

MELVILLE HOUSING ASSOCIATION LIMITED
REPORT and CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2015

Registered Housing Association No. HAL 286

Financial Conduct Authority No. 2466 R(S)

Recognised Scottish Charity No. SC 032755

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT and CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2015

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MELVILLE HOUSING ASSOCIATION LIMITED

EXECUTIVES AND ADVISERS

Year ended 31 March 2015

BOARD:

- Mr R Anderson (Chairman)*
- Mrs G Gourlay (Vice Chairman)
- Mr B Christie CA (Treasurer)
- Mrs N McNeill (Secretary) *
- Mr P Bellamy (appointed 10 September 2014)
- Mr P Cameron
- Mr S Campbell * (resigned 10 September 2014)
- Mr J Hackett
- Mr R Haddow (resigned 20 May 2015)
- Mrs E Kasiera (appointed 10 September 2014)
- Mr W McAleece *
- Mr A Morrison
- Mr A Murphy
- Mrs C Quinn (appointed 10 September 2014)
- Mr G Scobie (appointed 10 September 2014)
- Mrs B Shearer
- Mrs E Smith (resigned 10 September 2014)

* Also Board members of Ironmills Developments Limited

SECRETARY: Mrs N McNeill

SENIOR OFFICERS

- Mr A Noble, Chief Executive Officer
- Ms H Armour, Director of HR & Corporate Services
- Ms M MacDonald, Director of Finance & Housing Services
- Mr I Slamin, Director of Property Services

REGISTERED OFFICE: 7 Eskdail Court
Dalkeith
EH22 1AG

AUDITORS: Chiene + Tait LLP
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 Conduct Authority Co-operative and Community
Benefit Societies Act 2014
Registered Number 2466 R(S)
Recognised Scottish Charity SC 032755
The Scottish Government, Housing (Scotland) Act 2010
Registered Number HAL 286

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

For the year ended 31 March 2015

The Board of Melville Housing Association Limited presents the group report and the audited financial statements for the year ended 31 March 2015.

Principal activities

The Association was formed on 9 February 1994 and is registered under the Co-operative and Community Benefit Societies Act 2014 and with the Scottish Government under the Housing (Scotland) Act 2010.

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

The principal activities of the group are the provision and management of affordable rented accommodation. At 31 March 2015, the Association held 1,949 units for social rent and 11 units for letting to Ironmills. Ironmills continued to develop mid market rental opportunities.

Objectives

The Association's objectives are set out in its business plan 2010-2015 which was approved by the Board in March 2010. The key objectives are set out below:

Housing and Support Services

- To deliver high quality and supportive housing management and tenancy support services.

Growth

- To increase our housing stock by an average of 40 units per annum.
- To increase our overall financial strength to support our activities and provide new services.

Asset Management

- To improve and adapt our existing housing in order to increase quality and energy efficiency.
- To make efficient use of our financial assets.
- To seek new permanent office accommodation within 5 years.

Staff and Board

- To develop and support a highly skilled and effective staff team.
- To recruit, retain, support and develop skilled Board members.

Relationships

- To strengthen existing partnerships and form new relationships in support of our future activities and projects in the wider community.

Sustainability

- To improve community well-being by providing desirable homes that are comfortable and energy efficient.
- To help tenants settle into their homes and live peaceably with their neighbours.

The following paragraphs set out how Melville has performed during the year ended 31 March 2015 against these objectives.

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

Operating and Financial Review

Introduction

During the year we invested £2.7m in property maintenance and refurbishment. Our turnover increased by 4.2% driven by an increase in housing units and a rent increase in the year, of 2.2%. We returned a surplus of £1.8m compared with a surplus of £1.5m in prior year.

Throughout the year we maintained high levels of customer satisfaction (94%).

Housing and Support Services

We continued to focus on the management of arrears and voids and the excellent work of our Tenancy Support and Money Advice services provided by CHAI (Community Help and Advice Initiative) who support people and communities across Edinburgh and the Lothians. We also continued our comprehensive communications strategy to inform our tenants of changes arising from welfare reforms. This included detailed articles in our newsletter VOICE, and personal visits and phone calls to all affected tenants.

Rent arrears

Our arrears performance has been affected by the introduction of the under-occupancy cut in benefits (the 'bedroom tax') and generally by economic conditions. Despite this, arrears improved during the year due to the provision of additional discretionary housing payments. Our current non technical tenant arrears were 3.04% of rental income at 31 March 2015 compared with 3.23% for the year ending 31 March 2014. National benchmarking information for net arrears is no longer available.

Lettings

During the year, 114 of our properties became available for let compared with 167 in 2014. On average, we took 14 days to relet properties compared with 11 days in 2014. This was below our target of 11 days but still represented very good performance in comparison with the Annual Return on the Charter (ARC) Scottish average of 28 days. (Source: ARC data 2013/14).

Income lost on empty properties was 0.17% of rental income (2014, 0.17%), better than our target of 0.6%. The Scottish average rent lost on empty properties was 1%. (Source: ARC data 2013/14).

Tenancy Support and Money Advice

Our tenancy support and money advice services originally established in 2008 with support from The Big Lottery, are now delivered by CHAI. The aim of the tenancy support service is to help tenants become established in their new homes, reducing tenancy failures and helping to build stable, sustainable communities. Our Money Advice Service provides services such as personal budgeting, debt consolidation and debt management. During the year we provided tenancy support and money advice services to 97 tenants.

During the year, 14 tenancies failed to last one year representing 8% of new tenancies. In 2008, the year before we commenced our support service, almost 25% of new tenancies failed within one year.

