

WAVERLEY HOUSING
(A Company Limited by Guarantee)
REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2011

Company No. SC115066

Charity No. SCO26231

R.S.L No. 327

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WAVERLEY HOUSING
(A Company Limited by Guarantee)

COMPANY INFORMATION

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
Niall White

CHIEF EXECUTIVE: Robert Johnson (retiring 31 July 2011)
Margaret Ross (acting from 28 April 2010 to 17 May 2011, appointed
18 May 2011)

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

BANKERS: The Royal Bank of Scotland Barclays Commercial Bank
Commercial Banking Aurora
Borders Commercial Centre First Floor
35 Bank Street 120 Bothwell Street
Galashiels Glasgow
TD1 1EP G2 7JT

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

EXTERNAL AUDITOR: Chiene + Tait
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh EH3 6NL

INTERNAL AUDITORS: Findlay & Company
11 Dudhope Terrace
Dundee
DD3 6TS

REPORT OF THE DIRECTORS

The Directors of Waverley Housing present their report and the audited financial statements for the year ended 31 March 2011.

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 inform 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 2010/11 targets set in its Business Plan and maintained the philosophy behind the organisation's Mission Statement and Core Values. During this year we also celebrated 21 years as a social landlord in the Scottish Borders.

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 2010/11 were:

- During the year we relet 164 of our properties which became vacant. The percentage of lost rent due to lettable voids against total rent due was ahead of our target of 2.0%, at 1.8%.
- Arrears at 31 March 2011 were slightly above our target of 3.00%, at 3.35% of gross annual rent.
- Our Housing Officers achieved 99% settling in visits against a target of 95%.
- During the year we carried out 6,873 responsive repairs, with 95% being completed within target timescales - a slight deterioration on the previous year.
- As at 31 March 2011 82% of all our properties had been surveyed so our resources can be targeted where they are most needed to ensure the requirements of the Scottish Housing Quality Standard are met by 2015.
- 100% of all tenancies to people, who were homeless, were sustained over a one year period.
- The Board conducted a governance self-assessment to determine their effectiveness, to ensure weaknesses are tackled decisively and statutory responsibilities met. The self-assessment was conducted with reference to the Regulatory Code of Governance.
- Tenant participation remained high on the agenda with Waverley Tenants Organisation (WTO) and our Tenant Opinion Panel continuing to develop.

REPORT OF THE DIRECTORS (continued)

- The Company has recognised the value of partnerships and has continued to pursue arrangements with a variety of stakeholders, for example:
 - A 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.
 - Continuing to support "Stable Life", a wider role project which supports and develops emotionally challenged young people through a difficult stage in their development by using a horse therapy programme.
 - Being involved in the "Next Steps" project which aims to increase school pupils' awareness of the realities of leaving school and moving into their own home.

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 statements;
- 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 human resource plans and employment policies.

REPORT OF THE DIRECTORS (continued)

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 statements.
- 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 is committed to supporting diversity, delivering equality of opportunity and recognising the human rights of everyone we work with. Our Single Equality Scheme 2011–2014 sets out the framework within which we will deliver these commitments and how we will play our part in making Waverley Housing a leading equality organisation.

REPORT OF THE DIRECTORS (continued)

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 on an on-going basis.

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 to minimise their impact on the environment. Wherever possible, strategies, policies and actions will underpin these aims, e.g. 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. The Company made a charitable donation of £64, and along with staff contributions a cheque for £150 was presented to The Border Holiday Group, a local charity.

FINANCIAL REVIEW

Financial Results

Waverley Housing's turnover for 2010/11 was £4,893,242 (2009/10: £4,856,346) against operating costs of £3,087,067 (2009/10: £2,888,452). The main source of income was rental income of £4,764,794.

Balance Sheet

Waverley Housing's Balance Sheet at 31 March 2011 is shown on page 14. 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 £38,605,000 (2009 - £35,800,000). This valuation reflects the investment needed to bring all of our properties to an acceptable condition while adding value to our assets.

