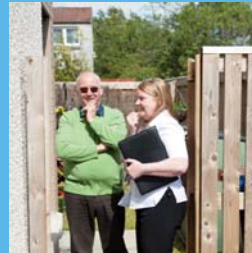


weslo

Weslo Housing Management
Directors' Report & Financial Statement
2010-2011

Scottish Charity Number: SC021100



altogether better





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OBJECTIVES



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.

“The returns from the 2010 Tenants Survey provided us with enormous pleasure and gratification, confirming that the service we were providing for tenants was so universally well received.”



Welcome to the seventeenth annual report of Weslo Housing Management. It doesn't seem like six years since I took over the Chair from my predecessor Robert Lee, but it is, and this is indeed my sixth annual report. The reason I've been looking back is because in my first report in 2005/6, I was able to report very high levels of satisfaction from our 2005 Tenants Survey and now, full circle, I'm able to report on another one!

The returns from the 2010 Tenants Survey provided us with enormous pleasure and gratification, confirming that the service we were providing for tenants was so universally well received. The very positive results we reported have been covered in some detail elsewhere so I'll content myself by reporting on these pages that an increase in overall satisfaction from 91% in 2005 to 94% this year was a considerable achievement and one from which all of our staff can take great pride and pleasure. It is their efforts and dedication that allow us to continue to operate at the top end of our market.

Elsewhere, as always, it's been a busy, eventful and challenging year. As predicted last year, we were graded at 'C' level by the Scottish Housing Regulator in its Inspection Report published in May and we agreed an Improvement Plan in July. Meeting the objectives in the Improvement

Plan is an ongoing process at the moment. A key part of this process – now completed – was the Board evaluation exercise which looked at the Board's existing role within the company, examined strengths and weaknesses and charted the way forward. Other matters mainly relating to internal procedures are also being revised as part of this valuable process which ultimately will make us a stronger organisation and we look forward to agreeing with the Regulator the completed plan in October 2012.

On the operational front, I am genuinely pleased to be able to report strong outcomes in our Key Performance Indicators. We're showing decreases in arrears and a reduction in rent losses on voids. Indeed the reduction in arrears to 1.65% of rent receivable is particularly notable in the face of the continuing recession, VAT rising to 20%, a rent increase of 3.4% and ongoing high levels of inflation. The current economic environment, where rising fuel costs and the world wide increases in the price of raw materials continue to exert upward pressure on the retail price index, will increasingly impact on our tenants' incomes and ability to meet increasing household costs. With decreasing grant levels for new housing inevitably resulting in higher rents however, we'll do well to maintain this level of performance. A reversal of previous years' trends of increasing levels of rent loss due to voids is greatly welcomed. With a similar turnover to last year, we managed to reduce rent loss by 30% – a massive credit to all concerned. The repairs

CHAIRMAN'S REPORT



performance of our house maintenance team also continues to enhance the overall management service we are able to offer. I must also mention the introduction this year of our garden maintenance squad. Bringing this important service to our elderly tenants in-house, has delivered a more direct, improved service, which will ultimately prove more cost effective than its predecessor, while at the same time producing excellent feedback results from service users in the first year of operation – no mean feat. A great start and credit must go to the squad themselves and those who created and planned the introduction of the new service.

At time of writing, we are in the midst of a major organisational review of this part of the business and we look forward in the coming year to the challenge of shaping a stronger, fitter Technical Division in time for the completion in the autumn of our new depot at Glasgow Road, Bathgate.

On the development front, we look forward to starting on site with the construction of 14 houses at Ellen Street in Whitburn in the coming year. We also wait with some anticipation for the results of our development bids for funding from the Scottish Government's Housing Innovation and Investment Fund for our proposals for 25 flats at Station Road, Armadale and 16 houses at Charles Crescent in Bathgate. These bids have been finalised with the co-operation of our partners in the West Lothian

Development Alliance, Horizon and Almond Housing Associations, and we're particularly grateful to the latter organisation for their role as our development agents, not only in West Lothian but further afield, especially in the Falkirk area where we continue to explore suitable development opportunities to provide affordable accommodation. The reduction in funding for new housing provision has made this a particularly challenging year for those of us who still wish to maintain a meaningful role in the provision of new housing.

