

WAVERLEY HOUSING
(A Company Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2012

Company No. SC115066

Charity No. SCO26231

R.S.L No. 327

WAVERLEY HOUSING
(A Company Limited by Guarantee)

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for the year ended 31 March 2012

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WAVERLEY HOUSING
(A Company Limited by Guarantee)

COMPANY INFORMATION

for the year ended 31 March 2012

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:	Margaret Ross	
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 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 2012.

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 2011/12 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 2011/12 were:

- During the year we relet 202 of our properties which became vacant. The percentage of lost rent due for void properties available for rent against total rent due was slightly ahead of our target of 1.6%, at 1.5%.
- 81% of new tenancies to people, who were homeless, were sustained over a one year period.
- Arrears at 31 March 2012 were below our target of 3.00%, at 2.29% of gross annual rent.
- Our Housing Officers achieved 99% settling in visits against a target of 96%.
- During the year we carried out 6,362 responsive repairs, with 95% being completed within target timescales - a slight deterioration on the previous year.
- As at 31 March 2012 we now hold 82% stock condition information from a survey carried out by external consultants.
- Our resources are being targeted where they are most needed to ensure the requirements of the Scottish Housing Quality Standard (SHQS) are met by 2015. As at 31 March 2012, 23% meet the SHQS with a further 25% due to be brought up to standard during 2012/13.
- A new Asset Management System was implemented during 2011/12 which now holds all our stock survey information and planned maintenance works carried out, enabling forecasting and scenario planning to be carried out.
- A new Fixed Asset Register was implemented during 2011/12 which is capable of handling the requirements of Component Accounting.
- A people plan was developed and implemented during the year, and all employees now have a personal development plan which is incorporated within the Appraisal Scheme.

REPORT OF THE DIRECTORS (continued)

- A tenant reward scheme was developed and implemented during the year.
- During the year the Governance self-assessment working group reviewed the Committees' terms of reference, cycle of meeting and succession planning. They also undertook a nomination and election process to fill forthcoming vacant positions of tenant Directors on the Board due to retirements.
- The Company has recognised the value of partnerships and has continued to pursue arrangements with a variety of stakeholders, for example:
 - The regeneration of Stonefield area in Hawick took a step forward with the Scottish Government giving approval to undertake "solum swaps" with Scottish Borders Housing Association (SBHA). Through this joint working with SBHA, and the support of SBC, the whole project will boost the supply of good quality housing in Hawick and will maximise the training and employment opportunities for young people.
 - 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 Tenants' Organisation managed to secure funding of almost £85,000 from the Big Lottery Fund and its Community Spaces Scheme to build a playpark in Langlee, Galashiels.
 - Waverley Housing is working in partnership with Scottish Borders Housing Association (SBHA) to deliver the Help with Money Project to benefit tenants. The Help with Money Project aims to help tenants avoid serious financial problems by giving them the skills, knowledge and confidence to make the financial choices that are right for them.

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:

- Remuneration of Chief Executive and all employees.
- 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.

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.

FINANCIAL REVIEW

Financial Results

Waverley Housing's turnover for 2011/12 was £4,997,464 (2010/11: £4,893,242) against operating costs of £3,692,344 (restated 2010/11: £3,191,972). The main source of income was rental income of £4,949,843.

The 2010/11 financial performance figures have been restated to take into account the prior year adjustment due to the adoption of component accounting, a requirement of SORP 2010 (see notes 1(e) and 11).

Balance Sheet

Waverley Housing's Balance Sheet at 31 March 2012 is shown on page 14. The key factor affecting the Balance Sheet is the adoption of component accounting (see notes 1(e) and 11) and also the valuation of housing stock as at 31 March 2012. 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 £35,075,000 (31 March 2011 - £38,605,000). 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 15. The main sources of cash inflows were rental income and grant support, with net cash inflow from operating activities of £1,777,864 (restated 2010/11: £1,912,504).

REPORT OF THE DIRECTORS (continued)

Current Liquidity

At 31 March 2012 Waverley Housing had cash and short-term deposits of £4,228,579. 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.

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.

