

weslo

Weslo Housing Management
Directors' Report & Financial Statement 2009-2010

Scottish Charity Number: SC021100





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The objectives of Weslo Housing Management

- 1 Provide affordable, good quality rented housing suited to the requirements of the community thereby assisting the Local Authorities in meeting the general housing needs of their areas.**
- 2 Exercise local control over the housing stock and enable tenants and employees to have a greater say in policies affecting their housing and environment.**
- 3 Manage, maintain and develop the housing stock and its environment.**
- 4 Use the resources of the Company and other locally based groups to promote the economic development of the area.**
- 5 Improve the management service for tenants and provide further options for improvement of their homes.**
- 6 Give tenants as much choice as possible in the service they receive.**

“We are now, with our partners, preparing our bid to maintain our status as preferred development partners with West Lothian Council for March 2011.”



Welcome to the sixteenth annual report of Weslo Housing Management. In many ways this has been a year of firsts for us and these, together with the normal hive of activities undertaken by a modern registered social landlord (RSL), combined to make this a very busy, very intense and ultimately very rewarding year for the company.

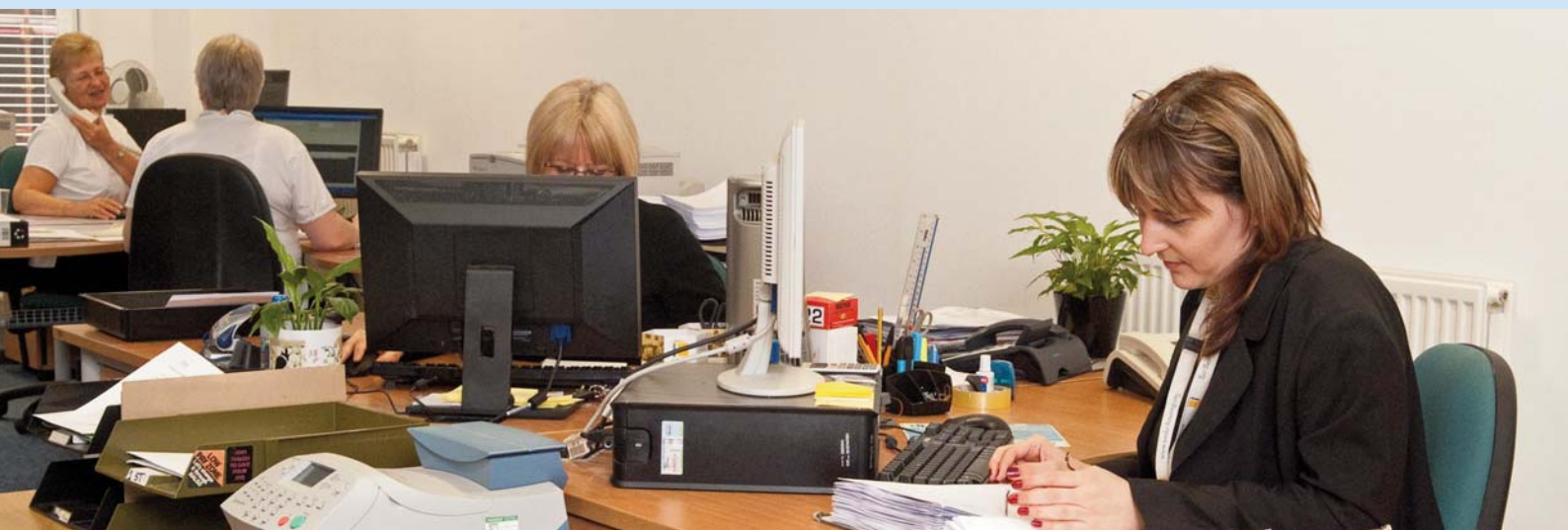
First for the firsts! In March we completed the refurbishment of our office in Bathgate which I mentioned in last year's report. The new surroundings provide our staff with an excellent and modern working environment and the new reception is a bright and welcoming area for our visitors. We are currently involved in a feasibility study which is looking at our options for the Technical premises at Glasgow Road and we hope to make progress on the provision of reconfigured facilities there in the coming year. After that we will be looking at our office in Bo'ness.

In August we also completed the first ever Weslo Housing Association Grant (HAG) funded development. Until we finally registered as a social landlord with the Scottish Housing Regulator (previously Communities Scotland/Scottish Homes) in February 2007, we did not qualify for HAG. The 298 new houses we built in partnership with Miller Homes and West Lothian Council between 1999 and 2001 and the 77 empty properties we

added to our affordable housing stock between 1998 and 2003 were funded with new housing partnership grant, introduced by the incoming Government in 1997. I was absolutely delighted to see the completion of our 24 flat development at Ladywell, Livingston, built through our association with the West Lothian Strategic Alliance and delivered by our colleagues at Almond Housing Association in their capacity as lead developers for the Alliance. While looking forward to more site starts this year and completions in the coming years, we are now, with our partners, preparing our bid to maintain our status as preferred development partners with West Lothian Council for March 2011.

This year also saw the setting up of our first – and we trust last! – subsidiary organisation. Weslo Initiatives Ltd was conceived out of necessity in the wake of our registration in 2007. Following a protracted exchange of correspondence with the Scottish government it became evident that the parent company – the RSL – could no longer let accommodation on any other agreement than a Scottish Secure Tenancy. In order to continue to let our market rented accommodation we needed to set up another company and so Weslo Initiatives was born. You can read more about this fledgling operation in its own Annual Report which will be distributed widely with this one.

Chairman's Report



Finally in this year of firsts we had our first encounter with the Inspection Team of the Scottish Housing Regulator. This is a lengthy process which for us started in October with the completion of the self assessment document, followed by the inspection itself in November/December. Although not completed at the time of writing it, the Regulator hinted very strongly at our Board meeting in November that a new (sic) organisation like us would be unlikely to be graded at anything above a 'C'. We anticipate concluding that process soon. On a positive note, however, I have to say that the engagement with the Inspection Team has generally proved to be a positive and helpful process for us in identifying areas where we should have more reliable procedures. In a similar manner to the registration process in 2006-07 which highlighted weaker areas of our policies and encouraged us to adopt more appropriate and up to date policies, the inspection process has shown some areas of procedural weakness which we have taken steps to rectify. It is likely that we will be working on our improvement plan by the time this report is published. Whether this will actually lead to a noticeably better service to our tenants – rather than improved internal procedures for the organisation – remains to be seen. I think on balance I prefer to wait for the results of our forthcoming Tenants Satisfaction Survey, due in June 2011, to accurately assess the service we provide to our tenants.

Elsewhere in this report we detail our Key Performance Indicators in arrears, rent loss on voids and the repairs service and I am pleased to note again some impressive returns. It is good to see our arrears levels drop, especially against the economic background in which we currently are operating and the "jobs completed" statistics maintain the high standards we have set for ourselves in this field. On this topic we are grateful to the Inspection Team for its input in giving these figures a robustness which, I must say, we had taken for granted. By the same token however, our rent loss on voids continue to rise and while our returns certainly stand comparison with our peer group landlords, this year's figure marks the fourth consecutive increase and we will strive in the coming year to reverse this trend.

It was also particularly pleasing to finalise a deal to buy 22 flats refurbished by ING as part of the wider Bo'ness Town Centre Regeneration Initiative. Due to the economic downturn fewer sales than anticipated had been completed in the blocks and we were delighted to reach an agreement for the transfer of the vacant properties. Sixteen of the flats are now occupied for social rent, with grant assistance from our colleagues at the Housing and Investment Division, and the remaining six are let as market rented properties through our subsidiary Weslo Initiatives. Taking the eight owners in the 30 unit development into account, we now have an excellent mix of tenures and look forward to our local management presence helping to create a desirable place to live from this hitherto neglected block.

“In order to continue to let our market rented accommodation we needed to set up another company and so Weslo Initiatives was born.”



We were also able to access some £1.97m in grant from our Home Owners Support Fund to add another 11 houses to our stock through our continued participation in the government's Mortgage to Rent scheme. This brings the number of acquired houses through this very worthwhile scheme to 41 since its inception in 2003. Elsewhere, we continue to monitor and review our participation in the West Lothian Common Housing Register and watch with interest the introduction of Falkirk Council's choice based lettings system. The latter has not yet applied to our mainstream general needs housing yet but was extremely effective as a tool in publicising the 16 flats let in Bo'ness. In the field of training, as well as having staff representation at 13 corporate events and 20 training courses, we were also delighted to win an award from West Lothian Council in recognition of our efforts in providing vocational work placements for school leavers. We have an obligation to provide assistance with bridging the gap between school and work and we look forward to working with another batch of young people in the coming year. Today's pupils are indeed tomorrow's workforce.