Welfare Advice Services

During the year our welfare advice services helped tenants access £336k in unclaimed benefit monies which will have long-term benefits for the individuals and families, helping them to sustain their homes.

We were delighted to have been granted an extension to our funding from the Scottish Legal Aid Board to fund an additional welfare adviser post for a further 18 months until September 2016. This will enable us to support tenants during the roll out of Universal Credit in Midlothian scheduled from 27 April 2015.

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

Growth

Housing Stock

In the five years to 31 March 2015, we have invested almost £39m of Housing Association Grant (HAG) and private investment monies in new properties, providing 250 additional homes through our new build and rehabilitation programme.

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 programmes.

Financial strength

We have continued to develop and implement our value for money strategy and have made significant financial savings through staff restructuring and tendering of major contracts. We have continued with the phasing in of our new harmonised rent structure and now have 60% of our rents fully harmonised. These actions and other cost savings have meant we were again able to offer a below RPI-inflation increase on our rents for 2015-16 of 1.9%. We will continue to review our financial plans to support the provision of a quality service with affordable rents, ever mindful of sustaining the financial viability of the organisation.

Asset Management

Housing Stock

During the year we invested £2.7m in property maintenance and improvements, underlining our commitment to maintaining the standard of our existing properties. We carried out a range of planned and cyclical programmes in the year, including replacing 121 bathrooms, fitting 73 new kitchens and replacing 61 heating systems.

All of our gas service visits due throughout the year were completed within time. During the year, we successfully tendered our gas servicing contract with the new contractor starting from April 2015. Through this contract we aim to continue our previous high quality service at a lower cost.

With Energy Company Obligation (ECO) funding totalling £20,000 and a private finance investment of £155,000 we were able to complete a project to externally insulate 26 no-fines properties in the Mayfield area of Dalkeith. To date we have externally insulated over 400 properties representing almost two thirds of our non-traditional built (no-fines/BISF) housing stock and making a significant contribution to our objective to provide sustainable, energy efficient homes. We will continue to explore all possible means to enable us to insulate our remaining non traditional built stock.

From April 2014, our response repairs service has been delivered by Novus Property Solutions. This change has resulted in significant financial savings and also improvements to our service including the provision of two hour appointment slots.

We employ an occupational therapist in partnership with Midlothian Council, to assist those tenants who may benefit from physical help in their homes in the form of equipment and/or adaptations. We invested £89k in medical adaptations during the year, funded by grants received from the Scottish Government.

Financial Assets

Through active treasury management and in accordance with our treasury management policy, we have minimised our loan drawdowns, keeping surplus cash levels to a minimum. We take third party advice on all of our new loans to ensure best terms, and update our cash flow forecasts each month to ensure ongoing liquidity. Any surplus cash is invested in interest-bearing accounts.

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

Asset Management (contd.)

New office accommodation

With grants of £1.6m from the Heritage Lottery Fund (HLF) and £0.09m from Historic Scotland we are converting the Dalkeith Corn Exchange into new office accommodation for Melville and also providing additional space for community use, in particular the Dalkeith Museum which will be managed by the Dalkeith History Society. The HLF is also funding the costs to employ 2 part time heritage officers for 3 years who are now organising and holding various activities throughout Midlothian to promote an interest in heritage matters.

We are extremely grateful to the Heritage Lottery Fund, Historic Scotland, Midlothian Council, Midlothian Voluntary Action, Dalkeith Townscape Heritage Initiative, Dalkeith Historic Society and the Royal Bank of Scotland for their support in enabling us to undertake this project.

Relationships

We firmly believe that as well as our core landlord and development responsibilities, we have a wider role to play in the communities in which we operate. Over the past year, we have contributed to and participated in a number of community-based projects including:

Extending the nil charge lease on an area of land in Penicuik to be used by the YMCA for the redevelopment of their all-weather sports facility.

A donation of £1,000 to Gorebridge Community Cares for the improvement of a patch of waste ground. Melville's contribution will be put towards a new children's play park.

A donation in December to the Mayfield & Easthouses Development Trust Christmas Lights appeal.

Hosting extremely popular events for tenants and their families.

Taking part in Midlothian Voluntary Action's Christmas present drive for local families.

Providing support and assistance to the Midlothian Foodbank, promoting their work through our communication channels and taking public and staff donations at our reception in Dalkeith.

Donating Easter Eggs to local families through the Midlothian Foodbank.

Providing work experience placements for local school children as well as occasional workplace training for college students.

Annual sponsorship of the Arniston Rangers Cherokees, allowing this under-8s football team from Gorebridge to buy kit and equipment as well as access SportsScotland matched funding.

Melville staff raised almost £1,000 during the year by holding fundraising events for a number of charities including Midlothian Foodbank and MacMillan Cancer Support (Coffee Morning).

Staffing

During the year, we employed on average 31 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.

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

Governance

Our Board can have a maximum of 15 members elected at the Annual General meeting. Some members also serve on our Audit Committee. Each Board member holds one fully paid share of £1 in Melville Housing Association. The Board is responsible for the governance, strategies, and policies of the Association and members attended a governance training event in November 2014 and a strategic planning event in March 2015. Members also participated in a structured training programme throughout the year. Members are also encouraged to attend relevant conferences. The Board and executive officers of the Association are listed on page 1.

Under our governance policies, all members receive an annual appraisal and skills audit, where overall Board performance, individual contribution, information requirements and future training needs are reviewed. The results of the appraisals are reported to the Board and are used to develop future training plans and to influence the development of governance arrangements.

We greatly appreciate the efforts of all of our Board members for their time, commitment and enthusiasm in helping the Association achieve its aims and objectives.