REPORT OF THE DIRECTORS (continued)

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 2011/12 included financial (Financial Regulations) and non-financial systems (housing management, repairs and performance, allocations and voids) 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 3 July 2012. 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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

2012

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 2012, which comprise of the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 2012 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 Company'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

25 JULY 2012

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

WAVERLEY HOUSING
(A Company Limited by Guarantee)

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2012

	<u>Note</u>	<u>2012</u> £	Restated <u>2011</u> £
TURNOVER	2	4,997,464	4,893,242
Operating costs	2	(3,692,344)	(3,191,972)
		-----	-----
OPERATING SURPLUS	6	1,305,120	1,701,270
Sale of housing properties		(1,195)	51,711
Interest receivable and similar income		54,956	31,378
Interest payable and similar charges	7	(1,076,936)	(1,066,080)
		-----	-----
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		281,945	718,279
Tax on surplus on ordinary activities	10	-	-
		-----	-----
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		281,945	718,279
		=====	=====

In each of the years ended 31 March 2012 and 31 March 2011, the surplus for the year is in respect of continuing activities of the company.

The notes on pages 16 to 30 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 2012

	<u>2012</u> £	Restated <u>2011</u> £
Surplus on ordinary activities after taxation	281,945	718,279
Unrealised (deficit)/surplus on revaluation of housing property	(3,737,372)	2,602,677
	-----	-----
Total recognised (deficit)/ surplus for the year	(3,455,427)	3,320,956
		=====
Prior year adjustment	-	

Total deficits recognised since last financial statements	(3,455,427)	
	=====	

The reported surplus on ordinary activities is no different from the historical surplus and as such a note of historical surpluses and deficits is not required (see note 12(a)).

The notes on pages 16 to 30 form part of these financial statements.

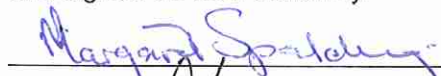


WAVERLEY HOUSING
(A Company Limited by Guarantee)

BALANCE SHEET

as at 31 March 2012

	<u>Note</u>	<u>2012</u> £	Restated <u>2011</u> £
TANGIBLE FIXED ASSETS			
Housing properties	12(a)	35,075,000	38,605,000
Other fixed assets	12(b)	160,259	128,065
		<u>35,235,259</u>	<u>38,733,065</u>
CURRENT ASSETS			
Debtors	13	255,777	347,141
Cash in hand and at bank		4,228,579	4,205,548
		<u>4,484,356</u>	<u>4,552,689</u>
CREDITORS: amounts falling due within one year	14	(494,626)	(408,566)
NET CURRENT ASSETS		<u>3,989,730</u>	<u>4,144,123</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>39,224,989</u>	<u>42,877,188</u>
CREDITORS: amounts falling due after more than one year	15	(21,716,062)	(21,912,834)
		<u>17,508,927</u>	<u>20,964,354</u>
RESERVES			
Revaluation reserve	18	14,988,879	18,726,251
Revenue reserve	18	2,520,048	(988,897)
Designated reserves	18	-	3,227,000
		<u>17,508,927</u>	<u>20,964,354</u>

Approved by the Board of Directors on ~~3 July~~ 2012
and signed on their behalf by:

 MARGARET SPALDING, Chair
 WILLIAM ROBSON, Director
 PETER BROWN, Director

Company Registration Number: SC115066

The notes on pages 16 to 30 form part of these financial statements.

WAVERLEY HOUSING
(A Company Limited by Guarantee)

CASH FLOW STATEMENT

for the year ended 31 March 2012

	<u>Note</u>	<u>2012</u> £	Restated <u>2011</u> £
Cashflow from operating activities	17(a)	1,777,864	1,912,504
Returns on investment and servicing of finance	17(b)	(1,018,752)	(1,031,474)
Capital expenditure and financial investments	17(c)	(636,081)	(529,527)
		-----	-----
Financing	17(d)	123,031 (100,000)	351,503 (100,000)
		-----	-----
Increase in cash in the year		23,031	251,503
		=====	=====
Reconciliation of net cash flow to movement in net debt:-			
Increase in cash in the year		23,031	251,503
Cash outflow from financing		100,000	100,000
		-----	-----
Movement in net debt in the period		123,031	351,503
Net debt at 1 April 2011		(17,894,452)	(18,245,955)
		-----	-----
Net debt at 31 March 2012	17(e)	(17,771,421)	(17,894,452)
		=====	=====

The notes on pages 16 to 30 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

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 (Updated 2010) and applicable accounting standards, and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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

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

(b) Housing Property

This year component accounting has been adopted. Housing property comprise several components with substantially different useful lives and under the component accounting principle, each major component is accounted for separately and depreciated over its individual useful economic life (except for land).