REPORT OF THE DIRECTORS (continued)

Cash Flow

Waverley Housing's consolidated cash flows are shown on page 15. The main sources of cash inflows were rental income and grant support, with a net cash inflow from operating activities of £1,648,981 (2009/10: £1,458,978).

Current Liquidity

At 31 March 2011 Waverley Housing had cash and short-term deposits of £4,205,548. Our future investment programme in Waverley Housing properties will see this cash balance reduce over the forthcoming years.

Capital Structure and Treasury Policy

Long-term funding is a 30-year loan facility arranged with Barclays Bank plc in 2009. Our financial plan is reviewed and updated on an annual basis, ensuring future compliance with our covenants.

Waverley Housing has managed its interest rate risk by entering into a hedging arrangement, which in effect fixes 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.

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 six Board members. Meetings are held quarterly and are attended by the Chief Executive, Director of Housing and Property Services, internal auditors and external auditors. The Board has delegated powers to the Audit & Internal Control Committee to approve the internal audit plans, reports and follow-up reviews.

REPORT OF THE DIRECTORS (continued)

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 Plan and has developed a Key Risk Register, which is reviewed monthly by the Board, as part of the Performance Reports.

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, Findlay & Company, in 2010/11 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 Chief Executive with direct access to 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 outwith 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)

Statement

The Board has reviewed the effectiveness of the systems of internal financial controls that have been in operation during the year and until 28 June 2011. 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 auditor in connection with preparing their report) of which the company's auditor is 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 auditor is 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 2006. 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.

5 July 2011

INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of Waverley Housing for the year ended 31 March 2011 set out on pages 12 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the company's members and the charity's trustees 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 charity, its members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors (who are also the trustees of the charitable company for the purposes of charities legislation) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

INDEPENDENT AUDITOR'S REPORT

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

- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and The Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Board's statement concerning internal financial control made under "The Code of External Audit Practice" contained within the publication "Raising Standards in Housing" which is the guidance issued by the Scottish Federation of Housing Associations. The object of our review is to draw attention to non-compliance with the guidance.

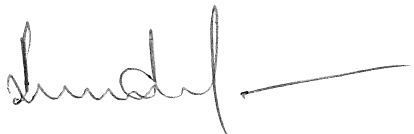
Basis of Opinion

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

Opinion

With respect to the Board's statements on internal financial control, in our opinion the Board has provided the disclosures required by the guidance and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Kenneth McDowell CA, Senior Statutory Auditor
For and on behalf of
Chiene + Tait
Chartered Accountants & Registered Auditors
61 Dublin Street
Edinburgh
EH3 6NL



29 April 2011

WAVERLEY HOUSING
(A Company Limited by Guarantee)

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2011

| | <u>Note</u> | <u>2011</u> £ | <u>2010</u> £ |
|--|-------------|------------------|------------------|
| TURNOVER | 2 | 4,893,242 | 4,856,346 |
| Operating costs | 2 | (3,087,067) | (2,888,452) |
| | | ----- | ----- |
| OPERATING SURPLUS | 6 | 1,806,175 | 1,967,894 |
| Sale of housing properties | | 43,512 | 40,548 |
| Interest receivable and similar income | | 31,378 | 14,638 |
| Interest payable and similar charges | 7 | (1,066,080) | (1,037,754) |
| Financing costs – exceptional | | - | (198,958) |
| | | ----- | ----- |
| SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION | | 814,985 | 786,368 |
| Tax on surplus on ordinary activities | 10 | - | - |
| | | ----- | ----- |
| SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION | | 814,985 | 786,368 |
| | | ===== | ===== |