FUTURE DEVELOPMENTS

Welfare Reform

The Welfare Reform Act 2012 continued to be our main focus during the year as we made every effort to ensure we, and our tenants were as prepared as we could be for the changes.

The application of Universal Credit and the direct payment of housing benefits to tenants will bring challenges as many tenants will be responsible for rental payments for the first time. This will obviously have an impact on rent collection strategies and arrears management. Pilot studies of the impact of direct payments have shown arrears to increase significantly. This is obviously of concern and we have extra resources in place to deal with rent collections as well as to provide advice to tenants. We will continue to monitor our arrears, bad debts and cash flow as we navigate this change.

Funding for development opportunities

We have commenced a 28 unit flatted development for rent in Bilston. This will provide 14 one bed and 14 two bed properties expected to be completed in May 2016. We negotiated a substantial discount of over 19% below market valuation for the development on the basis that the HAG subsidy benchmark was only £54,926 per unit and the developer was under an affordable housing planning obligation to develop these units for a registered social landlord (RSL). This ensured the financial viability of the project.

For the future, like most RSLs, we face serious challenges to fund new development opportunities. Although the HAG subsidy benchmark has been increased to £58k per unit, the overall HAG capital allocations to local authority areas remains very low compared to previous years. We are however hoping to pursue future small developments subject to financial viability which will be determined on a project by project basis.

Providing quality homes and services

In March 2015, the Board and senior officers met to agree the key priorities for the organisation for the next three years. This will be developed to provide Melville's 3 year business strategy and plan for 2015-2018. We remain committed to investing in our services, housing, tenants and staff to ensure we can continue to deliver a quality, affordable service.

CREDIT PAYMENT POLICY

Melville always seeks to pay suppliers within agreed payment terms. The average payment period is less than thirty days.

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

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, and 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 for works which have become necessary as properties mature, including works required by subsequent legislative changes. This includes replacement of 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 below, under 'Surplus for the year and transfers'.

Pension Reserve

For the year ended 31 March 2015 the Lothian Pension Scheme actuary has informed the Association that its share of the pension deficit amounts to £2,137k (2014: £1,294k) and this is shown on the Balance Sheet.

Revaluation Reserve

All of Melville's housing properties in ownership as at 31 March 2015 were re-valued at that date by Jones Lang Lasalle (JLL) and changes in value are shown in the revaluation reserve (note 13). Where properties are revalued and the value is less than the carrying value of the property, and where this represents impairment, this loss is recognised in the Income and Expenditure account. Where these deficits are reversed in subsequent revaluations, those surpluses are also recognised.

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 and Board meetings.

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 is £1.8m (2014: surplus of £1.5m). The Group's accumulated reserves are increased by a £26k transfer from the Pensions Reserve, and increased by transfers of £360k from the Revaluation Reserve. The surplus plus transfers result in a £2.2m increase in the Group Revenue Reserves at 31 March 2015 (2014: increase of £1.9m). Our subsidiary company, Ironmills Developments Limited, returned a surplus of £4,809 during the year to 31 March 2015 (2014: surplus of £5,662).

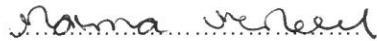
MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The Board 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 Board and executive officers have confirmed that they have taken all the steps that they ought to have taken as Board 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 BOARD



N McNeill
Secretary

7 Eskdail Court
Dalkeith
Midlothian
EH22 1AG

Date: 12/8 2015

MELVILLE HOUSING ASSOCIATION LIMITED

STATEMENT OF RESPONSIBILITIES OF THE BOARD

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association at the balance sheet date, and of its income and expenditure for the year ended on that date.

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 and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business; and
- prepare a Statement on Internal Financial Control.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012. The Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BY ORDER OF THE BOARD



N McNeill
Secretary

12/8 2015

MELVILLE HOUSING ASSOCIATION LIMITED

INTERNAL FINANCIAL CONTROL

The Board acknowledges its 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.

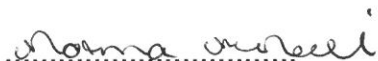
It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's systems include ensuring that:

- 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 Board and executive officers 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 Board;
- The Board receives an annual report from its auditors who review and test the systems of internal financial control to the extent necessary to express their audit opinion;
- Formal procedures have been established for instituting appropriate action to correct any weaknesses identified through audit reports.

The effectiveness of the Association's system of internal financial control has been reviewed during the year ended 31 March 2015, and until the date noted below to the extent that formal policies and procedures are in place. A full Risk Assessment has been carried out and the Audit Committee has satisfied itself that the Association has an adequate framework of risk management and internal controls systems.

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 BOARD



N McNeill
Secretary

12/8 2015

We have audited the consolidated financial statements of Melville Housing Association Limited for the year ended 31 March 2015 which comprise the Income and Expenditure Account, the Statement of Total Recognised Surpluses and Deficits, the Note of Historical Cost Surpluses and Deficits, the Balance Sheet, the Cash Flow Statement and the related notes. 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 the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association, and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and the auditor

As explained more fully in the Statement of Responsibilities of the Board set out on page 9, the Board 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 Board to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 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 requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements - April 2012.

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



Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

A handwritten signature in cursive script that reads "Chiene + Tait LLP".