What of today's workforce? As I have said this has been a very busy and intense year for the company, not only because of the challenging events I have described but also because of the singular challenges brought about by the worst winter in recent memory. I am delighted to report that I have been very proud to witness the dedication and knowledge in action of our staff in responding to these events and rising to all these challenges. It is to them I extend my special thanks at the end of another exhilarating year.

Peter Robson

Chairman

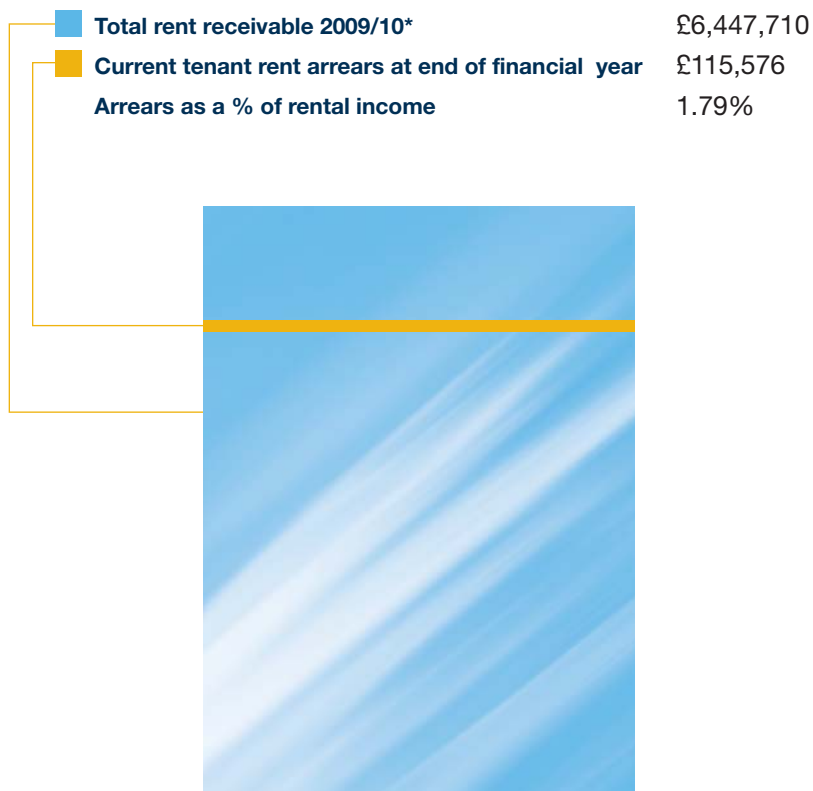
Rent Arrears Performance 2009/10



Our objective

To maximise benefit take-up and minimise rent arrears.

The arrears figure of £115,576* is net of outstanding housing benefit due at 28 February 2010 from Falkirk and West Lothian Councils.



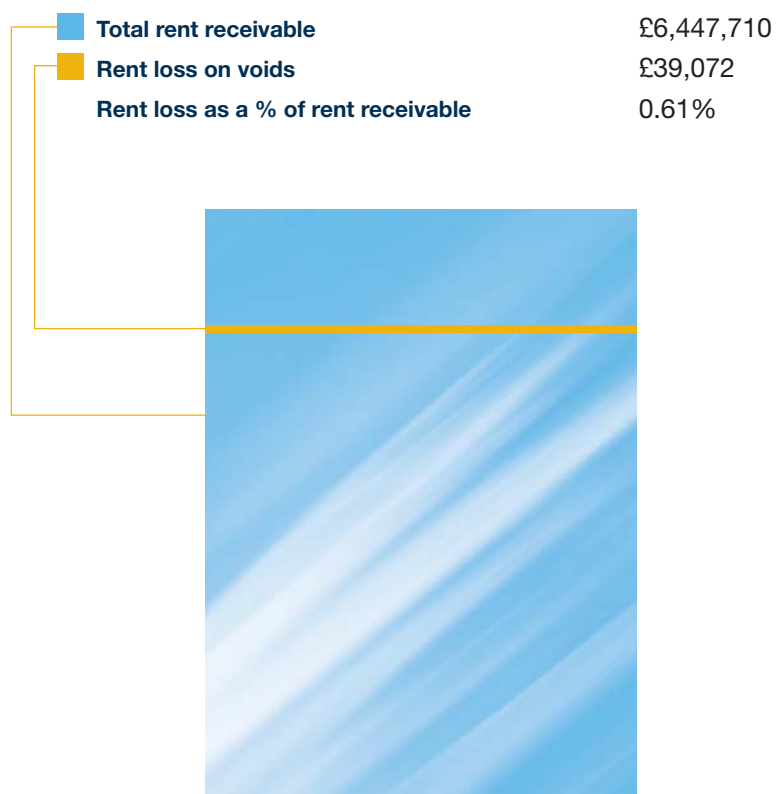
* houses and lock-ups

Our objective

To offer houses for re-let as quickly as possible, and so minimise rent loss and waiting time.



This year, 127 houses were re-let (5.9% turnover) incurring a rent loss for the year of £39,072.



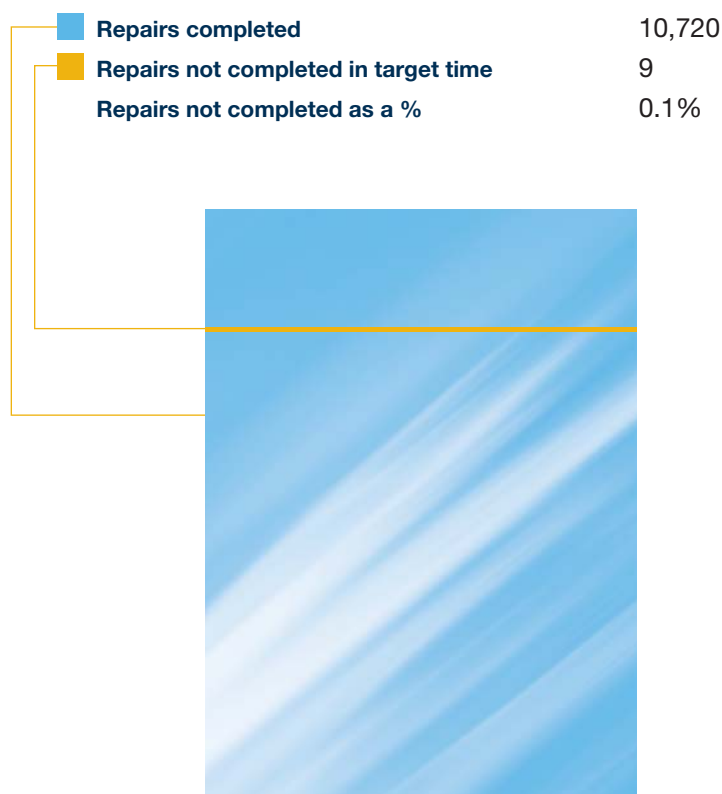
Reactive Maintenance Performance* 2009/10



Our Objective

To provide a safe, speedy repairs service for all tenants.

In 2009/10, a total of 10,720 reactive maintenance jobs were carried out to our houses. Our own in-house maintenance team carried out 84% of this work with the remainder e.g. fencing, landscaping, glazing etc, carried out by local contractors. Performance on repairs continues to be exemplary with only nine repairs completed outwith target time.



*The method of reporting on our performance in relation to repairs response times has been altered from previous years. During inspection by the Scottish Housing Regulator, it was agreed to measure performance by repairs 'completed' on time rather than 'attended to' on time. This change provides the company with better management information to assist in identifying potential weaknesses in our processes and outturn information directly comparable with other Registered Social Landlords.

Registered Office and Advisors



Registered Number: 140597

Scottish Charity Number: SC021100

Registered with the Scottish Housing Regulator No. 361

Registered office

66 North Bridge Street

Bathgate

West Lothian

EH48 4PP

Names and addresses of advisors

Auditors Baker Tilly UK Audit LLP
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Internal Auditors Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Bankers Bank of Scotland
Level 8, 123 St. Vincent Street
Glasgow
G2 5EA

Solicitors HBJ Gateley Wareing (Scotland) LLP
Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

Funders Dunfermline Building Society
Caledonia House
Carnegie Avenue
Dunfermline
KY11 8PJ

Directors' Report



Left to right:

Mike Crozier, Operations Director

Mike Bruce, Chief Executive

Douglas Drummond, Finance Director

The directors submit their report and the audited financial statements of the group and the company for the year ended 28 February 2010.

Principal activities and review of business

Weslo Housing Management 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 rented housing accommodation to tenants. The company is also a Registered Social Landlord. It has one subsidiary: Weslo Initiatives Limited.

