

WAVERLEY HOUSING
(A Company Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2014

Company No. SC115066

Charity No. SCO26231

R.S.L No. 327

WAVERLEY HOUSING
(A Company Limited by Guarantee)

CONTENTS

for the year ended 31 March 2014

	<u>Page</u>
COMPANY INFORMATION	2
REPORT OF THE DIRECTORS	3-12
REPORT OF THE AUDITOR	13-14
INCOME AND EXPENDITURE ACCOUNT	15
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	16
BALANCE SHEET	17
CASH FLOW STATEMENT	18
NOTES TO THE FINANCIAL STATEMENTS	19 - 33

WAVERLEY HOUSING
(A Company Limited by Guarantee)

COMPANY INFORMATION

for the year ended 31 March 2014

COMPANY NUMBER: SC115066

R.S.L. NUMBER: 327

REGISTERED OFFICE: 27 North Bridge Street
Hawick TD9 9BD

CHAIR: Margaret Stenhouse

DIRECTORS: Margaret Stenhouse
David Thomson
Doreen Steele
William Robson
Andrew Turnbull
Peter Brown (resigned 24 September 2013)
Cliff Nichols
Ian Baxter
Niall White
George Young (appointed 24 September 2013)
Russell Pearson (appointed 27 May 2014)

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:	TC Young 7 West George Street Glasgow G2 1BA	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 2014.

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 2013/14 targets set in its Business Plan and maintained the philosophy behind the organisation's Vision 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 2013/14 were:

- The balance of non-technical arrears was 2.1% of the annual gross rental income comparing favourably with our target of 3.0%, which reflects the work of staff and the support given to tenants during the extremely difficult period of welfare reform.
- The percentage of stock available for let was 2.16% at the year-end (compared to a target of 1%).
- In 2013/14 we re-let 236 properties (185 properties excluding those in low demand areas). The average turnover timescale for these was 45 days, a deterioration on the 37 days in 2012/13 for 190 relets (of which 42 properties were in low demand areas), but in excess of our target. If we exclude those properties in low demand areas the average time taken to re-let falls to 31 days (24 days in 2012/13).
- We had anticipated an improvement in our voids performance for 2013/14, however this was not the case and we have set up a voids working group to look at areas of difficult to let, different methods of marketing and furnishing properties, as well as reviewing the voids process.

REPORT OF THE DIRECTORS (continued)

- Only 73% of all relets sustained a tenancy for more than 12 months, which is below of target of 85%. However we met our target of 75% of homeless people sustaining their tenancy for more than 12 months.

A number of key initiatives are ongoing:

- A delivery programme is in place to ensure we will achieve SHQS by November 2014, and this will continue to be measured on a monthly basis.
- Communication and consultation with tenants and other stakeholders is still high on our agenda. We plan to ensure tenants are consulted on planned SHQS works and that feedback from tenants in relation to satisfaction levels is improved in all areas of service delivery.
- After the successful completion of Stonefield (Hawick) solum swaps we will continue our rationalisation of stock through working with Scottish Borders Housing Association to identify further properties for potential solum swaps.
- Now that we are well on target with SHQS our efforts are turning to energy efficiency and consideration is being given to the renewables agenda with training and awareness sessions and discussions with the relevant personnel on the various technologies. This will be a key area of focus over the coming years.

Other activities during the year

- In order to help those tenants facing financial difficulties, often the most vulnerable, and in particular those affected by the changes to Welfare Benefit system we appointed to the new post of Tenancy Sustainment Officer; she has successfully assisted tenants to make claims for benefits they did not know they were entitled to, get backdated benefit payments, discretionary housing payments and help reduce rent arrears. In total she has helped 258 tenants with a monetary value of in the region of £195,500.
- We will continue to work closely with our partners to ensure tenants receive the best support and advice available.
- We commissioned Knowledge Partnership to carry out our 3-yearly tenant, employee and owner-occupier satisfaction surveys, with results due early 2014/15.
- As part of the Scottish Government's Summer Cabinet visit to the Scottish Borders, Nicola Sturgeon, Deputy First Minister, visited the Stonefield Estate in Hawick to see plans for a major investment in new and refurbished homes. During her visit she viewed one of our refurbished properties and chatted to one of our tenants.
- The Housing Minister, Margaret Burgess visited Upper Langlee, Galashiels to view improvement works undertaken as part of the Home Energy Efficiency Programmes for Scotland (HEEPS).