Challenges abound elsewhere in the organisation of course; for the bigger picture items like adapting to the changing grant regime and the shift in emphasis to mid-market rent levels, reviewing our Allocation policy through which we aim to enhance our vision of more balanced communities in our estates, or evaluating the effectiveness of our Board, we remain vigilant in our search for improved processes, efficiencies and opportunities. On a more detailed level, the day to day challenges faced by a busy landlord continue to test us and provide a varied menu of activities. Severe winter weather (for the second year running!), formulating an improved Information and Communications Technology (ICT) Strategy, getting it right on our Mortgage to Rent assessments or simply ensuring we're sending out the right messages to our many audiences these days, we strive to create an atmosphere where our staff can get it right first time and enjoy doing so.

“...at the end of the year we were honoured to be named as one of the top 25 places to work in Scotland by the Great Places to Work Institute.”



It is to the staff I now turn finally, to thank them for all of their efforts and application during this year which have contributed to our continued success. This is, of course, key to a successful organisation and, at the end of the year we were honoured to be named as one of the top 25 places to work in Scotland by the Great Places to Work Institute. This is a scheme which recognises organisations that have achieved outstanding effectiveness in human resources and people excellence and we were absolutely delighted to receive an award for our work in this field. As the New Year beckons, we are proud to renew our commitment to provide a positive environment which encourages our staff in their working practices.



A handwritten signature in blue ink that reads "Peter Robson".

Peter Robson

Chairman

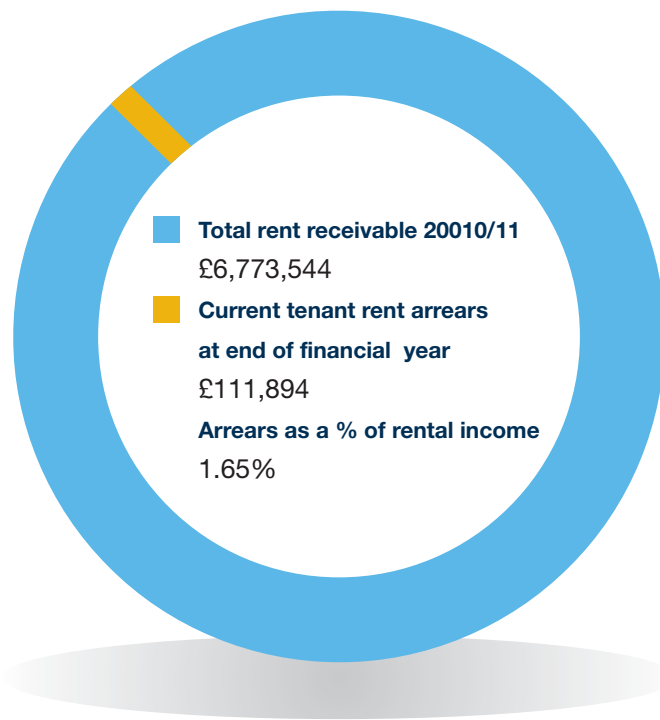
RENT ARREARS PERFORMANCE 2010/11



Our objective

To maximise benefit take-up and minimise rent arrears.

The arrears figure of £111,894* is net of outstanding housing benefit due at 28 February 2011 from Falkirk and West Lothian Councils.