Weslo Initiatives Limited was incorporated on 1 May 2009 and commenced trading on 1 September 2009. The company is a wholly owned subsidiary of Weslo Housing Management with any surplus funds gift aided back to the parent company. The principal activity of Weslo Initiatives Limited is the management of market rent properties which it leases from Weslo Housing Management, which it was specifically set up to do.

Directors

The directors who held office during the period were:

Mike Bruce	Chief Executive
Mike Crozier	Operations Director
Douglas Drummond	Finance Director
Peter Robson	Non-Executive Chairman
Andrew Sneddon	Tenant Representative
Janette Wallace	Tenant Representative
Eileen Stirling	Tenant Representative
Alex Bow	Tenant Representative
Frank Anderson	West Lothian Council Representative
Gerry Goldie	Falkirk Council Representative (Resigned 9.10.09)
John Spraggon	Community Representative
Margaret McIntyre	Community Representative

The Memorandum and Articles of Association contain the rules covering the appointment and removal of directors.

Insurance

The company has purchased insurance against liabilities in relation to the company, arising from the actions of all directors and other officers of the company.

Statement of directors' responsibilities

The directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the surplus or deficit for that period. In preparing those financial statements, the directors are required to:

- **select suitable accounting policies and then apply them consistently;**
- **make judgements and estimates that are reasonable and prudent;**
- **state whether applicable 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 group will continue in business.**

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and principles of the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Weslo Housing Management website is the responsibility of the directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions and from which the information can be accessed.

The directors have taken all possible steps to make themselves aware of any relevant audit information, and to make the auditors aware of this, and in so far as they are aware, there is no relevant audit information which the company's auditors are not aware of.

Structure, governance and management

Governing document

Weslo Housing Management is a company limited by guarantee with charitable status, governed by its Memorandum and Articles of Association and is not liable for Corporation Tax. The company consists of a maximum of 12 members comprising:

- (a) a maximum of four tenants of houses owned by the company.
- (b) the persons filling the three senior full-time executive positions in the company.
- (c) a maximum of three representatives of the general community.
- (d) an appointment made by Falkirk Council.
- (e) an appointment made by West Lothian Council.

Appointment of directors

As set out in the Articles of Association the directors are appointed by the members. One half of directors in category (a) shall retire at every second annual general meeting. At each annual general meeting the longest serving director in category (c) shall retire. In both cases there is the option to stand for a further term.

Training and induction of directors

All directors receive an induction pack along with a training programme carried out by external consultants on joining the Board. This includes information on their legal obligations under charity and company law, copies of the Memorandum and Articles of Association, Members Handbook and copies of the latest management and statutory accounts.

Organisation

The Board of Directors of Weslo Housing Management oversees the strategic direction of the group meeting on a six weekly cycle. The Board is responsible for reviewing the strategy and performance, as well as setting operational plans and budgets. The day to day operations of the group are administered by the senior executive team.

Risk management and internal controls

The directors also have responsibility for maintaining a sound system of internal financial control that supports the achievement of the organisation's aims and objectives and safeguards its assets. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's aims and objectives – it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's aims and objectives and to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place since the year ended 28 February 2005 and is subject to annual review.

The key elements of this system of internal control and review can be summarised as follows:

- risk management and internal control are considered on a regular basis by the directors. The directors have assessed the major risks to which the group is exposed, in particular those related to the operations and finances of the business, and are satisfied that systems are in place to mitigate the group's exposure to the major risks;
- the organisation has a comprehensive risk management strategy and an established risk register. The risk register compiles and prioritises the key risks being faced by the organisation and the control strategies to manage these;
- the organisation's internal auditors submit regular reports to the Board which include the internal audit's independent opinion on the adequacy and effectiveness of the organisation's system of internal control together with recommendations for improvement.

The group manages key risks such as interest rate fluctuations on its loan portfolio by putting in place a spread of fixes which run from 2012 to 2019. This will minimise the effect on the group's cash flow of any short term movements on interest rates and allow for long term planning on stock expenditure.

Treasury management policy

The group will endeavour to maximise investment income by putting all surplus funds on deposit at the most advantageous rate available. The company will also seek to retain sufficient flexibility in its treasury management so that funds can be easily accessed as and when opportunities arise.

Rent policy

The group aims to continue to house those in housing need. The objectives are to charge affordable rents and to charge similar rents for similar sizes and types of property, where appropriate, depending upon the geographical location. The group's policy for a number of years has been to increase rents by using the Retail Prices Index (RPI) as a point of reference with a maximum increase being applied of RPI + 1% on 1 April each year, and this was ratified on 2 February 2010 by the Board for 2010/11.

Maintenance and repairs

The group seeks to maintain its properties to the highest standards. To that end programmes of planned maintenance works are carried out annually to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all of these repairs will be charged to the Income and Expenditure Account. In addition, the group has a long-term

programme of major repairs to cover for works, which have become necessary since the original developments were completed, including works required by subsequent legislative changes. This includes replacement or repairs to components of the properties, which have come to the end of their economic lives. The cost of these repairs is to be charged to the Income and Expenditure Account, unless it is agreed they can be capitalised within the terms outlined in the Statement of Recommended Practice (SORP).

Reserves strategy policy

The group will build up reserves in order to fund future maintenance and improvement works to its properties. Reserves may also be used to assist in the funding of new build and development opportunities. The group does not have designated reserves for major repair works. Funding of all major repair works will come from the group's income stream as shown in the company's 30 year business plan model. The group will seek to maintain unrestricted reserves in the region of £1 million.

Directors' interests in shares of the company

No directors held beneficial interests in the shares of the company at 28 February 2010, or at any time during the period.

Objectives, activities and strategies

The primary objective of the group is to:

- Provide affordable, good quality rented housing suited to the requirements of the community thereby assisting the Local Authorities in meeting the general housing needs of their areas.

The key strategy for achieving this is:

- Exercise local control over the housing stock and enable tenants and employees to have a greater say in policies affecting their housing and environment.

The key activities that contribute to the achievement of this objective are:

- **Support costs** – Improve the management service for tenants and provide further options for improvement of their homes.
- **Maintenance works** – Manage, maintain and develop the housing stock and its environment through maintenance works.
- **Interest payable and similar charges** – Use the resources of the group and other locally based groups to promote economic development of the area and give tenants as much choice as possible in the service they receive.

Achievements and performance

Key factors outwith the group's control are changes in legislation and government, interest rate fluctuations, local economy and community, succession planning and employee relationships. However, each of these factors are quantified, controlled, reviewed and regularly reported as part of the risk management strategy as documented in Structure, Governance and Management.

The following key achievements are outlined to highlight performance achieved against the objectives stated above.

Mortgage to Rent scheme

During the year Weslo Housing Management acquired a total of 11 properties through the Mortgage to Rent (MTR) scheme through a combination of grant and debt funding.

Scottish Housing Quality Standard

As part of Weslo Housing Management's commitment to meet the Scottish Housing Quality Standard by 2015 a programme of planned maintenance works totalling £0.702m was completed during the year.

West Lothian Common Housing Register

Weslo Housing Management participates with West Lothian Council and Almond Housing Association in working together to provide a West Lothian wide Common Housing Register.

Directors' Report

Rent arrears performance 2009/10

OBJECTIVE:

To maximise benefit take-up and minimise rent arrears.

Total rent receivable	£6,447,732
Current tenant rent arrears at end of financial year	£115,576
Arrears as a % of rental income	1.79%

Void houses performance 2009/10

OBJECTIVE:

To offer houses for re-let as quickly as possible, and so minimise rent loss and waiting time.

Total rent receivable	£6,447,732
Total rent loss on voids	£39,072
Rent loss as a % of rent receivable	0.61%

Reactive maintenance performance 2009/10

OBJECTIVE:

To provide a safe, speedy repairs service for all tenants.

In 2009/10, a total of 10,720 (2008/09 – 9,086) reactive maintenance jobs were carried out to our houses, 83.7% (2008/09 – 83.7%) were carried out by our own maintenance team, with the remainder e.g. fencing, landscaping, glazing, etc., carried out by local contractors. Performance on repairs continues to be exemplary with only nine repairs completed outwith their target time. Overall our maintenance team and local contractor successfully completed 99.91% (2008/09 – 99.91%) of repairs on time.

Financial review

The results for the year are set out in the Income and Expenditure Account on page 20. The deficit of £27,373 (2009: surplus £321,096) was charged against reserves.

At the end of the year the group was in a strong financial position with a cash balance of £2.272 million. The group will seek to maintain cash reserves in the region of

£2 million. These will be used to fund the necessary maintenance works to achieve the Scottish Housing Quality Standard by 2015. The required level of cash held by the group will be reviewed annually by the Directors. There is a financial covenant in place with Dunfermline Building Society which requires the ratio of annual surplus to interest payable to be no less than 110%. There were no breaches during the year.

