

MELVILLE HOUSING ASSOCIATION LIMITED
REPORT and CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2025

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 2025

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MELVILLE HOUSING ASSOCIATION LIMITED

EXECUTIVES AND ADVISERS

Year ended 31 March 2025

BOARD:

Ms D Bogdanovic (Chair)
Mr D Bond (Vice Chair)
Ms C Quinn (Secretary)
Mrs C Hanlan (resigned 11 June 2025)
Ms C Marshall
Mrs B Shearer (resigned 11 September 2024)
Mr P Cameron
Ms C Moore (resigned 11 September 2024)
Mr D Takhar
Mr Brian Wilkie
Ms Gayle Templeton
Ms Rebecca Mclean
Mr John Dalley
Mr Thomas Mallatratt

SENIOR OFFICERS AND KEY MANAGEMENT

Mr J McMorrow, Chief Executive Officer
Ms K Dean, Head of Finance & Corporate Services / Deputy CEO

REGISTERED OFFICE:

The Corn Exchange
200 High Street
Dalkeith
EH22 1AZ

AUDITORS:

CT Audit Limited
Chartered Accountants & Statutory Auditor
61 Dublin Street
Edinburgh EH3 6NL

SOLICITORS:

Harper Macleod LLP
The Ca'd'oro, 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 2025

The Board of Melville Housing Association Limited presents the group report and the audited financial statements for the year ended 31 March 2025.

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.

The principal activities of the group are the provision and management of affordable rented accommodation. At 31 March 2025, the Association held 2,123 units for social rent, 10 leased properties and 11 units for letting to Ironmills. Ironmills continued to manage mid market rental properties.

Objectives

The Association's objectives are set out in its business plan 2021-2026 which was approved by the Board in September 2021. The headline objectives are set out below:

1. Enhance the Quality of our Homes and Neighbourhoods
2. Strengthen Core Services
3. Maintain Excellent Standards of Governance
4. Support our Communities to Thrive
5. Spend Wisely

The following paragraphs set out how Melville has performed during the year ended 31 March 2025 against these objectives.

OPERATING AND FINANCIAL REVIEW

Introduction

During the year we invested £4.6m in property maintenance and refurbishment, and £2.3m in developing new properties. Our annual net rent and service charge income increased by 8% in the year to £10.7m from £9.9m as a consequence of an increase in rental charges of 7% applied from 1 April 2024, along with additional properties built during the year.

We returned an operating surplus after interest payable and receivable of £5.8m (2024: £1.3m). Our 2023 customer satisfaction levels are at 90% in comparison with the Annual Return on the Charter (ARC) Scottish average of 87%. (Source: ARC data 2023/24).

Housing and Housing Support Services

Housing Services

Effective arrears management has been key during what has continued to be a very difficult time financially for our tenants. We have secured funding which has assisted tenants in hardship. During these challenging times, we were delighted that our in-house Welfare Advice has further assisted to maximise income and support people and communities across the Lothians to sustain their tenancies.

Lettings

During the year, 134 of our properties became available for let compared with 97 in 2024. This includes 39 new build properties from our Oakwood Edge development. On average, we took 15 days to relet properties compared with 19 days in 2024. Our performance remains strong in comparison with the Annual Return on the Charter (ARC) Scottish average of 57 days. (Source: ARC data 2023/24).

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD (continued)

For the year ended 31 March 2025

OPERATING AND FINANCIAL REVIEW (continued)

Income lost on empty properties was 0.24% of rental income (2024: 0.24%). The Scottish average for rent lost on empty properties was 1.4%. (Source: ARC data 2022/23).

Rent arrears

Our current non-technical tenant arrears were 1.7% of rental income at 31 March 2025 compared with 1.87% for the year ending 31 March 2024. This is a very strong performance against our target of 2.5%.

Tenancy Support and Money Advice

Melville aims to help tenants become established in their new homes, reduce tenancy failures, and help to build stable, sustainable communities.

Our tenancy sustainment has increased to 97.94% from 96.58% in 2024/25 compared to an average of 90% (ARC 2023/24 data).

Welfare Advice Services

During the year our welfare advice services helped tenants access unclaimed benefits of almost £1.4m. Our tenants also benefited from Energy Advice support of £16k which will assist to improve lives and sustain tenancies alongside £38k in other support via the LACER fund.

Asset Management and Value for Money

Housing Stock

During the year we invested £4.6m 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, including replacing 64 bathrooms, fitting 51 new kitchens, renewing 29 roofs and replacing 100 heating systems.

We invested £36k in medical adaptations during the year, funded by grants received from the Scottish Government, and completed 30 adaptations. This helped people of all ages to continue to live independently in their own homes.

Value for Money

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 also now completed the full harmonisation of our rents. These actions and other cost savings have meant that in recent years we have been able to keep our rent increase lower than most RSLs. However, in 2024/25 repair costs were expected to increase by 50% resulting in a higher rent increase being required to ensure all other services could continue as normal. We will continue to review our financial plans which enable the provision of a quality sustainable service with affordable rents, while being mindful of sustaining the financial viability of the organisation.

We have an active group of tenant representatives who meet at least three times a year undertaking activities which include a review of our performance and our Annual Report to Tenants, discussing value for money ideas and giving input on ways to improve our service. The group also actively reviews our financial results with a particular focus on how Melville invests and spends its rental income.

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD (continued)

For the year ended 31 March 2025

OPERATING AND FINANCIAL REVIEW (continued)

Sustainability

We believe that helping the planet and helping tenants can and should go hand-in-hand and when developing new services we will always consider their environmental impact. Amongst the sustainability initiatives we've undertaken this year are:

- Continuing to look for opportunities to install greener air source heat pumps instead of traditional gas heating systems
- Fitting EV charging points and solar-PV when developing new homes
- Continuing to operate as a paperless office where possible
- Rescuing good quality, used white goods (mainly fridges) and finding new homes for them
- Continuing to repurpose used carpet tiles and providing them free of charge to tenants

Financial Assets

As well as delivering high quality, affordable homes, and a first-class level of service, all of our teams work incredibly hard for the local communities we serve. Never has this been more important than now, when everyday costs remain high and many of our customers are struggling to make ends meet.

