

LOGGED STATUTORY ✓



**WAVERLEY HOUSING**  
(A Company Limited by Guarantee)

**REPORT AND FINANCIAL STATEMENTS**  
for the year ended 31 March 2010

Company No. SC115066

Charity No. SC026231


R.S.L No. 327



WAVERLEY HOUSING  
(A Company Limited by Guarantee)

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WAVERLEY HOUSING  
(A Company Limited by Guarantee)

COMPANY INFORMATION

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COMPANY NUMBER: SC115066

R.S.L. NUMBER: 327

REGISTERED OFFICE: 27 North Bridge Street  
Hawick TD9 9BD

CHAIR: Margaret Spalding

DIRECTORS: Margaret Spalding  
William Robson  
Andrew Turnbull  
Peter Brown  
Cliff Nichols  
Ian Baxter  
Doreen Steele  
Rita Stenhouse  
David Thomson (Appointed – 30/06/09)  
Niall White (Appointed – 26/01/10)



CHIEF EXECUTIVE: Robert Johnson

COMPANY SECRETARY: Haddon & Turnbull, W.S.  
55 High Street  
Hawick TD9 9BP

BANKERS: The Royal Bank of Scotland  
Commercial Banking  
Borders Commercial Centre  
35 Bank Street  
Galashiels  
TD1 1EP

Barclays Commercial Bank  
Aurora  
First Floor  
120 Bothwell Street  
Glasgow  
G2 7JT



SOLICITORS: HBJ Gateley Wareing  
Exchange Tower  
19 Canning Street  
Edinburgh EH3 8EH

AUDITORS: Findlay & Company  
Chartered Accountants  
Registered Auditors  
11 Dudhope Terrace  
Dundee DD3 6TS

## REPORT OF THE DIRECTORS

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The Directors of Waverley Housing present their report and the audited financial statements for the year ended 31 March 2010.

### PRINCIPAL ACTIVITIES

Waverley Housing is a company limited by guarantee and is governed by its Memorandum and Articles of Association. Accordingly, the company does not have share capital. It is a registered charity and its principal activity is the provision of affordable social rented housing.

### KEY HEADLINES

Our success is influenced by factors operating in our internal and external environment. To continue to be successful we not only need to understand existing factors but also forecast change. It is important for any organisation to understand what drives its value, and in our case, it is:

- Doing what matters most to our customers.
- Investing in homes and communities.
- Making our business stronger for the future.

These factors support our organisational objectives and our performance management framework, and by focusing on these factors we will drive performance improvement in both the short term and the longer term.

Waverley Housing delivered the majority of the 2009/10 targets set in its Business Plan and maintained the philosophy behind the organisation's Mission Statement and Core Values.

We continue to recognise the importance of effective systems and controls and the need to maintain a sensitive and caring attitude towards our tenants, staff and all those with whom we work.

The key outputs for 2009/10 were:

- During the year we relet 160 of our properties which became vacant. The percentage of lost rent due to lettable voids against total rent due remained below our target of 2.3%, at 1.9%.
- Arrears at the year end were slightly above our target of 2.5%, at 2.9% of gross annual rent.
- Our Housing Officers achieved 96% settling in visits against a target of 95%.
- During the year we carried out 4,587 responsive repairs, with 96% being completed within target timescales - a significant improvement on the previous year.
- We commissioned a survey of all our properties so our Planned Maintenance Programme can be updated and resources targeted where they are most needed to ensure the requirements of the Scottish Housing Quality Standard are met by 2015.

REPORT OF THE DIRECTORS (continued)

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- 94% of our customers are satisfied with our overall level of performance.
- Tenant participation remained high on the agenda with Waverley Tenants Organisation (WTO) and our Tenant Opinion Panel continuing to grow in strength.
- The Company has recognised the value of partnerships and has continued to pursue arrangements with a variety of stakeholders, for example:
  - A new money advice service which aims to reduce poverty, improve financial inclusion and tenants' quality of life, improve access to information and money advice and adopt a preventative and comprehensive approach for tenants to manage their debt, has been developed in partnership with local Citizen Advice Bureaux.
  - Providing support to "Stable Life", a wider role project which supports and develops emotionally challenging young people through a difficult stage in their development by using a horse therapy programme.

#### WAVERLEY HOUSING BOARD AND STRUCTURE

The present membership of the board and those who have served during the year is set out on page 2.

The Board is responsible for the overall strategic direction of Waverley Housing. Key responsibilities are:

- Approval of the Business Plan, budget and any variations and amendments to same, together with other matters which fall within the strategic role of the Board;
- Defining and ensuring compliance with our values and objectives as a Registered Social Landlord;
- Establishing strategic plans and policies to achieve these objectives;
- Approving each year's financial statement;
- Establishing an appropriate framework of delegation, and systems of internal control;
- Taking key decisions on matters that will, or might, create significant risk, including approving any significant contractual arrangements.