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

20 August 2015

Chiene + Tait LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

**REPORT BY THE AUDITOR TO THE MEMBERS OF
MELVILLE HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS**



In addition to our audit of the Financial Statements, we have reviewed your statement on page 10 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 10 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Board and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board's Statement on Internal Financial Control appropriately reflects the association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

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

20 August 2015

Chiene + Tait LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

MELVILLE HOUSING ASSOCIATION LIMITED**INCOME and EXPENDITURE ACCOUNT**

Year ended 31 March 2015

		Group		Association	
	Note	2015	2014	2015	2014
		£'000	£'000	£'000	£'000
TURNOVER	2	8,183	7,855	8,177	7,843
Operating costs	2	(4,984)	(5,032)	(4,983)	(5,025)
OPERATING SURPLUS	2	<hr/> 3,199	<hr/> 2,823	<hr/> 3,194	<hr/> 2,818
Profit on disposal of fixed assets		106	84	106	84
Interest receivable and other income		55	2	55	2
Interest payable and loan redemption charges	5	(1,519)	(1,411)	(1,519)	(1,411)
SURPLUS FOR THE YEAR		<hr/> 1,841	<hr/> 1,498	<hr/> 1,836	<hr/> 1,493

All results derive from continuing activities.

The notes on pages 20 to 35 form part of these financial statements.

MELVILLE HOUSING ASSOCIATION LIMITED

STATEMENT of TOTAL RECOGNISED SURPLUSES and DEFICITS

Year ended 31 March 2015

	Note	Group		Association	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Surplus for the year		1,841	1,498	1,836	1,492
Gain on revaluation of properties	7	2,431	-	2,431	-
Actuarial loss on pension obligations	19	(817)	(277)	(817)	(277)
Total surplus recognised since last annual report		3,455	1,221	3,450	1,215

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Surplus for the year before taxation	1,841	1,498	1,836	1,492
Difference between a historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	360	379	360	379
Historical cost surplus on ordinary activities before taxation	2,201	1,877	2,196	1,871
Historical cost surplus for the year retained after transfers	2,201	1,877	2,196	1,871

The notes on pages 20 to 35 form part of these financial statements.

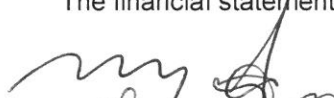
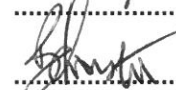
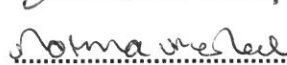
MELVILLE HOUSING ASSOCIATION LIMITED

BALANCE SHEET

At 31 March 2015

	Notes	Group		Association	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
TANGIBLE FIXED ASSETS					
Housing properties – gross valuation less depreciation	7	57,100	61,035	57,100	61,035
Less: HAG and other grants	7	(956)	(7,602)	(956)	(7,602)
		<u>56,144</u>	<u>53,433</u>	<u>56,144</u>	<u>53,433</u>
Other Fixed Assets	7	765	473	765	473
		<u>56,909</u>	<u>53,906</u>	<u>56,909</u>	<u>53,906</u>
Investments	8	-	-	-	-
		<u>56,909</u>	<u>53,906</u>	<u>56,909</u>	<u>53,906</u>
CURRENT ASSETS					
Debtors	9	556	497	555	501
Cash at bank and in hand		2,646	1,511	2,638	1,503
		<u>3,202</u>	<u>2,008</u>	<u>3,193</u>	<u>2,004</u>
CREDITORS: Amounts falling due within one year	10	<u>(1,786)</u>	<u>(1,721)</u>	<u>(1,772)</u>	<u>(1,707)</u>
NET CURRENT ASSETS		<u>1,416</u>	<u>287</u>	<u>1,421</u>	<u>297</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>58,325</u>	<u>54,193</u>	<u>58,330</u>	<u>54,203</u>
CREDITORS: Amounts falling due after more than one year	11	<u>(28,979)</u>	<u>(29,146)</u>	<u>(28,979)</u>	<u>(29,146)</u>
NET ASSETS BEFORE PENSION DEFICIT		<u>29,346</u>	<u>25,047</u>	<u>29,351</u>	<u>25,057</u>
Pension Deficit	19	<u>(2,137)</u>	<u>(1,294)</u>	<u>(2,137)</u>	<u>(1,294)</u>
NET ASSETS AFTER PENSION DEFICIT		<u>27,209</u>	<u>23,753</u>	<u>27,214</u>	<u>23,763</u>
CAPITAL AND RESERVES					
Share capital	12	-	-	-	-
Revaluation reserve	13	16,708	14,636	16,708	14,636
Revenue reserve	14	12,638	10,411	12,643	10,421
Pension reserve	15	(2,137)	(1,294)	(2,137)	(1,294)
	16	<u>27,209</u>	<u>23,753</u>	<u>27,214</u>	<u>23,763</u>

The financial statements were approved and authorised for issue by the Board on 12 August 2015.


 R Anderson Chairman

 B Christie Treasurer

 N McNeill Secretary

The notes on pages 20 to 35 form part of these financial statements.

MELVILLE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2015

		Group		Association	
	Note	2015	2014	2015	2014
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	(i)	4,055	3,765	4,055	3,766
Returns on investments and servicing of finance	(ii)	(1,460)	(1,405)	(1,460)	(1,405)
Capital expenditure and financial investment	(ii)	(1,460)	(2,403)	(1,460)	(2,403)
Increase/(Decrease) in cash in the year		<u>1,135</u>	<u>(43)</u>	<u>1,135</u>	<u>(42)</u>
Reconciliation of net cashflow to movement in net debt					
Increase/(Decrease) in cash in the year		1,135	(43)	1,135	(42)
Amortisation of finance costs		(4)	(4)	(4)	(4)
Net cash flow from debt		<u>171</u>	<u>166</u>	<u>171</u>	<u>166</u>
Movement in net debt in the year		1,302	119	1,302	120
Net debt at 1 April 2014		<u>(27,635)</u>	<u>(27,754)</u>	<u>(27,643)</u>	<u>(27,763)</u>
Net debt at 31 March 2015	(iii)	<u>(26,333)</u>	<u>(27,635)</u>	<u>(26,341)</u>	<u>(27,643)</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 2015

i RECONCILIATION OF OPERATING SURPLUS TO OPERATING CASHFLOWS

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Operating surplus	3,199	2,823	3,194	2,818
Depreciation charge	824	794	824	794
Increase in pensions provision	26	32	26	32
(Increase)/Decrease in debtors	(59)	243	(54)	248
Increase/(Decrease) in creditors	65	(127)	65	(126)
Net cash inflow from operating activities	4,055	3,765	4,055	3,766

