

**MELVILLE HOUSING ASSOCIATION LIMITED**  
**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2011**

**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 2011**

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# 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 (Resigned 15 September 2010)  
Mrs E Smith  
Mrs G Gourlay  
Mr D Fletcher  
Mr D Jarrold  
Mr R Walkinshaw  
Mr A Murphy (Co-opted 20 October 2010)

**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

The Management Committee of Melville Housing Association Limited present the group report and the audited financial statements for the year ended 31 March 2011.

### 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 and acquire high-quality new homes to meet escalating demand
- Achieve leading developer status in Midlothian
- Build on the early successes of our Tenancy Support service, helping new tenants maintain their tenancies
- 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.
- Establish a new high-quality repairs service
- Supporting communities in which we operate

## 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. In a challenging funding environment, we have continued to develop new projects and in October 2010 started on-site on our largest ever new-build development.

### Economy, Effectiveness and Efficiency

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 against budget. Through active treasury management, we have minimised our loan drawdowns, and have invested surpluses in interest-bearing accounts, however with interest rates low, interest earned on deposit has been low in the year.

Our key maintenance services are delivered in partnership with key contractors. During the year, our previous contract with Carillion PME came to an end. From September 2010, we entered into a new partnership with R3 Repairs Ltd, a new service established as a subsidiary of East Lothian Housing Association Ltd. Along with East Lothian and Manor Estates Housing Association, our maintenance services are now provided by R3 Repairs Ltd. The service is delivered at a lower initial cost than our previous contract, and aims to deliver further efficiencies as well as high-quality tenant-oriented services.

With salary scales linked to the national SNJC points, salaries will be frozen during 2011 and 2012, minimising growth in management costs.

## MELVILLE HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE – (Continued)

During 2010/11, we selected new finance ledger software which will improve our management reporting and control. The new ledgers will be fully implemented during 2011.

We have delivered major property improvement programmes through cost-efficient partnerships, installing new energy-efficient window and external door programmes, improving the security and energy efficiency of our properties, resulting in long-term benefits for our tenants through reduced heating 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 reduction in the turnover of properties.

#### *Rent arrears*

Our arrears performance continued a long-term trend of improved performance, with arrears being 2.3% of rental income at 31 March 2011 (31 March 2010 – 2.6%). 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*

During 2010/11, 119 of our properties became available for relet in the year (compared with 162 in 2009/10 and 162 in 2008/9). On average, we took 13 days to relet properties (compared with 16 days in 2009/10). 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 34 days (Source: Peer Group 7 APSR).

Rent lost on empty properties was 0.21% of rental income (2009/10 – 0.28%), below our target of 0.26%. The average rent lost on empty properties for our peer group is 1.1%.

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 78 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. This has had a dramatic effect, and in 2010/11, the number of tenancies failing to last one year fell from 21 on 2009/10 to 12, helping build stable family homes and communities.

#### *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.

Our Welfare and Money Advice service helped tenants access almost £270,000 in unclaimed benefits which will have long-term benefits for the individuals and families, helping them to sustain their homes.

As well as providing individual advice, our Welfare Adviser provides advice to tenants, Committee and staff through briefings, leaflets and newsletter articles, helping the Association and its tenants prepare for the impact of the Government’s welfare reform plans.

## MELVILLE HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE – (Continued)

#### **Building for the future**

In recent years, we have established a successful New Build Development programme. In the year to 31 March 2011, we invested over £4.9 million through Housing Association Grant and Private Finance, completing 29 high-quality homes.

Over the five years 2006 – 2011, we have invested over £30m in new properties, completing 180 properties through our new build and rehabilitation programme. We have consistently achieved our investment targets, and have been able to respond quickly when opportunities arise.

During the year we commenced work on two new developments, a 10-unit site at Cuiken Terrace, Penicuik and started the first phase of 49 units on largest ever development in Mayfield, Dalkeith which will eventually deliver 133 high-quality homes.

We were delighted to be selected by the Scottish Government and Midlothian Council as lead developer for Midlothian, leading a partnership which includes Dunedin Canmore Housing Association and Margaret Blackwood Housing Association.

We are grateful to the support of the Scottish Government, Midlothian Council and the Royal Bank of Scotland in delivering our current and future development programme.