Here are details of some of the additional help and support we have provided over the past year.

Tackling poverty and providing essential support

1. Over the past year our housing team has worked hard building strong relationships with tenants, speaking to as many as possible including those with whom we would usually have little to no contact. This has helped them identify those in most need and give out £38,350 in additional funding. The money helped cover things like rent arrears, high energy bills and other essential items such as food, household appliances and travel costs.
2. Partnership working is extremely important to us and every year we set aside funds for organisations that provide help, support, activities and events to our local communities. Over the past 12 months we gave out almost £7,500 in donations, with most going to charities that provide lifeline services across Midlothian and South Lanarkshire. During the year we made significant cash donations to:
 - The Midlothian Foodbank, run by the Trussel Trust, to help out over the always busy festive period
 - Midlothian Women's Aid
 - Mayfield-based youth charity Y2K
 - The Dalkeith Storehouse Christmas appeal
 - Clydesdale Foodbank to help our tenants in Lanarkshire
 - The Mayfield Pantry, supporting this invaluable service which is run by MAEDT (Mayfield and Easthouses Development Trust) as an alternative and more sustainable model to traditional foodbanks
 - Food Fact Friends, who run foodbanks in Penicuik and Woodburn
 - The Central Dalkeith and Woodburn Community Pantry
 - The Edinburgh and Lothians Trust Fund and Aberlour Children's Charity, organisations that directly help Melville tenants in financial trouble
3. We also continue to receive staff food donations at the Corn Exchange. These are distributed to food banks, pantries and other charities.
4. We have continued to distribute energy-efficient cooking devices (air fryers and slow cookers) to tenants identified by our housing team as being in particular need.
5. We organised and took part in a number of community drop-in sessions across Midlothian, with staff also giving up time when Melville is closed on Fridays, in order to be available for tenants who prefer in person contact.

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD (continued)

For the year ended 31 March 2025

OPERATING AND FINANCIAL REVIEW (continued)

Fundraising and supporting community organisations

1. We are often contacted by individuals and organisations seeking support for their community work. While we're not able to assist everyone, we aim to help where we can. Over the past year this has included making a number of donations totalling almost £1,500. During the year we:
 - made a donation of £500 to a youth football club in Rosewell to help buy new equipment
 - paid for new strips for Easthouses FC with a £500 donation
 - provided £300 to the Mayfield and Easthouses Christmas Lights appeal
2. We also continue to work closely with Y2K, the Mayfield-based charity that provides vital services for young people in the local area. Throughout the year we continued to promote and support their work as well as:
 - making donations totalling **£1,250**
 - providing ongoing admin support to help keep down costs
3. We donated kitchen appliances to the new Mayfield Pavilion kitchen, currently under development, as part of our continuing close and mutually-beneficial relationship with MAEDT.
4. We were closely involved in helping contractors carry out voluntary work supporting community organisations such as Midlothian Women's Aid, MAEDT and Y2K, as part of their wider role involvement.
5. We continue to promote the work of tenants, Board members, local charities and community groups through our social media channels and our Voice newsletter.
6. We are also aware of the important role we play as an anchor organisation in the local community and our meeting rooms are available to use either for free or at subsidised rates for local charities.

Delivering safer, more attractive and more sustainable communities

1. We continue to work with partners to save tenants money and help the environment by distributing household appliances rescued from house clearances by Nugen. Otherwise destined for landfill, these fully working appliances, which have included fridge freezers, microwave ovens and washing machines, were collected and electrically tested by Melville before being found new homes and then delivered to tenants by the Midlothian Community Payback team.
2. We also continue to work with contractors to provide no-cost flooring. Since the project began, we have helped more than 100 households and saved more than 11,000 tiles from landfill. This equates to savings for tenants of approximately £20,000.
3. Working with repairs contractors to take excess paint and distribute it to tenants, free of charge.
4. Encouraging recycling and more sustainable living through our Voice newsletter and in the office to Melville staff.
5. Recognising the hard work of tenants who look after their gardens and keep local neighbourhoods looking attractive through our annual garden competition, open to all tenants and members of their households.
6. Continuing to work with Scottish Fire and Rescue to promote fire safety, with a particular emphasis on common stairs.

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD (continued)

For the year ended 31 March 2025

OPERATING AND FINANCIAL REVIEW (continued)

Digital support, skills and employability

1. Continuing to promote and support the development of digital skills among staff, tenants and Board members.
2. Providing the offer of regular work experience placements for local high school pupils.

Health awareness

1. Appointing two new Melville Mental Health First Aid Ambassadors, trained to:
 - Recognise the signs and symptoms of mental ill-health
 - Support colleagues experiencing mental ill-health
 - Understand and implement strategies to improve workplace well-being.
2. Continuing to provide, support and maintain a public access defibrillator as part of a local life-saving network.
3. Promoting better physical and mental health through our Voice newsletter and online.

GOVERNANCE AND STAFFING

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 elected 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. The Board and executive officers of the Association are listed on page 1.

In line with the Scottish Housing Regulator's Regulatory Framework, the Board will continue to develop and strengthen its governance role, including when appropriate recruiting new members to add to the range of skills on the Board.

New Board members receive formal induction training to develop their knowledge and understanding of their role to help them to participate effectively in the performance of their duties, and all members are encouraged to attend relevant conferences and training events. All members receive an annual appraisal and skills audit, where combined 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.

The Board meets at least annually to consider and update (where necessary) the strategic direction of the organisation. During this time, the Board also receives updates and training on governance matters.

Melville greatly appreciates the effort of all of our Board members for their time, commitment and enthusiasm in helping the Association achieve its aims and objectives.

Staffing

At the end of the financial year we employed 32 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 and individual training and supporting staff to attain relevant professional qualifications.

All staff, including key management personnel are remunerated based on job grades which have been independently appraised.

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD (continued)

For the year ended 31 March 2025

FUTURE DEVELOPMENTS

Welfare Reform

49% of our tenants are in receipt of direct housing payments making up 40% of our income.