In each of the years ended 31 March 2010 and 31 March 2011 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 GAINS AND LOSSES

for the year ended 31 March 2011

| | <u>2011</u> £ | <u>2010</u> £ |
|---|------------------|------------------|
| Surplus on ordinary activities after taxation | 814,985 | 786,368 |
| Unrealised surplus on revaluation of housing property | 2,505,971 | 893,836 |
| | ----- | ----- |
| Total recognised surpluses and deficits for the year | 3,320,956 | 1,680,204 |
| | ----- | ----- |
| Total surpluses and deficits recognised since last financial statements | 3,320,956 | 1,680,204 |
| | ===== | ===== |

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 2011

| | <u>Note</u> | <u>2011</u> £ | <u>2010</u> £ |
|---|-------------|-------------------|-------------------|
| TANGIBLE FIXED ASSETS | | | |
| Housing properties | 11(a) | 38,605,000 | 35,800,000 |
| Other fixed assets | 11(b) | 128,065 | 130,070 |
| | | <u>38,733,065</u> | <u>35,930,070</u> |
| CURRENT ASSETS | | | |
| Debtors | 12 | 347,141 | 332,657 |
| Cash in hand and at bank | | 4,205,548 | 3,954,045 |
| | | <u>4,552,689</u> | <u>4,286,702</u> |
| CREDITORS: amounts falling due within one year | 13 | (408,566) | (563,875) |
| NET CURRENT ASSETS | | <u>4,144,123</u> | <u>3,722,827</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>42,877,188</u> | <u>39,652,897</u> |
| CREDITORS: amounts falling due after more than one year | 14 | (21,912,834) | (22,009,499) |
| | | <u>20,964,354</u> | <u>17,643,398</u> |
| | | <u>=====</u> | <u>=====</u> |
| RESERVES | | | |
| Revaluation reserve | 17 | 15,131,070 | 12,625,099 |
| Revenue reserve | 17 | 2,606,284 | 3,551,743 |
| Designated reserves | 17 | 3,227,000 | 1,466,556 |
| | | <u>20,964,354</u> | <u>17,643,398</u> |
| | | <u>=====</u> | <u>=====</u> |

Approved by the Board of Directors on 5 July 2011
and signed on their behalf by:

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

Company Registration Number: SC115066

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 2011

| | <u>Note</u> | <u>2011</u> £ | <u>2010</u> £ |
|--|-------------|----------------------|---------------------|
| Cashflow from operating activities | 16(a) | 1,648,981 | 1,458,978 |
| Returns on investment and servicing of finance | 16(b) | (1,031,474) | (1,190,995) |
| Capital expenditure and financial investments | 16(c) | (266,004) | (225,743) |
| | | ----- | ----- |
| Financing | 16(d) | 351,503 (100,000) | 42,240 1,728,908 |
| | | ----- | ----- |
| Increase in cash in the year | | 251,503 | 1,771,148 |
| | | ===== | ===== |
| Reconciliation of net cash flow to movement in net debt:- | | | |
| Increase in cash in the year | | 251,503 | 1,771,148 |
| Cash outflow/(inflow) from financing | | 100,000 | (1,728,908) |
| | | ----- | ----- |
| Movement in net debt in the period | | 351,503 | 42,240 |
| Net debt at 1 April 2010 | | (18,245,955) | (18,288,195) |
| | | ----- | ----- |
| Net debt at 31 March 2011 | 16(e) | (17,894,452) | (18,245,955) |
| | | ===== | ===== |

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2011

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 1/3% |
| leasehold improvements | life of lease |
| landscaping equipment | 20% to 33 1/3% |
| computer systems | 20% to 33 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 under 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2011