Housing properties are split into the following components:

- Land
- Structure
- Windows
- Doors
- Boilers
- Radiators
- Bathroom
- Kitchen

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. In applying SORP 2010, the valuation is only attributable to land for accounting purposes.

(c) Works to existing housing properties

Where work is carried out to existing properties and results in an enhancement of the economic benefits of the property, they will be accounted for as an improvement and capitalised in note 11. Such circumstances are as follows:-

- (i) Where a component of the tangible fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful economic life, is replaced or restored.
- (ii) Where subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard of performance.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

- (iii) Where the subsequent expenditure relates to a major inspection or overhaul of a tangible fixed asset that restores the economic benefits of the asset that have been consumed by the entity and have already been reflected in depreciation.

(d) 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:

The company depreciates the net cost of freehold housing properties by component on a straight line basis over the estimated useful economic lives of component categories. A full years depreciation is charged in the year in which the property is purchased.

Useful economic lives for identified components are as follows:

Component	UEL
Structure	100 years
Windows	30 years
Doors	30 years
Boilers	15 years
Radiators	30 years
Bathroom	30 years
Kitchen	20 years

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%

(e) Prior Year Adjustment

As noted above within Housing Property accounting policy, the Board of Management have adopted as required the provisions of the 2010 Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers.

In accordance with the revised requirements of the SORP for fixed assets, the Board of Management have identified components as disclosed above and have undertaken a review of historical information to establish, where possible, previous revenue expenditure which, under this new policy, would be component capital expenditure. As a consequence of the policy in which the company revalues its housing stock on an annual basis, revised opening reserves as at 1 April 2010 have not changed in total, with a reallocation of £3,498,475 from revenue reserve to the revaluation reserve. In addition, the 2011 surplus reported for the period has decreased by £96,706 (see note 11).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

- (f) **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.
- (g) **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.
- (h) **Leased Assets**
Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.
- (i) **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.
- (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 14 and 15). 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

	Turnover <u>Turnover</u> £	Operating <u>Costs</u> £	2012 Operating Surplus/ (Deficits) £	Restated 2011 Operating Surplus/ (Deficits) £
Social lettings	4,870,519	3,528,408	1,342,111	1,754,356
Other activities	126,945	163,936	(36,991)	(53,086)
	-----	-----	-----	-----
2012 Total	4,997,464	3,692,344	1,305,120	
	=====	=====	=====	
2011 Total	4,893,242	3,191,972		1,701,270
	=====	=====		=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

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

	General <u>Housing</u> £	Supported Needs <u>Accommodation</u> £	Shared Housing <u>Housing</u> £	Ownership <u>Other</u> £	2012 <u>Total</u> £	Restated 2011 <u>Total</u> £
Rent receivable net of service charges	4,949,843	-	-	-	4,949,843	4,764,794
Service charges	27,608	-	-	-	27,608	14,088
Gross income from rents and Service charges	4,977,451	-	-	-	4,977,451	4,778,882
Less voids	(135,087)	-	-	-	(135,087)	(87,325)
Net income from rents and service charges	4,842,364	-	-	-	4,842,364	4,691,557
Grants from Scottish Ministers	28,155	-	-	-	28,155	71,379
Other revenue grants	-	-	-	-	-	-
Total turnover from social letting activities	4,870,519	-	-	-	4,870,519	4,762,936
Management and maintenance administration costs	1,437,066	-	-	-	1,437,066	1,395,843
Service costs	-	-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	815,741	-	-	-	815,741	483,541
Reactive maintenance costs	788,007	-	-	-	788,007	691,768
Bad debts – rents and service Charges	109,518	-	-	-	109,518	69,000
Depreciation of social housing	378,076	-	-	-	378,076	368,428
Impairment of social housing	-	-	-	-	-	-
Operating costs for social Letting activities	3,528,408	-	-	-	3,528,408	3,008,580
Operating surplus for social Lettings 2012	1,342,111	-	-	-	1,342,111	
Operating surplus for social Lettings for 2011	1,754,356	-	-	-		1,754,356