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

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Returns on investments and servicing of finance				
Interest received	55	2	55	2
Net return on Pension Scheme Assets	-	-	-	-
Interest paid	(1,519)	(1,411)	(1,519)	(1,411)
Bank arrangement fee amortisation	4	4	4	4
Net cash outflow from returns on investments and servicing of finance	(1,460)	(1,405)	(1,460)	(1,405)
Capital expenditure and financial investment				
Acquisition of housing properties	(2,167)	(2,262)	(2,167)	(2,262)
Purchase of other fixed assets	(473)	(547)	(473)	(547)
Proceeds from sale of fixed assets	223	185	223	185
HAG and other grants	1,128	387	1,128	387
Loans draw down	-	-	-	-
Loans repayments	(171)	(166)	(171)	(166)
Net cash outflow from capital expenditure and financial investment	(1,460)	(2,403)	(1,460)	(2,403)

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the CASH FLOW STATEMENT - (Continued)

Year ended 31 March 2015

iii ANALYSIS OF NET DEBT (Group)

	At 31 March 2014 £'000	Cash flow £'000	At 31 March 2015 £'000
Cash at bank and in hand	1,511	1,135	2,646
Debt due after one year	(29,146)	167	(28,979)
Total	<u>(27,635)</u>	<u>1,302</u>	<u>(26,333)</u>

MELVILLE HOUSING ASSOCIATION LIMITED
NOTES to the FINANCIAL STATEMENTS
Year ended 31 March 2015

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 2015.

b) Accounting Basis

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014. 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 Determination of Accounting Requirements (2012) and the Statement of Recommended Practice (SORP 2010), "Accounting by Registered Housing Providers" and all applicable accounting standards.

c) Going concern

The financial statements have been prepared on a going concern basis. The Board has assessed the Association's ability to continue as a going concern and has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

d) Turnover

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

e) 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.

f) Fixed Assets

Social housing stock and Mid Market Rent properties are held at valuation and are assessed annually by the Association, and formally valued by an external valuer every three years in line with the conditions of our loan arrangements. Any material movements are adjusted through the Revaluation or Revenue Reserves as appropriate.

Stock 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 initially stated at cost.

1 Accounting Policies (Continued)

g) Depreciation

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties held for letting on practical completion of construction.

Freehold land is not depreciated.

Freehold housing properties are depreciated by component on a straight line basis over the estimated useful economic lives of component categories after accounting for HAG received.

Useful economic lives for identified components are as follows:

Component	Useful economic life
Structure	80 -100 years
Windows and external doors	30 years
Kitchens	15 years
Bathrooms	25 years
Central heating and boilers	25 years

Impairment reviews are carried out on an annual basis on assets whose useful economic lives are expected to exceed 50 years, in accordance with Financial Reporting Standard 11.

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 is recognised in the income and expenditure account.

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 buildings	- over 100 years
Office Improvements	- over remainder of lease
Office Ventilation System	- over 10 years
Fixtures, fittings and equipment	- over 3 to 5 years

Where heritable properties are acquired and developed, no depreciation is charged until development is complete.

1 Accounting Policies (Continued)

h) 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.

i) Shared Equity (previously LIFT) Properties

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

The net investment in shared equity 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. Shared allowances receivable to market the properties are taken to income as developments are completed and until that point they are included within deferred income.

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) 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 disclosed on the face of the balance sheet.

l) Operating leases

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

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 2015

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

	GROUP				ASSOCIATION			
	Turnover £'000	Operating Costs £'000	Operating Surplus/ (deficit) 2015 £'000	Operating Surplus 2014 £'000	Turnover £'000	Operating Costs £'000	Operating Surplus/ (deficit) 2015 £'000	Operating Surplus 2014 £'000
Social lettings (Note 3)	8,006	(4,812)	3,194	2,818	8,006	(4,812)	3,194	2,818
Other activities (Note 4)	177	(172)	5	5	171	(171)	-	-
Total	8,183	(4,984)	3,199	2,823	8,177	(4,983)	3,194	2,818
Total for previous period of account	7,855	(5,032)	2,823		7,843	(5,025)	2,818	

MELVILLE HOUSING ASSOCIATION LIMITED
NOTES to the FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2015

3. Particulars of turnover, operating costs and operating surplus or deficit from social letting activities
- Association

	2015	2014
	£'000	£'000
Rent receivable	7,873	7,600
Service charges	56	55
	<hr/>	<hr/>
Gross income from rents and service charges	7,929	7,655
Less voids	(14)	(14)
	<hr/>	<hr/>
Net income from rents and service charges	7,915	7,641
Grants from the Scottish Ministers	91	114
	<hr/>	<hr/>
Total turnover from social letting activities	<u>8,006</u>	<u>7,755</u>
Management and maintenance administration costs before decrease in pension provision	2,369	2,293
Increase in pension provision	26	32
	<hr/>	<hr/>
Management and maintenance administration costs after increase in pension provision	2,395	2,325
Service costs	51	38
Planned and cyclical maintenance including major repairs costs	656	715
Reactive maintenance costs	884	1,018
Bad debts – rents and service charges	47	91
Depreciation of social housing	779	750
	<hr/>	<hr/>
Operating costs for social letting activities	<u>4,812</u>	<u>4,937</u>
	<hr/>	<hr/>
Operating surplus for social lettings	<u>3,194</u>	<u>2,818</u>

All income is derived from General Needs housing provision.