Income generation

The following account for the principal sources of income for the group:

- income generated through rental of houses (which supports the primary key objective);
- right to buy sales;
- recoveries from owner occupiers;
- interest from funds on deposit.

Expenditure for the year is made up of the following:

- the ongoing programme of planned maintenance works approved by the Board designed to safeguard the fabric and structure of the properties;
- the day to day management and maintenance of the houses, including staff costs;
- debt serving costs.

Going concern

After reviewing detailed cash flow and Business Plan projections and taking account of bank facilities and making such further enquiries as they consider appropriate the Board are satisfied the group has adequate resources to continue to operate for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Plans for future periods

The group's plans for the future period consist mainly of providing services in line with core objectives. Future developments are in line with the stated objectives.



As a Registered Social Landlord (RSL) Weslo Housing Management intends to work with West Lothian (as part of WLSA) and Falkirk Councils as well as the Housing and Regeneration Directorate to identify future development opportunities which will provide additional affordable housing.

The RSL will play an active role in the West Lothian wide Common Housing Register.

The RSL will continue to work towards meeting the requirements of the Scottish Housing Quality Standard by 2015.

In March 2010 the group acquired 22 flats in Bo'ness, of which 16 will be let as affordable with the remaining six let as market rents through Weslo Initiatives Limited.

Creditor payment policy

The group's policy with regard to the payment of suppliers is to:

- agree the terms of payment at the start of business with that supplier;
- ensure that the suppliers are made aware of the terms of the payment;
- pay in accordance with its contractual and legal obligations.

During the year to 28 February 2010 the group took an average of 10 days (15 days in 2009) to settle its bills with suppliers.

Auditors

Baker Tilly UK Audit LLP have indicated their willingness to continue in office. A resolution regarding their reappointment will be proposed at the next Annual General Meeting.

BY ORDER OF THE BOARD

HBJGW Secretarial Ltd
Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

July 2010

Directors' Statement on the Company's System of Internal Financial Control for the Year Ended 28 February 2010

The Directors acknowledge their ultimate responsibility for ensuring that the group has a system of controls in place that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable reassurance with respect to:

- The reliability of financial information used within the group or for publication;
- The maintenance of proper accounting records;
- The safeguarding of assets (against unauthorised use or disposition).

It is the Directors' responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements include ensuring that:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the group's assets;
- Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- Forecasts and budgets are prepared regularly which allow the Directors and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term;
- Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budget are investigated appropriately;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Director members and others;

- The group has a programme of internal audit whereby annual reports are submitted to the Board giving the auditors' opinion on the adequacy and effectiveness of the group's system of internal control along with their recommendations for improvement;
- The Directors review reports from management, from staff and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the group;
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Directors have reviewed the effectiveness of the system of internal financial control in existence in the group for the year ended 28 February 2010 and until the date below. 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. These arrangements are considered appropriate to the scale and range of the RSL's activities and comply with the arrangements contained in the Scottish Housing Regulators Guidance and the SFHA's Publication "Raising Standards in Housing".

BY ORDER OF THE BOARD



Director

21 July 2010

Auditors' Report on Corporate Governance Matters for the Year Ended 28 February 2010



Corporate Governance Matters

In addition to our audit of the accounts, we have reviewed the Directors' statement on page 16 concerning the Registered Social Landlord's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to the Bulletin 2006/5 issued by the Auditing Standards Board. The Bulletin does not require us to review the effectiveness of the Registered Social Landlord's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.



Opinion

In our opinion the statement on Internal Financial Control on page 16 has provided the disclosures required by the section on Internal Control within the SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

JANET HAMBLIN (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP

Statutory Auditor

Chartered Accountants

First Floor, Quay 2

139 Fountainbridge

Edinburgh

EH3 9QG

26 July 2010

Independent Auditors' Report to the Members of Weslo Housing Management for the Year Ended 28 February 2010



We have audited the group and Registered Social Landlord's financial statements on pages 20 to 42, which have been prepared under the accounting policies set out on pages 23 to 25. 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 Registered Social Landlord's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Registered Social Landlord's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the Registered Social Landlord and the Registered Social Landlord's members as a body, for our audit work, for this report and for the opinion we have formed.

Respective responsibilities of the board and auditors

The Board's responsibilities for the preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Board's Responsibilities Statement.

Our responsibility is to audit 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 (APB's) Ethical Standards for Auditors.

Scope of the audit

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Independent Auditors' Report to the Members of Weslo Housing Management for the Year Ended 28 February 2010

“This report is made solely to the Registered Social Landlord's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006”



Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Registered Social Landlord's affairs as at 28 February 2010 and of the group's deficit 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, Schedule 7 to the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Opinion on other matters prescribed by the Companies Act 2006

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

JANET HAMBLIN (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP

Statutory Auditor

Chartered Accountants

First Floor, Quay 2

139 Fountainbridge

Edinburgh

EH3 9QG

26 July 2010

Consolidated Income and Expenditure Account for the Year Ended 28 February 2010

	Notes	2010		2009	
		Group £	Company £	Group £	Company £
Turnover	2	6,737,552	6,728,827	6,519,906	6,519,906
Operating costs	2	(5,500,612)	(5,493,556)	(4,877,996)	(4,877,996)
Operating surplus		1,236,940	1,235,271	1,641,910	1,641,910
Gain on sale of fixed assets	5	265,405	265,405	286,267	286,267
Interest receivable and other income	4	149,893	151,562	222,114	222,114
Interest payable and other charges	6	(1,679,611)	(1,679,611)	(1,829,195)	(1,829,195)
(Deficit)/surplus on ordinary activities	7/15	(27,373)	(27,373)	321,096	321,096

The results for the year relate wholly to continuing activities.

Consolidated Statement of Total Recognised Surpluses and Deficits for the Year Ended 28 February 2010

	Notes	2010		2009	
		Group £	Company £	Group £	Company £
(Deficit)/Surplus for the year		(27,373)	(27,373)	321,096	321,096
Actuarial loss on pension scheme	22	(2,352,000)	(2,352,000)	(1,041,000)	(1,041,000)
Total recognised gains and losses relating to the year		(2,379,373)	(2,379,373)	(719,904)	(719,904)
Prior period adjustment	27	–	–	(747,149)	(747,149)
Total recognised gains and losses since last annual report		(2,379,373)	(2,379,373)	(1,467,053)	(1,467,053)

Consolidated Balance Sheet at 28 February 2010

	Notes	2010		2009	
		Group £	Company £	Group £	Company £
Housing properties					
Gross cost less depreciation		44,733,969	44,733,969	40,775,127	40,775,127
Less HAG and other grants		(11,443,402)	(11,443,402)	(8,985,017)	(8,985,017)
Net book value	11a	33,290,567	33,290,567	31,790,110	31,790,110
Other tangible fixed assets					
	11b	592,085	592,085	373,506	373,506
Total tangible fixed assets		33,882,652	33,882,652	32,163,616	32,163,616
Investments	28	–	5	–	–
Current assets					
Stock – consumables		63,107	63,107	64,490	64,490
Debtors	12	828,218	840,987	1,082,756	1,082,756
Cash at bank and in hand		2,271,618	2,251,928	1,945,929	1,945,929
		3,162,943	3,156,022	3,093,175	3,093,175
Creditors	13	(738,311)	(731,395)	(803,296)	(803,296)
(amounts falling due within one year)					
Net current assets		2,424,632	2,424,627	2,289,879	2,289,879
Pension liability	22	(3,046,000)	(3,046,000)	(699,000)	(699,000)
Total assets less current liabilities		33,261,284	33,261,284	33,754,495	33,754,495
Creditors	14	(33,857,369)	(33,857,369)	(31,971,207)	(31,971,207)
(amounts falling due after more than one year)					
Net (liabilities)/assets		(596,085)	(596,085)	1,783,288	1,783,288
Capital and reserves					
Revaluation reserve	15	1,364,886	1,364,886	1,412,009	1,412,009
Unrestricted funds	15	1,085,029	1,085,029	1,070,279	1,070,279
Pension reserve	15	(3,046,000)	(3,046,000)	(699,000)	(699,000)
Called up share capital	28	–	–	–	–
		(596,085)	(596,085)	1,783,288	1,783,288

The financial statements were approved and authorised for issue by the Board of Directors on 21 July 2010 and were signed on its behalf by:



D W Drummond, Director



M Bruce, Director



M Crozier, Director

Consolidated Cash Flow Statement for the Year Ended 28 February 2010

	Notes	2010		2009	
		Group £	Company £	Group £	Company £
Net cash inflow from operating activities	18	2,556,510	2,536,847	£2,270,722	£2,270,722
Returns on investment and servicing of finance					
Interest received		29,777	29,750	165,975	165,975
Interest paid		(1,679,611)	(1,679,611)	(2,141,100)	(2,141,100)
Net cash outflow from returns on investment and servicing of finance		(1,649,834)	(1,649,861)	(1,975,125)	(1,975,125)
Capital expenditure					
Purchase of housing properties		(4,848,127)	(4,848,127)	(2,347,074)	(2,347,074)
Reduced by HAG received		2,458,385	2,458,385	614,800	614,800
Proceeds from sale of housing properties net of legal fees		383,467	383,467	437,683	437,683
Purchase of other tangible fixed assets		(457,541)	(457,541)	(158,911)	(158,911)
Net cash outflow from investing activities		(2,463,816)	(2,463,816)	(1,453,502)	(1,453,502)
Net cash outflow before financing		(1,557,140)	(1,576,830)	(1,157,905)	(1,157,905)
Financing					
Receipt of bank loan		1,882,829	1,882,829	402,900	402,900
Net cash inflow from financing		1,882,829	1,882,829	402,900	402,900
Increase/(decrease) in cash and cash equivalents		325,689	305,999	(755,005)	(755,005)



1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice – Accounting for Registered Social Landlords (update 2008), and on the historical cost basis as modified by revaluation of housing property on the transfer of engagement. No adjustments have been made in the financial statements to reflect the effects of other inflationary factors. The financial statements comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the principal accounting policies is set out below.

Going concern

After reviewing detailed cash flow and Business Plan projections and taking account of bank facilities and making such further enquiries as they consider appropriate the Board are satisfied the group has adequate resources to continue to operate for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The Group financial statements consolidate the accounts of Weslo Housing Management, and its subsidiary company Weslo Initiatives Limited using acquisition accounting.

Turnover

Turnover relates to the income from letting of properties at affordable rents, and the supply of feuing services, together with revenue grants from the Housing and Regeneration Directorate, local authorities and other organisations.

Housing properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Completed housing properties are professionally valued on an existing use basis. Surpluses and deficits are reflected in the revaluation reserve. Permanent diminutions in value of housing property are eliminated first against any revaluation reserve in respect of that property with any excess being

charged in the income and expenditure account.

Depreciation is charged on the cost of housing properties less related HAG and Other grants on a straight line basis over the expected economic useful lives of the properties. Following a revision during the year of the life span of New Build properties the Company concluded that the life span of such properties was 100 years. New Build properties were previously deemed to have a life of 50 years. This represents a change in accounting estimate and so has not been adjusted retrospectively in these financial statements. New build houses are therefore now deemed to have a 100 year useful life and are depreciated at an annual rate of 1%. Other properties are deemed to have a useful life of 50 years and are depreciated at an annual rate of 2%. Previously, depreciation was charged on the gross cost of housing properties. A prior period adjustment was made to reflect this change in accounting policy in 2009 (Note 27).

The directors adopted the transitional arrangements permitted by FRS15; effectively this freezes the values of properties at their newly defined historic cost.

The company carries out an annual desktop impairment review with an independent external valuation carried out every five years. These valuations have not in any way shown the company's assets to be impaired.

Works to existing housing properties

Expenditure on existing property, which adds to the value of the property or extends its useful life, is capitalised as part of the cost of the property. All other maintenance expenditure is written off to the income and expenditure account in the year in which it is incurred.

Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of the sale are abated and the grants removed from the financial statements.

Social housing grant and other grants

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the notes to the financial statements. Previously the company amortised HAG and Other Grants over the term of the loans relating to the housing properties, which was not in line with the SORP. The company no longer amortises HAG and Other Grants. A prior period adjustment was made to reflect this fundamental error in 2009 (Note 27).

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Other fixed assets

Tangible fixed assets are depreciated to write off the cost of assets over their estimated useful lives. Assets under a value of £100 are charged to expenditure. The depreciation bases for the major classes of assets are as follows:

Buildings: new build	–	1% straight line
Buildings: others	–	2% straight line
Furniture & equipment	–	25% straight line
Motor vehicles	–	25% straight line
Leasehold improvements	–	25% straight line
IT Systems	–	25% straight line

Investments

Investments in subsidiary undertakings are stated at cost.

Pension costs

Pension contributions are charged to the income and

expenditure account on a systematic basis so as to spread the cost of pensions over the estimated remaining working lives of employees and directors. Retirement benefits for most employees are provided by the Lothian Pension Fund. This is a defined benefit scheme. The expected cost of providing staff pensions is recognised in the income and expenditure account, on a systematic basis over the expected average lives of the members of the pension fund, in accordance with Financial Reporting Standard 17: Retirement Benefits and recognises the retirement benefits as the benefits are earned and not when they are due to be paid. The contributions are determined by qualified actuaries, on the basis of triennial valuations, using the projected units method. The contributions charged are recognised in the accounting periods in which they arise.

Leases

Assets held under operating leases are not capitalised. The attributable lease rentals are expensed to the income and expenditure account in the period in which they are incurred.

Finance costs

Interest is charged as incurred.

Stock

Stocks are stated at the lower of cost and net realisable value. This represents building materials used in the normal course of business to maintain and repair the company's housing stock.

Unrestricted reserves

The unrestricted reserve represents funds which are available for use at the discretion of the directors in the furtherance of the aims and objectives of the company.

Revaluation reserves

The revaluation reserve represents the appreciation in value of the company's housing properties from cost. A full valuation was carried out in 1998 and the company has applied the transitional arrangements in FRS 15 to include housing properties at a brought forward valuation which has not been

Notes to the Financial Statements 28 February 2010

kept up to date. When housing properties carried at valuation are disposed of, any amounts in the revaluation reserve relating to those properties are transferred to the revenue reserve. An annual transfer is made from the revaluation reserve to the revenue reserve of an amount equal to the difference between depreciation for the period calculated on the basis of the historical cost of properties, net of any HAG, and the actual depreciation charged in the year.

Taxation

The company is Limited by Guarantee with Charitable Status and exempt from tax on primary purpose trading.

Management of liquid resources

Cash is defined as cash in hand and on deposit.

Lease of assets to subsidiary

Weslo Housing Management entered into a lease with its subsidiary Weslo Initiatives Limited the subject of which was 16 flats at Belvedere Wood, Bathgate. The purpose of the lease was to enable Weslo Initiatives Limited to provide market rent housing. The lease is for a five year period and may be renewed thereafter. Weslo Housing Management is responsible for the maintenance and repair of the properties.

2 Particulars of turnover, operating costs & operating surplus or deficit (Group)

	Turnover £	Operating costs £	Operating surplus or deficit £	Operating surplus/(deficit) for previous period of account £
Social lettings	6,497,994	5,408,474	1,089,520	1,459,353
Other activities	239,558	92,138	147,420	182,557
Total	6,737,552	5,500,612	1,236,940	1,641,910
Total for previous period of account	6,519,906	4,877,996	1,641,910	

Particulars of turnover, operating costs & operating surplus or deficit (Company)

	Turnover £	Operating costs £	Operating surplus or deficit £	Operating surplus/(deficit) for previous period of account £
Social lettings	6,497,994	5,408,474	1,089,520	1,459,353
Other activities	230,833	85,082	145,751	182,557
Total	6,728,827	5,493,556	1,235,271	1,641,910
Total for previous period of account	6,519,906	4,877,996	1,641,910	

3a Particulars of turnover, operating costs & operating surplus or deficit from social letting activities (Group and Company)

	General needs housing £	Supported housing accom. £	Shared ownership housing £	Total £	Total from previous period of account £
Rents receivable net of service charge	6,446,170	–	–	6,446,170	6,144,038
Service charges	–	–	–	–	–
Gross income from rents & service charges	6,446,170	–	–	6,446,170	6,144,038
Less voids	(39,259)	–	–	(39,259)	(25,944)
Net income from rents & service charges	6,406,911	–	–	6,406,911	6,118,094
Grants from Scottish Ministers	91,083	–	–	91,083	113,640
Other revenue grants	–	–	–	–	–
Total turnover from social letting activities	6,497,994	–	–	6,497,994	6,231,734
Management & maintenance admin costs	2,100,520	–	–	2,100,520	1,878,361
Service costs	270,079	–	–	270,079	258,140
Planned & cyclical maintenance incl. MR costs	677,324	–	–	677,324	472,439
Reactive maintenance costs	1,296,175	–	–	1,296,175	1,247,781
Bad debts – rents & service charges	105,987	–	–	105,987	27,271
Depreciation of social housing	958,389	–	–	958,389	888,389
Impairment of social housing	–	–	–	–	–
Operating costs for social letting activities	5,408,474	–	–	5,408,474	4,772,381
Operating surplus for social lettings	1,089,520	–	–	1,089,520	1,459,353
Operating surplus for social lettings previous period	1,459,353	–	–	1,459,353	

3b Particulars of turnover, operating costs & operating surplus or deficit from other activities (Group)

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Operating costs – bad debts £	Other operating costs £	Operating surplus or deficit £	Operating surplus or deficit prev. period £
Wider action/wider role	–	–	–	–	–	–	–	–	–
Care & repair	–	–	–	–	–	–	–	–	–
Development activities	–	–	–	–	–	–	–	–	–
Support activities	–	–	–	–	–	–	–	–	–
Agency/management services for RSLs	–	–	–	–	–	–	–	–	–
Development & improvement for sale	–	–	–	–	–	–	–	–	–
Other activities: market rent	–	–	–	46,354	46,354	–	23,512	22,842	40,497
Other activities: owners recoveries	–	–	–	193,204	193,204	–	68,626	124,578	142,060
Total from other activities	–	–	–	239,558	239,558	–	92,138	147,420	182,557
Total from other activities for previous period	–	–	–	288,172	288,172	–	105,615	182,557	–

On 1 September 2009 the management of 16 market rent flats was transferred to a subsidiary company Weslo Initiatives on a lease agreement.