#### **Maintenance and Improvement**

During the year we invested over £2.6m in property maintenance and improvement, underlining our commitment to the improvement of our existing properties.

We extended our window Improvement programme, adding a further 250 properties to the contract which, once completed in summer 2011, will have improved the quality and energy efficiency of over 1,100 homes. The window programme has been delivered through a partnership with Sidey Ltd, and throughout has recorded over 99% tenant satisfaction levels.

In early spring 2011, we started a contract to replace external doors, and by the end of March 2011 had replaced over 200 doors, improving security and insulation. This programme will continue during 2011/11.

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*

During the year, we completed over 4,700 individual repairs to tenants' homes. From September 2010, our response repairs service has been delivered through a partnership with R3 Repairs Ltd. Through the partnership we aim to develop a customer-oriented service while generating long-term efficiencies through streamlined systems and reduced costs.

#### *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 over £125,000 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 – (Continued)

#### **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.

During 2010/11, we selected a new financial ledger system. The new system will be implemented from April 2011 and will greatly improve the efficiency of our financial reporting and monitoring.

During the year, we also launched a new customer-oriented website, and have had very positive feedback from customers. One of the most popular sections of the website is the on-line property swap section, helping tenants who are wishing to exchange their property with another tenant make contact easily and efficiently.

#### **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.

- Working with Langlaw primary school, involving pupils in the development of new homes on the site of their old school;
- 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 continued to provide 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;
- We have been closely involved in the establishment of a community garden in Gorebridge. This is a partnership with Midlothian Council, Midlothian Voluntary Action and the local community, to encourage local people to grow their own fruit and vegetables for the benefits of saving money, exercise, improved diet and improved community engagement;
- Support to Mayfield primary school, helping them repair their vandalised garden;
- Support from staff through volunteering at a local residential home;
- Staff fundraising for the charity Sashita, supporting provide education and clean water supply to a village in Tanzania.

#### **Staffing**

During the year, we employed on average 36 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.

In Autumn 2010, we were delighted to receive very positive feedback from the assessor during the review process for our “Investors in People” accreditation.

#### **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 members attended a two-day strategic planning event and participated in a structured training programme throughout the year. Members are also encouraged to attend relevant conferences.

## **MELVILLE HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE MANAGEMENT COMMITTEE – (Continued)**

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

At the Annual general Meeting in September 2010, Steven McAleece stepped down from Committee after four years service. In October 2010, Committee welcomed Allan Murphy as a co-optee to the committee.

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 2011 we will continue with our new build housing development programme, in particular our 133-unit site in Mayfield, Dalkeith. We will also submit proposals to the new Innovative Investment Fund which replaces the traditional Housing Association Grant programme in 2011 with the aim of continuing to identify and develop new projects.

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 plan to continue our investment in property improvements and in early summer 2011 will complete our window improvement programme. Our door replacement programme will continue, along with a contract to install gas central heating to properties in Pathhead which will be connected to the mains gas supply during 2011.

We will continue to work in close partnership with our repairs contractor, R3 Repairs Ltd, to deliver improved 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. In particular, we focus on our welfare and money advice services, to help tenants most at risk during the significant welfare reform programme.

We will continue to develop our IT systems, and during the year plan to continue with further improvements to our reporting systems, in particular our asset management module, our new finance ledgers and our business planning models. We will also implement further improvements to our website.

We will continue to support staff and Committee through structured group 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 – (Continued)

#### 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

*Revenue Reserve:* Details of movements in the year are set out on page 8 under "Surplus for the year and Transfers".

*Pension Reserve:* For the year ended 31 March 2011 the Lothian Pension Scheme actuary has informed Melville that its share of the pension deficit amounts to £453,000 and this is shown on the Balance Sheet.

*Revaluation Reserve:* All of Melville's housing properties in ownership as at 31 March 2011 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 Senior Management Team and Management Committee meetings.

# MELVILLE HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE – (Continued)

### 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 £1,339,000 (2010: surplus of £1,548,000) is decreased by a £519,000 transfer to the Pensions Reserve, and increased by transfers of £150,000 from the Revaluation Reserve. The surplus plus transfers result in a £970,000 increase in the Group Revenue Reserves at 31 March 2011 (2010: increase of £1,664,000). Our subsidiary company, Ironmills Developments Limited, incurred a loss of £2,004 during the year to 31 March 2011 (2010: profit of £2,411).