MELVILLE HOUSING ASSOCIATION LIMITED
 NOTES to the FINANCIAL STATEMENTS (Continued)
 Year ended 31 March 2015

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

	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) 2015 £'000	Operating surplus or (deficit) 2014 £'000
Other activities (see note 16)	-	107	64	171	-	171	-	-
Total from other activities	-	107	64	171	-	171	-	-
Total from other activities for the previous period of account	-	23	65	88	-	88	-	-

Other Revenue Grants of £46k were received from the Heritage Lottery Fund to fund the posts of heritage officers and related heritage activities and events.

Other Revenue Grants of £61k were received from the Scottish Legal Aid Board to fund additional welfare advice services.

Other income of £64k was generated from a management and lease agreement with Ironmills Developments Ltd.

There are no other activities to report

MELVILLE HOUSING ASSOCIATION LIMITED
NOTES to the FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2015

5 Interest Payable and Similar Charges

	Group		Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
On loans partly repayable after five years	1,519	1,411	1,519	1,411

6 Taxation on Surplus for the Year

Melville Housing Association's charitable activities fall within the exemptions afforded by 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 2015.

7 Tangible Fixed Assets – Association and Group

	Housing Properties Held for Letting		Development Programme	Total Housing Properties	Office Buildings	Office Fixtures Fittings & Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost/valuation							
At 1 April 2014	62,431	1	62,432	636	823	63,891	
Additions	1,200	967	2,167	466	7	2,640	
Transfers	-	-	-	-	-	-	
Disposals	(206)	-	(206)	-	-	(206)	
Adjustment for revaluation	(7,293)	-	(7,293)	-	-	(7,293)	
At 31 March 2015	56,132	968	57,100	1,102	830	59,032	
Depreciation							
At 1 April 2014	1,397	-	1,397	-	742	2,139	
Provided in year	779	-	779	-	45	824	
Disposals	(90)	-	(90)	-	-	(90)	
Adjustment for revaluation	(2,086)	-	(2,086)	-	-	(2,086)	
At 31 March 2015	-	-	-	-	787	787	
HAG & other grants							
At 1 April 2014	7,602	-	7,602	244	-	7,846	
Additions	36	956	992	136	-	1,128	
Transfers	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	
Adjustment for revaluation	(7,638)	-	(7,638)	-	-	(7,638)	
At 31 March 2015	-	956	956	380	-	1,336	
Net book value							
At 31 March 2015	56,132	12	56,144	722	43	56,909	
At 31 March 2014	53,432	1	53,433	392	81	53,906	

MELVILLE HOUSING ASSOCIATION LIMITED
NOTES to the FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2015

7 Tangible Fixed Assets – Association and Group (Continued)

Included within housing properties held for letting are 11 mid market rent units which were valued at 31 March 2015 with a value of £662k.

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

All Housing properties held for letting as at the 31 March 2015 were valued by an external valuer as at 31 March 2015 in accordance with our Accounting Policies (see note 1f). Housing Properties held for letting that were acquired or developed after 1 April 2012 were valued for the first time as at 31 March 2015.

Housing Association Grants (HAG) received in respect of all properties owned at 31 March 2015 amounted to £27,105,815. Whilst eliminated on revaluation for accounting purposes HAG remains legally repayable to the Scottish Government in certain circumstances.

The valuation was carried out by Jones Lang Lasalle (JLL), 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 regarding the level of future rental growth and the discount rate. For the 2015 valuation the assumed real discount rate was between 6.0% and 6.25% for LSVT stock (2012, 6.25%), 6.5% for mid market rent stock and between 5.75% and 6% for all other, non-LSVT, stock (2012, 5.75% and 6.5%).

The historic cost less HAG and depreciation of all properties at 31 March 2015 was £39,943,114 (2014, £39,212,416).

Other grants attributable to Office Buildings comprise grant funding awarded by Historic Scotland and the Heritage Lottery Fund for the development of a historic building. Under the terms of the awards, amounts received may be repayable in certain circumstances such as the disposal of the building. Historic Scotland holds a standard security over the building in respect of their grant funding.

Works to existing properties during the year comprised of the following:

	2015	2014
	£'000	£'000
Charged to income and expenditure (Note 3)	1,540	1,733
Capitalised		
Replacement of components and improvements	1,200	1,062
Total	<u>2,740</u>	<u>2,795</u>

8 Investments

	Group		Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Group undertakings:				
Shares in Ironmills Developments Limited	-	-	-	-

The Association owns one share in Ironmills Developments Limited at a cost of £1 (2014: £1).