REPORT OF THE DIRECTORS (continued)

- In August 2013 we appointed Ashleigh, a Scottish based building contractor, who commenced the refurbishment of our new office premises in July 2012.
- We undertook a major upgrade of our housing management software to ensure we can meet our everyday challenges and help improve our business efficiency and deliver enhanced levels of service to our customers and communities.
- We introduced Filestream, a Document Management System which enables us to organise paper and electronic records more effectively and efficiently allowing staff to access documents at a few keystrokes.
- A new Twitter account was launched to connect in a meaningful way with our customers in real time. It assists in promoting activities and events, as well as communicating key information and news.
- We are currently aiming to achieve Healthy Working Lives Silver Award which involves promotion of Healthy Eating, Physical Activities and we have had staff attend Mentally Healthy Workplace training. In addition to circulating information and advice via the Staff Bulletin we have participated in a number of health awareness campaigns, e.g. Suicide Awareness Week, Breast Cancer's Wear it Pink Campaign, the Bin Your Bra Appeal and Walk at Work Step Count Challenge.

Achievements during the year

- We worked with the Plain English Campaign and tenants to ensure our public documents are in Plain English and satisfy the plain English guidelines.
- In March 2014 we received the Regulator's Letter of Engagement for the forthcoming year, and we are pleased to remain within the low engagement category.
- In partnership with Berwickshire Housing Association and Scottish Borders Housing Association Big Lottery Funding of almost £570,000 was awarded to help build the financial skills of tenants who may be unable to access mainstream financial products and services such as bank accounts or relevant benefit entitlements. Tenants will be referred onto the Financial Inclusion Project, with each person receiving one-to-one support from a Financial Capability Worker. The Financial Inclusion Project Borders will run for 5 years and funding will allow for the employment of 3 FTE Financial Capability Worker.

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.

Following our Annual General Meeting in September, Peter Brown retired as a Director of Waverley Housing. Peter joined the Board as a Community Director of Waverley Housing Trust in 1999 and his appointment continued following the formation of a single company in 2001. Peter, a retired Accountant, was a great asset to the organisation especially as a member of the Audit & Internal Control Committee.

REPORT OF THE DIRECTORS (continued)

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.
- Investment strategies aimed at creating successful neighbourhoods and building asset value.
- Governing body policies and practices have been reviewed to ensure they reflect the requirements of the new Regulatory framework.
- More recently the Chair undertook the annual appraisal of Board members.

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:
 - any additional appointments to the establishment, and
 - 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.
- Development and review of the policy framework, not only for the above but also for the delivery of housing services and investment in assets.

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 & PRACTICES

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.

A further two apprentices were employed during the year, an electrician and an IT apprentice, taking our number of apprentices to six.

Staff achievements during the year:

- In October 2013, one of our Housing Officers successfully completed the Managing People for Growth programme run by The Leadership Factory on behalf Scottish Enterprise. The programme is designed to enhance personal development in the direction of leadership/management.
- In February 2014, two employees successfully completed the CIH Level 2 Certificate in Housing Maintenance. This was a joint in-house training venture with Berwickshire Housing and Scottish Borders Housing Association, hosted by SBHA.
- Equality and diversity remains core to our organisation and its values, and this is endorsed through our adoption of the Chartered Institute of Housing's (CIH) Equality and Diversity Charter.

TENANT PARTICIPATION & COMMUNITY ENGAGEMENT

Waverley Housing sees tenant participation and community engagement as a key strength of our organisation. Our Tenant Participation Officer (TPO) carries out regular tenant consultation through surveys, questionnaires, publications and meetings. The groups frequently meet to discuss local issues. They have met regularly with SBC colleagues, councillors and police to forge good relationships.

Waverley Tenants Organisation (WTO) amalgamated with Langlee Residents Association (LRA). The group has managed to obtain charitable status which allows the LRA to look at wider funding streams for future projects.

Fisher Avenue Tenants and Residents Association (FATRA) is a joint Registered Tenants Organisation between Waverley Housing and SBHA and jointly funded by both landlords.