3b Particulars of turnover, operating costs & operating surplus or deficit from other activities (Company)

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Operating costs – bad debts £	Other operating costs £	Operating surplus or deficit £	Operating surplus or deficit prev. period £
Wider action/wider role	–	–	–	–	–	–	–	–	–
Care & repair	–	–	–	–	–	–	–	–	–
Development activities	–	–	–	–	–	–	–	–	–
Support activities	–	–	–	–	–	–	–	–	–
Agency/management services for RSLs	–	–	–	–	–	–	–	–	–
Development & improvement for sale	–	–	–	–	–	–	–	–	–
Other activities: market rent	–	–	–	37,629	37,629	–	16,456	21,173	40,497
Other activities: owners recoveries	–	–	–	193,204	193,204	–	68,626	124,578	142,060
Total from other activities	–	–	–	230,833	230,833	–	85,082	145,751	182,557
Total from other activities for previous period	–	–	–	288,172	288,172	–	105,615	182,557	–

On 1 September 2009 the management of 16 market rent flats was transferred to a subsidiary company Weslo Initiatives on a lease agreement.

Notes to the Financial Statements 28 February 2010

	2010		2009	
	Group £	Company £	Group £	Company £
4 Interest receivable and other income				
Consultancy income	1,200	1,200	2,616	2,616
Other income	58,916	60,613	16,523	16,523
Net return on pension liability	60,000	60,000	37,000	37,000
Bank interest	29,777	29,749	165,975	165,975
	149,893	151,562	222,114	222,114
5 Gain on sale of fixed assets				
Net gain from sale of fixed assets	308,278	308,278	338,562	338,562
Less: value of land	(32,600)	(32,600)	(45,578)	(45,578)
Legal and valuation costs	(10,273)	(10,273)	(6,717)	(6,717)
	265,405	265,405	286,267	286,267
6 Interest payable and similar charges				
Long term bank loans	1,679,611	1,679,611	1,829,195	1,829,195
	1,679,611	1,679,611	1,829,195	1,829,195
7 Operating surplus				
This is stated after charging the following:				
Auditors remuneration – audit services	23,031	17,978	15,785	15,785
Auditors remuneration – non audit services	12,618	11,502	3,708	3,708
Depreciation	1,010,180	1,010,180	937,207	937,207
Other operating lease rentals				
– land & buildings	74,472	74,472	74,062	74,062
– plant & machinery	42,225	42,225	38,499	38,499
	1,162,526	1,156,357	1,069,261	1,069,261

Notes to the Financial Statements 28 February 2010

	2010	2009
	£	£
8 Staff costs (Group and Company)		
Wages and salaries	1,841,072	1,750,862
Social security costs	144,927	137,598
Other pension costs	312,131	281,210
	2,298,130	2,169,670
Payments made to third parties for the provision of staff	-	6,436

The average number of persons employed during the year by the company was 64 (63 in 2009).

Employee costs – salary bands	2010	2009
£80,000 – £89,999	2	2
£90,000 – £99,999	1	1

9 Directors' emoluments (Group and Company)	2010	2009
	£	£
Remuneration for management services	265,501	252,669
Highest paid director excluding pension contributions	93,951	90,246

Retirement benefits are accruing to 3 (3 in 2009) directors under the Lothian Pension Fund including the Chief Executive. (Refer note 22).

Total pension contributions paid for directors in the year were £47,171 (2009 £42,998).

At the date of the accounts Lothian Pension Fund was unable to provide details of the accrued pension or the accrued lump sum of the highest paid director.

10 Taxation (Group and Company)

The company is not liable to corporation tax on its primary purpose income.

11a Tangible fixed assets (Group and Company)

	Housing properties held for letting £	Housing properties in course of construction £	Shared ownership properties completed £	Shared ownership under construction £	Total £
Valuation / cost					
At 1 March 2009	47,556,912	–	–	–	47,556,912
Additions during year	4,848,127	–	–	–	4,848,127
Disposals	(150,662)	–	–	–	(150,662)
At 28 February 2010	52,254,377	–	–	–	52,254,377
Depreciation					
At 1 March 2009	6,781,785	–	–	–	6,781,785
Charge during year	771,223	–	–	–	771,223
Disposals in year	(32,600)	–	–	–	(32,600)
At 28 February 2010	7,520,408	–	–	–	7,520,408
Housing association grant					
At 1 March 2009	8,985,017	–	–	–	8,985,017
Additional during year	2,458,385	–	–	–	2,458,385
At 28 February 2010	11,443,402	–	–	–	11,443,402
Net book values					
At 28 February 2010	33,290,567	–	–	–	33,290,567
At 28 February 2009	31,790,110	–	–	–	31,790,110

The company has applied the transitional provision of FRS15 to include fixed assets at a brought forward valuation which has not been kept up to date. The date of the last valuation was 1998. This valuation was carried out internally by the management team using EUV-SH. The 16 market rent flats leased by Weslo Housing Management to Weslo Initiatives cost £757,898 and have accumulative depreciation of £129,397 giving a net book value of £628,501 at 28 February 2010.

The total expenditure in the year on works to existing housing properties amounted to £734,750 (2009 £1,628,207). Of this £479,867 (2009 £1,479,073) has been capitalised in line with the Company's accounting policy on work to existing housing properties.



11b Other fixed assets (Group and Company)

	Furniture and equipment £	IT systems £	Motor vehicles £	Short leasehold buildings £	Total £
Cost					
At 1 March 2009	230,397	690,084	415,923	395,443	1,731,847
Additions during year	2,086	102,423	61,830	291,197	457,536
At 28 February 2010	232,483	792,507	477,753	686,640	2,189,383
Depreciation					
At 1 March 2008	188,607	539,988	348,743	281,003	1,394,341
Charge during year	21,601	76,871	44,212	96,273	238,957
At 28 February 2009	210,208	616,859	392,955	377,276	1,597,298
Net book values					
At 28 February 2010	22,275	175,648	84,798	309,364	592,085
At 28 February 2009	41,790	150,096	67,180	114,440	373,506

Notes to the Financial Statements 28 February 2010



	2010		2009	
	Group £	Company £	Group £	Company £
12 Debtors				
Rental debtors	240,865	237,127	234,278	234,278
Less bad debt provision	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	240,865	237,127	234,278	234,278
Other debtors	578,865	595,377	842,570	842,570
Prepayments and accrued income	8,488	8,483	5,908	5,908
	<hr/>	<hr/>	<hr/>	<hr/>
	828,218	840,987	1,082,756	1,082,756
	<hr/>	<hr/>	<hr/>	<hr/>
13 Creditors (amounts falling due within one year)				
Bank loans (note 14)	–	–	–	–
Trade creditors	155,455	155,455	208,904	208,904
Rent advances	178,715	177,967	190,916	190,916
Taxation and social security	84,215	84,215	79,562	79,562
Accruals & deferred income	319,926	313,758	323,914	323,914
	<hr/>	<hr/>	<hr/>	<hr/>
	738,311	731,395	803,296	803,296
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements 28 February 2010

14 Creditors (amounts falling due after more than one year) (Group and Company)

	2010	2009
	£	£
Bank loans	33,860,702	31,977,873
Less: issue costs	(3,333)	(6,666)
	33,857,369	31,971,207

The purpose of bank loans is to fund the acquisitions of both Scottish Homes (now Scottish Housing Regulator) houses and other properties bought on the open market along with funding upgrading works to existing properties. The loans are repayable over 35 years.

During the year borrowings of £1.883 million helped fund the acquisition of new build and properties bought on the open market.