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 programme 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 responsibility 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 the values of individual properties sold each year and accordingly, the directors consider it is reasonable to account for property sales using original cost information which is available. This is a departure from Financial Reporting Standard 15; however no material misstatement arises from the 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> | <u>2011 Operating Surplus</u> | <u>2010 Operating Surplus</u> |
|------------------|-----------------|------------------------|-----------------------------------|-----------------------------------|
| | £ | £ | £ | £ |
| Social lettings | 4,762,936 | 2,903,675 | 1,859,261 | 2,049,874 |
| Other activities | 130,306 | 183,392 | (53,086) | (81,980) |
| | ----- | ----- | ----- | ----- |
| 2011 Total | 4,893,242 | 3,087,067 | 1,806,175 | |
| | ===== | ===== | ===== | |
| 2010 Total | 4,856,346 | 2,888,452 | | 1,967,894 |
| | ===== | ===== | | ===== |

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

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

| | General Needs Housing £ | Supported Housing Accommodation £ | Shared Ownership Housing £ | Other £ | 2011 Total £ | 2010 Total £ |
|--|----------------------------------|--|-------------------------------------|------------|--------------------|--------------------|
| Rent receivable net of service charges | 4,764,794 | - | - | - | 4,764,794 | 4,725,169 |
| Service charges | 14,088 | - | - | - | 14,088 | - |
| Gross income from rents and Service charges | 4,778,882 | - | - | - | 4,778,882 | 4,725,169 |
| Less voids | (87,325) | - | - | - | (87,325) | (91,908) |
| Net income from rents and service charges | 4,691,557 | - | - | - | 4,691,557 | 4,633,261 |
| Grants from Scottish Ministers | 71,379 | - | - | - | 71,379 | 92,560 |
| Other revenue grants | - | - | - | - | - | - |
| Total turnover from social letting activities | 4,762,936 | - | - | - | 4,762,936 | £4,725,821 |
| Management and maintenance administration costs | 1,395,843 | - | - | - | 1,395,843 | 1,297,201 |
| Service costs | - | - | - | - | - | - |
| Planned and cyclical maintenance including major repairs costs | 747,064 | - | - | - | 747,064 | 667,044 |
| Reactive maintenance costs | 691,768 | - | - | - | 691,768 | 653,582 |
| Bad debts – rents and service Charges | 69,000 | - | - | - | 69,000 | 58,120 |
| Depreciation of social housing | - | - | - | - | - | - |
| Impairment of social housing | - | - | - | - | - | - |
| Operating costs for social Letting activities | 2,903,675 | - | - | - | 2,903,675 | 2,675,947 |
| Operating surplus for social Lettings 2011 | 1,859,261 | - | - | - | 1,859,261 | |
| Operating surplus for social Lettings for 2010 | 2,049,874 | - | - | - | | 2,049,874 |

WAVERLEY HOUSING
(A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2011

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 £ | 2011 Operating surplus/ (deficit) £ | 2010 Operating surplus/ (deficit) £ |
|--|---|-----------------------|-------------------------------------|----------------------|------------------------|--|----------------------------------|---|---|
| Wider role activities to support the community | 54,578 | - | - | - | 54,578 | - | 87,817 | (33,239) | (49,736) |
| Recharges for repair of property | - | - | - | 56,116 | 56,116 | 52,940 | 6,201 | (3,025) | (12,550) |
| Factoring | - | - | - | 11,895 | 11,895 | - | 2,131 | 9,764 | 11,281 |
| Development and construction of property activities | - | - | - | - | - | - | - | - | - |
| Support activities | - | - | - | - | - | - | - | - | - |
| Care activities | - | - | - | - | - | - | - | - | - |
| Agency/management services for Registered Social Landlords | - | - | - | - | - | - | - | - | - |
| Other agency/management services | - | - | - | 172 | 172 | - | - | 172 | 390 |
| 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) | - | - | - | 7,545 | 7,545 | - | 34,303 | (26,758) | (31,365) |
| 2011 Total from other activities | 54,578 | - | - | 75,728 | 130,306 | 52,940 | 130,452 | (53,086) | |
| 2010 Total from other activities | 45,162 | - | - | 85,363 | 130,525 | 60,520 | 151,985 | | (81,980) |