In order that it can deliver its role effectively, the Board of Waverley Housing has delegated responsibility to the following Committees:

#### Remuneration Committee

Responsible for:

- Appointment and remuneration of Chief Executive and remuneration of Senior Managers.
- Making suitable arrangements for training and development of Board Members.
- Determining on behalf of the Board:
  - (a) any additional appointments to the establishment, and
  - (b) any reduction to the establishment through natural wastage or redundancy.
- Reviewing policies related to the above.

Audit and Internal Control Committee

Responsible for:

- Reviewing Waverley Housing's system of internal control and risk management system.
- Providing an overview of the internal and external audit functions.
- Scrutinising the financial statement.
- Monitoring the implementation of internal audit recommendations, external audit reports and management letters.
- Reviewing the Internal Audit Plan and scope of work.
- Reviewing policies related to the above.



Property Committee

Responsible for:

- The development of the policy framework for the management of maintenance and investment in the housing stock.
- Monitoring the selection and appointment of consultants, agents and contractors.
- Regeneration partnerships.
- Other investment strategies aimed at creating successful neighbourhoods and building asset value.
- Reviewing policies related to the above.

Emergency Committee

Responsible for:



- Emergency decisions required on matters which do not fall within the scope of delegated powers or company policy and for which it is inappropriate to defer to an alternative meeting cycle.
- Emergency action required for the temporary continuation of business.
- Considering the matters surrounding the death or serious injury of a member or members of staff caused through injury at work.

**EMPLOYEE POLICIES**

The Board places great emphasis on the importance of improving services to tenants and other customers. The contribution of all employees to this objective is crucial. Accordingly, we have continued to enhance our training and development programme for all staff. Waverley Housing communicates regularly with employees on matters concerning our objectives, progress and activities as well as health, safety and welfare policies. This happens through training courses, regular briefings and team meetings.

Waverley Housing remains committed to the principle of equal opportunity and to ensuring that no applicant for employment or employee receives less favourable treatment on the grounds of gender, race, age, colour, nationality, religion, HIV status, disability or sexuality.

REPORT OF THE DIRECTORS (continued)


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## TENANT PARTICIPATION

Waverley Housing sees tenant participation as a key strength of our organisation. Our Tenant Participation Officer (TPO) carries out regular tenant consultation through surveys, questionnaires, publications and meetings. The TPO networks with other registered tenants' organisations throughout the Borders.

## HEALTH & SAFETY

The health and safety of tenants and staff is a key concern for our Board. We have established a health and safety forum to give advice on policy and to carry out inspections and investigations when required. We also have access to specialist advice where this is necessary.

 The Management Team receives monthly reports on accidents at work and health and safety incidents.

## ENVIRONMENTAL MATTERS


The Company aims to ensure all its work and activities are sustainable and minimise their impact on the environment. Wherever possible, strategies, policies and actions will underpin these aims. Improving the energy efficiency of our housing stock, enhancing the energy efficiency of the boilers replaced and reducing our carbon footprint in our offices.

## POLITICAL AND CHARITABLE DONATIONS

There were no political donations made by Waverley Housing within the year. Charitable donations amounting to £50 were made in the year.

## FINANCIAL REVIEW

### *Financial Results*

 Waverley Housing's turnover for 2009/10 was £4,856,346 against operating costs of £2,888,452. The main source of income was rental income of £4,725,821.

The main change in Waverley Housing's accounts from 2008/09 to 2009/10 concerns the financing costs – exceptional item of £169,060 recorded in the Income and Expenditure account for 2008/09. This related to refinancing costs in respect of a financial restructuring completed in July 2009.

### *Balance Sheet*

Waverley Housing's Balance Sheet at 31 March 2010 is shown on page 15. The key factor affecting the Balance Sheet is the decision to include our housing stock at valuation (rather than cost less depreciation). In our view, this valuation approach provides a more meaningful picture of our financial position. The valuation was carried out by an independent professional surveyor and resulted in a valuation for accounting purposes of £35,800,000 (2009 - £34,656,000). This valuation reflects the investment needed to bring all of our properties to an acceptable condition while adding value to our assets.

### *Cash Flow*

Waverley Housing's consolidated cash flows are shown on page 16. The main sources of cash inflows were rental income and grant support, with a net cash inflow from operating activities of £1,458,978.

### *Current Liquidity*

At 31 March 2010 Waverley Housing had cash and short-term deposits of £3,954,045. Our future investment programme in Waverley Housing properties will see this cash balance reduce over the forthcoming years.

### *Capital structure and Treasury Policy*

Waverley Housing managed its interest rate risk by entering into a hedging arrangement, which in effect fixed its interest rates on 70% of total outstanding debt. The interest rate on the remainder of the debt varies in accordance with market interest rates.

