

**MELVILLE HOUSING ASSOCIATION LIMITED**  
**REPORT and CONSOLIDATED FINANCIAL STATEMENTS**

**Year ended 31 March 2014**

**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 FINANCIAL STATEMENTS**

**Year ended 31 March 2014**

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**MELVILLE HOUSING ASSOCIATION LIMITED**

**EXECUTIVES AND ADVISERS**

**Year ended 31 March 2014**

**BOARD:** Mr R Anderson (Chairman)\*  
Mrs G Gourlay (Vice Chairman)  
Mr B Christie C.A. (Treasurer)  
Mrs N McNeill (Secretary) \*  
Mr P Cameron (co-opted 19 June 2013)  
Mr S Campbell \*  
Mr J Hackett (co-opted 19 June 2013)  
Mr R Haddow  
Mr W McAleece \*  
Mr A Morrison  
Mr A Murphy  
Mrs B Shearer  
Mrs E Smith

\* Also Board members of Ironmills Developments Limited

**SECRETARY:** Mrs N McNeill

**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 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 2014

The Board of Melville Housing Association Limited presents the group report and the audited financial statements for the year ended 31 March 2014.

#### 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 2014, the Association held 1,953 units for social rent and 12 units for on 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 2014 against these objectives.

# MELVILLE HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD

### Operating and Financial Review

#### Introduction

During the year we invested £2.8m in property maintenance and refurbishment and secured grants of over £1m from the Energy Companies Obligation (ECO) fund to complete external wall insulation for 90 properties in Mayfield. We completed 20 units in Dalkeith, providing a mix of 2-bed flats and 3-bed family homes and we purchased the Corn Exchange in Dalkeith which will become Melville's new offices. Our turnover increased by 5% driven by an increase in housing units and a rent increase in the year, of 4%. We returned a surplus of £1.5m compared to a surplus of £1.45m in prior year.

Throughout the year we maintained high levels of customer satisfaction.

#### 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. During the year, to ensure the continuity of a high quality, value for money, service we transferred our support services to 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. Our current non technical tenant arrears were 3.23% of rental income at 31 March 2014 compared with 2.35% for the year ending 31 March 2013. This compares with other RSLs in our peer group where the average current tenant arrears were 2.7% for the year ending 31 March 2013 (Source: Peer Group 7 APSR – 2012-13). Statistics for 2014 are not yet available but we anticipate that the average for the sector will have increased.

#### *Lettings*

During the year, 167 of our properties became available for let compared with 193 in 2013. Lets in 2013 were boosted by 106 newly developed units in Mayfield. On average, we took 11 days to relet properties compared with 12 days in 2013. This was in line with our target of 11 days and represents very good performance in comparison with other RSLs in our peer group where the average is 28 days. (Source: Peer Group 7 APSR – 2012-13).

Income lost on empty properties was 0.17% of rental income (2013, 0.23%), better than our target of 0.6%. The average rent lost on empty properties for our peer group is 0.9%. (Source: Peer Group 7 APSR – 2012-13).

In order to minimise the risk associated with non payment of the bedroom tax in 2013 we changed our allocations policy such that new applicants were only allocated properties according to the occupancy guidelines provided by the Government. As a result, we are finding it more difficult to allocate 3-bed flats. This has not had a significant impact on our void losses but we will continue to monitor this position as we move into a second year of welfare reforms.

#### *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. CHAI was formed in 1997 with a focus on alleviating poverty and disadvantage. 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 is available to all tenants and provides services such as personal budgeting, debt consolidation and debt management. During the year we provided tenancy support and money advice services to 113 tenants.

During the year 23 tenancies failed to last one year representing 9.5% of new tenancies. In 2008, the year before we commenced our support service, almost 25% of new tenancies failed within one year.

# MELVILLE HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD

### Housing and Support Services (contd.)

#### *Welfare Advice Services*

Our Welfare Advice services are available to all of our tenants and during the year we helped tenants access £229k in unclaimed benefit monies which will have long-term benefits for the individuals and families, helping them to sustain their homes.

During the year we were successful in securing grant monies of £93k from the Scottish Legal Aid Board to fund an additional welfare adviser post for 18 months. This post was successfully filled in December 2013 and has allowed us to assist more tenants in securing discretionary housing payments for those affected by the under occupancy cuts, to focus on digital inclusion and the provision of basic banking products, and in the provision of fortnightly outreach sessions at the local food bank which have been well attended.

As well as providing individual advice, our Welfare Advisers provided general advice to tenants, the Board, and staff, via briefings, leaflets and newsletter articles, helping the Association and its tenants prepare for the impact of the Government's welfare reform plans.

### **Growth**

#### *Housing Stock*

In the five years to 31 March 2014, we have invested almost £48m of Housing Association Grant (HAG) and private investment monies in new properties, providing 256 additional homes through our new build and rehabilitation programme.

We completed 20 new properties in Dalkeith during the year. These units are part of a larger Taylor Wimpey development of 223 properties and will provide eighteen 2-bed flats and two 3-bed houses. This development was part-funded by a grant of £863k from the Scottish Government.