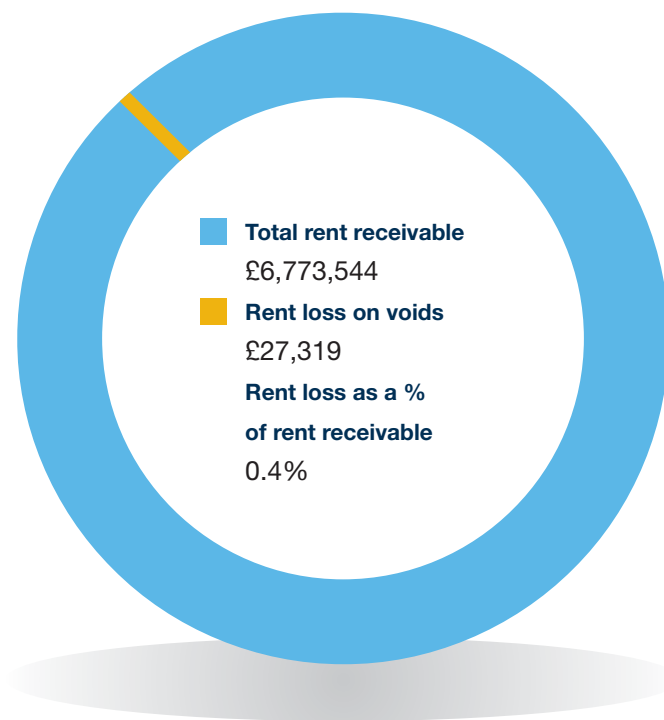
* houses and lock-ups

Our objective

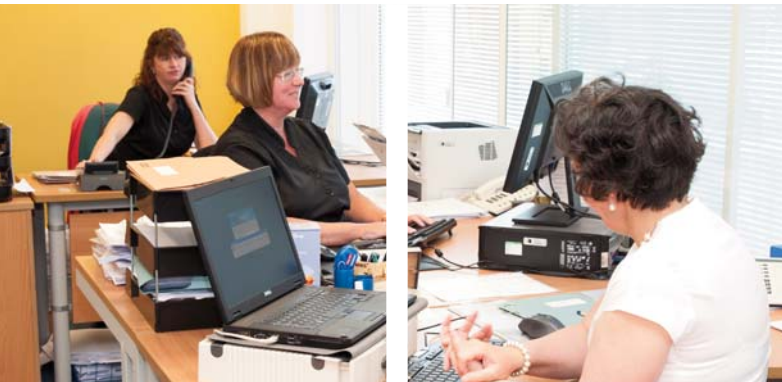
To offer houses for re-let as quickly as possible, and so minimise rent loss and waiting time.



This year, 126 houses were re-let (5.7% turnover) incurring a rent loss for the year of £27,319.



REACTIVE MAINTENANCE PERFORMANCE 2010/11



Our Objective

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

In 2010/11, a total of 9,601 reactive maintenance jobs were carried out to our houses. Our own in-house maintenance team carried out 87% of this work, with the remainder, e.g., fencing, landscaping, glazing etc., carried out by local contractors. Performance on repairs continues to be excellent, with only 45 repairs completed outwith target time.



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
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 2011.

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 (Resigned 21 July 2010)
Janette Wallace	Tenant Representative
Eileen Stirling	Tenant Representative
Alex Bow	Tenant Representative
Eugene Ruck	Tenant Representative (Appointed 1 September 2010)
Frank Anderson	West Lothian Council Representative
Ann Ritchie	Falkirk Council Representative (Appointed 1 February 2011)
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 the company and of the surplus or deficit for that period for the group and the company. In preparing those financial statements, the directors are required to:

- **select suitable accounting policies and then apply them consistently;**
- **make judgements and estimates that are reasonable and prudent;**
- **prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.**

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006 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 the company 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 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 auditor'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 for social housing

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 2011 by the Board for 2011/12.

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. At 28 February 2011, there was £1.37m in unrestricted reserves (2010: £1.08m).

Directors' interests in shares of the company

No directors held beneficial interests in the shares of the company at 28 February 2011, 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 31 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 £0.963m 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.

Rent arrears performance 2010/11

OBJECTIVE:

To maximise benefit take-up and minimise rent arrears.