Our turnover has increased by around 2.5%, because of both a rent increase of 2% (4%, 2009/10) and new developments coming into management, however our surplus this year has also benefited from a change in the Lothian Pension fund actuary's inflation assumptions regarding 'past service costs' resulting in a reduction in Operating Costs of £530,000.

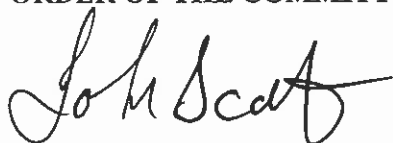
### MANAGEMENT COMMITTEE AND EXECUTIVE OFFICERS

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



J Scott  
Secretary

Date: 10/02 - 2011

7 Eskdail Court  
Dalkeith  
Midlothian  
EH22 1AG

**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

10/08- 2011

## **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 2011, 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**

16/02/2011

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
MELVILLE HOUSING ASSOCIATION LIMITED**



We have audited the consolidated financial statements of Melville Housing Association Limited for the year ended 31 March 2011 set out on pages 14 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

As explained more fully in the Statement of Responsibilities of the Management Committee set out on page 9, the Management Committee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the Report of the Management Committee to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's and Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, the Housing (Scotland) Act 2001, The Registered Social Landlords Accounting Requirements (Scotland) Order 2007, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002, or the Charity Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the information given in the Report of the Management Committee is inconsistent in any material respect with the financial statements; 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
MELVILLE HOUSING ASSOCIATION LIMITED – (Continued)



**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 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 Board. 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**

8 / 9 / 2011

**MELVILLE HOUSING ASSOCIATION LIMITED**

**INCOME AND EXPENDITURE ACCOUNT**

**YEAR ENDED 31 MARCH 2011**

		<b>Group</b>		<b>Association</b>	
	<b>Note</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>TURNOVER</b>	<b>2</b>	6,467	6,306	6,467	6,306
Operating costs	<b>2</b>	(4,163)	(4,453)	(4,161)	(4,452)
<b>OPERATING SURPLUS</b>	<b>2</b>	<u>2,304</u>	<u>1,853</u>	<u>2,306</u>	<u>1,854</u>
Gain on sale of fixed assets		25	173	25	173
Exceptional item: release of creditor from contract set aside		-	517	-	517
Interest receivable and other income		10	10	10	6
Interest payable and loan redemption charges	<b>5</b>	(1,000)	(1,005)	(1,000)	(1,005)
<b>SURPLUS FOR THE YEAR</b>		<u>1,339</u>	<u>1,548</u>	<u>1,341</u>	<u>1,545</u>

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 2011

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	Note	Group		Association	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
Surplus for the year		1,339	1,548	1,341	1,545
Gain on revaluation of properties	7	1,560	2,217	1,560	2,217
Actuarial gain / (loss) on pension obligations	19	489	(1,284)	489	(1,284)
<b>Total surplus recognised since last annual report</b>		<b>3,388</b>	<b>2,481</b>	<b>3,390</b>	<b>2,478</b>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

	Group		Association	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Surplus / (Deficit) for the year before taxation	1,339	1,548	1,341	1,545
Difference between a historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	120	110	120	110
Realisation of property revaluation gains of previous years	30	36	30	36
<b>Historical cost surplus on ordinary activities before taxation</b>	<b>1,489</b>	<b>1,694</b>	<b>1,491</b>	<b>1,691</b>
<b>Historical cost surplus for the year retained after transfers</b>	<b>1,489</b>	<b>1,694</b>	<b>1,491</b>	<b>1,691</b>