REPORT OF THE DIRECTORS (continued)

We are currently looking to establish two further groups, one in Stirches, Hawick and another in Stonefield, Hawick.

We are working closely with tenants through our customer review panel to develop our scrutiny activities, with Handling of Complaints being one of the first areas to be targeted.

Our AGM in September was held in Langlee Community Centre, as part of a community evening, hosting information stalls about our own services, i.e. Housing; Maintenance and Tenant Participation along with other agencies, i.e. Antisocial Behaviour Unit; Community Learning and Development and NHS Healthy Living service. Langlee Community Choir performed at the event, and our first awards ceremony took place for Garden Competition Winners and Community Star Award.

HEALTH & SAFETY

The health and safety of tenants and staff is a key concern for us, as a 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, and these are reported to the Remuneration Committee on a regular basis.

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 or charitable donations made by Waverley Housing within the year.

FINANCIAL REVIEW

Income and Expenditure Account

Waverley Housing's turnover for 2013/14 was £5,451,657 (2012/13: £5,264,949) against operating costs of £4,187,874 (2012/13: £3,961,875). The main source of income was rental income of £5,499,058. Depreciation charges relating to housing property was £833k in the year. This included a reduction of the useful economic life of the structure component of housing properties from 90 years to 80 years at the year end, resulting in an additional charge of £395k.

Balance Sheet

Waverley Housing's Balance Sheet at 31 March 2014 is shown on page 16. The valuation of housing properties was carried out by an independent professional surveyor and resulted in a valuation for accounting purposes of £37,915,000 (31 March 2013 - £37,670,000). 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 17. The main sources of cash inflows were rental income and grant support, with net cash inflow from operating activities of £2,248,077 (2012/13: £2,294,852).

Current Liquidity

At 31 March 2014 Waverley Housing had cash and short-term deposits of £3,969,939. 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.

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.

REPORT OF THE DIRECTORS (continued)

Internal Control systems

The systems of internal controls reviewed by our internal auditors, Findlay & Company, in 2013/14 included Complaints Handling, Performance Reporting, Payroll & Human Resources, Communications & Consultation Strategies and Corporate Governance 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.

Statement

The Board has reviewed the effectiveness of the systems of internal financial controls that have been in operation during the year and until 27 June 2014. 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.

REPORT OF THE DIRECTORS (continued)

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.


24 June 2014 HADDON & TURNBULL, W.S., Secretary.



We have audited the financial statements of Waverley Housing for the year ended 31 March 2014, 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. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and charity, and its members 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 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements (April 2012).

INDEPENDENT AUDITOR'S REPORT



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

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 requires 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.

Kenneth McDowell CA, Senior Statutory Auditor

For and on behalf of
Chiene + Tait
Chartered Accountants & Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

15 JULY 2014

WAVERLEY HOUSING
(A Company Limited by Guarantee)

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2014

	<u>Note</u>	<u>2014</u> £	<u>2013</u> £
TURNOVER	2	5,451,657	5,264,949
Operating costs	2/11a	(4,187,874)	(3,961,875)
		-----	-----
OPERATING SURPLUS	6	1,263,783	1,303,074
Sale of housing properties		60,750	331,704
Interest receivable and similar income		22,898	50,626
Interest payable and similar charges	7	(1,030,884)	(1,058,687)
		-----	-----
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		316,547	626,717
Tax on surplus on ordinary activities	10	-	-
		-----	-----
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		316,547	626,717
		=====	=====

In each of the years ended 31 March 2014 and 31 March 2013, the surplus for the year is in respect of continuing activities of the company.

The notes on pages 19 to 33 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 2014

	<u>2014</u> £	<u>2013</u> £
Surplus on ordinary activities after taxation	316,547	626,717
Unrealised surplus on revaluation of housing property	498,608	2,275,262
	<hr/>	<hr/>
Total recognised surplus for the year	815,155	2,901,979
	=====	=====

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 11(a)).

The notes on pages 19 to 33 form part of these financial statements.