MELVILLE HOUSING ASSOCIATION LIMITED
NOTES to the FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2015

9 Debtors

	Group		Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Gross rental debtors	325	314	324	314
Less bad debt provision	(157)	(130)	(157)	(130)
	168	184	167	184
Due from subsidiary company	-	-	-	4
Other debtors	218	206	218	206
Less bad debt provision	(113)	(110)	(113)	(110)
Prepayments and accrued income	283	217	283	217
	556	497	555	501

10 Creditors: Amounts falling due within one year

	Group		Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Trade creditors	211	280	211	280
Other taxes and social security costs	30	29	30	29
Loans payable within one year	167	167	167	167
Other creditors	14	14	-	-
Accruals and deferred income	1,071	975	1,071	975
Rents in advance	293	256	293	256
	1,786	1,721	1,772	1,707

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

	Group		Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Housing property loans not wholly repayable within five years	29,087	29,259	29,087	29,259
Housing property loans are repayable in instalments:				
Between one year and two years	400	167	400	167
Between two years and five years	1,200	960	1,200	960
After five years	27,487	28,132	27,487	28,132
	29,087	29,259	29,087	29,259
Less unamortised loan issue expenses	(108)	(113)	(108)	(113)
	28,979	29,146	28,979	29,146

MELVILLE HOUSING ASSOCIATION LIMITED
NOTES to the FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2015

11 Creditors: Amounts falling due after more than one year, excluding pensions liability (continued)

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 6 January 2013 on £4.5m, on 15 October 2022 on £16.6m, and on 15 October 2025 on £3m. The remaining £5.5m is part of a £7m facility that must be fully drawn by 23 November 2016 with quarterly repayments commencing on 31 August 2016. Interest is currently charged quarterly on variable rate loans at LIBOR plus mandatory costs and margins with a range between 0.25% and 1.9%.

Interest rate swap contracts have been entered as follows:

- £10m is fixed at 6.67% until 2037.
- £4m is fixed at 4.86% until 2037.
- £3m is fixed at 4.83% commencing July 2011 until 2036
- £2.6m is fixed at 4.89% commencing July 2011 until 2036
- £3.5m fixed at 3.475% commencing April 2014 until 2039.

12 Share Capital

	Association	
	2015	2014
	£	£
Shares of £1 each		
At 1 April 2014	123	124
Issued in year	7	3
Cancelled in year	(4)	(4)
	<hr/>	<hr/>
At 31 March 2015	126	123
	<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

	Group		Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
At 1 April 2014	14,636	15,015	14,636	15,015
Release to Income and Expenditure Account (note 14)	(360)	(379)	(360)	(379)
Revaluation adjustment	2,432	-	2,432	-
	<hr/>	<hr/>	<hr/>	<hr/>
Reserve at 31 March 2015	16,708	14,636	16,708	14,636
	<hr/>	<hr/>	<hr/>	<hr/>

MELVILLE HOUSING ASSOCIATION LIMITED
NOTES to the FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2015

14 Revenue Reserve

	Group		Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
At 1 April 2014	10,411	8,502	10,421	8,518
Transfer from Income and Expenditure Account	1,841	1,498	1,836	1,492
Release from Revaluation Reserve (note 13)	360	379	360	379
Transfer to Pensions Reserve (note 15)	26	32	26	32
Reserve at 31 March 2015	<u>12,638</u>	<u>10,411</u>	<u>12,643</u>	<u>10,421</u>

15 Pension Reserve

	Group		Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
At 1 April 2014	(1,294)	(985)	(1,294)	(985)
From Revenue Reserve (note 14)	(26)	(32)	(26)	(32)
Actuarial loss	(817)	(277)	(817)	(277)
Reserve at 31 March 2015 (note 19)	<u>(2,137)</u>	<u>(1,294)</u>	<u>(2,137)</u>	<u>(1,294)</u>

16 Reconciliation of Movement in Accumulated Reserves

	Group		Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
At 1 April 2014	23,753	22,532	23,763	22,548
Surplus for the year before gain on revaluation of properties and actuarial surplus on pension scheme	1,841	1,498	1,836	1,492
Gain on revaluation of properties	2,432	-	2,432	-
Actuarial loss in pension scheme	(817)	(277)	(817)	(277)
Accumulated reserves at 31 March 2015	<u>27,209</u>	<u>23,753</u>	<u>27,214</u>	<u>23,763</u>

The Heritage Lottery fund provided a grant of £136k during the year to 31 March 2015, to part fund our refurbishment of the Corn Exchange and £46k to fund the post of heritage officers and related heritage activities. Funds received have been accounted for as restricted funds during the year and have been applied in accordance with the terms of the grant.

The Scottish Legal Aid Board provided a grant of £61k during the year to 31 March 2015 to fund additional welfare advice services. Funds received have been accounted for as restricted funds during the year, and have been applied in accordance with the terms of the grant.

MELVILLE HOUSING ASSOCIATION LIMITED
NOTES to the FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2015

17 Employees

	2015	2014
	£'000	£'000
Staff costs during year		
Wages and salaries	1,238	1,228
Social security costs	103	104
Other pension costs	184	196
	<u>1,525</u>	<u>1,528</u>

	No.	No.
The average number of staff employed by the Association during the year were	<u>35</u>	<u>35</u>
The average full time equivalent number of persons employed by the Association during the year were	<u>31</u>	<u>31</u>

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

	2015	2014
	£	£
Aggregate emoluments including pension contributions of £44,823 (2014: £44,135) payable to Directors	<u>326,968</u>	<u>319,880</u>

The emoluments of the Chief Executive, excluding pension contributions, were £78,235 (2014: £77,461).

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

	2015	2014
£70,000 to £80,000*	2	3
£80,000 to £90,000*	<u>1</u>	<u>-</u>

* The band presented includes pension contributions

There were contractual payments of £13,456 made to senior officers of the organisation in respect of redundancy (2014: £13,500).