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 completed a detailed review of our financial plans with a particular focus on value for money. As a result of this exercise we reduced our head count by 11%. We also tendered our reactive maintenance services which we anticipate will further reduce our costs and improve our quality of service, and we completed a rent harmonisation project which will provide a simple and fair rent structure. The new rent structure is being phased in over 3 to 5 years with effect from 1 April 2014. With salary scales linked to the national SNJC points, salaries were frozen for three years until 2012-13 and then a 1% increase applied for 2013-14 keeping our salary costs at a consistent level. All of these actions and other cost savings meant we were able to offer a below RPI-inflation increase on our rents for 2014-15 of 2.2%. 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 £2.8m in property maintenance and improvements, underlining our commitment to maintaining the standard of our existing properties.

With 100% grant funding from ECO we were able to complete a project to externally clad 90 no-fines properties in the Mayfield area of Dalkeith. To date we have externally insulated 385 properties representing almost two thirds of our no-fines/BISF 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 no-fines stock.

## MELVILLE HOUSING ASSOCIATION LIMITED

### REPORT OF THE BOARD

#### *Housing Stock (contd.)*

We commissioned Changeworks, an environmental charity specialising in energy sustainability, to complete a study of the impact on tenants of the external wall insulation and heating improvements completed in 2013. This report confirmed that after only a few months of completing the works, 58% felt that their homes were warmer (20% felt it was too early to tell) and Changeworks estimated the saving in heating costs for one tenant as £265 per annum. Additionally, 85% of those surveyed thought the appearance of their property was good or excellent after the work was carried out, compared with only 22% before the works were completed. Changeworks concluded that feedback from tenants suggested that the project had been highly effective in improving the energy efficiency and appearance of the properties.

We invested over £240k in upgrading and replacing kitchens, £315k in our bathrooms replacements programme, £130k in roofing improvements and £185k in replacing heating systems. These programmes form part of our comprehensive 30 year rolling maintenance and refurbishment programmes.

From September 2010, our response repairs service has been delivered through a partnership with R3 Repairs Ltd. R3 is a wholly owned subsidiary of East Lothian Housing Association. In line with our procurement policy, we tendered our reactive maintenance service during 2013 and appointed Novus Property Solutions with effect from 1 April 2014. We tendered this service in partnership with Manor Estates Housing Association in order to share tender costs and to increase our buying power. Novus presented a competitive price for their services and will also bring many service improvements which will build on the quality of our repairs service.

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. This service has been very successful, linking with other housing and maintenance services and directly improving peoples' lives. We invested £105k 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.

#### *New office accommodation*

It is one of Melville's key strategic objectives to procure new office accommodation by 2015, which meets the long term needs of our customers and service delivery. In June 2013 we received grant approval from the Heritage Lottery fund for £1.6m to purchase and refurbish the Corn Exchange building in Dalkeith and to convert it into new office accommodation for Melville and to provide additional space for community use, in particular the Dalkeith museum which will be managed by the Dalkeith History Society. We also received grant approval in principle for £85k from Historic Scotland towards the costs of external repairs. In December 2013 we purchased the property and we started works to demolish an old shop attached to the building with a view to commencing our full refurbishment programme in October 2014.

Melville's new office accommodation will be better suited for our future needs by providing better accessibility for staff and visitors and having a very good standard of environmental sustainability thereby reducing our carbon footprint and minimising our running costs.

The project will further develop our Wider Role objectives by incorporating new premises for the Dalkeith Museum, conference facilities for community organisations at a low cost, and an exhibition of the history of the Corn Exchange as part of the new Dalkeith Heritage Trail. The Heritage Lottery Fund will also fund the total cost for Melville to employ a full time Heritage officer for 3 years who will organise community events and activities in the new museum and conference room.

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.

# MELVILLE HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD

### Relationships

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 community based projects:

- Arniston Rangers Cherokees (Gorebridge) - annual sponsorship agreement with an under-8s football team allowing them to buy kit and equipment as well as access SportsScotland matched funding
- Donation to the Mayfield & Easthouses Development Trust Christmas Lights appeal
- Hosting Easter and Christmas events for tenants and their families
- Support for a fundraising event at Broomlands Primary School
- Support and assistance to the Midlothian Foodbank, promoting their work and setting up a donation point in Melville reception
- Providing help and support to local charity the Mondo Loco Foundation in re-launching the Gorebridge Community Garden
- Providing a three month work placement in our Property Services section for a student from Edinburgh College
- Providing work experience placements for local school children
- Melville staff, the Board, contractors and tenants raised £1,000 over the course of the year by holding fundraising events for a number of charities including:
  - Midlothian Sure Start, a local charity supporting young families
  - Jeans for Genes
  - McMillan Cancer Support (Coffee Morning)
  - Save the Children (Christmas Jumper Day)
  - Movember (supporting men's health charities)
  - Teenage Cancer Charity Trust

### 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.

### 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 strategic planning event in November 2013 and participated in a structured training programme throughout the year. Members are also encouraged to attend relevant conferences.

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.

During the year, the Board agreed to seek new board members to complement the skills and experience of the current members. We aim to elect at least two new board members at our AGM in September 2014.