Therefore, the application of Universal Credit and the direct payment of housing costs to tenants continues to impact on our communities and the services we provide.

We will therefore continue to monitor our tenancy sustainment, arrears, bad debts and cash flow as we all continue to manage the cost of living crisis.

Development plans and opportunities

During the year, we completed 39 properties in Mayfield with Lovell Partnerships. In the coming financial year, we expect to begin work on a 28 unit mid-market development on the site of the old Newbattle High School. As at year end, this is subject to final tender costs being agreed and confirmation of both grant and loan funding.

We continually review our plans to develop further properties over the next 3-5 years and will examine whether we can secure additional loan finance, as required, to allow further projects to proceed. We consider future inflation expectations while constantly reassessing feasibility studies for such future developments to ensure that the increased costs do not detrimentally impact our 30-year plan or funding requirements.

The housing market, particularly in Midlothian, continues to remain buoyant with an increase of 31% in the population anticipated between 2021 and 2041. Melville remains well placed to assist with the delivery of much needed affordable housing.

Environmental impact

We are passionate about developing our sustainability strategy to contribute to the net-zero target for Scotland by 2045. This will include setting a definition or base-line for a net-zero property, gathering data on all of our properties to measure performance against that base line, addressing any issues with the fabric of our properties, and ensuring the use of homes is optimised providing advice to tenants on energy usage, smart meters and utility switching. We will also research the requirements to ensure all new build properties are built to net-zero standards. We will continue with our influencing strategies on food waste and energy usage.

We currently support this agenda with salary sacrifice for electric car vehicles and the bike to work scheme alongside the other initiatives mentioned earlier.

30th Anniversary Celebration

This coming year marks the 30th anniversary of Melville Housing Association. We are proud to celebrate three decades of providing quality housing and services. As part of this milestone, we plan to give back to the local communities that have supported us over the years, with a particular focus on our tenants, whose continued trust and support have been central to our success.

CREDIT PAYMENT POLICY

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 (continued)

For the year ended 31 March 2025

FUTURE DEVELOPMENTS (continued)

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. The cost of these repairs will be charged to the statement of comprehensive income.

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 is 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 2025 the Lothian Pension Scheme actuary has informed the Association that its share of the pension surplus amounts to £5.3m (2024: £3.7m), however, in line with accounting requirements, it is not permitted to recognise a pension asset of this nature and therefore the asset/liability is recorded at £nil.

Revaluation Reserve

All of Melville's housing properties in ownership as at 31 March 2024 were re-valued at that date by Jones Lang LaSalle (JLL) and changes in value were shown in the revaluation reserve. 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 statement of comprehensive income. Where these deficits are reversed in subsequent revaluations, those surpluses are also recognised. Our next housing stock revaluation will be in March 2027.

Reserves Policy

Melville has a history of reinvesting any surpluses in improving and growing its housing stock. This means the majority of its reserves are tied up in property and not available as cash. The Association maintains a level of cash adequate to meet the day to day needs of the business.

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 quarterly 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.

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD (continued)

For the year ended 31 March 2025

SURPLUS FOR THE YEAR AND TRANSFERS

The results for the Group are shown in the statement of comprehensive income on page 17. Total comprehensive income for the year is £5.8m (2024: £1.3m) comprising surplus of £6.1m (2024: £1.6m) plus actuarial gain in respect of pension schemes of £5.1m (2024: £3.4m) less restriction of not recognising the asset by £5.3m (2024: £3.7m). The Group Revenue Reserve at 31 March 2025 increased by £5.8m to £68.3m (2024: £62.4m), the increase representing the surplus for the year of £6.1m less £0.2m transfer from the Pension Reserve. Total reserves increased by £5.8m (2024: increase £1.3m) to £68.3m (2024: £62.4m). Our subsidiary company, Ironmills Developments Limited, returned an operating surplus of £4.8k (after which gift aid of £4.8k will be made to the Association) during the year to 31 March 2025 (2024: operating surplus of £5.7k, after which gift aid of £5.7k was made to the Association).

KEY RISKS

The Association regularly reviews and assesses the risks faced by the organisation in all areas of its works. The Association uses a risk register to record identified risks and these are reviewed regularly, and action taken as appropriate.

Key risk themes identified are:

- Long term cost of living crisis impact on our communities, our staff and our finances – a continued focus on our tenants with continued training provided to housing staff to ensure guidance can be provided on financial support for our tenants; this in addition to our two welfare benefit advisors
- Impact of increased inflation on tenants, our staffing costs and development costs – we will continue to monitor the longer-term impact on rent arrears, review our staffing costs while maintaining the lowest possible rent increase for tenants and continually refresh our financial appraisals for development works in line with rising costs.
- Tenant safety (gas inspections and air quality of homes) – annual gas inspections are completed, and action is taken quickly to address any air quality issues.
- Impact of welfare reform – we continue to monitor our tenancy sustainment, arrears, bad debts and cash flow
- Loss of key staff/board experience – management restructuring to improve resilience and support for senior team and ongoing monitoring of Board recruitment needs and Board development with developed succession planning.
- Maintaining a high-quality customer excellence service – see sections above on how we delivered our corporate strategy aims
- IT and cyber security – we provide our staff with regular training and advice on IT security and cyber awareness.
- Funding Uncertainty in relation to Net Zero and Decarbonisation requirements – we continue to monitor net zero requirements and funding opportunities.

The Board is satisfied that adequate policies, procedures and controls are in place to mitigate these risks as far as possible.

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD (continued)

For the year ended 31 March 2025

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



13 August 2025

Secretary

The Corn Exchange, 200 High Street, Dalkeith, Midlothian, EH22 1AZ

MELVILLE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD (continued)

For the year ended 31 March 2025

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.

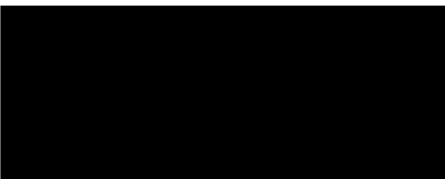
In preparing these financial statements, the Board is required to:

- 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 – 2024. 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



Secretary

13 August 2025

MELVILLE HOUSING ASSOCIATION LIMITED

STATEMENT ON INTERNAL FINANCIAL CONTROL

The year ended 31 March 2025

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.