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

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>2011</u> £ | <u>2010</u> £ |
|--|------------------|------------------|
| Surplus is stated after charging:- | | |
| Auditor's remuneration – external – audit services | 10,200 | 12,380 |
| Depreciation | 12,492 | 7,723 |
| Operating lease rentals | 84,206 | 96,103 |
| | ===== | ===== |

7. INTEREST PAYABLE

| | <u>2011</u> £ | <u>2010</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 | 1,062,852 | 1,034,526 |
| Release of deferred loan issue costs | 3,228 | 3,228 |
| | ----- | ----- |
| | 1,066,080 | 1,037,754 |
| | ===== | ===== |

8. EMPLOYEES

| | <u>2011</u> | <u>2010</u> |
|--|-------------|-------------|
| Number of employees:- | | |
| The average monthly numbers of employees (including the directors) during the year were: | | |
| Clerical | 27 | 27 |
| Maintenance | 12 | 11 |
| Cleaners | 1 | 2 |
| | ----- | ----- |
| | 40 | 40 |
| | ===== | ===== |
| The full time equivalents of the figures amounted to: | 37 | 37 |
| | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

8. EMPLOYEES (continued)

Employment costs:-

| | <u>2011</u> £ | <u>2010</u> £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 851,742 | 875,951 |
| Social security costs | 84,675 | 86,866 |
| Other pension costs | 87,034 | 90,120 |
| | ----- | ----- |
| | 1,023,451 | 1,052,937 |
| | ===== | ===== |

Officers' emoluments;

The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 requires disclosure of details of the emoluments of the Chief Executive and officers' whose total emoluments exceed £60,000 excluding employer's pension contributions. No member of the Board of Directors received emoluments and no officer other than the Chief Executive received more than £60,000.

| | <u>2011</u> £ | <u>2010</u> £ |
|------------------------------------|------------------|------------------|
| Emoluments of the Chief Executive. | 67,775 | 71,623 |
| | ===== | ===== |

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 £87,034 (2010 - £90,120). 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 £9,917 (2010 - £9,963).

10. TAXATION

The company was granted charitable status for taxation purposes with effect from 1 April 1996 and as a consequence no liability to taxation arises on housing activities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

11. (a) TANGIBLE FIXED ASSETS - Housing Properties

| | Housing Properties £ |
|------------------------|----------------------------|
| COST/VALUATION | |
| At 1 April 2010 | 35,800,000 |
| Additions | 342,005 |
| Surplus on revaluation | 2,505,971 |
| Disposals | (42,976) |
| | ----- |
| At 31 March 2011 | 38,605,000 |
| | ----- |
| DEPRECIATION | |
| At 1 April 2010 | - |
| Charge for the period | - |
| | ----- |
| At 31 March 2011 | - |
| | ----- |
| NET BOOK VALUE | |
| At 31 March 2011 | 38,605,000 |
| | ===== |
| At 31 March 2010 | 35,800,000 |
| | ===== |

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

11. (a) TANGIBLE FIXED ASSETS - Housing Property

| | <u>2011</u> £ | <u>2010</u> £ |
|---|------------------|------------------|
| Additions to housing property comprise: | | |
| Tenants choice transfers | | - |
| Capital works | 342,005 | 418,643 |
| | ----- | ----- |
| | 342,005 | 418,643 |
| | ===== | ===== |

Total works carried out on the housing properties for the year end 31 March 2011 was £1,779,318. Of this total £342,005 was capitalised above and £1,437,313 was expensed in the income and expenditure statement in line with recommended accounting practice.

The housing properties were revalued on 31 March 2011 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 £38,605,000.