## **MELVILLE HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE BOARD**

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**

In September 2014, the Scottish population will vote on whether or not to remain within the United Kingdom. Melville Housing Association has no political view on the referendum, however the Board has considered the possible implications of the outcome of the referendum. Once the outcome is known, the Association will seek to contribute to future housing strategy to the benefit of our current and future tenants.

Other challenges for the organisation will arise from the Government's welfare reform plans, the new regulatory environment and in securing funding for development programmes.

### **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 first change was the implementation of the under-occupancy benefits cut (the so-called bedroom tax) with approximately 330 of our tenants affected. We contacted all affected tenants in advance of the changes, to provide advice, and followed up with personal visits where requested. Articles were published in our newsletter VOICE. We also held drop-in sessions to provide advice on the impact of the reforms.

Our capacity to deliver welfare advice services was increased with the additional fully funded welfare advisor post as noted above.

The application of Universal Credit and the direct payment of housing benefits to tenants will also 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.

### **The Scottish Social Housing Charter**

On 14 March 2012, the Scottish Social Housing Charter was approved by resolution of the Scottish Parliament and came into effect from 1 April 2012. The Charter replaces the performance standards set out in the guidance that the Scottish Ministers issued under section 79 of the Housing (Scotland) Act 2001 in November 2006. The Charter contains 16 outcomes and standards which will be used to measure the performance of RSL's in Scotland. The Scottish Housing Regulator will monitor, assess and report on how well we achieve the Charter's outcomes.

For each year ending 31 March and starting with the financial year just ended, we will have to submit an Annual Return on the Charter to the Scottish Housing Regulator. We will also have to report our progress towards our achievement of the Charter outcomes to our tenants. In October 2013 we issued a report to our tenants in the style of a Charters Outcome report and sought feedback from tenants on content and format via a postal survey and in a forum meeting with tenants. Almost all (97%) of those who responded to our survey found the report interesting and the format easy to understand. We will build on this and other feedback to develop our tenant's report.

### **Funding for development opportunities**

During the year, we successfully delivered our development programme of 20 units for social rent at Kippielaw, Dalkeith. We negotiated a substantial discount of below market valuation for the development on the basis that the HAG subsidy benchmark was only £42k per unit and the developer was under an affordable housing planning obligation to develop these units for an RSL. This ensured the financial viability of the project.

## **MELVILLE HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE BOARD**

#### **Funding for development opportunities (contd.)**

For the future, like most RSLs, we face serious challenges to fund new development opportunities. Although the HAG subsidy benchmark has been raised to £58k per unit, the overall HAG capital allocations to local authority areas remains very low compared to previous years. However, we are intending to land bank a site in Bilston with the prospect of procuring 28 units for social rent during 2015/16. This project will be subject to an updated financial viability assessment early in 2015, using the HAG benchmark and private finance costs applicable at that time.

Beyond 2015/16 it is likely that capital HAG allocations will remain relatively low until at least 2018/19. In addition we have to consider the impact of welfare reform on our underlying business assumptions. Any increase in bad debt costs or arrears may mean future development programmes, even with increased subsidy, will be financially unviable.

Melville has significant experience in development and in the absence of funding for its own developments has sought ways to assist other parties with development opportunities. During 2013, Melville assisted Houses for Heroes with 7 grant applications to the Scottish Government for the construction of 38 wheelchair-adapted houses in different parts of Scotland. Houses for Heroes was established by the Scottish Veterans Garden City Association, to house disabled veterans principally from the Iraq and Afghanistan conflicts. We were delighted to hear that the charity recently secured funding to build all 38 properties.

Melville also provided development agency services to Eildon Housing Association working with Scottish Borders Council to undertake site availability/viability reviews to help SBC develop a Business Case Report for the development of mid market homes.

#### **Providing quality homes and services**

Investing in our existing tenants' homes remains a priority. Through our rolling investment programme, we aim to achieve the Scottish Housing Quality Standard for our properties ahead of the 2015 target date.

We will work in close partnership with our new repairs contractor, Novus Property Solutions 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 will focus on our welfare and money advice services, to help tenants most at risk from the significant welfare reform changes.

We will continue to support staff and the Board 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 with whom we work. 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. We are also committed to achieving value for money and have implemented a rolling value for money review of all of our activities.

#### **CREDIT PAYMENT POLICY**

The Association's policy concerning the payment of its trade creditors recognises that it transacts 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, and at reasonable cost. In addition our policy aims to achieve value for money and limit risk in managing our cash resources.

## **MELVILLE HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE BOARD**

#### **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 2014 the Lothian Pension Scheme actuary has informed the Association that its share of the pension deficit amounts to £1,294k (2013: £985k) and this is shown on the Balance Sheet.

##### *Revaluation Reserve*

All of Melville's housing properties in ownership as at 31 March 2012 were re-valued at that date by DTZ 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. Our next housing stock re-valuation will be in April 2015.

#### **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 15. The surplus for the Group is £1.5m (2013: surplus of £1.45m). The Group's accumulated reserves are increased by a £32k transfer from the Pensions Reserve, and increased by transfers of £379k from the Revaluation Reserve. The surplus plus transfers result in a £1.9m increase in the Group Revenue Reserves at 31 March 2014 (2013: increase of £1.78m). Our subsidiary company, Ironmills Developments Limited, returned a surplus of £5,662 during the year to 31 March 2014 (2013: surplus of £2,724).