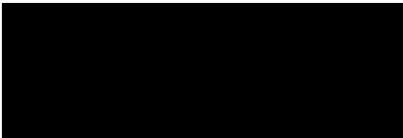
It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's systems include ensuring that:

- 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 external 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 2025, 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



Secretary

13 August 2025

Opinion

We have audited the consolidated financial statements of Melville Housing Association Limited (the 'Association') for the year ended 31 March 2025 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the Consolidated and Association Statement of Changes in Reserves, the Consolidated and Association Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's and the Group's affairs as at 31 March 2025 and of the Association's and the Group's 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 – 2024.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014, 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.

Responsibilities of the Board

As explained more fully in the Statement of the Board's Responsibilities set out on page 11, the Board members (who are also the Trustees of the Association for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

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

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Association operates in and how the Association is complying with the legal and regulatory frameworks;
- inquired of management and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

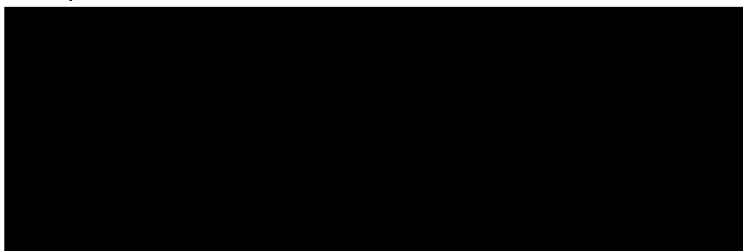
As a result of these procedures, we consider that the most significant laws and regulations that have a direct impact on the financial statements were, but not limited to, FRS 102, Housing SORP 2018, the Scottish Housing Regulator's Determination of Accounting Requirements 2024, the Co-operative and Community Benefit Societies Act 2014 and the Housing (Scotland Act) 2010. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures against the requirements of the relevant financial reporting standards.

We also performed audit procedures to inquire of management, and those charged with governance whether the Association is in compliance with these laws and regulations, inspected correspondence with regulatory authorities including mandatory submissions to the Regulator, reviewed minutes of meetings of the Board and relevant sub-committees, and reviewed available online information.

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

Use of our report

This report is made solely to the Association's members as a body, in accordance with Part 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 and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.



18 September 2025

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

CT:

In addition to our audit of the Financial Statements, we have reviewed your statement on page 12 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.

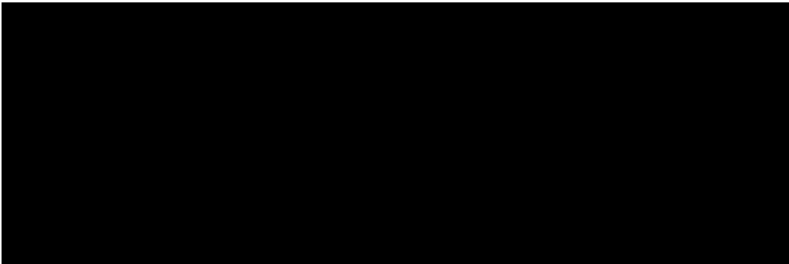
Basis of Opinion

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 12 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 Group 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.



18 September 2025

MELVILLE HOUSING ASSOCIATION LIMITED

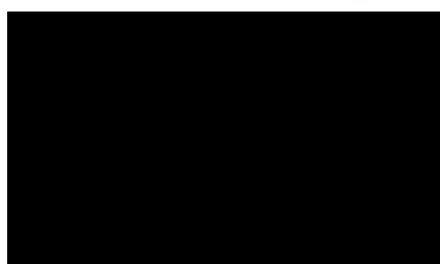
CONSOLIDATED and ASSOCIATION STATEMENTS of COMPREHENSIVE INCOME

Year ended 31 March 2025

		Group		Association	
	Note	2025	2024	2025	2024
		£'000	£'000	£'000	£'000
TURNOVER	3	14,879	11,142	14,879	11,142
Operating costs – general	3	(7,815)	(6,747)	(7,815)	(6,747)
OPERATING SURPLUS	3	7,064	4,395	7,064	4,395
Profit on disposal of fixed assets		-	-	-	-
Interest receivable		95	175	95	175
Interest payable and financing costs	6	(1,737)	(1,779)	(1,737)	(1,779)
OPERATING SURPLUS after profit on disposal of fixed assets and interest payable & receivable		5,422	2,791	5,422	2,791
Movement in fair value of financial instruments		657	613	657	613
Loss on revaluation of social housing	8	-	(1,813)	-	(1,813)
SURPLUS BEFORE TAX		6,079	1,591	6,079	1,591
Taxation	7	-	-	-	-
SURPLUS FOR THE YEAR		6,079	1,591	6,079	1,591
Actuarial gain/(loss) in respect of pension schemes	17	(250)	(245)	(250)	(245)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,829	1,346	5,829	1,346

All results derive from continuing activities.

The financial statements were approved and authorised for issue by the Board on 13 August 2025.



Chair

Vice Chair

Secretary

The notes on pages 22 to 36 form part of these financial statements.

MELVILLE HOUSING ASSOCIATION LIMITED

CONSOLIDATED and ASSOCIATION STATEMENTS of CHANGES IN RESERVES

Year ended 31 March 2025

	Share capital £'000	Revaluation reserve £'000	Revenue reserve £'000	Pension reserve £'000	Total reserves £'000	Restricted funds £'000	Unrestricted funds £'000
Balance at 1 April 2024	-	-	62,426	-	62,426	-	62,426
Surplus/(loss) for the year	-	-	6,079	(250)	5,829	-	5,829
Transfer from pensions reserve to revenue reserve	-	-	(250)	250	-	-	-
Balance at 31 March 2025	-	-	68,255	-	68,255	-	68,255

The notes on pages 22 to 36 form part of these financial statements.

