

WAVERLEY HOUSING
(A Company Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2013

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 2013

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WAVERLEY HOUSING
(A Company Limited by Guarantee)

COMPANY INFORMATION

for the year ended 31 March 2013

COMPANY NUMBER: SC115066

R.S.L. NUMBER: 327

REGISTERED OFFICE: 27 North Bridge Street
Hawick TD9 9BD

CHAIR: Margaret Spalding (retired 25 September 2012)
Rita Stenhouse (appointed 25 September 2012)

DIRECTORS: Margaret Spalding (resigned 29 January 2013)
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
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SOLICITORS:	HBJ Gateley Exchange Tower 19 Canning Street Edinburgh EH3 8EH	TC Young 7 West George Street Glasgow G2 1BA
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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 2013.

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 2012/13 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 2012/13 were:

- The percentage of stock available for let was 2.29% at the year-end (compared to a target of 1%). March figures were unfortunately the highest in the year, as a result of the high number of terminations received in the month, leaving little scope to turn these over before year end. Rent loss on all voids of 2.6% of gross annual rent compares favourably with last year's 2.7%.
- We relet 190 properties (151 properties excluding those in low demand areas). The average turnover timescale for these was 37 days, a slight improvement on 41 days in 2011/12 for 202 relets (none of which were in low demand areas), but in excess of our 25 day target. If we exclude those properties in low demand areas the average time taken to relet falls to 24 days.
- Having carried out a review of our voids process, and through additional void team resources, planned maintenance refurbishment works for Stonefield and through the introduction of a Hard-to-Let Strategy; we would anticipate an improvement in our voids performance for 2013/14.
- Arrears over the year have remained consistently below our 3% target. At the end of 2012/13 our arrears % was sitting at 2.07%, compared to 2.43% at the end of 2011/12.

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 measure on a monthly basis.

REPORT OF THE DIRECTORS (continued)

- 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 (phase 1) solum swaps we will work with SBHA to identify further properties for potential solum swaps.

Other activities during the year

- We conducted a “Getting to Know You” Tenant Profile survey in order to gather information to allow us to:
 - Conform with Data Protection legislation and ensure personal data held is current and up-to-date.
 - Update our records on who is currently living in our properties.
 - Determine the number of properties under-occupied or overcrowded.
 - Provide advice and assistance to those tenants likely to be affected by the changes currently taking place on welfare reform.
- The Scottish Public Services Ombudsman (SPSO) introduced a standard complaints procedure for handling complaints about public services in Scotland, including registered social landlords. We recognised the benefits of this procedure, which is aimed at simplifying the complaints process for the service user, and adopted the new process as soon as it was available.
- The Scottish Housing Regulator came to visit Waverley Housing during March 2012. The main aim of their visit was to see how we were doing with the delivery of our Scottish Housing Quality Standard Programme. During the year we have worked with the Regulator to provide the necessary assurances in relation to best value and the timely completion of the SHQS programme.
- We introduced Homeswapper – a service which enables tenants throughout the UK in rented properties to swap or exchange their homes. This service is free to our tenants and we hope to assist those wishing to downsize their home due to recent changes in the Welfare reform System.
- A new local residents group was established in Hawick, the Fisher Avenue Tenants and Residents Association are looking forward to a busy year of community events and projects.
- Waverley has been using Saltire to carry out servicing and repairs to heating appliances, with the contract ending on 31 March 2013. Together with SBHA and Berwickshire Housing Association we placed the contract out to tender and the successful contractor was Dalex Systems Limited.
- 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 have created the new post of Tenancy Sustainment Officer.