Waverley Housing's activities are funded on the basis of a financial plan, which is updated annually. The long-term funding is a 30-year loan facility arranged with Barclays Bank plc.

The Board receives regular reports which detail the debt, cash and interest received and paid. All proposed changes to banking arrangements and bank signatories are approved by the Board.

### INTERNAL FINANCIAL CONTROL

The Board of Waverley Housing is responsible for establishing and maintaining the systems of internal financial control within the organisation. By their nature these systems can provide reasonable but not absolute assurance against material misstatement or loss. The internal control framework is supported by measures including business planning, performance reporting, project management and authorities and responsibilities delegated from the Board to Executive Management.

The key methods by which the Board established the framework for providing effective internal financial control are as follows:-

#### *Management Structure*

The organisation for which the Board has overall responsibility is governed by a set of Standing Orders, which reserves specific powers to the Board and delegates functions and powers to its Committees. The Board has delegated the responsibility to the Chief Executive for maintaining sound systems of internal control that support the achievement of the organisation's objectives.

#### *Audit & Internal Control Committee*

The Audit and Internal Control Committee in Waverley Housing consists of the Chair and Vice Chair of the Company and six other Directors. Meetings are held quarterly and are attended by the Chief Executive, Deputy Chief Executive, Head of Housing and Property Services, internal auditors and external auditors. The Board has delegated powers to the Audit & Internal Control Committee to approve the audit plans, reports and follow-up reviews.



### *Identification of Business Risk*

The Board is responsible for identifying the major business risks faced by the organisation and for determining the appropriate course of action to manage those risks. The financial implications of major business risks are controlled by means of delegated authorities, which reserve significant matters to the Board for decision.

### *Risk and Compliance*

The Board has continued with its Risk Management Strategy and has developed a Key Risk Register, which is reviewed quarterly by the Audit and Internal Control Committee.

### *Management Information Systems*

Management information systems have been established to provide information on key aspects of the business. Management accounts comparing actual results against budget are presented to the Board monthly together with performance against key financial and non-financial indicators.

### *Internal Control systems*

The systems of internal controls reviewed by our internal auditors, Baker Tilly, in 2009/10 included financial and non-financial systems with the programme of work being derived from the audit plan, which was approved by the Audit & Internal Control Committee.

### *Internal Audit*

The Internal Auditor reports to the Deputy Chief Executive with direct access to the Chief Executive and The Chair of the Audit and Internal Control Committee. The internal audit function is outsourced and field work is normally carried out by two auditors. The internal audit work programme is determined by applying a risk-based methodology.

### *Investment Appraisal*

Capital expenditure is regulated by a budgetary process and scheme of financial delegation. For expenditure beyond specified levels or out with budget and plans, approval is required by the Board.

### *Quality and Integrity of Employees*

The integrity and competence of personnel is ensured and maintained through high recruitment standards and subsequent training and development initiatives. High quality personnel are seen as an essential part of the control environment and the conduct and ethical standards expected are embodied within the organisation's stated aims and objectives.

REPORT OF THE DIRECTORS (continued)

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*Statement*

The Board has reviewed the effectiveness of the systems of internal financial controls that have been in operation during the year and until 29 June 2010. Improvements in the financial controls and project management are continuously being put in place. These improvements will continue as Waverley Housing progresses. 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 auditor's report on the financial statements.

Insofar as the Directors are aware:

- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the Directors have taken all the steps that they ought to have taken to make themselves aware of the relevant audit information and to establish that the company's auditors are aware of that information.

**DIRECTORS' RESPONSIBILITIES**

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the "going concern" basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



HADDON & TURNBULL, W.S., Secretary.

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF WAVERLEY HOUSING  
(A Company Limited by Guarantee)

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We have audited the financial statements of Waverley Housing for the year ended 31 March 2010 on pages 12 to 29. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so we might state to the company's members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 9, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, Section 24(1) of the Housing Associations Act 1985, Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and Statement of Recommended Practice: Accounting by Registered Social Landlords 2008. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors report and considered whether it is consistent with the audited financial statements. If we became aware of any apparent misstatements within the financial statements, we considered the implications for our report. Our responsibilities in this respect do not extend to a consideration of any other information.

### BASIS OF AUDIT OPINION

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

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

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF WAVERLEY HOUSING (continued)  
(A Company Limited by Guarantee)

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### OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985, Section 24(1) of the Housing Associations Act 1985, Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and Statement of Recommended Practice: Accounting by Registered Social Landlords 2008. In our opinion the information given in the directors' report is consistent with the financial statements for the year ended 31 March 2010.

### CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements we have reviewed the directors' statements on pages 3 to 9 concerning the company's compliance with the information required by the section of Internal Financial Control within SFHA's publication "Raising Standards in Housing".