Total rent receivable	£6,773,544
Current tenant rent arrears at end of financial year	£111,894
Arrears as a % of rental income	1.65%

Void houses performance 2010/11

OBJECTIVE:

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

Total rent receivable	£6,773,554
Total rent loss on voids	£27,319
Rent loss as a % of rent receivable	0.4%

Reactive maintenance performance 2010/11

OBJECTIVE:

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

In 2010/11, a total of 9,601 (2009/10 – 10,720) reactive maintenance jobs were carried out to our houses. Our in-house maintenance team carried out 87% (2009/10 – 84%) of this work, with the remainder e.g. fencing, landscaping, glazing etc., carried out by local contractors. Performance on repairs continues to be excellent, with only 45 repairs completed outwith their target time. Overall our maintenance team and local contractor successfully completed 99.53% (2009/10 – 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 surplus of £1,057,370 (2010: deficit £27,373) was transferred to reserves.

At the end of the year the group was in a strong financial position with a cash balance of £2.356 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 West Lothian Development Alliance) and Falkirk Councils as well as the Housing and Supply Division, Scottish Government, 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.

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 2011 the group took an average of 10 days (10 days in 2010) 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

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke.

HBJG Secretarial Ltd (Company Secretary)

**Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH**

July 2011

DIRECTORS' STATEMENT ON THE COMPANY'S SYSTEM OF INTERNAL FINANCIAL CONTROL FOR THE YEAR ENDED 28 FEBRUARY 2011

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:

- 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;
- 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 2011 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 Regulator's Guidance and the SFHA's Publication "Raising Standards in Housing".

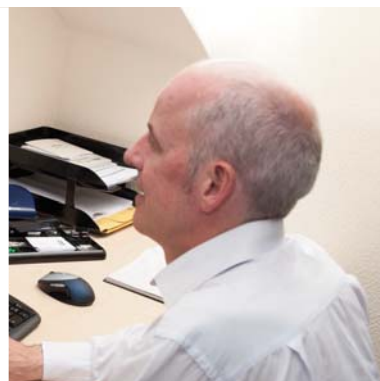
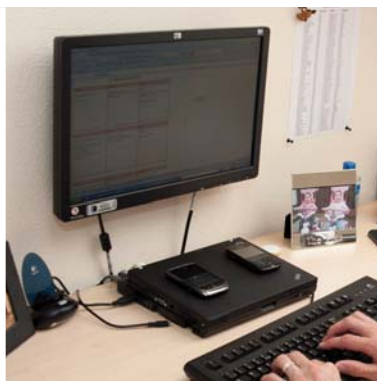
BY ORDER OF THE BOARD



Director

20 July 2011

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 28 FEBRUARY 2011



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.

A handwritten signature in blue ink that reads "Janet Hamblin".

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

27 July 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WESLO HOUSING MANAGEMENT FOR THE YEAR ENDED 28 FEBRUARY 2011



We have audited the group and parent financial statements of Weslo Housing Management Limited (the "financial statements") on pages 20 to 42 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 Chapter 3 of Part 16 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

As explained more fully in the Director's Responsibilities Statement set out on page 11, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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/private.cfm.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WESLO HOUSING MANAGEMENT FOR THE YEAR ENDED 28 FEBRUARY 2011



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 2011 and of the group's surplus 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 parent company 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

27 July 2011

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	2011		2010	
		Group £	Company £	Group £	Company £
Turnover	2	7,013,119	7,007,105	6,737,552	6,728,827
Operating costs	2	(5,650,309)	(5,644,051)	(5,442,612)	(5,435,556)
Operating surplus		1,362,810	1,363,054	1,294,940	1,293,271
Gain on sale of fixed assets	5	296,426	296,426	265,405	265,405
Interest receivable and other income	4	101,606	101,362	149,893	151,562
Pension past service gain/(cost) adjustment	22	847,000	847,000	(58,000)	(58,000)
Interest payable and other charges	6	(1,550,472)	(1,550,472)	(1,679,611)	(1,679,611)
Surplus/(deficit) on ordinary activities	7	1,057,370	1,057,370	(27,373)	(27,373)

The results for the year relate wholly to continuing activities.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	2011		2010	
		Group £	Company £	Group £	Company £
Surplus/(deficit) for the year		1,057,370	1,057,370	(27,373)	(27,373)
Actuarial gain/(loss) on pension scheme	22	1,014,000	1,014,000	(2,352,000)	(2,352,000)
Total recognised gains and (losses) since last annual report		2,071,370	2,071,370	(2,379,373)	(2,379,373)

The results for the year relate wholly to continuing activities.

