable value.