Achievements during the year

- During the year we signed up the CIH Charter for Housing - Equality and Diversity. The charter includes a set of commitments which are underpinned by a range of outcomes – together, the commitments and outcomes provide a framework against which we can assess where we are now and where we aspire to be. The charter consists of 2 core elements:
 - Who we are: inclusive leadership and organisational culture
 - Who we serve: involved and empowered customers in the communities where we work
- We became a Member of Happy to Translate. Happy to Translate is a unique and innovative national scheme which bridges communication gaps between organisations and service users who struggle to communicate in English. As well as helping service users, it benefits Waverley Housing as front line staff are trained to deal professionally with service users who are non-fluent English speakers. It also strengthens relationships between us and the communities we work in.
- During the year we achieved the Health Working Lives (HWL) Bronze Award. HWL supports employers and employees to develop health promotion and safety themes in the workplace in a practical, logical way, that's beneficial to all.
- We acquired new office premises in Hawick. A full refurbishment of the building will take place over the coming year, with staff and tenants being involved throughout the process.
- In March 2013 we received the Regulator's Letter of Engagement for the forthcoming year, and we are pleased to say we have moved from medium engagement to low engagement.

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, Rita Stenhouse was appointed Chair of Waverley Housing. Rita has over 20 years' experience in a range of senior management positions in social housing and was a member of the Chartered Institute of Housing in Scotland for 25 years, having been a previous Chair. Rita has been a board member of Waverley for four years and is looking forward to her new role and the challenges ahead.
- In addition, David Thomson was elected Vice-Chair. David has served as a board member since 2009 and is a qualified Structural & Civil Engineer and has substantial experience of the construction industry and has worked with various housing associations in a construction context.
- Recently, we said farewell to Margaret Spalding who decided to step down from her position on the Board. Margaret had been involved with Waverley Housing for a number of years, and had given a huge contribution to the company particularly in her role of Chair which she held from 1995 through to 2012.

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 new 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:
 - (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.
- 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.

Staff achievements during the year:

- Our Chief Executive was awarded Chartered Manager of the Year (Scotland).
- One of our Housing Officers gained CIH Level 4 Diploma in Housing.
- Two of our apprentices were awarded Borders College – Best 1st year apprentices in their particular trades

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.

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 TPO networks with other registered tenants' organisations throughout the Borders.

Waverley Tenants Organisation celebrated a Lottery win of £84,803 thanks to the Big Lottery Fund and its Community Spaces scheme. The funding was be used to build a Jubilee Playpark in Langlee, Galashiels. The creation of the Jubilee Playpark in the Langlee area will greatly improve the lives of all the children and their families; it will encourage healthy play and social interaction across the community.

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

Income and Expenditure Account

Waverley Housing's turnover for 2012/13 was £5,264,949 (2011/12: £4,997,464) against operating costs of £3,961,875 (2011/12: £3,692,344). The main source of income was rental income of £5,263,212. Depreciation charged relating to housing property has increased by £329k in the year largely due to a reduction of the useful economic life of the structure component of housing properties from 100 years to 90 years at the year end, this resulted in an additional charge of £299k.

Balance Sheet

Waverley Housing's Balance Sheet at 31 March 2013 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 £37,670,000 (31 March 2012 - £35,075,000). 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 £2,294,852 (2011/12: £1,777,864).

Current Liquidity

At 31 March 2013 Waverley Housing had cash and short-term deposits of £4,360,405. 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.

Internal Control systems

The systems of internal controls reviewed by our internal auditors, Findlay & Company, in 2012/13 included SHQS and planned maintenance 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.

REPORT OF THE DIRECTORS (continued)

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 25 June 2013. 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.

WAVERLEY HOUSING
(A Company Limited by Guarantee)

REPORT OF THE DIRECTORS (continued)

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.



2013

HADDON & TURNBULL, W.S., Secretary.

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 2013, 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 pages 10 and 11, 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 2013 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

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 Housing (Scotland) Act 2010, the Charities and Trustee Investment (Scotland) Act 2005, regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Determination of Accounting Requirements (April 2012).