Analysis of maturity of bank loans:

	2010	2009
	£	£
Within one year (note 13)	–	–
Between one and two years	–	–
Between two and five years	–	–
In five years or more	33,860,702	31,977,873
	33,860,702	31,977,873

The bank loans are secured by way of a first bond and floating charge over the property of the company and Keyman Insurance of the lives of the directors. The bank loans can be analysed as follows:

At 1 Mar. 2009 £	Advanced (repaid) during the year £	At 28 Feb. 2010 £	Purpose	Maturity Date
£10,424,473	–	£10,424,473	Refinancing of Existing Facilities	2042
10,450,000	–	10,450,000	Refinancing of Existing Facilities	2042
10,450,000	–	10,450,000	Refinancing of Existing Facilities	2042
653,400	1,882,829	2,536,229	Acquisition of Properties	2043
31,977,873	1,882,829	33,860,702		

The above loans have been competitively obtained at market rates and where applicable they are regularly reviewed. The company has further facilities of £6.1 million as yet not drawn with Dunfermline Building Society. This will fund both the new build for the West Lothian Strategic Alliance properties and other development opportunities.

15 Reserves (Group and Company)

	2010		2009	
	Group £	Company £	Group £	Company £
Revaluation reserves				
Balance at 1 March	1,412,009	1,412,009	1,463,561	1,463,561
Transfer on disposal of revalued housing stock	(9,965)	(9,965)	(14,394)	(14,394)
Transfer of difference between depreciation on a historical costs basis and depreciation charge for the year	(37,158)	(37,158)	(37,158)	(37,158)
Balance at 28 February	1,364,886	1,364,886	1,412,009	1,412,009
Accumulated unrestricted reserve				
Balance at 1 March	1,070,279	1,070,279	1,511,782	1,511,782
Prior period adjustment (Note 27)	–	–	(747,149)	(747,149)
As restated	1,070,279	1,070,279	764,633	764,633
Transfer on disposal of revalued housing stock	9,965	9,965	14,394	14,394
Transfer from revaluation reserves	37,158	37,158	37,158	37,158
Net Deficit for year	(2,379,373)	(2,379,373)	(719,906)	(719,906)
Transfer from pension reserve	2,347,000	2,347,000	974,000	974,000
Balance at 28 February	1,085,029	1,085,029	1,070,279	1,070,279
Defined benefit pension scheme reserve				
Balance at 1 March	(699,000)	(699,000)	275,000	275,000
Transfer to unrestricted reserve	(2,347,000)	(2,347,000)	(974,000)	(974,000)
Balance at 28 February	(3,046,000)	(3,046,000)	(699,000)	(699,000)
Total reserves at 28 February	(596,085)	(596,085)	1,783,288	1,783,288

The “transfer on disposal of revalued housing stock” relates to housing stock, revalued prior to the adoption of the transitional arrangements permitted under FRS15, that has subsequently been sold by Weslo Housing Management.



16 Contingent liabilities and commitments (Group and Association)

On 15 December 1997, the company entered into an agreement with Scottish Homes for the acquisition of 489 tenanted dwelling houses.

In this agreement any proceeds arising from excess sales are split between the two parties by a methodology specified within the agreement. This applies for six consecutive five year periods.

This agreement also requires the company to incur a certain minimum level of maintenance expenditure over a 30 year period with any shortfall payable to Scottish Homes. To date all expenditure targets have been met or exceeded.

At present the directors do not believe that any further liability to the Regulator will arise in respect of the above.

17 Lease obligations (Group and Company)

The group is committed to make the following payments during the following year in relation to operating leases which expire:

	2010		2009	
	Land and buildings £	Other operating leases £	Land and buildings £	Other operating leases £
Within one year	–	–	–	–
Between one and five years	–	44,871	–	44,688
After five years	74,858	–	74,931	–
	74,858	44,871	74,931	44,688

18 Reconciliation of operating surplus to net cash inflow from operating activities

	2010		2009	
	Group £	Company £	Group £	Company £
(Deficit)/surplus for year	(27,373)	(27,373)	321,096	321,096
Interest receivable and other income	(180,976)	(182,645)	(298,751)	(298,751)
Interest payable and other charges	1,679,611	1,679,611	1,829,195	1,829,195
Increase in pension provision	2,347,000	2,347,000	947,000	947,000
Actuarial loss on pension fund	(2,352,000)	(2,352,000)	(1,041,000)	(1,041,000)
Other income	152,895	152,895	132,778	132,778
Depreciation charge	1,010,180	1,010,180	937,207	937,207
Gain on sale of tangible fixed assets	(265,405)	(265,405)	(286,267)	(286,267)
Decrease/(Increase) in debtors	233,008	241,769	(268,304)	(268,304)
Decrease in creditors	(45,146)	(71,901)	(2,170)	(2,170)
Decrease/(Increase) in stock	1,383	1,383	(3,394)	(3,394)
Amortisation of finance cost	3,333	3,333	3,333	3,333
Net cash inflow from operating activities	2,556,510	2,536,847	2,270,722	2,270,722

19 Analysis of changes in cash and cash equivalents

	2010		2009	
	Group £	Company £	Group £	Company £
Balance at 1 March 2009	1,945,929	1,945,929	2,700,934	2,700,934
Net cash Inflow/(outflow)	325,689	305,999	(755,005)	(755,005)
Balance at 28 February 2010	2,271,618	2,251,928	1,945,929	1,945,929

20 Analysis of balances of cash and cash equivalents as shown in the balance sheet

Group	2010	2010	2009	2009	2008
	£	Change £	£	Change £	£
Cash at bank and in hand	2,271,618	325,689	1,945,929	(755,005)	2,700,934
Company	2010	2010	2009	2009	2008
	£	Change £	£	Change £	£
Cash at bank and in hand	2,251,928	305,999	1,945,929	(755,005)	2,700,934

21 Analysis of changes in financing during the year

	2010		2009	
	Group £	Company £	Group £	Company £
Balance at 1 March 2009	31,977,873	31,977,873	31,574,973	31,574,973
Net cash inflow from financing	1,882,829	1,882,829	402,900	402,900
Balance at 28 February 2010	33,860,702	33,860,702	31,977,873	31,977,873

22 Pensions (Group and Company)

The company is a member of the Lothian Pension Fund which is a defined benefit pension scheme providing benefits to participating employees based on final pensionable salary. Contributions to the fund are determined by the scheme's actuary using the projected unit method and are charged to the income and expenditure account so as to spread the cost of pensions over the expected remaining service lives of the employees and directors.

The fund is actuarially valued by a qualified actuary on a triennial basis with the most recent valuation being at 31 March 2008. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, the rates of increase in salaries and pensions and dividend growth. It was assumed that salary increases would average 5.1% per annum, that present and future pensions would increase at the rate of 3.6% per annum. At valuation date the market value of the scheme was £2,903 million and the value of the past services liabilities was £3,427 million leaving a deficit of assets of £524 million. The assets therefore were sufficient to cover 85% of the benefits which had accrued to members after allowing for expected future increases in earnings. The actuary recommended minimum future employer contributions for the years to 31 March 2010 of 20.1%, 2011 of 21.4% and 2012 of 22.7% of total pensionable pay.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The next formal actuarial valuation is due at 31 March 2011.

The fund valuation has been prepared under FRS17. Comparative figures for the scheme assets quoted securities have not been restated from mid market to bid price.



Notes to the Financial Statements 28 February 2010

Net pension asset as at	31 March 10	31 March 09	31 March 08	31 March 07	31 March 06
	£(000)	£(000)	£(000)	£(000)	£(000)
Estimated employer assets (A)	6,867	4,812	5,762	5,646	4,980
Present value of scheme liabilities	9,913	5,511	5,514	6,303	6,300
Present value of unfunded liabilities	–	–	–	–	–
Total value of liabilities (B)	9,913	5,511	5,514	6,303	6,300
Net pension (liability)/asset (A–B)	(3,046)	(699)	248	(657)	(1,320)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	Year to	Year to	Year to
	31 March 2010	31 March 2009	31 March 2008
	£(000)	£(000)	£(000)
Actual return less expected return on pension scheme assets	1,390	(1,572)	(574)
Experience gains and losses arising on the scheme liabilities	–	–	–
Changes in assumptions underlying the present value of the scheme liabilities	(3,742)	531	1,457
Actuarial gain/(loss) in pension plan	(2,352)	(1,041)	883
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	–	–	–
Actuarial gain/(loss) recognised in STRGL	(2,352)	(1,041)	883