MELVILLE HOUSING ASSOCIATION LIMITED

CONSOLIDATED and ASSOCIATION STATEMENTS of FINANCIAL POSITION

at 31 March 2025

		Group		Association	
	Note	2025	2024	2025	2024
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Social housing properties	8	94,288	92,021	94,288	92,021
Other tangible fixed assets	8	3,453	3,554	3,453	3,554
		<u>97,741</u>	<u>95,575</u>	<u>97,741</u>	<u>95,575</u>
CURRENT ASSETS					
Trade and other debtors	10	330	308	335	313
Cash and cash equivalents		3,684	7,010	3,679	7,005
		<u>4,014</u>	<u>7,318</u>	<u>4,014</u>	<u>7,318</u>
CREDITORS: Amounts falling due within one year	11	<u>(3,922)</u>	<u>(8,274)</u>	<u>(3,922)</u>	<u>(8,274)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>92</u>	<u>(956)</u>	<u>92</u>	<u>(956)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>97,833</u>	<u>94,619</u>	<u>97,833</u>	<u>94,619</u>
CREDITORS: Amounts falling due after more than one year	12	<u>(29,578)</u>	<u>(32,193)</u>	<u>(29,578)</u>	<u>(32,193)</u>
PROVISIONS FOR LIABILITIES					
Pension liability	17	-	-	-	-
NET ASSETS		<u>68,255</u>	<u>62,426</u>	<u>68,255</u>	<u>62,426</u>
CAPITAL AND RESERVES					
Share capital	13	-	-	-	-
Revenue reserve		68,255	62,426	68,255	62,426
Restricted reserve		-	-	-	-
Pension reserve		-	-	-	-
		<u>68,255</u>	<u>62,426</u>	<u>68,255</u>	<u>62,426</u>

The financial statements were approved and authorised for issue by the Board on 13 August 2025.



Chair

Vice Chair

Secretary

The notes on pages 22 to 36 form part of these financial statements.

MELVILLE HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT of CASH FLOWS

Year ended 31 March 2025

		Group		Association	
	Note	2025	2024	2025	2024
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	i	4,449	5,645	4,449	5,645
Cash flow from investing activities					
Purchase of tangible fixed assets		(4,044)	(7,832)	(4,044)	(7,832)
Proceeds from sale of tangible fixed assets		-	-	-	-
Grants received		-	4,408	-	4,408
Interest received		95	175	95	175
		(3,949)	(3,249)	(3,949)	(3,249)
Cash flow from financing activities					
Interest paid		(1,920)	(1,989)	(1,920)	(1,989)
Loan draw down		-	5,500	-	5,500
Repayments of borrowings		(1,956)	(1,774)	(1,956)	(1,774)
		(3,876)	1,737	(3,876)	1,737
Net change in cash and cash equivalents		(3,326)	4,133	(3,326)	4,133
Cash and cash equivalents at beginning of the year		7,010	2,877	7,010	2,872
Cash and cash equivalents at end of the year		3,684	7,010	3,679	7,005
Components of cash and cash equivalents					
Cash at bank and in hand		165	1,436	160	1,431
Short term deposits		3,519	5,574	3,519	5,574
		3,684	7,010	3,679	7,005

The notes on page 21 form part of the statement of cash flows.

The notes on pages 22 to 36 form part of these financial statements.

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the STATEMENT of CASH FLOWS

Year ended 31 March 2025

i CASHFLOW FROM OPERATING ACTIVITIES

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Surplus for the year	6,079	1,591	6,079	1,591
Adjustments for non-cash items:				
Depreciation for tangible fixed assets	1,832	1,809	1,832	1,809
(Increase)/decrease in trade and other debtors	(22)	9	(22)	9
(Decrease)/increase in trade and other creditors	(409)	413	(409)	413
Movement in fair value of financial instruments	(657)	(613)	(657)	(613)
(Decrease)/increase in pension provision	(70)	(38)	(70)	(38)
Net interest cost on defined pension benefit	(180)	(207)	(180)	(207)
Carrying amount of tangible fixed asset disposals	44	61	44	61
Loss on revaluation of social housing	-	1,813	-	1,813
	538	3,247	538	3,247
Adjustments for investing or financing activities:				
Government grants written back/(utilised) in the year	(3,943)	(1,007)	(3,943)	(1,007)
Interest payable	1,920	1,989	1,920	1,989
Interest received	(95)	(175)	(95)	(175)
	(2,118)	807	(2,118)	807
Net cash generated from operating activities	4,499	5,645	4,499	5,645

ANALYSIS OF CHANGES IN NET DEBT

Group	2024	Cash flows	Non-cash changes	2025
	£'000	£'000	£'000	£'000
Long-term borrowings	30,224	-	(1,956)	28,268
Short-term borrowings	1,793	(1,956)	2,130	1,967
Total liabilities	32,017	(1,956)	174	30,235
Cash and cash equivalents	(7,010)	3,326	-	(3,684)
Total net debt	25,007	1,370	174	26,551
Association	2024	Cash flows	Non-cash changes	2025
	£'000	£'000	£'000	£'000
Long-term borrowings	30,224	-	(1,956)	28,268
Short-term borrowings	1,793	(1,956)	2,130	1,967
Total liabilities	32,017	(1,956)	174	30,235
Cash and cash equivalents	(7,005)	3,326	-	(3,679)
Total net debt	25,012	1,370	174	26,556

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS

Year ended 31 March 2025

1 General Information

Melville Housing Association Limited is registered under the Co-operative and Community Benefit Societies Act 2014 and is a social landlord registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010. The principal activity is the provision and management of affordable rented accommodation. The registered office is The Corn Exchange, 200 High Street, Dalkeith, EH22 1AZ. The Association is a Public Benefit Entity.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

a) Accounting basis

The financial statements of the group and Association are prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), the Statement of Recommended Practice for Social Housing Providers 2018 and the Determination of Accounting Requirements – 2024. The financial statements have been prepared under the historic cost convention, modified to include certain items at fair value. There were no material departures from that standard.

b) Group financial statements - 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 2025. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 102.