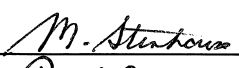


WAVERLEY HOUSING
(A Company Limited by Guarantee)

BALANCE SHEET

as at 31 March 2014

	<u>Note</u>	<u>2014</u> £	<u>2013</u> £
TANGIBLE FIXED ASSETS			
Housing properties	11(a)	37,915,000	37,670,000
Other fixed assets	11(b)	1,372,307	337,454
Investments	12	1	1
		<u>39,287,308</u>	<u>38,007,455</u>
CURRENT ASSETS			
Debtors	13	418,145	239,641
Cash in hand and at bank		3,969,939	4,360,404
		<u>4,388,084</u>	<u>4,600,045</u>
CREDITORS: amounts falling due within one year	14	(1,126,813)	(677,304)
NET CURRENT ASSETS		<u>3,261,271</u>	<u>3,922,741</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>42,548,579</u>	<u>41,930,196</u>
CREDITORS: amounts falling due after more than one year	15	(21,322,518)	(21,519,290)
		<u>21,226,061</u>	<u>20,410,906</u>
		<u>=====</u>	<u>=====</u>
RESERVES			
Revaluation reserve	18	17,535,507	17,098,257
Revenue reserve	18	3,690,554	3,312,649
		<u>21,226,061</u>	<u>20,410,906</u>
		<u>=====</u>	<u>=====</u>

Approved by the Board of Directors on 24 June 2014
and signed on their behalf by:


 MARGARET STENHOUSE, Chair

 DAVID THOMSON, Director

 GEORGE YOUNG, Director

Company Registration Number: SC115066

The notes on pages 19 to 33 form part of these financial statements.

WAVERLEY HOUSING
(A Company Limited by Guarantee)

CASH FLOW STATEMENT

for the year ended 31 March 2014

	<u>Note</u>	<u>2014</u> £	<u>2013</u> £
Cashflow from operating activities	17(a)	2,248,077	2,294,852
Returns on investment and servicing of finance	17(b)	(1,009,201)	(1,008,061)
Capital expenditure and financial investments	17(c)	(1,429,341)	(954,966)
		-----	-----
Financing	17(d)	(190,465)	331,825
		(200,000)	(200,000)
		-----	-----
(Decrease)/increase in cash in the year		(390,465)	131,825
		=====	=====
Reconciliation of net cash flow to movement in net debt:-			
(Decrease)/increase in cash in the year		(390,465)	131,825
Cash outflow from financing		200,000	200,000
		-----	-----
Movement in net debt in the period		(190,465)	331,825
Net debt at 1 April 2013		(17,439,596)	(17,771,421)
		-----	-----
Net debt at 31 March 2014	17(e)	(17,630,061)	(17,439,596)
		=====	=====

The notes on pages 18 to 32 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

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 Determination of Accounting Requirements (April 2012).

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.

Consolidation

The financial statements represent the financial statements of Waverley Housing. The subsidiary undertaking as shown at note 12 is dormant. As a result, they have not been consolidated on the grounds of immateriality.

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

(b) Housing Property

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

- (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.
 - (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 year's depreciation is charged in the year in which the property is purchased.

Details of change in UEL

At the year end the company reviewed the useful economic lives of all component categories. As a result of this review the decision was taken that a UEL of 80 years for structure was more appropriate than 90 years. This has resulted in an additional depreciation charge of £394,568.

Useful economic lives for identified components are as follows:

Component	UEL
Structure	80 years
Windows	30 years
Doors	30 years
Boilers	15 years
Radiators	30 years
Bathroom	30 years
Kitchen	20 years

Other - heritable property	50 years
assets in the course of construction	nil
leasehold improvements	life of lease
landscaping equipment	3 to 5 years
computer systems	3 to 5 years

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

- (e) **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.
- (f) **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.
- (g) **Leased Assets**
Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.
- (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 do not attribute exact values to each property without significant costs. The directors now believe there is a 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 market value.
- (i) **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

	<u>Turnover</u> £	<u>Operating Costs</u> £	2014 Operating Surplus/ (Deficits) £	2013 Operating Surplus/ (Deficits) £
Social lettings	5,385,598	4,070,149	1,315,449	1,357,504
Other activities	66,059	117,725	(51,666)	(54,430)
2014 Total	5,451,657	4,187,874	1,263,783	
2013 Total	5,264,949	3,961,875		1,303,074