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

### OPINION

With respect to the statements by the directors on internal financial control on pages 3 to 9, in our opinion the board has provided the disclosure required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Based on enquiry of certain members of the board and officers of the company, and examination of relevant documents, in our opinion the directors' statements on pages 3 to 9 appropriately reflects the company's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

FINDLAY & COMPANY  
Chartered Accountants & Registered Auditors  
11 Dudhope Terrace  
Dundee  
DD3 6TS

Date: 29 June 2010

WAVERLEY HOUSING  
(A Company Limited by Guarantee)

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2010

	<u>Note</u>	<u>2010</u> £	<u>2009</u> £
TURNOVER	2	4,856,346	4,623,760
Operating costs	2	(2,888,452)	(2,732,499)
OPERATING SURPLUS	6	1,967,894	1,891,261
Sale of housing properties		40,548	80,632
Interest receivable and similar income		14,638	77,133
Interest payable and similar charges	7	(1,037,754)	(1,220,055)
Financing costs – exceptional	21	(198,958)	(169,060)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		786,368	659,911
Tax on surplus on ordinary activities	10	-	-
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		786,368	659,911

In each of the years ended 31 March 2009 and 31 March 2010 the surplus or deficit for the year is in respect of continuing activities of the company.

The notes on pages 16 to 29 form part of these financial statements.

WAVERLEY HOUSING  
(A Company Limited by Guarantee)

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

for the year ended 31 March 2010

	<u>2010</u> £	<u>2009</u> £
Surplus on ordinary activities after taxation	786,368	659,911
Unrealised surplus/(deficit) on revaluation of housing property	893,836	8,492,682
	-----	-----
Total recognised surpluses and deficits for the year	1,680,204	9,152,593
	-----	-----
Total surpluses and deficits recognised since last financial statements	£ 1,680,204	£ 9,152,593
	=====	=====

The notes on pages 16 to 29 form part of these financial statements.

WAVERLEY HOUSING  
(A Company Limited by Guarantee)

BALANCE SHEET

as at 31 March 2010

	<u>Note</u>	<u>2010</u> £	<u>2009</u> £
<b>TANGIBLE FIXED ASSETS</b>			
Housing properties	11(a)	35,800,000	34,656,000
Other fixed assets	11(b)	130,070	121,665
		-----	-----
		35,930,070	34,777,665
		-----	-----
<b>CURRENT ASSETS</b>			
Debtors	12	332,657	351,426
Cash in hand and at bank		3,954,045	2,182,897
		-----	-----
		4,286,702	2,534,323
		-----	-----
CREDITORS: amounts falling due within one year	13	(563,875)	(1,377,703)
		-----	-----
<b>NET CURRENT ASSETS</b>		3,722,827	1,156,620
		-----	-----
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		39,652,897	35,934,285
		-----	-----
CREDITORS: amounts falling due after more than one year	14	(22,009,499)	(19,971,092)
		-----	-----
		£ 17,643,398	£ 15,963,193
		=====	=====
<b>RESERVES</b>			
Revaluation reserve	17	12,625,099	11,731,263
Revenue reserve	17	3,551,743	2,576,931
Designated reserves	17	1,466,556	1,655,000
		-----	-----
		£ 17,643,398	£ 15,963,193
		=====	=====

Approved by the Board of Directors on 29 June 2010  
and signed on their behalf by:

Margaret Spalding MARGARET SPALDING, Chair  
W. Robson WILLIAM ROBSON, Director  
Peter Brown PETER BROWN, Director

The notes on pages 16 to 29 form part of these financial statements.

WAVERLEY HOUSING  
(A Company Limited by Guarantee)

CASH FLOW STATEMENT

for the year ended 31 March 2010

	<u>Note</u>	<u>2010</u> £	<u>2009</u> £
Cashflow from operating activities	16(a)	1,458,978	2,014,686
Returns on investment and servicing of finance	16(b)	(1,190,995)	(1,285,165)
Capital expenditure and financial investments	16(c)	(225,743)	(171,686)
		-----	-----
Financing	16(d)	42,240	557,835
		1,728,908	(622,481)
		-----	-----
Increase/(Decrease) in cash in the period		£ 1,771,148	£ (64,646)
		=====	=====
Reconciliation of net cash flow to movement in net debt:-			
Increase/(Decrease) in cash in the period		1,771,148	(64,646)
Cash outflow from financing		(1,728,908)	622,481
		-----	-----
Movement in net debt in the period		42,240	557,835
Net debt at 1 April 2009		(18,288,195)	(18,846,030)
		-----	-----
Net debt at 31 March 2010	16(e)	£ (18,245,955)	£ (18,288,195)
		=====	=====

The notes on pages 16 to 29 form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

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1. ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of housing property in accordance with the requirements of the Statement of Recommended Practice: Accounting by Registered Social Landlords Update 2008 and applicable accounting standards, and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

The principal accounting policies which the directors have adopted within that convention are set out below.