WAVERLEY HOUSING
(A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2012

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 £	2012 Operating surplus/ (deficit) £	2011 Operating surplus/ (deficit) £
Wider role activities to support the community	21,205	-	-	-	21,205	-	45,298	(24,093)	(33,239)
Recharges for repair of property	-	-	-	75,902	75,902	89,401	3,056	(16,555)	(3,025)
Factoring	-	-	-	12,333	12,333	-	-	12,333	9,764
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for Registered Social Landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	390	390	-	-	390	172
Development for sale to Registered Social Landlords	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non Registered Social Landlords	-	-	-	-	-	-	-	-	-
Other activities (insurance claims (Tenant Participation Officer, Misc)	-	-	-	17,115	17,115	-	26,181	(9,066)	(26,752)
2012 Total from other activities	21,205	-	-	105,740	126,945	89,401	74,535	(36,991)	
2011 Total from other activities	54,578	-	-	75,728	130,306	52,940	130,452		(53,086)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

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>2012</u> £	Restated <u>2011</u> £
Surplus is stated after charging:-		
Auditor's remuneration – external – audit services	10,980	10,200
Depreciation	378,076	368,428
Operating lease rentals	82,804	84,206
	=====	=====

7. INTEREST PAYABLE

	<u>2012</u> £	<u>2011</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	1,073,708	1,062,852
Release of deferred loan issue costs	3,228	3,228
	-----	-----
	1,076,936	1,066,080
	=====	=====

8. EMPLOYEES

	<u>2012</u>	<u>2011</u>
Number of employees:-		
The average monthly numbers of employees during the year were:		
Clerical	27	27
Maintenance	16	12
Cleaners	1	1
	-----	-----
	44	40
	=====	=====
The full time equivalents of the figures amounted to:	41	37
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

8. EMPLOYEES (continued)

Employment costs:-

	<u>2012</u> £	<u>2011</u> £
Wages and salaries	952,495	851,742
Social security costs	92,056	84,675
Other pension costs	95,913	87,034
	-----	-----
	1,140,464	1,023,451
	=====	=====

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>2012</u> £	<u>2011</u> £
Emoluments of the Chief Executive.	70,490	67,775
	=====	=====

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 £95,913 (2011 - £87,034). 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 £10,313 (2011 - £9,917).

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 2012

11. PRIOR YEAR ADJUSTMENT

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers (updated 2010), the company has implemented component accounting for the first time this year. As this is a change in accounting policy, the impact of component accounting has resulted in a restatement of the prior year figures via a prior year adjustment as noted below.

The principal of component accounting is to treat major components of an asset as if each component is a separate asset in its own right and depreciate the components over their useful economic lives. It follows therefore, that when a component is replaced, the old component is written off, in order to avoid double counting, with the new component capitalised and then amortised over its expected useful life.

Due to the company's policy of revaluing its housing stock each year, there was a nil net effect on the value of the assets. The effect on the balance sheet was a reclassification between the revaluation and revenue reserves as follows:

	Revaluation Reserve £	Revenue Reserve £	Total £
To 31 March 2010			
Capitalisation of assets previously expensed	-	228,175	228,175
Disposals	-	(55,282)	(55,282)
Depreciation	-	(3,671,368)	(3,671,368)
Adjustment to revaluation	3,498,475	-	3,498,475
	-----	-----	-----
	3,498,475	(3,498,475)	-
	-----	-----	-----
To 31 March 2011			
Capitalisation of assets previously expensed	-	263,523	263,523
Disposals	-	(94,668)	(94,668)
Depreciation	-	(265,561)	(265,561)
Adjustment to revaluation	96,706	-	96,706
	-----	-----	-----
	96,706	(96,706)	-
	-----	-----	-----
	3,595,181	3,595,181	-
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

12. (a) TANGIBLE FIXED ASSETS - Housing Properties

	<u>Total</u> £
COST/ VALUATION	
At 1 April 2011(as previously stated)	38,605,000
Prior year adjustment	3,936,929

At 1 April 2011 (restated)	42,541,929
Additions – replacement components	594,917
Disposals – replaced components	(87,800)
Disposals – right-to-buy	(10,944)
Revaluation deficit	(3,737,372)