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

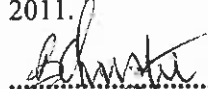


MELVILLE HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AT 31 MARCH 2011

	Notes	Group		Association	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
<b>TANGIBLE FIXED ASSETS</b>					
Housing properties – gross valuation less depreciation	7	47,476	42,225	47,476	42,225
Less: HAG	7	(6,632)	(4,845)	(6,632)	(4,845)
		<u>40,844</u>	<u>37,380</u>	<u>40,844</u>	<u>37,380</u>
Other Fixed Assets	7	261	307	261	307
		<u>41,105</u>	<u>37,687</u>	<u>41,105</u>	<u>37,687</u>
Investments	8	-	-	-	-
		<u>41,105</u>	<u>37,687</u>	<u>41,105</u>	<u>37,687</u>
<b>CURRENT ASSETS</b>					
Debtors	9	215	910	232	981
Cash at bank and in hand		1,639	1,580	1,622	1,508
		<u>1,854</u>	<u>2,490</u>	<u>1,854</u>	<u>2,489</u>
<b>CREDITORS: Amounts falling due within one year</b>	10	(1,239)	(1,664)	(1,225)	(1,651)
<b>NET CURRENT ASSETS</b>		<u>615</u>	<u>826</u>	<u>629</u>	<u>838</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>41,720</u>	<u>38,513</u>	<u>41,734</u>	<u>38,525</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	11	(21,600)	(20,773)	(21,600)	(20,773)
<b>NET ASSETS BEFORE PENSION DEFICIT</b>		<u>20,120</u>	<u>17,740</u>	<u>20,134</u>	<u>17,752</u>
<b>Pension Deficit</b>	19	(453)	(1,461)	(453)	(1,461)
<b>NET ASSETS AFTER PENSION DEFICIT</b>		<u>19,667</u>	<u>16,279</u>	<u>19,681</u>	<u>16,291</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	12	-	-	-	-
Revaluation reserve	13	14,734	13,324	14,734	13,324
Revenue reserve	14	5,386	4,416	5,400	4,428
Pension reserve	15	(453)	(1,461)	(453)	(1,461)
	16	<u>19,667</u>	<u>16,279</u>	<u>19,681</u>	<u>16,291</u>

The financial statements were approved and authorised for issue by the Management Committee on 11 August 2011.

 B Christie Chairman  
 J 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 2011**

	Note	Group		Association	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
Net cash inflow from operating activities	(i)	2,400	3,100	2,456	3046
Returns on investments and servicing of finance	(ii)	(995)	(975)	(995)	(979)
Capital expenditure and financial investment	(ii)	<u>(1,346)</u>	<u>(1,611)</u>	<u>(1,346)</u>	<u>(1,610)</u>
Increase in cash in the year		<u>59</u>	<u>514</u>	<u>115</u>	<u>457</u>
<b>Reconciliation of net cashflow to Movement in net debt</b>	<b>(iii)</b>				
Increase in cash in the year		59	514	115	457
Amortisation of finance costs		(2)	-	(2)	-
Net cash flow from debt		<u>(825)</u>	<u>(1,716)</u>	<u>(825)</u>	<u>(1,716)</u>
Movement in net debt in the year		(768)	(1,202)	(712)	(1,259)
Net debt at 1 April 2010		<u>(19,193)</u>	<u>(17,991)</u>	<u>(19,265)</u>	<u>(18,006)</u>
Net debt at 31 March 2011		<u>(19,961)</u>	<u>(19,193)</u>	<u>(19,977)</u>	<u>(19,265)</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 2011**

**i RECONCILIATION OF OPERATING SURPLUS TO OPERATING CASHFLOWS**

	<b>Group</b>		<b>Association</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operating surplus	2,304	1,853	2,306	1,854
Depreciation charge	438	384	438	384
Abortive development costs	61	-	61	
Loss on revaluation	277	453	277	453
Decrease in pensions provision	(512)	(49)	(512)	(49)
(Increase) / Decrease in debtors	5	(13)	59	(70)
(Decrease) / Increase in creditors	(173)	472	(173)	474
<b>Net cash inflow from operating activities</b>	<b>2,400</b>	<b>3,100</b>	<b>2,456</b>	<b>3,046</b>

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

	<b>Group</b>		<b>Association</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Returns on investments and Servicing of finance</b>				
Interest received	10	10	10	6
Net loss / (return) on Pension Scheme Assets	(7)	20	(7)	20
Interest paid	(1,000)	(1,005)	(1,000)	(1,005)
Bank arrangement fee amortisation	2	-	2	-
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(995)</b>	<b>(975)</b>	<b>(995)</b>	<b>(979)</b>
<b>Capital expenditure and financial investment</b>				
Acquisition of housing properties	(7,117)	(8,183)	(7,117)	(8,183)
Sales of LIFT properties	-	86	-	86
Purchase of other fixed assets	(36)	5	(36)	6
Proceeds from sale of fixed assets	85	536	85	536
HAG	4,895	4,229	4,895	4,229
Loans draw down	827	1,716	827	1,716
<b>Net cash (outflow) from capital expenditure and financial investment</b>	<b>(1,346)</b>	<b>(1,611)</b>	<b>(1,346)</b>	<b>(1,610)</b>