(b) Housing Property

Housing property is held in the balance sheet at valuation.

The valuation method used is existing use for social housing. The valuation is calculated by assuming all properties will be re-let when they become vacant.

(c) Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible assets by equal annual instalments over their expected useful economic lives. The rate and periods generally applicable are:

Housing Property	Nil
Other - heritable property	2% to 33 $\frac{1}{3}$ %
leasehold improvements	life of lease
landscaping equipment	20% to 33 $\frac{1}{3}$ %
computer systems	20% to 33 $\frac{1}{3}$ %

The company holds housing properties at valuation and does not depreciate them. The properties are valued annually and as such it is felt that depreciation is neither required nor appropriate as per Financial Reporting Standard 15 due to immateriality. There is a policy of regular maintenance and repair to the properties and as such there is unlikely to be economic obsolescence. As annual valuations are carried out it is not felt that any specific impairment reviews are appropriate as any impairment would be recognised at the point of valuation.

(d) Grant income

Grant income received is matched with the expenditure to which it relates. Where grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received as a contribution towards capital costs it is deducted from the cost in fixed assets as recommended by the Statement of Recommended Practice. This requirement conflicts with the principles of the Companies Act. However the Board consider for the purposes of reflecting a true and fair view it is necessary to adopt the accounting treatment set out in the Statement of Recommended Practice.

(e) Contributions to Pension Funds

Defined contribution scheme (refer note 9)

The pension costs charged against profits represent the amount of contributions payable to the scheme in respect of the accounting period.

1. ACCOUNTING POLICIES (continued)

- (f) **Leased Assets**  
Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.
- (g) **Designated Reserves**  
The reserves are based on the company's liability to maintain its properties in accordance with a planned program of works, provided for, to the extent that it will not be met from revenue in the year in which it is incurred. The actual cost of such repairs is charged annually to the income and expenditure account. The movement in the company's liability for such repairs over the year is reflected as a movement into designated reserves.
- (h) **Sale of Housing Properties**  
Properties are disposed of under the appropriate legislation and guidance. Properties are disclosed using the valuation basis. The valuation provided is for the properties as a whole and the valuers are unable to attribute exact values to each property without significant costs. The directors believe there is no reasonable basis to estimate these individual values accordingly. The directors on this basis consider it reasonable not to apply Financial Reporting Standard 15 and thus account for property sales using original cost information available. There is no material misstatement arising from this accounting departure.
- (i) **Works to Existing Properties**  
Works are capitalised where these result in an enhancement of the economic benefits of the property. Works to existing properties which do not result in the enhancement of economic benefits are charged to the Income and Expenditure account.
- (j) **Issue Costs**  
In accordance with the Statement of Recommended Accounting Practice and Financial Reporting Standard 4 such costs have been deferred on the balance sheet and shown as a deduction from the loan balances (see notes 13 and 14). The costs are released to the Income and Expenditure Account over the life of the debt.

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	<u>Turnover</u> £	<u>Operating Costs</u> £	2010 <u>Operating Surplus</u> £	2009 <u>Operating Surplus</u> £
Social lettings	4,725,821	(2,675,947)	2,049,874	1,924,531
Other activities	130,523	(212,505)	(81,979)	(33,270)
2010 Total	£ 4,856,344	£ (2,888,452)	£ 1,967,892	
2009 Total	£ 4,623,760	£ 2,732,499		£ 1,891,261

WAVERLEY HOUSING  
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL LETTING ACTIVITIES

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Housing £	Other £	2010 Total £	2009 Total £
Rent receivable net of service charges	4,725,169	-	-	-	4,725,169	4,492,948
Service charges	-	-	-	-	-	-
Gross income from rents and Service charges	4,725,169	-	-	-	4,725,169	4,492,948
Less voids	(91,908)	-	-	-	(91,908)	(81,935)
Net income from rents and service charges	4,633,261	-	-	-	4,633,261	4,411,013
Grants from Scottish Ministers	92,560	-	-	-	92,560	99,921
Other revenue grants	-	-	-	-	-	-
Total turnover from social letting activities	£ 4,725,821	£ -	£ -	£ -	£ 4,725,821	£4,510,934
Management and maintenance administration costs	1,297,201	-	-	-	1,297,201	1,345,370
Service costs	-	-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	667,044	-	-	-	667,044	553,309
Reactive maintenance costs	653,582	-	-	-	653,582	646,772
Bad debts – rents and service Charges	58,120	-	-	-	58,120	40,952
Depreciation of social housing	-	-	-	-	-	-
Impairment of social housing	-	-	-	-	-	-
Operating costs for social Letting activities	2,675,947	-	-	-	2,675,947	2,586,403
Operating surplus for social Lettings 2010	£ 2,049,874	£ -	£ -	£ -	£ 2,049,874	£ -
Operating surplus for social Lettings for 2009	£1,924,531	£ -	£ -	£ -	£ -	£ 1,924,531