#### **BOARD AND EXECUTIVE OFFICERS**

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

**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**

*Nanna or McNeill*

**N McNeill  
Secretary**

7 Eskdail Court  
Dalkeith  
Midlothian  
EH22 1AG

**Date:** 13 August 2014

## MELVILLE HOUSING ASSOCIATION LIMITED

### STATEMENT OF RESPONSIBILITIES OF THE BOARD

The Co-operative and Community Benefit Societies Act 2014 and registered 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 and of its income and expenditure 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 Association will continue in business.

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 (2012). The Board also has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect 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*

**N McNeill**  
**Secretary**

13 August 2014

## 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 internal or external audit reports.

The effectiveness of the Association's system of internal financial control has been reviewed during the year ended 31 March 2014, 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**

13 August 2014



We have audited the consolidated financial statements of Melville Housing Association Limited for the year ended 31 March 2014 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 Section 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members 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 Board and the auditor**

As explained more fully in the Statement of Responsibilities of the Board set out on page 11, 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 2014 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements (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; or
- we have not received all the information and explanations we need for our audit.

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

25 August 2014

**Chiene + Tait 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 2014

		<b>Group</b>		<b>Association</b>	
	<b>Note</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>TURNOVER</b>	<b>2</b>	7,855	7,483	7,843	7,480
Operating costs	<b>2</b>	(5,032)	(4,673)	(5,025)	(4,673)
<b>OPERATING SURPLUS</b>	<b>2</b>	2,823	2,810	2,818	2,807
Profit on disposal of fixed assets		84	25	84	25
Interest receivable and other income		2	19	2	19
Interest payable and loan redemption charges	<b>5</b>	(1,411)	(1,402)	(1,411)	(1,402)
<b>SURPLUS FOR THE YEAR</b>		1,498	1,452	1,493	1,449

All results derive from continuing activities.

**MELVILLE HOUSING ASSOCIATION LIMITED**

**STATEMENT of TOTAL RECOGNISED SURPLUSES and DEFICITS**

**Year ended 31 March 2014**

	Note	Group		Association	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
Surplus for the year		1,498	1,452	1,492	1,449
Actuarial loss on pension obligations	19	(277)	(337)	(277)	(337)
<b>Total surplus recognised since last annual report</b>		<u>1,221</u>	<u>1,115</u>	<u>1,215</u>	<u>1,112</u>

**NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS**

	Group		Association	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Surplus for the year before taxation	1,498	1,452	1,492	1,449
Difference between a historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	379	365	379	365
<b>Historical cost surplus on ordinary activities before taxation</b>	<u>1,877</u>	<u>1,817</u>	<u>1,871</u>	<u>1,814</u>
<b>Historical cost surplus for the year retained after transfers</b>	<u>1,877</u>	<u>1,817</u>	<u>1,871</u>	<u>1,814</u>

The notes on pages 21 to 37 form part of these financial statements.

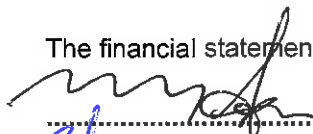


MELVILLE HOUSING ASSOCIATION LIMITED

BALANCE SHEET

At 31 March 2014

	Notes	Group		Association	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>TANGIBLE FIXED ASSETS</b>					
Housing properties – gross valuation less depreciation	7	61,035	59,608	61,035	59,608
Less: HAG and other grants	7	(7,602)	(7,415)	(7,602)	(7,415)
		53,433	52,193	53,433	52,193
Other Fixed Assets	7	473	186	473	186
		53,906	52,379	53,906	52,379
Investments	8	-	-	-	-
		53,906	52,379	53,906	52,379
<b>CURRENT ASSETS</b>					
Debtors	9	497	740	501	749
Cash at bank and in hand		1,511	1,554	1,503	1,545
		2,008	2,294	2,004	2,294
<b>CREDITORS: Amounts falling due within one year</b>	10	(1,721)	(1,848)	(1,707)	(1,832)
<b>NET CURRENT ASSETS</b>		287	446	297	462
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		54,193	52,825	54,203	52,841
<b>CREDITORS: Amounts falling due after more than one year</b>	11	(29,146)	(29,308)	(29,146)	(29,308)
<b>NET ASSETS BEFORE PENSION DEFICIT</b>		25,047	23,517	25,057	23,533
Pension Deficit	19	(1,294)	(985)	(1,294)	(985)
<b>NET ASSETS AFTER PENSION DEFICIT</b>		23,753	22,532	23,763	22,548
<b>CAPITAL AND RESERVES</b>					
Share capital	12	-	-	-	-
Revaluation reserve	13	14,636	15,015	14,636	15,015
Revenue reserve	14	10,411	8,502	10,421	8,518
Pension reserve	15	(1,294)	(985)	(1,294)	(985)
	16	23,753	22,532	23,763	22,548

The financial statements were approved and authorised for issue by the Board on 13 August 2014.

 R Anderson Chairman  
 B Christie Treasurer  
 N McNeill Secretary

The notes on pages 21 to 37 form part of these financial statements.