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE CASH FLOW STATEMENT - (Continued)

YEAR ENDED 31 MARCH 2011

iii ANALYSIS OF NET DEBT (Group)

	At 31 March 2010 £'000	Cash flow £'000	Other Non-cash Movements £'000	At 31 March 2011 £'000
Cash at bank and in hand	1,580	59	-	1,639
Debt due after one year	(20,773)	(827)	-	(21,600)
Total	(19,193)	(768)	-	(19,961)

**MELVILLE HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2011**

**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 2011.

**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 2011 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 2011**

**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 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 2011**

**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 2011

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

	GROUP			ASSOCIATION				
	Turnover £'000	Operating Costs £'000	Operating Surplus 2011 £'000	Operating Surplus 2010 £'000	Turnover £'000	Operating Costs £'000	Operating Surplus 2011 £'000	Operating Surplus 2010 £'000
Social lettings (Note 3)	6,320	(3,943)	2,377	1,869	6,320	(4,025)	2,295	1,870
Other activities (Note 4)	147	(220)	(73)	(16)	147	(136)	11	(16)
Total	6,467	(4,163)	2,304	1,853	6,467	(4,161)	2,306	1,854
Total for previous period of account	6,306	(4,453)	1,853		6,306	(4,452)	1,854	

**MELVILLE HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

**YEAR ENDED 31 MARCH 2011**

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

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Rent receivable net of service charges	6,076	5,837
Service charges	22	19
	<hr/>	<hr/>
Gross income from rents and service charges	6,098	5,856
Less voids	(11)	(21)
	<hr/>	<hr/>
Net income from rents and service charges	6,087	5,835
Grants from the Scottish Ministers	233	124
	<hr/>	<hr/>
Total turnover from social letting activities	<b>6,320</b>	<b>5,959</b>
	<hr/>	<hr/>
Management and maintenance administration costs before decrease in pension provision	1,995	1,719
Decrease in pension provision	(512)	(49)
	<hr/>	<hr/>
Management and maintenance administration costs after decrease in pension provision	1,483	1,670
Service costs	22	19
Planned and cyclical maintenance including major repairs costs	1,011	736
Reactive maintenance costs	763	851
Bad debts – rents and service charges	50	57
Depreciation of social housing	337	303
Loss on initial revaluation of social housing	277	453
	<hr/>	<hr/>
Operating costs for social letting activities	<b>3,943</b>	<b>4,089</b>
	<hr/>	<hr/>
Operating surplus for social lettings	<b>2,377</b>	<b>1,870</b>
	<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 2011**

**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 2011 £'000	Operating surplus or deficit 2010 £'000
Other activities (see note 16) *	-	93	54	147	-	(163)	(16)	(16)
Development activities **	-	-	-	-	-	(58)	(58)	-
<b>Total from other activities</b>	-	93	54	147	-	(221)	(74)	(16)
<b>Total from other activities for the previous period of account</b>	200	97	50	347	-	(363)	(16)	

\* Other Revenue of £92,571 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 2011

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Association	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
On loans partly repayable after five years	1,000	1,005	1,000	1,005
	<u>1,000</u>	<u>1,005</u>	<u>1,000</u>	<u>1,005</u>

6 TAXATION ON SURPLUS FOR THE YEAR

Melville Housing Association's charitable activities fall within the exemptions afforded by part 11 of the Corporation Tax Act 2010. Accordingly, there is no Corporation Tax charge in these financial statements. 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 2011.