WAVERLEY HOUSING  
(A Company Limited by Guarantee)  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2010

4. PARTICULARS OF TURNOVER, OPERATING COSTS  
AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants from Scottish Ministers £	Other Revenue £	Supporting People Income £	Other Income £	Total Turnover £	Operating costs - bad debts £	Other operating costs £	2010 Operating surplus or deficit £	2009 Operating surplus or deficit £
Wider role activities to support the community	45,162	-	-	-	45,162	-	(94,898)	(49,736)	(75,188)
Care and repair of property	-	-	-	65,623	65,623	(60,520)	(17,653)	(12,550)	44,161
Factoring	-	-	-	11,281	11,281	-	-	11,281	7,811
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities -	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for Registered Social Landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	390	390	-	-	390	541
Development for sale to Registered Social Landlords	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non Registered Social Landlords	-	-	-	-	-	-	-	-	-
Other activities (Leased offices, Insurance claims, CHR, Misc)	-	-	-	8,067	8,067	-	(39,431)	(31,364)	(10,574)
2010 Total from other activities	£ 45,162	£ -	£ -	£ 85,361	£ 130,523	£ (60,520)	£ (151,982)	£ (81,979)	£ -
2009 Total from other activities	£ 13,755	£ -	£ -	£ 99,071	£ 112,826	£ (47,835)	£ (197,048)	£ -	£ (33,270)

WAVERLEY HOUSING  
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

5. TURNOVER

Turnover represents the amounts derived from the provision of housing properties for rent, grant income, recharges, fees and other income.

6. OPERATING SURPLUS

	<u>2010</u>	<u>2009</u>
	£	£
Surplus is stated after charging:-		
Auditors' remuneration – external – audit services	12,380	12,103
Auditors' remuneration – external - other services	-	1,825
Auditors' remuneration – internal	9,748	8,414
Depreciation	7,723	9,407
Operating lease rentals	96,103	102,800
	=====	=====

7. INTEREST PAYABLE

	<u>2010</u>	<u>2009</u>
	£	£
On bank loans, overdrafts and other loans:-		
Repayable within 5 years, otherwise than by instalments	-	-
Repayable wholly or partly in more than 5 years, by instalments	1,037,754	1,220,055
	-----	-----
	£ 1,037,754	£ 1,220,055
	=====	=====

8. EMPLOYEES

The full time equivalents of the figures amounted to 2010 - 37 (2009 - 37).

	<u>2010</u>	<u>2009</u>
Number of employees:-		
The average monthly numbers of employees (including the directors) during the year were:		
Clerical	27	28
Maintenance	11	11
Cleaners	1	2
	-----	-----
	40	41
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

8. EMPLOYEES (continued)

Employment costs:-

	<u>2010</u> £	<u>2009</u> £
Wages and salaries	875,951	874,327
Social security costs	86,866	83,491
Other pension costs	90,120	93,810
	-----	-----
	£1,052,937	£ 1,051,628
	=====	=====

Officers' emoluments:-

Per The Registered Social Landlords Accounting Requirements (Scotland) Order 2007, details of officer's total emoluments that exceed £60,000 excluding employer's pension contributions are detailed below:

	<u>2010</u> £	<u>2009</u> £
Officers' emoluments	£ 71,623	£ 70,238
	=====	=====

The officer's emoluments include only the emoluments of the Chief Executive.

9. PENSION COSTS

The company operates a defined contribution pension scheme in respect of the employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £90,120 (2009 - £93,810). There are no outstanding or prepaid contributions at the year end.

The total pension contributions made by the company for officers whose emoluments exceeded £60,000 were £9,963 (2009 - £9,673).

10. TAXATION

The company was granted charitable status for taxation purposes with effect from 1 April 1996.

WAVERLEY HOUSING  
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

11. (a) TANGIBLE FIXED ASSETS - Housing Property	<u>Housing Property</u> £
COST/VALUATION	
At 1 April 2009	34,656,000
Additions	293,473
Surplus on revaluation	893,836
Disposals	(43,309)
Other grants	-
	-----
At 31 March 2010	£ 35,800,000
	-----
DEPRECIATION	
At 1 April 2009	-
Charge for the period	-
	-----
At 31 March 2010	-
	-----
NET BOOK VALUE	
At 31 March 2010	£ 35,800,000
	=====
At 31 March 2009	£ 34,656,000
	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

11. (a) TANGIBLE FIXED ASSETS - Housing Property

	<u>2010</u> £	<u>2009</u> £
Additions to housing property comprise:		
Tenants choice transfers	-	-
Capital works	418,643	347,640
	-----	-----
£	418,643	£ 347,640
	=====	=====

Total works carried out on the housing properties for the year end 31 March 2010 was £1,739,269. Of this total £418,643 was capitalised above and £1,320,626 was expensed in the income and expenditure statement in line with recommended accounting practice.