At 31 March 2012	39,300,730

DEPRECIATION	
At 1 April 2011 (as previously stated)	-
Prior year adjustment	3,936,929

At 1 April 2011 (restated)	3,936,929
Charge for the year	309,256
Disposals – replaced components	(18,980)
Disposals – right-to-buy	(1,475)

At 31 March 2012	4,225,730

NET BOOK VALUE	
At 31 March 2012	35,075,000
	=====
At 31 March 2011	38,605,000
	=====

The net book value of components which have been replaced in the year of £68,820 (2011: £75,253) is included in the depreciation charge of £378,076 (2011: £368,428) in note 3.

	<u>2012</u> £	<u>2011</u> £
Additions to housing property comprise:		
Tenants choice transfers	-	-
Capital works	594,917	605,528
	-----	-----
	594,517	605,528
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

12. (a) TANGIBLE FIXED ASSETS - Housing Property (continued)

Total works carried out on the housing properties for the year end 31 March 2012 was £2,198,335. Of this total £594,917 was capitalised above and £1,603,818 was expensed in the income and expenditure statement in line with recommended accounting practice.

The housing properties were revalued on 31 March 2012 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 £35,075,000.

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 1 April 2011	23,473,930
Prior year adjustment	341,748

At 1 April 2011 (restated)	23,815,678
Additions – replacement components	594,917
Disposals – replaced components	(87,800)
Disposals – right-to-buy	(10,944)

At 31 March 2012	24,311,851

DEPRECIATION	
At 1 April 2011	-
Prior year adjustment	3,936,929

At 1 April 2011 (restated)	3,936,929
Charge for the year	309,256
Disposals – replaced components	(18,980)
Disposals – right-to-buy	(1,475)

At 31 March 2012	4,225,730

NET BOOK VALUE	
At 31 March 2012	20,086,121
	=====
At 31 March 2011(restated)	19,878,749
	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

12. (a) TANGIBLE FIXED ASSETS - Housing Property (continued)

Following the requirements of SORP, the value of identified components other than land is assumed to be equal to historical cost net of depreciation, as such movements in existing use valuation are recognised against the land element of a property only. On this basis, as land is not depreciated, 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 2012 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.

12. (b) TANGIBLE FIXED ASSETS - Other

	Computer Systems £	Equipment Plant & Tools £	Heritable Land & Buildings £	Total £
COST				
At 1 April 2011	180,573	12,381	180,992	373,946
Additions	49,838	-	-	49,838
	-----	-----	-----	-----
At 31 March 2012	230,411	12,381	180,992	423,784
	-----	-----	-----	-----
DEPRECIATION				
At 1 April 2011	168,851	7,700	69,330	245,881
Charge for the year	11,673	2,340	3,631	17,644
	-----	-----	-----	-----
At 31 March 2012	180,524	10,040	72,961	263,525
	-----	-----	-----	-----
NET BOOK VALUE				
At 31 March 2012	49,887	2,341	108,031	160,259
	=====	=====	=====	=====
At 31 March 2011	11,722	4,681	111,662	128,065
	=====	=====	=====	=====

13. DEBTORS

	2012 £	2011 £
Rental arrears	178,211	208,744
Less provision for doubtful debts	(142,522)	(91,185)
	-----	-----
	35,689	117,559
Trade debtors	9,667	34,252
Other debtors	210,421	195,330
	-----	-----
	255,777	347,141
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

14. CREDITORS: amounts falling due within one year

	<u>2012</u> £	<u>2011</u> £
Bank loan (secured - see note 16)	200,000	100,000
Loan issue costs deferred	(3,228)	(3,228)
Prepaid rent	47,619	58,805
Trade creditors	44,734	69,439
Taxation and social security costs	32,296	30,443
Accruals and deferred income	157,668	150,318
Other creditors	15,537	2,789
	-----	-----
	494,626	408,566
	=====	=====

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

	<u>2012</u> £	<u>2011</u> £
Bank loans (secured - see also note 16)	21,800,000	22,000,000
Loan issue costs deferred	(83,938)	(87,166)
	-----	-----
	21,716,062	21,912,834
	=====	=====