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
<b>Cost/valuation</b>						
At 31 March 2010	36,786	4,038	40,824	-	683	41,507
Additions	1,987	4,944	6,931	-	55	6,986
Transfers	3,500	(3,500)	-	-	-	-
Disposals	(60)	(109)	(169)	-	-	(169)
Loss on revaluation	(110)	-	(110)	-	-	(110)
At 31 March 2011	<u>42,103</u>	<u>5,373</u>	<u>47,476</u>	<u>-</u>	<u>738</u>	<u>48,214</u>
<b>Depreciation</b>						
At 31 March 2010	-	-	-	-	376	376
Provided in year	337	-	337	-	101	438
Disposals	-	-	-	-	-	-
Gain on revaluation	(337)	-	(337)	-	-	(337)
At 31 March 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>477</u>	<u>477</u>
<b>HAG</b>						
At 31 March 2010	-	3,444	3,444	-	-	3,444
Additions	767	3,525	4,292	-	-	4,292
Transfers	1,942	(1,942)	-	-	-	-
Disposals	-	(48)	(48)	-	-	(48)
Adjustment for revaluation	(1,056)	-	(1,056)	-	-	(1,056)
At 31 March 2010	<u>1,653</u>	<u>4,979</u>	<u>6,632</u>	<u>-</u>	<u>-</u>	<u>6,632</u>
<b>Net book value</b>						
At 31 March 2011	<u>40,450</u>	<u>394</u>	<u>40,844</u>	<u>-</u>	<u>261</u>	<u>41,105</u>
At 31 March 2010	<u>36,786</u>	<u>594</u>	<u>37,380</u>	<u>-</u>	<u>307</u>	<u>37,687</u>

**MELVILLE HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

**YEAR ENDED 31 MARCH 2011**

**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 2010 were revalued as at 31 March 2011 in accordance with our Accounting Policies (see note 1(e)). Housing properties held for letting that were acquired or developed after 1 April 2010 were valued for the first time as at 31 March 2011.

Housing Association Grants (HAG) received in respect of all properties owned at 31 March 2011 amounted to £19,536,644; 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 (2010, 6.25%) and ranged between 5.75% and 6.5% for all other, non-LSVT, stock (2010, 5.75% and 6.5%).

The historic cost less HAG and depreciation of all properties at 31 March 2011 was £11,741,508 (2010, £8,811,267).

**8 INVESTMENTS**

	Group		Association	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Group undertakings:				
Shares in Ironmills Developments Limited	-	-	-	-

The Association owns one share in Ironmills Developments Limited at a cost of £1 (2010: £1).

**9 DEBTORS**

	Group		Association	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Gross rental debtors	201	243	201	243
Less bad debt provision	(81)	(83)	(81)	(83)
	120	160	120	160
Due from subsidiary company	-	-	17	71
Other debtors	85	70	85	70
Less bad debt provision	(75)	(59)	(75)	(59)
Prepayments and accrued income	85	739	85	739
	215	910	232	981

**MELVILLE HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

**YEAR ENDED 31 MARCH 2011**

**10 CREDITORS: Amounts falling due within one year**

	Group		Association	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade creditors	19	53	19	53
Other taxes and social security costs	29	27	29	27
Other creditors	14	14	-	-
Accruals and deferred income	942	1,378	942	1,379
Rents in advance	235	192	235	192
	<u>1,239</u>	<u>1,664</u>	<u>1,225</u>	<u>1,651</u>

**11 CREDITORS: Amounts falling due after more than one year, excluding pensions liability**

	Group		Association	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Housing property loans not wholly repayable within five years	21,651	20,826	21,651	20,826
Housing property loans are repayable in instalments:				
Within one year	-	-	-	-
Between one year and two years	42	-	42	-
Between two years and five years	500	375	500	375
After five years	21,109	20,451	21,109	20,451
	<u>21,651</u>	<u>20,826</u>	<u>21,651</u>	<u>20,826</u>
Less unamortised loan issue expenses	(51)	(53)	(51)	(53)
	<u>21,600</u>	<u>20,773</u>	<u>21,600</u>	<u>20,773</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, £2,060,120, 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 0.25% 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

**MELVILLE HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

**YEAR ENDED 31 MARCH 2011**

**12 SHARE CAPITAL**

	<b>Association</b>	
	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Shares of £1 each		
At 1 April 2010	145	144
Issued in year	3	5
Cancelled in year	(4)	(4)
	<hr/>	<hr/>
At 31 March 2011	144	145
	<hr/>	<hr/>

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.