The housing properties were revalued on 31 March 2010 by qualified external valuers F.P.D. Savills, International Property Consultants, using the Existing Use Value for Social Housing basis. The properties in total were valued at £35,800,000.

The valuation was undertaken in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors using a discounted cashflow method. The key assumption made was as follows:

- Discount Rate – 5.50 %
- Rent increase – RPI & 0.75%

On the historical cost basis, housing property would have been included as follows:

Cost	
At 31 March 2010	£ 23,177,601 =====
At 1 April 2009	£ 22,927,437 =====

The housing properties are accounted for on a valuation basis and a depreciation policy has never been adopted. On this basis the reported surplus would not be different from the historical surplus and as such a note of historical cost surpluses and deficits for the year end 31 March 2010 has not been provided.

All disposals of housing property relate to sales to tenants who have exercised their right to buy option, under current legislation.



WAVERLEY HOUSING  
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

11. (b) TANGIBLE FIXED ASSETS - Other

	<u>Computer Systems</u> £	<u>Equipment Plant &amp; Tools</u> £	<u>Heritable Land &amp; Buildings</u> £	<u>Total</u> £
<b>COST</b>				
At 1 April 2009	160,980	5,360	180,992	347,331
Additions	16,128	-	-	16,128
Disposals	-	-	-	-
At 31 March 2010	<u>£ 177,108</u>	<u>£ 5,360</u>	<u>£ 180,992</u>	<u>£ 363,459</u>
<b>DEPRECIATION</b>				
At 1 April 2009	158,225	5,360	62,082	225,666
Charge for the year	4,099	-	3,624	7,723
Adjustment re disposal	-	-	-	-
At 31 March 2010	<u>£ 162,324</u>	<u>£ 5,360</u>	<u>£ 65,706</u>	<u>£ 233,389</u>
<b>NET BOOK VALUE</b>				
At 31 March 2010	<u>£ 14,784</u>	<u>£ -</u>	<u>£115,286</u>	<u>£ 130,070</u>
At 31 March 2009	<u>£ 2,755</u>	<u>£ -</u>	<u>£ 118,910</u>	<u>£ 121,665</u>

12. DEBTORS

	<u>2010</u> £	<u>2009</u> £
Trade debtors	94,197	91,809
Rental arrears	174,117	186,800
Other debtors	190,074	94,541
Provision for bad debts	(125,731)	(118,574)
Deferred issue costs	-	96,850
	<u>£ 332,657</u>	<u>£ 351,426</u>

Following the drawdown of the loan facility during the year the deferred loan issue costs of £96,850 have been reallocated as a deduction from the nominal value of the loans (see notes 13 and 14) in accordance with Statement of Recommended Accounting Practice and FRS 4.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

13. CREDITORS: amounts falling due within one year		
	<u>2010</u>	<u>2009</u>
	£	£
Bank loan	100,000	500,000
Loan issue costs deferred	(3,121)	-
Prepaid rent	57,129	53,776
Trade creditors	237,515	266,376
Taxation and social security costs	26,680	28,084
Accruals and deferred income	145,206	523,319
Other creditors	466	6,149
	-----	-----
	£ 563,875	£ 1,377,703
	=====	=====

Loans are secured by specific charges on the company's properties and a floating charge over the assets of the company. The amounts secured are £100,000 (2009 - £500,000).

14. CREDITORS: amounts falling due after more than one year		
	<u>2010</u>	<u>2009</u>
	£	£
Bank loans (see also note 15)	22,100,000	19,971,092
Loan issue costs deferred	(90,501)	-
	-----	-----
	22,009,499	19,971,092
	=====	=====

The amounts secured are £22,100,000 (2009 - £19,971,092).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

15. BANK LOANS AND OVERDRAFT

	<u>2010</u>	<u>2009</u>
	£	£
Bank loans and overdraft comprise:-		
Amounts repayable:		
Within one year	100,000	500,000
Between one and two years	100,000	500,000
Between two and five years	600,000	1,500,000
Due after five years	21,400,000	18,693,573
	-----	-----
	£ 22,200,000	£ 21,093,573
	=====	=====

The above loan was drawn down on 27 July 2009. The loan is made up of a £15,540,000 fixed rate facility and a £6,660,000 variable rate facility.