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

27/8 2013

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 2013

	<u>Note</u>	<u>2013</u> £	<u>2012</u> £
TURNOVER	2	5,264,949	4,997,464
Operating costs	2	(3,961,875)	(3,692,344)
		-----	-----
OPERATING SURPLUS	6	1,303,074	1,305,120
Sale of housing properties		331,704	(1,195)
Interest receivable and similar income		50,626	54,956
Interest payable and similar charges	7	(1,058,687)	(1,076,936)
		-----	-----
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		626,717	281,945
Tax on surplus on ordinary activities	10	-	-
		-----	-----
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		626,717	281,945
		=====	=====

In each of the years ended 31 March 2013 and 31 March 2012, the surplus for the year is in respect of continuing activities of the company.

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

WAVERLEY HOUSING
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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 March 2013

	<u>2013</u> £	<u>2012</u> £
Surplus on ordinary activities after taxation	626,717	281,945
Unrealised surplus/ (deficit) on revaluation of housing property	2,275,262	(3,737,372)
	-----	-----
Total recognised surplus/(deficit) for the year	2,901,979	(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 11(a)).

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

WAVERLEY HOUSING
(A Company Limited by Guarantee)

BALANCE SHEET

as at 31 March 2013

	<u>Note</u>	<u>2013</u> £	<u>2012</u> £
TANGIBLE FIXED ASSETS			
Housing properties	11(a)	37,670,000	35,075,000
Other fixed assets	11(b)	337,454	160,259
Investments	12	1	-
		<u>38,007,455</u>	<u>35,235,259</u>
CURRENT ASSETS			
Debtors	13	239,641	255,777
Cash in hand and at bank		4,360,404	4,228,579
		<u>4,600,045</u>	<u>4,484,356</u>
CREDITORS: amounts falling due within one year	14	(677,304)	(494,626)
NET CURRENT ASSETS		<u>3,922,741</u>	<u>3,989,730</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		41,930,196	39,224,989
CREDITORS: amounts falling due after more than one year	15	(21,519,290)	(21,716,062)
		<u>20,410,906</u>	<u>17,508,927</u>
RESERVES			
Revaluation reserve	18	17,098,257	14,988,879
Revenue reserve	18	3,312,649	2,520,048
		<u>20,410,906</u>	<u>17,508,927</u>

Approved by the Board of Directors on 21/3/2013
and signed on their behalf by:


 _____ RITA STENHOUSE, Chair

 _____ DAVID THOMSON, Director

 _____ PETER BROWN, Director

Company Registration Number: SC115066

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

WAVERLEY HOUSING
(A Company Limited by Guarantee)

CASH FLOW STATEMENT

for the year ended 31 March 2013

	<u>Note</u>	<u>2013</u> £	<u>2012</u> £
Cashflow from operating activities	17(a)	2,294,852	1,777,864
Returns on investment and servicing of finance	17(b)	(1,008,061)	(1,018,752)
Capital expenditure and financial investments	17(c)	(954,966)	(636,081)
		-----	-----
Financing	17(d)	331,825 (200,000)	123,031 (100,000)
		-----	-----
Increase in cash in the year		131,825	23,031
		=====	=====
Reconciliation of net cash flow to movement in net debt:-			
Increase in cash in the year		131,825	23,031
Cash outflow from financing		200,000	100,000
		-----	-----
Movement in net debt in the period		331,825	123,031
Net debt at 1 April 2012		(17,771,421)	(17,894,452)
		-----	-----
Net debt at 31 March 2013	17(e)	(17,439,596)	(17,771,421)
		=====	=====

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

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 is 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 2013

- (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 90 years for structure was more appropriate than 100 years. This has resulted in an additional depreciation charge of £299,268.

Useful economic lives for identified components are as follows:

Component	UEL
Structure	90 years
Windows	30 years
Doors	30 years
Boilers	15 years
Radiators	30 years
Bathroom	30 years
Kitchen	20 years

Other - heritable property	2%
leasehold improvements	life of lease
landscaping equipment	20% to 33 1/3%
computer systems	20% to 33 1/3%

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2013

- (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>	2013 Operating Surplus/ (Deficits)	2012 Operating Surplus/ (Deficits)
	£	£	£	£
Social lettings	5,185,478	3,827,974	1,357,504	1,342,111
Other activities	79,471	133,901	(54,430)	(36,991)
	-----	-----	-----	-----
2013 Total	5,264,949	3,961,875	1,303,074	
	=====	=====	=====	
2012 Total	4,997,464	3,692,344		1,305,120
	=====	=====		=====