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 2011 | 23,473,930 |
| | ===== |
| At 1 April 2010 | 23,174,901 |
| | ===== |

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 2011 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

11. (b) TANGIBLE FIXED ASSETS - Other

| | <u>Computer Systems</u> £ | <u>Equipment Plant & Tools</u> £ | <u>Heritable Land & Buildings</u> £ | <u>Total</u> £ |
|-----------------------|----------------------------------|---|--|-------------------|
| COST | | | | |
| At 1 April 2010 | 177,107 | 5,360 | 180,992 | 363,459 |
| Additions | 3,466 | 7,021 | - | 10,487 |
| | ----- | ----- | ----- | ----- |
| At 31 March 2011 | 180,573 | 12,381 | 180,992 | 373,946 |
| | ----- | ----- | ----- | ----- |
| DEPRECIATION | | | | |
| At 1 April 2010 | 162,323 | 5,360 | 65,706 | 233,389 |
| Charge for the year | 6,528 | 2,340 | 3,624 | 12,492 |
| | ----- | ----- | ----- | ----- |
| At 31 March 2011 | 168,851 | 7,700 | 69,330 | 245,881 |
| | ----- | ----- | ----- | ----- |
| NET BOOK VALUE | | | | |
| At 31 March 2011 | 11,722 | 4,681 | 111,662 | 128,065 |
| | ===== | ===== | ===== | ===== |
| At 31 March 2010 | 14,784 | - | 115,286 | 130,070 |
| | ===== | ===== | ===== | ===== |

12. DEBTORS

| | <u>2011</u> £ | <u>2010</u> £ |
|-----------------------------------|------------------|------------------|
| Rental arrears | 208,744 | 174,117 |
| Less provision for doubtful debts | (91,185) | (72,742) |
| | ----- | ----- |
| | 117,559 | 101,375 |
| Trade debtors | 34,252 | 41,208 |
| Other debtors | 195,330 | 190,074 |
| | ----- | ----- |
| | 347,141 | 332,657 |
| | ===== | ===== |

WAVERLEY HOUSING
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

13. CREDITORS: amounts falling due within one year

| | <u>2011</u> £ | <u>2010</u> £ |
|------------------------------------|------------------|------------------|
| Bank loan (secured - see note 15) | 100,000 | 100,000 |
| Loan issue costs deferred | (3,228) | (3,121) |
| Prepaid rent | 58,805 | 57,129 |
| Trade creditors | 69,439 | 237,515 |
| Taxation and social security costs | 30,443 | 26,680 |
| Accruals and deferred income | 150,318 | 145,206 |
| Other creditors | 2,789 | 466 |
| | ----- | ----- |
| | 408,566 | 563,875 |
| | ===== | ===== |

14. CREDITORS: amounts falling due after more than one year

| | <u>2011</u> £ | <u>2010</u> £ |
|---|------------------|------------------|
| Bank loans (secured - see also note 15) | 22,000,000 | 22,100,000 |
| Loan issue costs deferred | (87,166) | (90,501) |
| | ----- | ----- |
| | 21,912,834 | 22,009,499 |
| | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

15. BANK LOANS AND OVERDRAFT

| | <u>2011</u> £ | <u>2010</u> £ |
|-------------------------------------|------------------|------------------|
| Bank loans and overdraft comprise:- | | |
| Amounts repayable: | | |
| Within one year | 100,000 | 100,000 |
| Between one and two years | 200,000 | 100,000 |
| Between two and five years | 700,000 | 600,000 |
| Due after five years | 21,100,000 | 21,400,000 |
| | ----- | ----- |
| | 22,100,000 | 22,200,000 |
| | ===== | ===== |

The above loan was drawn down on 27 July 2009. The loan is made up of a £15,470,000 fixed rate facility and a £6,630,000 variable rate facility. 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 £22,100,000 (2010 - £22,200,000).