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, which is stated net of value added tax, represents rental and service charge income receivable, fees receivable and 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 the Association's loan arrangements. Any material movements are adjusted through the statement of comprehensive income as appropriate.

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

Year ended 31 March 2025

1 General Information (continued)

f) Fixed Assets (continued)

Housing properties under construction are reclassified as housing properties held for letting when available for let.

Social Housing 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 statement of comprehensive income.

Other fixed assets are initially stated at cost.

g) Depreciation

Housing properties under construction are stated at cost and are not depreciated.

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.

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	20 years

Impairment reviews are carried out where there is considered to be an indicator of impairment, in accordance with Financial Reporting Standard 102.

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 statement of comprehensive income.

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

Year ended 31 March 2025

2 Accounting Policies (continued)

g) Depreciation (continued)

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 Ventilation System	- over 10 years
Office fixtures, fittings and equipment	- over 3 to 10 years

Additions to non-housing fixed assets with a value less than £250 are expensed.

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

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 22.

Where HAG received contributes to the capital cost of housing property, which is held at valuation, it is recognised as income in the statement of comprehensive income when new build properties are completed or the capital work is carried out. HAG receivable is held as deferred income on the statement of financial position until performance conditions are satisfied.

Grant funding received in respect of revenue expenditure is recognised as income in the period it relates to.

HAG and other grants are repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale. Any grant that is repayable is accounted for as a liability on disposal of the property. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the HAG, the potential future obligation to repay is disclosed as a contingent liability.

i) Pensions

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

j) 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 102, where applicable, the deficit is disclosed on the face of the statement of financial position.

k) Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income as they are incurred.

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

Year ended 31 March 2025

2 Accounting Policies (continued)

l) Financial Instruments

Loan finance provided to the Association are for the purposes of FRS102 defined as basic financial instruments and measured at amortised cost. The Association has entered into variable to fixed interest rate swap contracts in respect of these loans to manage its exposure to interest rate cash flow risk on its variable debt. These derivatives are measured at fair value at each reporting date. Changes in the fair value of the derivatives are recognised in the statement of comprehensive income.

m) Significant accounting judgements and estimates

Preparation of the financial statements requires significant judgements and estimates to be made at times. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required, or as appropriate to other factors. The following are the areas in which significant accounting judgements and estimates are considered to exist:

- (i) Valuation of property, plant and equipment (fixed assets)
- (ii) Useful lives of property, plant and equipment (fixed assets)
- (iii) The main components of housing properties and their useful lives
- (iv) Recoverable amount of rental and other trade receivables (debtors)
- (v) The obligations under the Association's defined benefit pension scheme
- (vi) The measurement of the recoverable amount of assets for impairment reviews and the calculation of depreciated replacement cost
- (vii) Valuation of the Association's interest rate swaps

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

	GROUP				ASSOCIATION			
	Turnover £'000	Operating Costs £'000	Operating Surplus/ (deficit) 2025 £'000	Operating Surplus 2024 £'000	Turnover £'000	Operating Costs £'000	Operating Surplus/ (deficit) 2025 £'000	Operating Surplus 2024 £'000
Affordable letting activities (Note 4)	14,754	(7,708)	7,046	4,380	14,754	(7,708)	7,046	4,380
Other activities (Note 5)	125	(107)	18	15	125	(107)	18	15
Total	14,879	(7,815)	7,064	4,395	14,879	(7,815)	7,064	4,395
Total for previous reporting period	11,142	(6,757)	4,395		11,142	(6,747)	4,395	

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

Year ended 31 March 2025

4. Particulars of turnover, operating costs and operating surplus or deficit from affordable letting activities – Association

	2025 £'000	2024 £'000
Rent receivable net of service charges	10,677	9,862
Service charges	79	69
Gross income from rents and service charges	10,756	9,931
Less voids	(27)	(25)
Net income from rents and service charges	10,729	9,906
Grants released from deferred income (see note 11)	3,943	1,007
Revenue grants from Scottish Ministers	46	84
Other revenue grants	36	54
Total turnover from affordable letting activities	14,754	11,051
Management and maintenance administration costs before increase in pension provision	3,078	2,711
Decrease in pension provision	(70)	(38)
Management and maintenance administration costs after increase in pension provision	3,008	2,673
Planned and cyclical maintenance including major repairs costs	1,098	810
Reactive maintenance costs	1,757	1,364
	2,855	2,174
Service costs	69	58
Bad debts – rents and service charges	5	2
Depreciation of social housing	1,771	1,764
Operating costs for affordable letting activities	7,708	6,671
Operating surplus for affordable letting activities	7,046	4,380

All income is derived from General Needs housing provision.

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

Year ended 31 March 2025

5. 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) 2025 £'000
Other activities	-	-	125	125	-	107	18
Total from other activities for the current reporting period	-	-	125	125	-	107	18
Total from other activities for the previous reporting period	-	-	91	91	-	76	15

Particulars of Turnover, operating costs and operating surplus or deficit from other activities – Group

	Grants from Scottish Ministers £'000	Other Revenue Grants £'000	Other income £'000	Total Turnover £'000	Operating costs – bad debts £'000	Other Operating costs £'000	Operating surplus or (deficit) 2025 £'000
Other activities	-	-	125	125	-	107	18
Total from other activities for the current reporting period	-	-	125	125	-	107	18
Total from other activities for the previous reporting period	-	-	91	91	-	76	15

Association – Other income of £75k was generated from a management and lease agreement with Ironmills Development Ltd. £32k relates to income from the pay less notice condition of our contract with Lovell Partnerships where handover dates were not met. A gift aided donation of £5k was also received from Ironmills. Further trading income of £13k was generated from the lease of commercial office space to a third party.

Group – Other income of £80k was generated from the rental of 11 mid market rent units managed by Ironmills. Other income of £45k as above.

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

Year ended 31 March 2025

6 Interest Payable and Similar Charges

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
On loans partly repayable after five years	1,917	1,986	1,917	1,986
Net interest costs in respect of defined benefit pension scheme (see note 17)	(180)	(207)	(180)	(207)
	<u>1,737</u>	<u>1,779</u>	<u>1,737</u>	<u>1,779</u>

7 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 and a charge of £nil has arisen in respect of the period to 31 March 2025.