WAVERLEY HOUSING
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2013

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

	General Housing £	Supported Needs Accommodation £	Shared Housing Housing £	Ownership Other £	2013 Total £	2012 Total £
Rent receivable net of service charges	5,263,212	-	-	-	5,263,212	4,949,843
Service charges	31,059	-	-	-	31,059	27,608
Gross income from rents and Service charges	5,294,271	-	-	-	5,294,271	4,977,451
Less voids	(137,846)	-	-	-	(137,846)	(135,087)
Net income from rents and service charges	5,156,425	-	-	-	5,156,425	4,842,364
Grants from Scottish Ministers	29,053	-	-	-	29,053	28,155
Other revenue grants	-	-	-	-	-	-
Total turnover from social letting activities	5,185,478	-	-	-	5,185,478	4,870,519
Management and maintenance administration costs	1,513,403	-	-	-	1,513,403	1,437,066
Service costs	-	-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	705,281	-	-	-	705,281	815,741
Reactive maintenance costs	862,757	-	-	-	862,757	788,007
Bad debts – rents and service charges	39,610	-	-	-	39,610	109,518
Depreciation of social housing (*)	706,923	-	-	-	706,923	378,076
Impairment of social housing	-	-	-	-	-	-
Operating costs for social Letting activities	3,827,974	-	-	-	3,827,974	3,528,408
Operating surplus for social Lettings 2013	1,357,504	-	-	-	1,357,504	
Operating surplus for social Lettings for 2012	1,342,111	-	-	-		1,342,111

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

WAVERLEY HOUSING
(A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2013

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 £	2013 Operating surplus/ (deficit) £	Represented* 2012 Operating surplus/ (deficit) £
Wider role activities to support the community	9,881	-	-	-	9,881	-	27,855	(17,974)	(6,526)
Care and repair of property	-	-	-	46,242	46,242	33,180	11,202	1,860	(16,555)
Factoring	-	-	-	13,513	13,513	-	17,078	(3,565)	(5,234)
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for Registered Social Landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	415	415	-	-	415	390
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)	-	-	-	9,420	9,420	-	44,586	(35,166)	(9,066)
2013 Total from other activities	9,881	-	-	69,590	79,471	33,180	100,721	(54,430)	
2012 Total from other activities	21,205	-	-	105,740	126,945	89,401	74,535		(36,991)

* 2012 has been represented to reallocate costs previously allocated to Wider Role Activities to Factoring.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2013

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>2013</u>	<u>2012</u>
	£	£
Surplus is stated after charging:-		
Auditor's remuneration – external – audit services	9,850	10,980
Depreciation – housing properties	706,923	378,076
Depreciation – other	61,813	17,644
Operating lease rentals	89,189	82,804
	=====	=====

7. INTEREST PAYABLE

	<u>2013</u>	<u>2012</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	1,055,459	1,073,708
Release of deferred loan issue costs	3,228	3,228
	-----	-----
	1,058,687	1,076,936
	=====	=====

8. EMPLOYEES

	<u>2013</u>	<u>2012</u>
Number of employees:-		
The average monthly numbers of employees during the year were:		
Clerical	28	27
Maintenance	18	16
Cleaners	1	1
	-----	-----
	47	44
	=====	=====
The full time equivalents of the figures amounted to:	44	41
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2013

8. EMPLOYEES (continued)

Employment costs:-

	<u>2013</u> £	<u>2012</u> £
Wages and salaries	987,167	952,495
Social security costs	93,816	92,056
Other pension costs	95,565	95,913
	-----	-----
	1,176,548	1,140,464
	=====	=====

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>2013</u> £	<u>2012</u> £
Emoluments of the Chief Executive.	71,546	70,490
	=====	=====

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 £95,565 (2012 - £95,913). 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 £10,468 (2012 - £10,313).