CONSOLIDATED BALANCE SHEET AT 28 FEBRUARY 2011

	Notes	2011		2010	
		Group £	Company £	Group £	Company £
Housing properties					
Gross cost less depreciation		49,158,323	49,158,323	44,733,969	44,733,969
Less HAG and other grants		(13,320,373)	(13,320,373)	(11,443,402)	(11,443,402)
Net book value	11a	35,837,950	35,837,950	33,290,567	33,290,567
Other tangible fixed assets					
	11b	519,194	519,194	592,085	592,085
Total tangible fixed assets		36,357,144	36,357,144	33,882,652	33,882,652
Investments	27	–	5	–	5
Current assets					
Stock – consumables		55,589	55,589	63,107	63,107
Debtors	12	604,987	624,389	828,218	840,987
Cash at bank and in hand		2,356,166	2,320,445	2,271,618	2,251,928
		3,016,742	3,000,423	3,162,943	3,156,022
Creditors	13	(637,820)	(621,506)	(738,311)	(731,395)
(amounts falling due within one year)					
Net current assets		2,378,922	2,378,917	2,424,632	2,424,627
Total assets less current liabilities		38,736,066	38,736,066	36,307,284	36,307,284
Pension liability	22	(1,217,000)	(1,217,000)	(3,046,000)	(3,046,000)
Creditors	14	(36,043,781)	(36,043,781)	(33,857,369)	(33,857,369)
(amounts falling due after more than one year)					
Net assets/(liabilities)		1,475,285	1,475,285	(596,085)	(596,085)
Capital and reserves					
Revaluation reserve	15	1,317,763	1,317,763	1,364,886	1,364,886
Unrestricted funds	15	1,374,522	1,374,522	1,085,029	1,085,029
Pension reserve	15	(1,217,000)	(1,217,000)	(3,046,000)	(3,046,000)
		1,475,285	1,475,285	(596,085)	(596,085)

The financial statements were approved and authorised for issue by the Board of Directors on 20 July 2011 and were signed on its behalf by:



D W Drummond, Finance Director



Mike Bruce, Chief Executive



Peter Robson, Chairman

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	2011		2010	
		Group £	Company £	Group £	Company £
Net cash inflow from operating activities	18	2,801,415	2,785,499	2,556,510	2,536,847
Returns on investment and servicing of finance					
Interest received		22,312	22,197	29,777	29,750
Interest paid		(1,550,472)	(1,550,472)	(1,679,611)	(1,679,611)
Net cash outflow from returns on investment and servicing of finance		(1,528,160)	(1,528,275)	(1,649,834)	(1,649,861)
Capital expenditure					
Purchase of housing properties		(5,455,014)	(5,455,014)	(4,848,127)	(4,848,127)
Reduced by HAG received		1,876,971	1,876,971	2,458,385	2,458,385
Proceeds from sale of housing properties net of legal fees		406,712	406,712	383,467	383,467
Purchase of other tangible fixed assets		(200,455)	(200,455)	(457,541)	(457,541)
Net cash outflow from investing activities		(3,371,786)	(3,371,786)	(2,463,816)	(2,463,816)
Net cash outflow before financing		(2,098,531)	(2,114,562)	(1,557,140)	(1,576,830)
Financing					
Receipt of bank loan		2,183,079	2,183,079	1,882,829	1,882,829
Net cash inflow from financing		2,183,079	2,183,079	1,882,829	1,882,829
Increase in cash and cash equivalents	19/20	84,548	68,517	325,689	305,999



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 review during the year of the life span of New Build properties the Company concluded that the life span of such properties was 75 years. New Build properties were previously deemed to have a life of 100 years. New build houses are therefore now deemed to have a 75 year useful life. Other properties are deemed to have a useful life of 50 years and are depreciated at an annual rate of 2%.