8 Tangible Fixed Assets – Association and Group

	Housing Properties Held for Letting £'000	Development Programme £'000	Total Housing Properties £'000	Office Buildings £'000	Office Fixtures Fittings & Equipment £'000	Total £'000
Cost/valuation						
At 1 April 2024	86,474	5,547	92,021	3,839	853	96,713
Additions	1,783	2,256	4,039	-	5	4,044
Transfers	7,059	(7,059)	-	-	-	-
Disposals	(48)	-	(48)	-	-	(48)
Loss on revaluation	-	-	-	-	-	-
At 31 March 2025	<u>95,268</u>	<u>744</u>	<u>96,012</u>	<u>3,839</u>	<u>858</u>	<u>100,709</u>
Depreciation						
At 1 April 2024	-	-	-	450	688	1,138
Provided in year	1,726	-	1,726	56	50	1,832
Disposals	(2)	-	(2)	-	-	(2)
Revaluation adjustment	-	-	-	-	-	-
At 31 March 2025	<u>1,724</u>	<u>-</u>	<u>1,724</u>	<u>506</u>	<u>738</u>	<u>2,968</u>
Net book value						
At 31 March 2025	<u>93,544</u>	<u>744</u>	<u>94,288</u>	<u>3,333</u>	<u>120</u>	<u>97,741</u>
At 31 March 2024	<u>86,474</u>	<u>5,547</u>	<u>92,021</u>	<u>3,389</u>	<u>165</u>	<u>95,575</u>

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

Year ended 31 March 2025

8 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 2025 at £880k (2024: £880k).

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

All Housing properties held for letting as at the 31 March 2025 (except for those developed since 1 April 2024) were valued by an external valuer as at 31 March 2024 in accordance with our Accounting Policies (see note 1f).

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 2024 valuation the assumed real discount rate was between 5.75% and 7.0% across all stock.

During the year we have completed and capitalised 39 properties for rent and these are carried at cost which the Board consider is not materially different to valuation. The next full stock valuation is planned to be carried out in 2027.

The historic cost for all housing stock properties at 31 March 2025 was £124,384,221 (2024: £115,543,097).

Historic Scotland holds a standard security over a historic building carried at a value of £3,334,000 (2024: £3,389,000) within office buildings in respect of their grant funding.

Works to existing properties during the year comprised of the following:	2025	2024
	£'000	£'000
Charged to income and expenditure (Note 4)	2,855	2,173
Capitalised - Replacement of components and improvements	1,783	1,899
Total	<u>4,638</u>	<u>4,072</u>

9 Investments

The Association owns one share in Ironmills Developments Limited at a cost of £1 (2024: £1).

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

Year ended 31 March 2025

10 Debtors

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Gross rental debtors	237	243	237	243
Less bad debt provision	(132)	(139)	(132)	(139)
	105	104	105	104
Due from subsidiary company	-	-	5	6
Other debtors	193	218	193	217
Less bad debt provision	(78)	(87)	(78)	(87)
Prepayments and accrued income	110	73	110	73
	330	308	335	313

11 Creditors: Amounts falling due within one year

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Trade creditors	190	685	190	685
Other taxes and social security costs	39	35	39	35
Loans payable within one year	1,967	1,967	1,967	1,967
Accruals	865	843	865	843
Deferred income	465	4,408	465	4,408
Rents in advance	396	336	396	336
	3,922	8,274	3,922	8,274

	HAG	
	2025	2024
	£'000	£'000
Deferred income – Group and Association		
Deferred income at 1 April 2024	4,408	1,007
Additional income received	-	4,408
Released to statement of comprehensive income	(3,943)	(1,007)
Deferred income at 31 March 2025	465	4,408
Deferred income to be released to the statement of comprehensive income – Group and Association	2025	2024
	£'000	£'000
In less than one year	465	4,408
In more than one year	-	-
	465	4,408

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

Year ended 31 March 2025

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

Group and Association	2025 £'000	2024 £'000
Housing property loans not wholly repayable within five years	28,257	30,224
Housing property loans are repayable in instalments:		
Between one year and two years	2,165	1,967
Between two years and five years	9,414	9,872
After five years	16,678	18,385
	28,257	30,224
Less unamortised loan issue expenses	(82)	(91)
	28,175	30,133
Deferred income (note 11)	-	-
Derivative financial instruments (note 21)	1,403	2,060
	29,578	32,193

Housing property loans are secured with RBS plc by a standard security over the Association's property. The loans are repayable by annual instalments which commenced on 6 January 2013 on £3.83m, on 31 August 2016 on £7m, on 15 October 2023 on £16.6m and will commence on 15 October 2026 on £3m. Interest is currently charged quarterly on variable rate loans at SONIA plus mandatory costs and margins with a range between 0.25% and 2%.

Interest rate swap contracts have been entered into 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.

Included in creditors are non interest bearing loans of £262k which were received from the Energy Savings Trust to fund external wall insulation (EWI) and heating replacement programmes in Easthouses and Penicuik. These loans are repayable in equal monthly instalments over 10 years. We have estimated that the fair value of these loans is £278k (2024: £345k).