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 2013

11. (a) TANGIBLE FIXED ASSETS - Housing Properties

	<u>Total</u> £
COST/ VALUATION	
At 1 April 2012	39,300,730
Additions – replacement components	782,059
Additions – stock swaps	615,000
Disposals – replaced components	(121,747)
Disposals – right-to-buy	(61,505)
Disposals – stock swaps	(345,887)
Revaluation adjustment	2,275,262

At 31 March 2013	42,443,912

DEPRECIATION	
At 1 April 2012	4,225,730
Charge for the year	636,938
Disposals – replaced components	(51,762)
Disposals – right-to-buy	(5,726)
Disposals – stock swaps	(31,268)

At 31 March 2013	4,773,912

NET BOOK VALUE	
At 31 March 2013	37,670,000
	=====
At 31 March 2012	35,075,000
	=====

The net book value of components which have been replaced in the year of £69,985 (2012: £68,820) is included in the depreciation charge of £706,923 (2012: £378,076) in note 3.

	<u>2013</u> £	<u>2012</u> £
Additions to housing property comprise:		
Tenants choice transfers	-	-
Capital works	786,333	594,917
Housing stock swaps	615,000	-
	-----	-----
	1,401,333	594,517
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2013

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

Total works carried out on the housing properties for the year end 31 March 2013 was £2,354,371. Of this total £786,333 was capitalised above and £1,568,038 was expensed in the income and expenditure statement in line with recommended accounting practice.

The housing properties were revalued on 31 March 2013 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 £37,670,000.

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 2012	24,311,851
Additions – replacement components	782,059
Additions – stock swaps	615,000
Disposals – replaced components	(121,747)
Disposals – right-to-buy	(32,822)
Disposals – stock swaps	(208,686)

At 31 March 2013	25,345,655

DEPRECIATION	
At 1 April 2012	4,225,730
Charge for the year	636,938
Disposals – replaced components	(51,762)
Disposals – right-to-buy	(5,726)
Disposals - stock swaps	(31,268)

At 31 March 2013	4,773,912

NET BOOK VALUE	
At 31 March 2013	20,571,743
	=====
At 31 March 2012	20,086,121
	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2013

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 2013 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

	<u>Computer Systems</u> £	Equipment Plant & Tools £	Heritable Land & Buildings £	<u>Total</u> £
COST				
At 1 April 2012	230,411	18,790	180,992	430,193
Additions	-	-	239,008	239,008
Disposals	(2,914)	-	-	(2,914)
	-----	-----	-----	-----
At 31 March 2013	227,497	18,790	420,000	666,287
	-----	-----	-----	-----
DEPRECIATION				
At 1 April 2012	180,524	16,449	72,961	269,934
Charge for the year	16,855	2,341	42,617	61,813
Disposals	(2,914)	-	-	(2,914)
	-----	-----	-----	-----
At 31 March 2013	194,465	18,790	115,578	328,833
	-----	-----	-----	-----
NET BOOK VALUE				
At 31 March 2013	33,032	-	304,422	337,454
	=====	=====	=====	=====
At 31 March 2012	49,887	2,341	108,031	160,259
	=====	=====	=====	=====

12. INVESTMENT

	<u>2013</u> £	<u>2012</u> £
Subsidiary undertaking	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 2013

13. DEBTORS

	<u>2013</u> £	<u>2012</u> £
Rental arrears	148,062	178,211
Less provision for doubtful debts	(106,580)	(142,522)
	-----	-----
	41,482	35,689
Trade debtors	11,363	9,667
Other debtors	186,796	210,421
	-----	-----
	239,641	255,777
	=====	=====

14. CREDITORS: amounts falling due within one year

	<u>2013</u> £	<u>2012</u> £
Bank loan (secured - see note 16)	200,000	200,000
Loan issue costs deferred	(3,228)	(3,228)
Prepaid rent	53,899	47,619
Trade creditors	158,224	44,734
Taxation and social security costs	30,642	32,296
Accruals and deferred income	233,528	157,668
Other creditors	4,239	15,537
	-----	-----
	677,304	494,626
	=====	=====