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

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

	General Housing £	Supported Needs Accommodation £	Shared Housing Housing £	Ownership Other £	2014 Total £	2013 Total £
Rent receivable net of service charges	5,499,058	-	-	-	5,499,058	5,263,212
Service charges	32,211	-	-	-	32,211	31,059
Gross income from rents and Service charges	5,531,269	-	-	-	5,531,269	5,294,271
Less voids	(196,702)	-	-	-	(196,702)	(137,846)
Net income from rents and service charges	5,334,567	-	-	-	5,334,567	5,156,425
Grants from Scottish Ministers	51,031	-	-	-	51,031	29,053
Other revenue grants	-	-	-	-	-	-
Total turnover from social letting activities	5,385,598	-	-	-	5,385,598	5,185,478
Management and maintenance administration costs	1,622,893	-	-	-	1,622,893	1,513,403
Service costs	-	-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	629,408	-	-	-	629,408	705,281
Reactive maintenance costs	925,968	-	-	-	925,968	862,757
Bad debts – rents and service Charges	58,681	-	-	-	58,681	39,610
Depreciation of social housing (*)	812,670	-	-	-	812,670	706,923
Impairment of social housing	20,529	-	-	-	20,529	-
Operating costs for social letting activities	4,070,149	-	-	-	4,070,149	3,827,974
Operating surplus for social lettings 2014	1,315,449	-	-	-	1,315,449	
Operating surplus for social Lettings for 2013	1,357,504	-	-	-		1,357,504

* See note 1d of the financial statements for detailed explanation of significant movement.

WAVERLEY HOUSING
(A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2014

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 £	2014 Operating surplus/ (deficit) £	2013 Operating surplus/ (deficit) £
Wider role activities to support the community	-	-	-	-	-	-	12,645	(12,645)	(17,974)
Care and repair of property	-	-	-	47,266	47,266	39,823	1,019	6,424	1,860
Factoring	-	-	-	13,902	13,902	-	19,810	(5,908)	(3,565)
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for Registered Social Landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	441	441	-	-	441	415
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)	-	-	-	4,450	4,450	-	44,428	(39,978)	(35,166)
2014 Total from other activities	-	-	-	66,059	66,059	39,823	77,902	(51,666)	
2013 Total from other activities	9,881	-	-	69,590	79,471	33,180	100,721		(54,430)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

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>2014</u> £	<u>2013</u> £
Surplus is stated after charging:-		
Auditor's remuneration – external – audit services	10,195	9,850
Auditor's remuneration – external – non audit services	800	-
Depreciation – housing properties	833,199	706,923
Depreciation – other	18,489	61,813
Operating lease rentals	104,681	89,189
	=====	=====

7. INTEREST PAYABLE

	<u>2014</u> £	<u>2013</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	1,027,656	1,055,459
Release of deferred loan issue costs	3,228	3,228
	-----	-----
	1,030,884	1,058,687
	=====	=====

8. EMPLOYEES

	<u>2014</u>	<u>2013</u>
Number of employees:-		
The average monthly numbers of employees during the year were:		
Clerical	28	28
Maintenance	21	18
Cleaners	1	1
	-----	-----
	50	47
	=====	=====
The full time equivalents of the figures amounted to:	47	44
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

8. EMPLOYEES (continued)

Employment costs:-

	<u>2014</u> £	<u>2013</u> £
Wages and salaries	1,114,777	987,167
Social security costs	107,118	93,816
Other pension costs	103,694	95,565
	-----	-----
	1,325,589	1,176,548
	=====	=====

Officers' emoluments;

The Registered Social Landlords Accounting Requirements (Scotland) Determination 2012 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>2014</u> £	<u>2013</u> £
Emoluments of the Chief Executive.	73,329	71,546
	=====	=====

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 £103,694 (2013 - £95,565). 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 £10,728 (2013 - £10,468).