**13 REVALUATION RESERVE**

	<b>Group</b>		<b>Association</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2010	13,324	11,252	13,324	11,252
Release to Income and Expenditure Account (note 14)	(150)	(145)	(150)	(145)
Gain on revaluation (note 7)	1,560	2,217	1,560	2,217
	<hr/>	<hr/>	<hr/>	<hr/>
Reserve at 31 March 2011	14,734	13,324	14,734	13,324
	<hr/>	<hr/>	<hr/>	<hr/>

**14 REVENUE RESERVE**

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2010	4,416	2,752	4,428	2,767
Transfer from Income and Expenditure Account	1,339	1,548	1,341	1,545
Release from Revaluation Reserve (note 13)	150	145	150	145
Transfer to Pensions Reserve (note 15)	(519)	(29)	(519)	(29)
	<hr/>	<hr/>	<hr/>	<hr/>
Reserve at 31 March 2011	5,386	4,416	5,400	4,428
	<hr/>	<hr/>	<hr/>	<hr/>

**MELVILLE HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

**YEAR ENDED 31 MARCH 2011**

**15 PENSION RESERVE**

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2010	(1,461)	(206)	(1,461)	(206)
From Revenue Reserve (note 14)	519	29	519	29
Actuarial gain / (loss)	489	(1,284)	489	(1,284)
Reserve at 31 March 2011 (note 19)	<u>(453)</u>	<u>(1,461)</u>	<u>(453)</u>	<u>(1,461)</u>

**16 RECONCILIATION OF MOVEMENT IN ACCUMULATED RESERVES**

	<b>Group</b>		<b>Association</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2010	16,279	13,798	16,291	13,813
Surplus / (Deficit) for the year before gain on revaluation of properties and actuarial surplus on pension scheme	1,339	1,548	1,341	1,545
Gain / (Loss) on revaluation of property	1,560	2,217	1,560	2,217
Actuarial gain / (loss) in pension scheme	489	(1,284)	489	(1,284)
Accumulated reserves at 31 March 2011	<u>19,667</u>	<u>16,279</u>	<u>19,681</u>	<u>16,291</u>

The Big Lottery provided a grant of £92,571 during the year to 31 March 2011 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 2011 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 2011

17 EMPLOYEES

	2011 £'000	2010 £'000
Staff costs during year		
Wages and salaries	1,139	1,040
Social security costs	90	81
Other pension costs	213	192
Temporary staff costs	18	39
	<u>1,460</u>	<u>1,352</u>
	No.	No.
The average number of staff employed by the Association during the year were as follows:		
Directorate	2	2
Corporate Services	6	6
Finance	3	3
Housing Services	11	11
Property & Lettings	11	10
Development	3	3
	<u>36</u>	<u>35</u>
(including temporary/agency staff)		
	<u>33</u>	<u>34</u>
The average full time equivalent number of persons employed by the Association during the year were as follows:		

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 2011

17 EMPLOYEES (Continued)

	2011 £	2010 £
Aggregate emoluments including pension contributions of £52,192 (2010: £36,591) payable to Directors	313,084	231,036

The emoluments of the Chief Executive, excluding pension contributions, were £73,443 (2010: £71,322).

The number of other Directors whose emoluments, excluding pension contributions, were above £60,000 for the year were:

	2011	2010
£60,000 to £70,000	-	1
£70,000 to £80,000	3	2

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 £14,888 (2010 - £13,571)

	2011 £	2010 £
Total expenses reimbursed insofar as not chargeable to UK Income Tax		
- Chief Executive	556	293
- Management Committee	1,584	2,650

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

18 AUDITOR'S REMUNERATION

The remuneration of the auditors (including expenses and VAT for the year) was as follows:

	2011 £	2010 £
Audit services	9,270	8,812
Non-audit services	6,372	2,105
	15,642	10,917

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

YEAR ENDED 31 MARCH 2011

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:

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Present value of funded obligations	(4,527)	(5,182)
Fair value of plan assets	4,074	3721
	<hr/>	<hr/>
	(453)	(1,461)
Unrecognised past service cost	-	-
	<hr/>	<hr/>
Deficit	(453)	(1,461)
	<hr/>	<hr/>
Net liability	(453)	(1,461)
	<hr/>	<hr/>
Amounts in the balance sheet		
Liabilities	453	1,461
Assets		-
	<hr/>	<hr/>
Net liability	(453)	(1,461)

The amounts recognised in income and expenditure are as follows

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	228	117
Interest on obligations	270	197
Expected return on plan assets	(277)	(177)
Past service cost	(530)	26
Losses (gain) on curtailment and settlements	-	-
	<hr/>	<hr/>
Total	(309)	163
	<hr/>	<hr/>
Actual return on plan assets	210	924