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>2011</u> £ | <u>2010</u> £ |
|--|------------------|------------------|
| (a) Reconciliation of operating surplus to operating cash flows: | | |
| Operating surplus | 1,806,175 | 1,967,894 |
| Depreciation | 12,492 | 7,723 |
| (Increase) in debtors | (14,484) | (73,418) |
| (Decrease) in creditors | (155,202) | (244,263) |
| Exceptional loan restructuring costs | - | (198,958) |
| | ----- | ----- |
| Net cash inflow from operating activities | 1,648,981 | 1,458,978 |
| | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

16. NOTES TO THE CASH FLOW STATEMENT (continued)

| | <u>2011</u> £ | <u>2010</u> £ |
|---|------------------|------------------|
| (b) Returns on investment and servicing of finance: | | |
| Interest received | 31,378 | 9,975 |
| Interest paid | (1,062,852) | (1,200,970) |
| | ----- | ----- |
| | (1,031,474) | (1,190,995) |
| | ===== | ===== |
| | <u>2011</u> £ | <u>2010</u> £ |
| (c) Capital expenditure: | | |
| Payments to acquire tangible fixed assets | (352,492) | (309,601) |
| Receipts from sale of tangible fixed assets | 86,488 | 83,858 |
| | ----- | ----- |
| | (266,004) | (225,743) |
| | ===== | ===== |
| (d) Financing | | |
| | <u>2011</u> £ | <u>2010</u> £ |
| (Repayment)/advance of loans | (100,000) | 1,728,908 |
| | ----- | ----- |
| | (100,000) | 1,728,908 |
| | ===== | ===== |

| | <u>At 01/04/10</u> £ | <u>Cash Flows</u> £ | <u>Non cash changes</u> £ | <u>At 31/03/11</u> £ |
|---|-------------------------|------------------------|------------------------------|-------------------------|
| (e) Analysis of net debt: | | | | |
| Cash in hand and at bank | 3,954,045 | 251,503 | - | 4,205,548 |
| Bank loans due within one year | (100,000) | 100,000 | (100,000) | (100,000) |
| Bank loans due after more than one year | (22,100,000) | - | 100,000 | (22,000,000) |
| | ----- | ----- | ----- | ----- |
| | (18,245,955) | 351,503 | - | (17,894,452) |
| | ===== | ===== | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

17. RESERVES

| | Revaluation <u>Reserve</u> £ | Revenue <u>Reserve</u> £ | Major Repairs <u>Reserve</u> £ | 2011 <u>Total</u> £ |
|---------------------------------|------------------------------------|--------------------------------|--------------------------------------|---------------------------|
| At 1 April 2010 | 12,625,099 | 3,551,743 | 1,466,556 | 17,643,398 |
| Surplus for the financial year | - | 814,985 | - | 814,985 |
| Revaluation surplus | 2,505,971 | - | - | 2,505,971 |
| Transfer to designated reserves | - | (1,760,444) | 1,760,444 | - |
| | ----- | ----- | ----- | ----- |
| At 31 March 2011 | 15,131,070 | 2,606,284 | 3,227,000 | 20,964,354 |
| | ===== | ===== | ===== | ===== |

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

18. CAPITAL COMMITMENTS

At 31 March 2011, the company had no capital commitments (2010 - £88,769).

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 2011 the company had annual commitments under non-cancellable operating leases as set out below:-

| | Motor Vehicles & Office Equipment | |
|--------------------------------|--------------------------------------|-------------|
| | <u>2011</u> | <u>2010</u> |
| | £ | £ |
| Operating leases which expire: | | |
| Within one year | 12,657 | 66,954 |
| Within two to five year | 71,549 | 29,149 |
| After five years | - | - |
| | ----- | ----- |
| | 84,206 | 96,103 |
| | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

21. HOUSING UNITS IN MANAGEMENT

| | <u>2011</u> | <u>2010</u> |
|-------------------|--------------|--------------|
| General needs | 1,531 | 1534 |
| Supported housing | - | - |
| Shared ownership | - | - |
| | <u>-----</u> | <u>-----</u> |
| | 1,531 | 1,534 |
| | <u>=====</u> | <u>=====</u> |