History of experience gains and losses

	Year to	Year to	Year to	Year to	Year to
	31 March	31 March	31 March	31 March	31 March
	2010	2009	2008	2007	2006
	£(000)	£(000)	£(000)	£(000)	£(000)
Difference between expected and actual return on assets	1,390	(1,572)	(574)	33	779
Value of assets	6,867	4,812	5,762	5,646	4,975
Percentage of assets	20.2%	(32.7)%	(10)%	0.6%	15.6%
Experience gains/(losses) on liabilities	–	(100)	–	(2)	67
Total present value of liabilities	9,913	5,511	5,514	6,303	6,302
Percentage of the total present value of liabilities	0.0%	(1.8)%	0.0%	0.0%	1.1%
Actuarial gains/losses recognised in STRGL	(2,352)	(1,041)	883	593	(23)
Total present value of liabilities	9,913	5,511	5,514	6,303	6,302
Percentage of the total present value of liabilities	(23.7)%	(18.9)%	16.0%	9.4%	(0.4)%

Analysis of amount charged to staff costs

	2010	2009	2008
	£	£	£
Current service cost	190,000	189,000	287,000

Analysis of amounts charged to interest payable and similar charges

	2010	2009	2008
	£	£	£
Expected return on pension scheme asset	329,000	422,000	418,000
Interest on pension scheme liabilities	(389,000)	(385,000)	(349,000)
	(60,000)	37,000	69,000

23 Housing stock (Group and Company)

The number of units at the period end was:

General needs

Mid market

Unit balance at 28 February

	2010	2009
General needs	2,138	2,107
Mid market	16	16
Unit balance at 28 February	<u>2,154</u>	<u>2,123</u>

The average rent for year ending 28 February 2010 was £3,010.65 (2009: £2,902.30).

24 Share capital

The company has no share capital as it is a company limited by guarantee. At 28 February 2010 the company had twelve members, each guaranteeing a maximum of £1 in the event of a winding up.





25 Related parties

During the year five tenants of the company acted as directors. In total they paid rent of £11,663 which is considered to be at arm's length and reflect current market rates. At 28 February 2010 arrears for tenant directors amounted to £11.

There were two directors in the year that are representatives from local authorities. All transactions with these local authorities in the year was made at arm's length and on normal commercial terms.

Weslo Housing Management leased 16 market rent flats to Weslo Initiatives Limited. The annual lease charge for the 16 flats is £50,000. As part of the lease agreement Weslo Housing Management will provide Weslo Initiatives Limited with housing, finance and admin services. Weslo Housing Management recharges staff time and other charges incurred by Weslo Initiatives Limited at cost. Total recharges for the period were £28,957. The net balance due to Weslo Housing Management at the period end was £9,800.

26 Group structure

Weslo Housing Management is a Registered Social Landlord, incorporated in Scotland and has one subsidiary, Weslo Initiatives Limited. Weslo Initiatives Limited is a registered company limited by shares.

Individual accounts have been prepared for Weslo Initiatives Limited. Consolidated financial statements have also been prepared as Weslo Housing Management has common control of Weslo Initiatives Limited and group accounts are required under the Companies Act 2006.

27 Prior period adjustment

A prior period adjustment arose during the year ended 28 February 2009 as a result of a fundamental error in relation to (a) depreciation of housing properties and (b) amortisation of HAG and Other Grants in relation to housing properties, to comply with Financial Reporting Requirements. Previously depreciation had been charged on the gross cost of housing properties rather than gross cost less HAG and Other Grants in line with the SORP. In addition to this the company had been amortising HAG and Other Grants over the term of the loans relating to the housing properties, which is not in line with the SORP. As such depreciation is now charged on the gross cost less HAG and Other Grants, and HAG and Other Grants are no longer amortised. This fundamental error reduced the balance of the Unrestricted Reserves by £621k as at 28 February 2007 and by £126k as at 29 February 2008. This represents the over depreciation and the incorrect amortisation in previous years. The net surplus in funds of the company for the year ended 29 February 2008 has been restated and has decreased by £125k to £37k to reflect the correction of over depreciation and amortisation in 2007/08.

28 Investments

Shares in subsidiary company

	2010	2009
	£	£
	5	-
	5	-

The subsidiary company at 31 March was:

Name	Country of registration	Nature of business	Proportion of ordinary shares held
Weslo Initiatives Limited	Scotland	Social Housing	100%

The amount subscribed at par for the ordinary shares of £1 each held by Weslo Housing Management was £1. The results for the subsidiary company and net asset value at the year-end are as follows:

Profit on ordinary activities after taxation

Net assets

	2010	2009
	£	£
	-	-
	5	-

The following pages are not audited.

Allocation of Management Expenses (Group)

	Housing management £	Day-to-day repairs £	Development £	Cyclical management £	Finance & administration £	Total £
Employee costs						
Salaries & NIC	1,410,281	377,232	–	–	–	1,787,513
Pensions	231,430	57,135	–	–	–	288,565
Other staff costs	143,071	3,608	–	–	–	146,679
Estate costs						
Repairs & maintenance	–	433,122	–	–	–	433,122
Planned maintenance	–	–	–	610,360	–	610,360
Materials & components	–	189,909	–	–	–	189,909
Open space maintenance	–	45,390	–	–	–	45,390
Tenants allowances	–	21,249	–	–	–	21,249
Depreciation – housing properties	771,223	–	–	–	–	771,223
Depreciation – motor vehicles	–	44,212	–	–	–	44,212
Office overheads						
Rent & rates	61,817	23,643	–	–	–	85,460
Heating, lighting, alarms & cleaning	45,887	12,086	–	–	–	57,973
Tenant participation	3,928	–	–	–	–	3,928
Transport costs	62,194	55,280	–	–	–	117,474
Office supplies	43,491	7,187	–	–	–	50,678
Computer support	51,678	–	–	–	–	51,678
Consultancy services	29,912	–	7,841	66,964	–	104,717
Telecoms costs	46,639	5,941	–	–	–	52,580
Publicity, promotion & advertising	28,149	–	–	–	–	28,149
Insurance	140,131	–	–	–	–	140,131
Depreciation – furniture & equipment	98,472	–	–	–	–	98,472
Depreciation – leasehold improvements	96,273	–	–	–	–	96,273
Miscellaneous costs	49,587	20,686	–	–	–	70,273
Legal costs	52,287	–	–	–	–	52,287
Bad debts written off	105,987	–	–	–	–	105,987
Other costs						
Audit fees	–	–	–	–	38,739	38,739
Bank charges	–	–	–	–	7,591	7,591
Total costs	3,472,437	1,296,680	7,841	677,324	46,330	5,500,612
Allocation of finance & administration costs	33,579	12,751	–	–	(46,330)	–
Total expenditure for 2009/10	3,506,016	1,309,431	7,841	677,324	–	5,500,612

Allocation of Management Expenses (Company)

	Housing management £	Day-to-day repairs £	Development £	Cyclical management £	Finance & administration £	Total £
Employee costs						
Salaries & NIC	1,410,281	377,232	–	–	–	1,787,513
Pensions	231,430	57,135	–	–	–	288,565
Other staff costs	142,846	3,608	–	–	–	146,454
Estate costs						
Repairs & maintenance	–	433,122	–	–	–	433,122
Planned maintenance	–	–	–	610,360	–	610,360
Materials & components	–	189,909	–	–	–	189,909
Open space maintenance	–	45,390	–	–	–	45,390
Tenants allowances	–	20,744	–	–	–	20,744
Depreciation – housing properties	771,223	–	–	–	–	771,223
Depreciation – motor vehicles	–	44,212	–	–	–	44,212
Office overheads						
Rent & rates	61,817	23,643	–	–	–	85,460
Heating, lighting, alarms & cleaning	45,887	12,086	–	–	–	57,973
Tenant participation	3,928	–	–	–	–	3,928
Transport costs	62,194	55,280	–	–	–	117,474
Office supplies	43,491	7,187	–	–	–	50,678
Computer support	51,678	–	–	–	–	51,678
Consultancy services	29,912	–	7,841	66,964	–	104,717
Telecoms costs	46,639	5,941	–	–	–	52,580
Publicity, promotion & advertising	28,149	–	–	–	–	28,149
Insurance	140,131	–	–	–	–	140,131
Depreciation – furniture & equipment	98,472	–	–	–	–	98,472
Depreciation – leasehold improvements	96,273	–	–	–	–	96,273
Miscellaneous costs	49,429	20,686	–	–	–	70,115
Legal costs	52,287	–	–	–	–	52,287
Bad debts written off	105,987	–	–	–	–	105,987
Other costs						
Audit fees	–	–	–	–	32,571	32,571
Bank charges	–	–	–	–	7,591	7,591
Total costs	3,472,054	1,296,175	7,841	677,324	40,162	5,493,556
Allocation of finance & administration costs	29,065	11,097	–	–	(40,162)	–
Total expenditure for 2009/10	3,501,119	1,307,272	7,841	677,324	–	5,493,556



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