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

YEAR ENDED 31 MARCH 2011

19 PENSION OBLIGATIONS (Contd.)

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

	2011 £'000	2010 £'000
Actual return less expected return on pension scheme assets	(67)	747
Experience surplus and deficits arising on the scheme liabilities	-	-
Changes in financial assumptions underlying the present value of the scheme liabilities	556	(2,031)
	<hr/>	<hr/>
<b>Actuarial gain / (loss) in pension plan</b>	<b>489</b>	<b>(1,284)</b>
Increase/(decrease) in irrecoverable surplus from membership fall and removal of Pension surplus from the Balance Sheet	-	-
	<hr/>	<hr/>
<b>Actuarial surplus / (deficit) recognised in STRSD</b>	<b>489</b>	<b>(1,284)</b>
<b>Cumulative actuarial gains and (losses).</b>	<b>(384)</b>	<b>(873)</b>

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

	2011 £'000	2010 £'000
Opening defined benefit obligation	5,182	2,764
Service cost	228	117
Interest cost	270	197
Contributions by members	71	69
Actuarial (gains) / losses	(558)	2,031
Past services (gains) costs	(530)	26
Losses (gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Benefits paid	(136)	(22)
	<hr/>	<hr/>
Closing defined benefit obligation	4,527	5,182

**MELVILLE HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

**YEAR ENDED 31 MARCH 2011**

**19 PENSION OBLIGATIONS (Contd.)**

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

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of plan assets	3,721	2,558
Expected return	277	177
Actuarial (losses) / gains	(69)	747
Contributions by employer	210	192
Contributions by members	71	69
Benefits paid	(136)	(22)
	<hr/>	<hr/>
Closing fair value of plan assets	4,074	3,721

The group expects to contribute £236,000 to its defined benefit pension plans in 2012.

	<b>2011</b>	<b>2010</b>
	<b>%</b>	<b>%</b>
The major categories of plan assets as a percentage of stated plan assets are as follows:		
Equities	79	79
Bonds	8	8
Property	10	9
Cash	3	4

Principal actuarial assumptions at the balance sheet date:

	<b>2011</b>	<b>2010</b>
	<b>% p.a.</b>	<b>% p.a.</b>
Discount rate	5.5	5.5
Future salary increases	5.1	5.3
Future pension increases	2.8	3.8
The expected return on assets	7.0	7.3

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

Defined benefit pension plans	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Defined benefit obligation	(4,527)	(5,182)	(2,764)	(3,342)	(3,849)
Plan assets	4,074	3,721	2,558	3,445	3,369
Surplus/(deficit)	(453)	(1,461)	(206)	103	(480)
Experience adjustments on plan liabilities	-	-	583	(1)	-
Experience adjustments on plan assets	(69)	747	(1,283)	(343)	20

The total pension charge for the year was £212,230. At 31 March 2011 £23,727 was due to be paid over to the pension scheme (2010: £22,145). The agreed employer contribution rate from 1 April 2011 is 22.7% (2010, 21.4%)

**MELVILLE HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

**YEAR ENDED 31 MARCH 2011**

**20 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES & GAINS**

As at 31 March 2011, the Association had the following capital commitments:

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Contracted for less certified	7,637	2,337
Authorised not yet contracted for	-	13,628
	-	13,628

These commitments will be funded £2,403,431 HAG with the balance by private finance; a £7 million facility from Royal Bank of Scotland is being finalised.

**21 OTHER FINANCIAL COMMITMENTS**

At 31 March 2011, the Group and Association was committed to making the following payments during the next year in respect of operating leases

	<b>Land &amp; Buildings</b>	<b>Land &amp; Buildings</b>
	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Leases expiring: -		
Within two to five years	51	51
After five years	-	-
	-	-

**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**

	<b>2011</b>	<b>2010</b>
	<b>No.</b>	<b>(Restated)</b>
		<b>No.</b>
General Needs	1,811	1,774
	1,811	1,774

Two properties, one comprising 6 self-contained flats and the other 8 individual bed spaces, have been included as 14 individual units in the number of properties to comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 Order definition. In previous years these have been shown as 2 properties.

**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 the Association accounted for professional fees amounting to £701 on behalf of Ironmills Developments Limited.