**MELVILLE HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT**

**Year ended 31 March 2014**

		<b>Group</b>		<b>Association</b>	
	<b>Note</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net cash inflow from operating activities	<b>(i)</b>	3,765	2,727	3,766	2,734
Returns on investments and servicing of finance	<b>(ii)</b>	(1,405)	(1,394)	(1,405)	(1,394)
Capital expenditure and financial investment	<b>(ii)</b>	(2,403)	(573)	(2,403)	(573)
(Decrease)/Increase in cash in the year		(43)	760	(42)	767
<b>Reconciliation of net cashflow to movement in net debt</b>					
(Decrease)/Increase in cash in the year		(43)	760	(42)	767
Amortisation of finance costs		(4)	(4)	(4)	(4)
Net cash flow from debt		166	(4,333)	166	(4,333)
Movement in net debt in the year		119	(3,577)	120	(3,570)
Net debt at 1 April 2013		(27,754)	(24,177)	(27,763)	(24,193)
Net debt at 31 March 2014	<b>(iii)</b>	(27,635)	(27,754)	(27,643)	(27,763)

The notes on pages 19 and 20 form part of the cash flow statement.

**MELVILLE HOUSING ASSOCIATION LIMITED**

**NOTES to the CASH FLOW STATEMENT**

**Year ended 31 March 2014**

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

	<b>Group</b>		<b>Association</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operating surplus	2,823	2,810	2,818	2,807
Depreciation charge	794	812	794	812
Increase/(Decrease) in pensions provision	32	(20)	32	(20)
Decrease/(Increase) in debtors	243	(304)	248	(293)
Decrease in creditors	(127)	(571)	(126)	(572)
Net cash inflow from operating activities	<u>3,765</u>	<u>2,727</u>	<u>3,766</u>	<u>2,734</u>

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

	<b>Group</b>		<b>Association</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Returns on investments and servicing of finance</b>				
Interest received	2	19	2	19
Net return on Pension Scheme Assets	-	(15)	-	(15)
Interest paid	(1,411)	(1,402)	(1,411)	(1,402)
Bank arrangement fee amortisation	4	4	4	4
Net cash outflow from returns on investments and servicing of finance	<u>(1,405)</u>	<u>(1,394)</u>	<u>(1,405)</u>	<u>(1,394)</u>
<b>Capital expenditure and financial investment</b>				
Acquisition of housing properties	(2,262)	(5,711)	(2,262)	(5,711)
Purchase of other fixed assets	(547)	(90)	(547)	(90)
Proceeds from sale of fixed assets	185	52	185	52
HAG and other grants	387	676	387	676
Loans draw down	-	4,500	-	4,500
Loans repayments	(166)	-	(166)	-
Net cash outflow from capital expenditure and financial investment	<u>(2,403)</u>	<u>(573)</u>	<u>(2,403)</u>	<u>(573)</u>

**MELVILLE HOUSING ASSOCIATION LIMITED**

**NOTES to the CASH FLOW STATEMENT - (Continued)**

**Year ended 31 March 2014**

**iii ANALYSIS OF NET DEBT (Group)**

	<b>At 31 March 2013 £'000</b>	<b>Cash flow Movements £'000</b>	<b>Other Non-cash Movements £'000</b>	<b>At 31 March 2014 £'000</b>
Cash at bank and in hand	1,554	(43)	-	1,511
Debt due after one year	(29,308)	162	-	(29,146)
Total	(27,754)	119	-	(27,635)

# MELVILLE HOUSING ASSOCIATION LIMITED

## NOTES to the FINANCIAL STATEMENTS

Year ended 31 March 2014

### 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 2014.

#### 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, with any material movements 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.

# MELVILLE HOUSING ASSOCIATION LIMITED

## NOTES to the FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2014

### 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:

<b>Component</b>	<b>Useful economic life</b>
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.



## MELVILLE HOUSING ASSOCIATION LIMITED

### NOTES to the FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2014

#### 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 2014

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

	GROUP				ASSOCIATION			
	Turnover £'000	Operating Costs £'000	Operating Surplus/(deficit) 2014 £'000	Operating Surplus 2013 £'000	Turnover £'000	Operating Costs £'000	Operating Surplus/(deficit) 2014 £'000	Operating Surplus 2013 £'000
Social lettings (Note 3)	7,755	(4,937)	2,818	2,858	7,755	(4,937)	2,818	2,858
Other activities (Note 4)	100	(95)	5	(48)	88	(88)	-	(51)
Total	7,855	(5,032)	2,823	2,810	7,843	(5,025)	2,818	2,807
Total for previous period of account	7,483	(4,673)	2,810		7,480	(4,673)	2,807	

**MELVILLE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (Continued)**

Year ended 31 March 2014

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

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Rent receivable net of service charges	7,600	7,189
Service charges	55	46
	<hr/>	<hr/>
Gross income from rents and service charges	7,655	7,235
Less voids	(14)	(17)
	<hr/>	<hr/>
Net income from rents and service charges	7,641	7,218
Grants from the Scottish Ministers	114	115
	<hr/>	<hr/>
Total turnover from social letting activities	7,755	7,333
	<hr/>	<hr/>
Management and maintenance administration costs before decrease in pension provision	2,293	2,167
Increase/(Decrease) in pension provision	32	(20)
	<hr/>	<hr/>
Management and maintenance administration costs after increase/(decrease) in pension provision	2,325	2,147
Service costs	38	36
Planned and cyclical maintenance including major repairs costs	715	619
Reactive maintenance costs	1,018	919
Bad debts – rents and service charges	91	48
Depreciation of social housing	750	706
	<hr/>	<hr/>
Operating costs for social letting activities	4,937	4,475
	<hr/>	<hr/>
Operating surplus for social lettings	2,818	2,858
	<hr/>	<hr/>

All income is derived from General Needs housing provision.