16. BANK LOANS AND OVERDRAFT

	<u>2012</u> £	<u>2011</u> £
Bank loans and overdraft comprise:-		
Amounts repayable:		
Within one year	200,000	100,000
Between one and two years	200,000	200,000
Between two and five years	800,000	700,000
Due after five years	20,800,000	21,100,000
	-----	-----
	22,000,000	22,100,000
	=====	=====

The above loan was drawn down on 27 July 2009. The loan is made up of a £15,400,000 fixed rate facility and a £6,600,000 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 £22,000,000 (2011 - £22,100,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

16. BANK LOANS AND OVERDRAFT (continued)

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:-

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.

17. NOTES TO THE CASH FLOW STATEMENT

	<u>2012</u> £	Restated <u>2011</u> £
(a) Reconciliation of operating surplus to operating cash flows:		
Operating surplus	1,305,120	1,701,270
Depreciation	395,720	380,920
Decrease/(Increase) in debtors	91,364	(14,484)
(Decrease) in creditors	(14,340)	(155,202)
	-----	-----
Net cash inflow from operating activities	1,777,864	1,912,504
	=====	=====
	<u>2012</u> £	<u>2011</u> £
(b) Returns on investment and servicing of finance:		
Interest received	54,956	31,378
Interest paid	(1,073,708)	(1,062,852)
	-----	-----
	(1,018,752)	(1,031,474)
	=====	=====
	<u>2012</u> £	Restated <u>2011</u> £
(c) Capital expenditure:		
Payments to acquire tangible fixed assets	(644,355)	(616,015)
Receipts from sale of tangible fixed assets	8,274	86,488
	-----	-----
	(636,081)	(529,527)
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

17. NOTES TO THE CASH FLOW STATEMENT (continued)

(d) Financing

	<u>2012</u> £	<u>2011</u> £
Repayment of loans	(100,000)	(100,000)
	-----	-----
	(100,000)	(100,000)
	=====	=====

	<u>At 01/04/11</u> £	<u>Cash Flows</u> £	<u>Non cash changes</u> £	<u>At 31/03/12</u> £
(e) Analysis of net debt:				
Cash in hand and at bank	4,205,548	23,031	-	4,228,579
Bank loans due within one year	(100,000)	100,000	(200,000)	(200,000)
Bank loans due after more than one year	(22,000,000)	-	200,000	(21,800,000)
	-----	-----	-----	-----
	(17,894,452)	123,031	-	(17,771,421)
	=====	=====	=====	=====

18. RESERVES

	<u>Revaluation Reserve</u> £	<u>Revenue Reserve</u> £	<u>Major Repairs Reserve</u> £	<u>2012 Total</u> £
At 1 April 2011(as previously reported)	15,131,070	2,606,284	3,227,000	20,964,354
Prior year adjustment	3,595,181	(3,595,181)	-	-
	-----	-----	-----	-----
At 1 April 2011 (as restated)	18,726,251	(988,897)	3,227,000	20,964,354
Surplus for the financial year	-	281,945	-	281,945
Revaluation deficit	(3,737,372)	-	-	(3,737,372)
Transfer to designated reserves	-	3,227,000	(3,227,000)	-
	-----	-----	-----	-----
At 31 March 2012	14,988,879	2,520,048	-	17,508,927
	=====	=====	=====	=====

The major repairs reserve has been transferred due to major repair expenditure now being capitalised in the future due to the adoption of component accounting.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

19. CAPITAL COMMITMENTS

At 31 March 2012, the company had no capital commitments (2011 - £Nil).

These commitments will be financed using cash reserves.

20. 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.

21. OTHER COMMITMENTS

At 31 March 2012 the company had annual commitments under non-cancellable operating leases as set out below:-

	Motor Vehicles & Office Equipment	
	<u>2012</u>	<u>2011</u>
	£	£
Operating leases which expire:		
Within one year	16,864	12,657
Within two to five year	86,217	71,549
After five years	-	-
	-----	-----
	103,081	84,206
	=====	=====

22. HOUSING UNITS IN MANAGEMENT

	<u>2012</u>	<u>2011</u>
General needs	1,530	1,531
Supported housing	-	-
Shared ownership	-	-
	-----	-----
	1,530	1,531
	=====	=====