The Chief Executive is an ordinary member of the Association's pension scheme described in note 19. No enhanced or special terms apply to his membership and he has no other pension arrangements to which the Association contributes. The Association's contributions for the Chief Executive in the year amounted to £12,710 (2014: £12,584)

	2015	2014
	£	£
Total expenses reimbursed insofar as not chargeable to UK Income Tax		
- Chief Executive	<u>154</u>	<u>152</u>
- Board	<u>1,843</u>	<u>1,661</u>

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

MELVILLE HOUSING ASSOCIATION LIMITED
NOTES to the FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2015

18 Auditor's Remuneration

	2015	2014
	£	£
The remuneration of the auditors (including expenses and VAT for the year) was as follows:		
Audit services	10,520	10,280
	<u>10,520</u>	<u>10,280</u>

19 Pension Obligations

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

Movement in deficit during the year

Employee benefit obligations

The amounts recognised in the balance sheet are as follows:

	2015	2014
	£'000	£'000
Present value of funded obligations	(9,091)	(7,387)
Fair value of plan assets	6,954	6,093
	<u>(2,137)</u>	<u>(1,294)</u>
Unrecognised past service cost	-	-
Deficit	<u>(2,137)</u>	<u>(1,294)</u>
Net liability	<u>(2,137)</u>	<u>(1,294)</u>
Amounts in the balance sheet		
Liabilities	(2,137)	(1,294)
Assets	-	-
Net liability	<u>(2,137)</u>	<u>(1,294)</u>

The amounts recognised in income and expenditure are as follows

	2015	2014
	£'000	£'000
Current service cost	319	287
Interest on obligations	322	298
Expected return on plan assets	(376)	(298)
Past service cost	-	-
Total	<u>265</u>	<u>287</u>
Actual return on plan assets	<u>1,059</u>	<u>336</u>

19 Pension Obligations (Continued)

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

	2015	2014
	£'000	£'000
Actual return less expected return on pension scheme assets	683	38
Experience surplus and deficits arising on the scheme liabilities	-	-
Changes in financial assumptions underlying the present value of the scheme liabilities	(1,500)	(315)
Actuarial loss in pension plan	(817)	(277)
Decrease in irrecoverable surplus from membership fall and removal of Pension surplus from the Balance Sheet		-
Actuarial deficit recognised in STRSD	(817)	(277)
Cumulative actuarial losses	(2,121)	(1,304)

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

	2015	2014
	£'000	£'000
Opening defined benefit obligation	7,387	6,474
Service cost	319	287
Interest cost	322	298
Contributions by members	76	82
Actuarial losses/(gains)	1,156	314
Past services gains	-	-
Benefits paid	(169)	(68)
Closing defined benefit obligation	9,091	7,387

MELVILLE HOUSING ASSOCIATION LIMITED
NOTES to the FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2015

19 Pension Obligations (Continued)

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

	2015	2014
	£'000	£'000
Opening fair value of plan assets	6,093	5,489
Expected return	376	298
Actuarial gains	339	37
Contributions by employer	239	255
Contributions by members	76	82
Benefits paid	(169)	(68)
Closing fair value of plan assets	<u>6,954</u>	<u>6,093</u>

The group expects to contribute £254,000 to its defined benefit pension plans in 2015/16.

	2015	2014
	%	%
The major categories of plan assets as a percentage of stated plan assets are as follows:		
Equities	69	77
Bonds	17	9
Property	8	8
Cash	<u>6</u>	<u>6</u>

Principal actuarial assumptions at the balance sheet date:

	2015	2014
	% p.a.	% p.a.
Discount rate	3.2	4.3
Future salary increases	4.3	5.1
Future pension increases	2.4	2.8
The expected return on assets	<u>3.2</u>	<u>6.1</u>

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

Defined benefit pension plans

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(9,091)	(7,387)	(6,474)	(5,260)	(4,527)
Plan assets	6,954	6,093	5,489	4,577	4,074
Deficit	(2,137)	(1,294)	(985)	(683)	(453)
Experience adjustments on plan liabilities	195	1	4	(204)	-
Experience adjustments on plan assets	<u>339</u>	<u>37</u>	<u>455</u>	<u>(16)</u>	<u>(69)</u>

The total pension charge for the year was £241,723. At 31 March 2015 £26,726 was due to be paid over to the pension scheme (2014: £25,669). The agreed employer contribution rate from 1 April 2015 is 19.5%. (2014: 17.1% plus a fixed annual payment of £57,600).

MELVILLE HOUSING ASSOCIATION LIMITED
NOTES to the FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2015

20 Capital Commitments and Contingent Liabilities & Gains

As at 31 March 2015, the Association had the following capital commitments:

	2015	2014
	£'000	£'000
Committed not contracted*	973	3,657
Contracted for less certified*	4,239	-
	<u>4,239</u>	<u>-</u>

* Funded by Heritage Lottery Funding, Historic Scotland grants, Housing Association Grants, and loan finance.

21 Other Financial Commitments

At 31 March 2015, the Group and Association was committed to making the following payments during the next year in respect of operating leases

	Land & Buildings	
	2015	2014
	£'000	£'000
Leases expiring: -		
Within one year	48	-
Within two to five years	-	52
	<u>-</u>	<u>52</u>
	Other leases	
	2015	2014
	£'000	£'000
Leases expiring: -		
Within 1 year	1	-
Within two to five years	1	5
	<u>1</u>	<u>5</u>

22 Related Party Transactions and subsidiary company

Three members of the Board rent property from the Association on standard terms, as applicable to all tenants.

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

During the year, the Association let 11 properties to Ironmills (lease charge of £39,115) to be rented out at Mid Market Rent. The Association also charged Ironmills £24,972 in respect of management of these properties.

During the year, Ironmills Developments Limited repaid £4,247 of the intercompany balance due to the Association reducing amounts due from the subsidiary company at the year end to £nil.

23 Unit Numbers

	Association	
	2015	2014
	No.	No.
General Needs	1,949	1,953
Mid market rent	11	12
	<u>1,960</u>	<u>1,965</u>

One property, comprising 6 self-contained flats has been included as 6 individual units in the number of properties to comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 Order definition.