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2014

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

	Grants from Scottish Ministers	Other Revenue Grants	Other income	Total Turnover	Operating costs – bad debts	Other Operating costs	Operating surplus or (deficit) 2014	Operating surplus or (deficit) 2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other activities (see note 16)	-	23	65	88	-	88	-	(51)
<b>Total from other activities</b>	-	23	65	88	-	88	-	(51)
<b>Total from other activities for the previous period of account</b>	-	98	49	147	-	198	(51)	

Other Revenue Grants of £23,352 were received from the Scottish Legal Aid Board to fund additional welfare advice services.

Other income of £64,501 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 2014

5 Interest Payable and Similar Charges

	Group		Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
On loans partly repayable after five years	1,411	1,402	1,411	1,402

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 2014.

7 Tangible Fixed Assets – Association and Group

	Housing Properties Held for Development Letting		Total Housing Properties	Office Buildings	Office Fixtures Fittings & Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost/valuation</b>						
At 1 April 2013	59,430	856	60,286	-	912	61,198
Additions	1,063	1,199	2,262	529	18	2,809
Transfers	2,054	(2,054)	-	107	(107)	-
Disposals	(116)	-	(116)	-	-	(116)
At 31 March 2014	62,431	1	62,432	636	823	63,891
<b>Depreciation</b>						
At 1 April 2013	678	-	678	-	682	1,360
Provided in year	750	-	750	-	60	810
Disposals	(31)	-	(31)	-	-	(31)
At 31 March 2014	1,397	-	1,397	-	742	2,139
<b>Cost less depreciation</b>	61,034	1	61,035	636	81	61,752
<b>HAG &amp; other grants</b>						
At 1 April 2013	6,739	676	7,415	-	44	7,459
Additions	-	187	187	200	-	387
Transfers	863	(863)	-	44	(44)	-
Disposals	-	-	-	-	-	-
Adjustment for revaluation	-	-	-	-	-	-
At 31 March 2014	7,602	-	7,602	244	-	7,846
<b>Net book value</b>						
At 31 March 2014	53,432	1	53,433	392	81	53,906
At 31 March 2013	52,013	180	52,193	-	186	52,379

Included within housing properties held for letting are 12 mid market rent units valued at a cost, net of social housing grant, of £614k.

# MELVILLE HOUSING ASSOCIATION LIMITED

## NOTES to the FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2014

### 7 Tangible Fixed Assets – Association and Group (Continued)

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

All Housing properties held for letting as at the 31 March 2014 were valued by an external valuer as at 31 March 2012 and the next valuation will be carried out in April 2015.

Housing Association Grants (HAG) received in respect of all properties owned at 31 March 2014 amounted to £26,113,864. Whilst eliminated on revaluation for accounting purposes HAG remains legally repayable to the Scottish Government in certain circumstances.

The valuation as at 31 March 2012 was carried out by DTZ, 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 2012 valuation the assumed real discount rate was 6.25% for LSVT stock (2011, 6.25%) and ranged between 5.75% and 6.5% for all other, non-LSVT, stock (2011, 5.75% and 6.5%).

The historic cost less HAG and depreciation of all properties at 31 March 2014 was £39,212,416 (2013, £37,373,729).

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

	2014 £'000	2013 £'000
<b>Charged to income and expenditure</b> (Note 3)	1,733	1,471
<b>Capitalised</b>		
Replacement of components and improvements	1,062	2,094
<b>Total</b>	2,795	3,565

### 8 Investments

	Group		Association	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Group undertakings:				
Shares in Ironmills Developments Limited	-	-	-	-

The Association owns one share in Ironmills Developments Limited at a cost of £1 (2013: £1).

**MELVILLE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (Continued)**

**Year ended 31 March 2014**

**9 Debtors**

	<b>Group</b>		<b>Association</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gross rental debtors	314	220	314	221
Less bad debt provision	(130)	(85)	(130)	(86)
	<u>184</u>	<u>135</u>	<u>184</u>	<u>135</u>
Due from subsidiary company	-	-	4	9
Other debtors	206	248	206	248
Less bad debt provision	(110)	(147)	(110)	(147)
Prepayments and accrued income	217	504	217	504
	<u>497</u>	<u>740</u>	<u>501</u>	<u>749</u>

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

	<b>Group</b>		<b>Association</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade creditors	280	449	280	448
Other taxes and social security costs	29	33	29	33
Loans payable within one year	167	167	167	167
Other creditors	14	15	-	-
Accruals and deferred income	975	911	975	911
Rents in advance	256	273	256	273
	<u>1,721</u>	<u>1,848</u>	<u>1,707</u>	<u>1,832</u>