13 Share Capital

	Association 2025 £	2024 £
Shares of £1 each		
At 1 April 2024	49	49
Issued in year	1	5
Cancelled in year	(4)	(5)
At 31 March 2025	46	49

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

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

Year ended 31 March 2025

14 Unit Numbers

	Association	
	2025 No.	2024 No.
General Needs	2,124	2085
Leased Properties	9	10
Mid-market rent	11	11
	<u>2,144</u>	<u>2,106</u>

15 Employees

	2025 £'000	2024 £'000
Staff costs during year		
Wages and salaries	1,484	1,271
Social security costs	163	139
Other pension costs	338	293
	<u>1,985</u>	<u>1,703</u>

	No.	No.
The average number of staff employed by the Association during the year were	<u>33</u>	<u>31</u>

	No.	No.
The average full time equivalent number of persons employed by the Association during the year were	<u>31</u>	<u>30</u>

Key management personnel 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 and who have authority and responsibility for directing and controlling the activities of the Association. Details are as follows:

	2025 £	2024 £
Aggregate emoluments, excluding pension contributions, payable to key management personnel	183,288	143,401
Pension contributions payable to key management personnel	43,361	33,665
Total emoluments	<u>226,649</u>	<u>177,066</u>

The number of key management personnel whose emoluments were above £60,000 for the year was:

	2025 No.	2024 No.
£120,000 to £130,000*	1	1
£110,000 to £120,000*	-	-
£100,000 to £110,000*	-	-
£90,000 to £100,000*	1	-
£80,000 to £90,000*	-	-

* The bands presented include pension contributions

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

Year ended 31 March 2025

15 Employees (continued)

The emoluments of the Chief Executive, excluding pension contributions, were as follows:

	2025 £	2024 £
Aggregate emoluments, excluding pension contributions	103,832	98,584
Pension contributions	24,585	23,193
Total emoluments	128,417	121,777

The Chief Executive is an ordinary member of the Association's pension scheme described in note 17. No enhanced or special terms apply to his membership and he has no other pension arrangements to which the Association contributes.

	2025 £	2024 £
Total expenses reimbursed insofar as not chargeable to UK Income Tax:		
Chief Executive	97	221
Board	1,396	258

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

16 Auditor's Remuneration

	2025 £	2024 £
The remuneration of the auditors (including expenses and VAT for the year) was as follows:		
Audit services	16,764	15,240
Non-audit services	550	1,056
	17,314	16,296

17 Pension Obligations

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

The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the Board on the advice of the actuaries. In the intervening years the actuaries review the progress of the scheme and prepare an interim valuation for the purposes of reporting under FRS 102 as at the end of March.

The performance of the scheme has been reported under FRS 102 as amended, based on the latest available report dated 11 June 2025.

Principal actuarial assumptions at the balance sheet date:

	2025 % p.a.	2024 % p.a.	2023 % p.a.
Discount rate	5.80	4.85	4.75
Future salary increases	3.45	3.45	3.45
Future pension increases	2.75	2.75	2.95
The expected return on assets	5.82	4.86	4.77

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

Year ended 31 March 2025

17 Pension Obligations (continued)

The total pension charge for the year was £338,036. At 31 March 2025, £35,873 was due to be paid over to the pension scheme (2024: £32,431). The agreed employer contribution rate from 1 April 2025 is 23.7% (2024 23.7%).

Changes in the fair value of plan assets, defined benefit obligation and net liability

			Year ended 31 March 2025	Year ended 31 March 2024
	Assets £'000	Obligations £'000	Net liability £'000	Net liability £'000
Fair value of employer assets	9,728	-	9,728	8,627
Present value of funded liabilities	-	9,728	(9,728)	(8,627)
Opening Position as at 31 March 2024	9,728	9,728	-	-
Service cost				
Current service cost	-	268	(268)	(255)
Past service cost (including curtailments)	-	-	-	-
Total Service Cost		268	(268)	(255)
Net Interest				
Interest income on plan assets	652	-	652	618
Interest cost on defined benefit obligation	-	472	(472)	(411)
Total net interest	652	472	180	207
Total defined benefit cost recognised in income and expenditure	652	740	(88)	(48)
Cash flows				
Plan participants contributions	96	96	-	-
Employer contributions	338	-	338	293
Benefits paid	(340)	(340)	-	-
Expected closing position	10,474	10,224	250	245
Re-measurements (actuarial losses)				
Changes in demographic assumptions	-	(16)	16	231
Changes in financial assumptions	-	(1,560)	1,560	546
Other experience	-	(97)	97	(1,857)
Return on assets excluding amounts included in net interest	(280)	-	(280)	178
Adjustment for amounts not recognised in balance sheet	(1,643)	-	(1,643)	(657)
Total re-measurements recognised in Other Comprehensive Income	(1,923)	(1,673)	(250)	(245)
Fair value of plan assets	8,551	-	8,551	9,728
Present value of funded liabilities	-	8,551	(8,551)	(9,728)
Closing position as at 31 March 2025	8,551	8,551	-	-

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

Year ended 31 March 2025

17 Pension Obligations (continued)

Changes in the fair value of plan assets, defined benefit obligation and net liability (continued)

The group expects to contribute £356,000 to its defined benefit pension plans in 2025/26.

	2025 %	2024 %
The major categories of plan assets as a percentage of stated plan assets are as follows:		
Equities	69	71
Bonds	19	17
Property	8	8
Cash	4	4

18 Capital Commitments

As at 31 March 2025, the Association had the following capital commitments:

	2025 £'000	2024 £'000
Contracted for less certified*	-	2,121

* Funded by Housing Association Grants and loan finance.

19 Other Financial Commitments

At 31 March 2025, the Group and Association had total commitments under non-cancellable operating leases as detailed below:

	Operating leases	
	2025 £'000	2024 £'000
Leases expiring:		
within 1 year	3	3
within two to five years	2	6

MELVILLE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

Year ended 31 March 2025

20 Related Party Transactions and subsidiary company

During the year, four members of the Board rented property from the Association on standard terms, as applicable to all tenants. The members are not able to use their position to their advantage. Income received during the year amounted to £15,107 (2024: £18,938). At the year end there were no amounts owing to Melville from these members.

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 £49,368) to be rented out at Mid Market rents. The Association also charged Ironmills £25,484 in respect of management of these properties.

During the year, Ironmills agreed to gift aid surpluses of £4,818 (2024: £5,652) to the Association and this payment was outstanding as at 31 March 2025.

21 Derivative financial instruments

Derivative financial instruments comprise interest rate swaps which are measured at fair value as provided by the Association's lender RBS plc, and as set out in note 12.

22 Contingent liabilities

Housing Association Grants (HAG) received in respect of all properties owned at 31 March 2025 amounted to £45,626,000 (2024: £45,626,000). HAG remains legally repayable to the Scottish Government in certain circumstances.

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.