The repayment of the loan is by way of annual lump sum amounts paid to Barclays Bank PLC. The sizes of these amounts have been agreed with Barclays Bank PLC and are as follows:-

2010 - 2011	£ 100,000 p.a.
2012 - 2014	£ 200,000 p.a.
2015 - 2018	£ 300,000 p.a.
2019 - 2022	£ 400,000 p.a.
2023 - 2024	£ 500,000 p.a.
2025 - 2029	£ 700,000 p.a.
2030 - 2035	£ 1,500,000 p.a.
2036 - 2038	£ 1,700,000 p.a.

16. NOTES TO THE CASH FLOW STATEMENT

	<u>2010</u>	<u>2009</u>
	£	£
(a) Reconciliation of operating surplus to operating cash flows:		
Operating surplus	1,967,894	1,891,261
Depreciation	7,723	9,407
(Increase)/decrease in debtors	(73,418)	115,744
Increase/(decrease) in creditors	(244,263)	167,334
Exceptional costs (see note 21)	(198,958)	(169,060)
	-----	-----
Net cash inflow from operating activities	£ 1,458,978	£ 2,014,686
	=====	=====

WAVERLEY HOUSING  
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

16. NOTES TO THE CASH FLOW STATEMENT (continued)

	<u>2010</u>	<u>2009</u>	
	£	£	
(b) Returns on investment and servicing of finance:			
Interest received	9,975	82,184	
Interest paid	(1,200,970)	(1,270,499)	
Issue costs paid	-	(96,850)	
	-----	-----	
£	(1,190,995)	£ (1,285,165)	
	=====	=====	
	<u>2010</u>	<u>2009</u>	
	£	£	
(c) Capital expenditure:			
Payments to acquire tangible fixed assets	(309,601)	(347,640)	
Receipts from sale of tangible fixed assets	83,858	148,915	
Other capital grants received	-	27,039	
	-----	-----	
£	(225,743)	£ (171,686)	
	=====	=====	
(d) Financing			
	<u>2010</u>	<u>2009</u>	
	£	£	
Increase/ (Repayment) of loans and leases	1,728,908	(622,481)	
	-----	-----	
£	1,728,908	£ (622,481)	
	=====	=====	
	<u>At 01/04/09</u>	<u>Cash Flows</u>	<u>At 31/03/10</u>
	£	£	£
(e) Analysis of net debt:			
Cash in hand and at bank	2,182,897	1,771,148	3,954,045
Bank loans due within one year	(500,000)	400,000	(100,000)
Bank loans due after more than one year	(19,971,092)	(2,128,908)	(22,100,000)
	-----	-----	-----
£ (18,288,195)	£ 42,240	£ (18,245,955)	
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

17. RESERVES

	<u>Revaluation Reserve</u> £	<u>Revenue Reserve</u> £	<u>Major Repairs Reserve</u> £	<u>2010 Total</u> £
At 1 April 2009	11,731,263	2,576,931	1,655,000	15,963,193
Surplus/(deficit) for the financial year	-	786,368	-	786,368
Revaluation surplus/ (deficit)	893,836	-	-	893,836
Transfer to designated reserves	-	188,444	(188,444)	-
	-----	-----	-----	-----
At 31 March 2010	£ 12,625,099	£ 3,551,743	£ 1,466,556	£ 17,643,398
	=====	=====	=====	=====

The major repairs reserve has been designated to provide for three years of approved future planned maintenance.

18. CAPITAL COMMITMENTS

At 31 March 2010, the company had capital commitments of £88,769 (2009 - £Nil).

These commitments will be financed using cash reserves.

19. RELATED PARTIES

Three of the board of directors were also tenants of the company. All tenancies are on normal commercial terms and their position as director cannot be used to their advantage. No member of the board of directors received any remuneration.

20. OTHER COMMITMENTS

At 31 March 2010 the company had annual commitments under non-cancellable operating leases as set out below:-

	Buildings, Motor Vehicles & Office Equipment	
	<u>2010</u> £	<u>2009</u> £
Operating leases which expire:		
Within one year	66,954	33,828
Within two to five year	29,149	68,972
After five years	-	-
	-----	-----
	£ 96,103	£102,800
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

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21. EXCEPTIONAL ITEM

During the year the company incurred significant consulting and legal costs in relation to a financial restructuring completed in July 2009. The Board considered the total costs of £198,958 do not fall within the ordinary activities of the company and due to materiality in aggregate of the costs they have been disclosed as an exceptional item on the Income and Expenditure account.

The exceptional item reflected in the Income and Expenditure Account in 2009 of £169,060 related to refinancing costs for the financial restructuring detailed above.

22. HOUSING UNITS IN MANAGEMENT

	<u>2010</u>	<u>2009</u>
General needs	1534	1,537
Supported housing	-	-
Shared ownership	-	-
	-----	-----
	<u>1,534</u>	<u>1,537</u>
	=====	=====