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

	<b>Group</b>		<b>Association</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Housing property loans not wholly repayable within five years	<u>29,259</u>	<u>29,425</u>	<u>29,259</u>	<u>29,425</u>
Housing property loans are repayable in instalments:				
Between one year and two years	167	167	167	167
Between two years and five years	960	776	960	776
After five years	<u>28,132</u>	<u>28,482</u>	<u>28,132</u>	<u>28,482</u>
	29,259	29,425	29,259	29,425
Less unamortised loan issue expenses	(113)	(117)	(113)	(117)
	<u>29,146</u>	<u>29,308</u>	<u>29,146</u>	<u>29,308</u>

**MELVILLE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (Continued)**

**Year ended 31 March 2014**

**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 ranging between 0.25% and 1.8%.

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**

	<b>Association</b>	
	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Shares of £1 each		
At 1 April 2013	124	130
Issued in year	3	4
Cancelled in year	(4)	(10)
	<hr/>	<hr/>
At 31 March 2014	<u>123</u>	<u>124</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

**13 Revaluation Reserve**

	<b>Group</b>		<b>Association</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2013	15,015	15,380	15,015	15,380
Release to Income and Expenditure Account (note 14)	(379)	(365)	(379)	(365)
			<hr/>	<hr/>
Reserve at 31 March 2014	<u>14,636</u>	<u>15,015</u>	<u>14,636</u>	<u>15,015</u>



**MELVILLE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (Continued)**

**Year ended 31 March 2014**

**14 Revenue Reserve**

	<b>Group</b>		<b>Association</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2013	8,502	6,720	8,518	6,739
Transfer from Income and Expenditure Account	1,498	1,452	1,492	1,449
Release from Revaluation Reserve (note 13)	379	365	379	365
Transfer to Pensions Reserve (note 15)	32	(35)	32	(35)
<b>Reserve at 31 March 2014</b>	<b>10,411</b>	<b>8,502</b>	<b>10,421</b>	<b>8,518</b>

**15 Pension Reserve**

	<b>Group</b>		<b>Association</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2013	(985)	(683)	(985)	(683)
From Revenue Reserve (note 14)	(32)	35	(32)	35
Actuarial loss	(277)	(337)	(277)	(337)
<b>Reserve at 31 March 2014 (note 19)</b>	<b>(1,294)</b>	<b>(985)</b>	<b>(1,294)</b>	<b>(985)</b>

**16 Reconciliation of Movement in Accumulated Reserves**

	<b>Group</b>		<b>Association</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2013	22,532	21,417	22,548	21,436
Surplus for the year before gain on revaluation of properties and actuarial surplus on pension scheme	1,498	1,452	1,492	1,449
Actuarial loss in pension scheme	(277)	(337)	(277)	(337)
<b>Accumulated reserves at 31 March 2014</b>	<b>23,753</b>	<b>22,532</b>	<b>23,763</b>	<b>22,548</b>

The Heritage Lottery fund provided a grant of £199,551 during the year to 31 March 2014, to part fund our acquisition of the Corn Exchange. 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 £23,352 during the year to 31 March 2014 to fund additional welfare advice services. Funds received from the Board have been accounted for as restricted funds during the year, and have been applied in accordance with the terms of the grant.

The Big Lottery provided a grant of £98,347 during the year to 31 March 2013 to assist Melville in providing support to new tenants; a project called New Beginnings. The entire Big Lottery grant was fully spent as at 31 March 2013 and there was no balance outstanding. Funds received from the Big Lottery were accounted for as restricted funds during 2012/13, and applied in accordance with the terms of the grant.

**MELVILLE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (Continued)**

**Year ended 31 March 2014**

**17 Employees**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs during year		
Wages and salaries	1,228	1,229
Social security costs	104	105
Other pension costs	196	199
	<u>1,528</u>	<u>1,533</u>

	<b>No.</b>	<b>No.</b>
The average number of staff employed by the Association during the year were as follows:		
Directorate	2	2
Corporate Services	6	6
Finance	4	4
Housing Services	11	13
Property & Lettings	10	11
Development	2	3
	<u>35</u>	<u>39</u>
(including temporary/agency staff)		

The average full time equivalent number of persons employed by the Association during the year were	<u>31</u>	<u>35</u>
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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.

# MELVILLE HOUSING ASSOCIATION LIMITED

## NOTES to the FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2014

### 17 Employees (Continued)

	2014 £	2013 £
Aggregate emoluments including pension contributions of £44,135 (2013: £43,220) payable to Directors	319,880	311,286

The emoluments of the Chief Executive, excluding pension contributions, were £77,461 (2013: £76,693).

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

	2014	2013
£70,000 to £80,000*	3	3

\* The band presented includes pension contributions

There were contractual payments of £13,500 made to officers of the organisation in respect of redundancy.