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 2014

11. (a) TANGIBLE FIXED ASSETS - Housing Properties

	<u>Total</u> £
COST/ VALUATION	
At 1 April 2013	42,443,912
Additions – replacement components	577,978
Additions – open market purchases	98,150
Additions – stock swaps	33,000
Disposals – replaced components	(61,788)
Disposals – right-to-buy	(61,543)
Disposals – stock swaps	(84,371)
Revaluation adjustment	498,608

At 31 March 2014	43,443,946

DEPRECIATION	
At 1 April 2013	4,773,912
Charge for the year	407,990
Exceptional depreciation (note 1(d))	394,026
Disposals – replaced components	(30,605)
Disposals – right-to-buy	(7,290)
Disposals – stock swaps	(9,087)

At 31 March 2014	5,528,946

NET BOOK VALUE	
At 31 March 2014	37,915,000
	=====
At 31 March 2013	37,670,000
	=====

The net book value of components which have been replaced in the year of £31,183 (2013: £69,985) is included in the depreciation charge of £833,199 (2013: £706,923) in note 6.

	<u>2014</u> £	<u>2013</u> £
Additions to housing property comprise:		
Tenants choice transfers	-	-
Capital works	577,978	786,333
Open market purchases	98,150	-
Housing stock swaps	33,000	615,000
	-----	-----
	709,128	1,401,333
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

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

Total works carried out on the housing properties for the year end 31 March 2014 was £2,133,354. Of this total £577,978 was capitalised above and £1,555,376 was expensed in the income and expenditure statement in line with recommended accounting practice.

The housing properties were revalued on 31 March 2014 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 £37,915,000.

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 assumptions made were as follows:

- Discount rate – 5.50%
- Rent increase – RPI plus 0.75%

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

	£
COST	
At 1 April 2013	25,345,655
Additions – replacement components	577,978
Additions – open market purchases	98,150
Additions – stock swaps	33,000
Disposals – replaced components	(61,788)
Disposals – right-to-buy	(35,341)
Disposals – stock swaps	(49,215)

At 31 March 2014	25,908,439

DEPRECIATION	
At 1 April 2013	4,773,912
Charge for the year	802,016
Disposals – replaced components	(30,605)
Disposals – right-to-buy	(7,290)
Disposals – stock swaps	(9,087)

At 31 March 2014	5,528,946

NET BOOK VALUE	
At 31 March 2014	20,379,493
	=====
At 31 March 2013	20,571,743
	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

11. (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 2014 has not been provided.

Disposals consist of housing property sales to tenants who have exercised their right to buy option under current legislation and also stock swaps undertaken in the year with another RSL.

11. (b) TANGIBLE FIXED ASSETS - Other

	Computer Systems £	Equipment Plant & Tools £	Heritable Land & Buildings £	Assets in the course of construction £	Total £
COST					
At 1 April 2013	227,497	18,790	180,992	239,008	666,287
Additions	58,518	-	-	994,824	1,053,342
Disposals	(13,314)	-	-	-	(13,314)
At 31 March 2014	272,701	18,790	180,992	1,233,832	1,706,315
DEPRECIATION					
At 1 April 2013	194,465	18,790	115,578	-	328,833
Charge for the year	14,869	-	3,620	-	18,489
Disposals	(13,314)	-	-	-	(13,314)
At 31 March 2014	196,020	18,790	119,198	-	334,008
NET BOOK VALUE					
At 31 March 2014	76,681	-	61,794	1,233,832	1,372,307
At 31 March 2013	33,032	-	65,414	239,008	337,454

12. INVESTMENT

	<u>2014</u> £	<u>2013</u> £
Subsidiary undertaking	1	1

The Company owns 100% of the share capital in Waverley Works Limited, a company registered in Scotland no. SC423276. The original cost of the investment was £1. The subsidiary was dormant throughout the year.

WAVERLEY HOUSING
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

13. DEBTORS

	<u>2014</u> £	<u>2013</u> £
Rental arrears	161,376	148,062
Less provision for doubtful debts	(123,712)	(106,580)
	-----	-----
	37,664	41,482
Trade debtors	10,708	11,363
Other debtors	369,773	186,796
	-----	-----
	418,145	239,641
	=====	=====

14. CREDITORS: amounts falling due within one year

	<u>2014</u> £	<u>2013</u> £
Bank loan (secured - see note 16)	200,000	200,000
Loan issue costs deferred	(3,228)	(3,228)
Prepaid rent	71,687	53,899
Trade creditors	388,790	158,224
Taxation and social security costs	37,158	30,642
Accruals and deferred income	419,333	233,528
Other creditors	13,073	4,239
	-----	-----
	1,126,813	677,304
	=====	=====