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

	<u>2013</u> £	<u>2012</u> £
Bank loans (secured - see also note 16)	21,600,000	21,800,000
Loan issue costs deferred	(80,710)	(83,938)
	-----	-----
	21,519,290	21,716,062
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2013

16. BANK LOANS AND OVERDRAFT

	<u>2013</u>	<u>2012</u>
	£	£
Bank loans and overdraft comprise:-		
Amounts repayable:		
Within one year	200,000	200,000
Between one and two years	200,000	200,000
Between two and five years	900,000	800,000
Due after five years	20,500,000	20,800,000
	-----	-----
	21,800,000	22,000,000
	=====	=====

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 £21,800,000 (2012 - £22,000,000).

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 2013

17. NOTES TO THE CASH FLOW STATEMENT

	<u>2013</u> £	<u>2012</u> £
(a) Reconciliation of operating surplus to operating cash flows:		
Operating surplus	1,303,074	1,305,120
Depreciation – Social housing	768,736	395,720
Decrease in debtors	37,137	91,364
Increase/(decrease) in creditors	185,905	(14,340)
	-----	-----
Net cash inflow from operating activities	2,294,852	1,777,864
	=====	=====
	<u>2013</u> £	<u>2012</u> £
(b) Returns on investment and servicing of finance:		
Interest received	50,626	54,956
Interest paid	(1,058,687)	(1,073,708)
	-----	-----
	(1,008,061)	(1,018,752)
	=====	=====
	<u>2013</u> £	<u>2012</u> £
(c) Capital expenditure:		
Payments to acquire tangible fixed assets	(1,021,067)	(644,355)
Receipts from sale of tangible fixed assets	66,101	8,274
	-----	-----
	(954,966)	(636,081)
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2013

17. NOTES TO THE CASH FLOW STATEMENT (continued)

(d) Financing

	<u>2013</u> £	<u>2012</u> £
Repayment of loans	(200,000)	(100,000)
	-----	-----
	(200,000)	(100,000)
	=====	=====

	<u>At 01/04/12</u> £	<u>Cash Flows</u> £	<u>Non cash changes</u> £	<u>At 31/03/13</u> £
(e) Analysis of net debt:				
Cash in hand and at bank	4,228,579	131,825	-	4,360,404
Bank loans due within one year	(200,000)	200,000	(200,000)	(200,000)
Bank loans due after more than one year	(21,800,000)	-	200,000	(21,600,000)
	-----	-----	-----	-----
	(17,771,421)	331,825	-	(17,439,596)
	=====	=====	=====	=====

18. RESERVES

	<u>Revaluation Reserve</u> £	<u>Revenue Reserve</u> £	<u>2013 Total</u> £
At 1 April 2012	14,988,879	2,520,048	17,508,927
	-----	-----	-----
Surplus for the financial year		626,717	626,717
Revaluation surplus	2,275,262	-	2,275,262
Transfer	(165,884)	165,884	-
	-----	-----	-----
At 31 March 2013	17,098,257	3,312,649	20,410,906
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2013

19. CAPITAL COMMITMENTS

At 31 March 2013, the company had no capital commitments (2012 - £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 2013 the company had annual commitments under non-cancellable operating leases as set out below:-

	Motor Vehicles & Office Equipment	
	<u>2013</u>	<u>2012</u>
	£	£
Operating leases which expire:		
Within one year	26,392	16,864
Within two to five year	80,858	86,217
After five years	-	-
	-----	-----
	107,250	103,081
	=====	=====

22. HOUSING UNITS IN MANAGEMENT

	<u>2013</u>	<u>2012</u>
General needs	1,528	1,530
Supported housing	-	-
Shared ownership	-	-
	-----	-----
	1,528	1,530
	=====	=====

23. SUBSEQUENT EVENTS

Two properties were purchased by Waverley Housing subsequent to the year end at a cost of £96,500. The company also committed to the refurbishment of new office premises at a cost of £1,200,000.