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 £12,584 (2013: £12,460)

	2014 £	2013 £
Total expenses reimbursed insofar as not chargeable to UK Income Tax		
- Chief Executive	152	108
- Board	1,661	2,185

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

### 18 Auditor's Remuneration

	2014 £	2013 £
The remuneration of the auditors (including expenses and VAT for the year) was as follows:		
Audit services	10,280	10,082
	10,280	10,082

**MELVILLE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (Continued)**

Year ended 31 March 2014

**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:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Present value of funded obligations	(7,387)	(6,474)
Fair value of plan assets	6,093	5,489
	<u>(1,294)</u>	<u>(985)</u>
Unrecognised past service cost	-	-
Deficit	<u>(1,294)</u>	<u>(985)</u>
Net liability	<u>(1,294)</u>	<u>(985)</u>
Amounts in the balance sheet		
Liabilities	(1,294)	(985)
Assets	-	-
Net liability	<u>(1,294)</u>	<u>(985)</u>

The amounts recognised in income and expenditure are as follows

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	287	236
Interest on obligations	298	256
Expected return on plan assets	(298)	(271)
Past service cost	-	-
Total	<u>287</u>	<u>221</u>
Actual return on plan assets	<u>336</u>	<u>728</u>

**MELVILLE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (Continued)**

Year ended 31 March 2014

**19 Pension Obligations (Continued)****Analysis of the amount recognised in statement of recognised surpluses and deficits**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Actual return less expected return on pension scheme assets	38	457
Experience surplus and deficits arising on the scheme liabilities	-	-
Changes in financial assumptions underlying the present value of the scheme liabilities	(315)	(794)
<b>Actuarial loss in pension plan</b>	<b>(277)</b>	<b>(337)</b>
Decrease in irrecoverable surplus from membership fall and removal of Pension surplus from the Balance Sheet	-	-
<b>Actuarial deficit recognised in STRSD</b>	<b>(277)</b>	<b>(337)</b>
<b>Cumulative actuarial losses</b>	<b>(1,304)</b>	<b>(1,027)</b>

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

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	6,474	5,260
Service cost	287	236
Interest cost	298	256
Contributions by members	82	81
Actuarial losses/(gains)	314	792
Past services gains	-	-
Benefits paid	(68)	(151)
Closing defined benefit obligation	<b>7,387</b>	<b>6,474</b>

**MELVILLE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (Continued)**

**Year ended 31 March 2014**

**19 Pension Obligations (Continued)**

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

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of plan assets	5,489	4,577
Expected return	298	271
Actuarial gains	37	455
Contributions by employer	255	256
Contributions by members	82	81
Benefits paid	(68)	(151)
Closing fair value of plan assets	<u>6,093</u>	<u>5,489</u>

The group expects to contribute £254,000 to its defined benefit pension plans in 2014/15.

	<b>2014</b>	<b>2013</b>
	<b>%</b>	<b>%</b>
The major categories of plan assets as a percentage of stated plan assets are as follows:		
Equities	77	79
Bonds	9	8
Property	8	9
Cash	<u>6</u>	<u>4</u>

Principal actuarial assumptions at the balance sheet date:

	<b>2014</b>	<b>2013</b>
	<b>% p.a.</b>	<b>% p.a.</b>
Discount rate	4.3	4.5
Future salary increases	5.1	5.1
Future pension increases	2.8	2.8
The expected return on assets	<u>6.1</u>	<u>5.3</u>

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

Defined benefit pension plans

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Defined benefit obligation	(7,387)	(6,474)	(5,260)	(4,527)	(5,182)
Plan assets	6,093	5,489	4,577	4,074	3,721
Deficit	(1,294)	(985)	(683)	(453)	(1,461)
Experience adjustments on plan liabilities	38	457	(204)	-	-
Experience adjustments on plan assets	<u>37</u>	<u>455</u>	<u>(16)</u>	<u>(69)</u>	<u>747</u>

The total pension charge for the year was £250,531. At 31 March 2014 £25,669 was due to be paid over to the pension scheme (2013: £28,958). The agreed employer contribution rate from 1 April 2014 is 17.1% plus a fixed annual payment of £57,600. (2013: 17.1% plus a fixed annual payment of £57,600).

# MELVILLE HOUSING ASSOCIATION LIMITED

## NOTES to the FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2014

### 20 Capital Commitments and Contingent Liabilities & Gains

As at 31 March 2014, the Association had the following capital commitments:

	2014 £'000	2013 £'000
Committed not contracted*	3,657	-
Contracted for less certified	-	1,066

\* Funded by Heritage Lottery Funding and Historic Scotland grants and loan finance.

### 21 Other Financial Commitments

At 31 March 2014, the Group and Association was committed to making the following payments during the next year in respect of operating leases

	Land & Buildings	
	2014 £'000	2013 £'000
Leases expiring: - Within two to five years	52	51

	Other leases	
	2014 £'000	2013 £'000
Leases expiring: - Within one year	5	6

### 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 12 properties to Ironmills (lease charge of £39,366) to be rented out at Mid Market Rent. The Association also charged Ironmills £25,133 in respect of management of these properties.

During the year, Ironmills Developments Limited repaid £4,963 of the intercompany balance due to the Association. Amounts due from the subsidiary company at the year end are provided in note 9. A payment plan is in place to pay by instalments the full amounts due by or before April 2016.

### 23 Unit Numbers

	Association	
	2014 No.	2013 No.
General Needs	1,953	1,937
Mid market rent	12	12

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.