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

	<u>2014</u> £	<u>2013</u> £
Bank loans (secured - see note 16)	21,400,000	21,600,000
Loan issue costs deferred	(77,482)	(80,710)
	-----	-----
	21,322,518	21,519,290
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

16. BANK LOANS AND OVERDRAFT

	<u>2014</u> £	<u>2013</u> £
Bank loans and overdraft comprise:-		
Amounts repayable:		
Within one year	200,000	200,000
Between one and two years	300,000	200,000
Between two and five years	900,000	900,000
Due after five years	20,200,000	20,500,000
	-----	-----
	21,600,000	21,800,000
	=====	=====

The above loan was drawn down on 27 July 2009. The loan is made up of a £15,120,000 fixed rate facility and a £6,480,000 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 £21,600,000 (2013 - £21,800,000).

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:-

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

17. NOTES TO THE CASH FLOW STATEMENT

	<u>2014</u> £	<u>2013</u> £
(a) Reconciliation of operating surplus to operating cash flows:		
Operating surplus	1,263,783	1,303,074
Depreciation	851,688	768,736
(Increase)/decrease in debtors	(81,032)	37,137
Increase in creditors	213,638	185,905
	-----	-----
Net cash inflow from operating activities	2,248,077	2,294,852
	=====	=====
	<u>2014</u> £	<u>2013</u> £
(b) Returns on investment and servicing of finance:		
Interest received	24,426	50,626
Interest paid	(1,033,627)	(1,058,687)
	-----	-----
	(1,009,201)	(1,008,061)
	=====	=====
	<u>2014</u> £	<u>2013</u> £
(c) Capital expenditure:		
Payments to acquire tangible fixed assets	(1,487,628)	(1,021,067)
Receipts from sale of tangible fixed assets	58,287	66,101
	-----	-----
	(1,429,341)	(954,966)
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

17. NOTES TO THE CASH FLOW STATEMENT (continued)

(d) Financing

	<u>2014</u> £	<u>2013</u> £
Repayment of loans	(200,000)	(200,000)
	-----	-----
	(200,000)	(200,000)
	=====	=====

	<u>At 01/04/13</u> £	<u>Cash Flows</u> £	<u>Non cash changes</u> £	<u>At 31/03/14</u> £
(e) Analysis of net debt:				
Cash in hand and at bank	4,360,404	(390,465)	-	3,969,939
Bank loans due within one year	(200,000)	200,000	(200,000)	(200,000)
Bank loans due after more than one year	(21,600,000)	-	200,000	(21,400,000)
	-----	-----	-----	-----
	(17,439,596)	(190,465)	-	(17,630,061)
	=====	=====	=====	=====

18. RESERVES

	<u>Revaluation</u> <u>Reserve</u> £	<u>Revenue</u> <u>Reserve</u> £	<u>Total</u> £
At 1 April 2013	17,098,257	3,312,649	20,410,906
Surplus for the financial year	-	316,547	316,547
Revaluation surplus	498,608	-	498,608
Transfer	(61,358)	61,358	-
	-----	-----	-----
At 31 March 2014	17,535,507	3,690,554	21,226,061
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

19. CAPITAL COMMITMENTS

At 31 March 2014, the company had capital commitments in the order of £300,000 (2013 - £Nil).

20. RELATED PARTIES

Two members 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 2014 the company had annual commitments under non-cancellable operating leases as set out below:-

	Motor Vehicles & Office Equipment	
	<u>2014</u>	<u>2013</u>
	£	£
Operating leases which expire:		
Within one year	62,592	26,392
Within two to five year	48,939	80,858
After five years	1,062	-
	-----	-----
	112,593	107,250
	=====	=====

22. HOUSING UNITS IN MANAGEMENT

	<u>2014</u>	<u>2013</u>
General needs	1,525	1,528
Supported housing	-	-
Shared ownership	-	-
	-----	-----
	1,525	1,528
	=====	=====

23. CONTINGENT LIABILITY

Prior to the year end the company terminated a repairing and maintenance supplier contract containing severance provisions. At the date of approving the financial statements the directors have accrued the most recent valuation however the quantum of a final severance settlement has yet to be resolved. Therefore at the date of approving the financial statements the eventual liability cannot be ascertained within any certainty.