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 have 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.

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	– 1.33% 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 reserve

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 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.

NOTES TO THE FINANCIAL STATEMENTS 28 FEBRUARY 2011

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 and a further lease agreement for six flats at Corbiehall, Bo'ness in May 2011. The purpose of these leases being to enable Weslo Initiatives Limited to provide market rent housing. The leases are 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	Operating surplus for previous period of account
		£	£	£	£
Social lettings	3a	6,839,053	5,624,758	1,214,295	1,089,520
Other activities	3b	174,066	25,551	148,515	147,420
Total		7,013,119	5,650,309	1,362,810	1,236,940
Total for previous period of account		6,737,552	5,500,612	1,236,940	

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

		Turnover	Operating costs	Operating surplus	Operating surplus for previous period of account
		£	£	£	£
Social lettings	3a	6,839,053	5,624,758	1,214,295	1,089,520
Other activities	3b	168,052	19,293	148,759	145,751
Total		7,007,105	5,644,051	1,363,054	1,235,271
Total for previous period of account		6,728,827	5,493,556	1,235,271	

3a Particulars of turnover, operating cost & 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	6,779,912	–	–	6,779,912	6,446,170
Service charges	–	–	–	–	–
Gross income from rents & service charges	6,779,912	–	–	6,779,912	6,446,170
Less voids	(30,942)	–	–	(30,942)	(39,259)
Net income from rents & service charges	6,748,970	–	–	6,748,970	6,406,911
Grants from Scottish Ministers	90,083	–	–	90,083	91,083
Other revenue grants	–	–	–	–	–
Total turnover from social letting activities	6,839,053	–	–	6,839,053	6,497,994
Management & maintenance admin costs	2,285,909	–	–	2,285,909	2,100,520
Service costs	338,222	–	–	338,222	270,079
Planned & cyclical maintenance incl. MR costs	525,365	–	–	525,365	677,324
Reactive maintenance costs	1,265,911	–	–	1,265,911	1,296,175
Bad debts – rents & service charges	61,879	–	–	61,879	105,987
Depreciation of social housing	1,147,472	–	–	1,147,472	958,389
Impairment of social housing	–	–	–	–	–
Operating costs for social letting activities	5,624,758	–	–	5,624,758	5,408,474
Operating surplus for social lettings	1,214,295	–	–	1,214,295	1,089,520
Operating surplus for social lettings previous period	1,089,520	–	–	1,089,520	

3b Particulars of turnover, operating cost & operating surplus or deficit from social letting 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	–	–	–	98,811	98,811	–	6,258	92,553	22,842
Other activities: owners recoveries	–	–	–	75,255	75,255	–	19,293	55,962	124,578
Total from other activities	–	–	–	174,066	174,066	–	25,551	148,515	147,420
Total from other activities for previous period	–	–	–	239,558	239,558	–	92,138	147,420	

3b Particulars of turnover, operating cost & operating surplus or deficit from social letting 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:									
management charge and gift aid	–	–	–	92,797	92,797	–	–	92,797	21,173
Other activities: owners recoveries	–	–	–	75,255	75,255	–	19,293	55,962	124,578
Total from other activities	–	–	–	168,052	168,052	–	19,293	148,759	145,751
Total from other activities for previous period	–	–	–	230,833	230,833	–	85,082	145,751	

NOTES TO THE FINANCIAL STATEMENTS 28 FEBRUARY 2011

	2011		2010	
	Group £	Company £	Group £	Company £
4 Interest receivable and other income				
Consultancy income	6,215	6,215	1,200	1,200
Other income	67,079	66,950	58,916	60,612
Net return on pension liability	6,000	6,000	60,000	60,000
Bank interest	22,312	22,197	29,777	29,750
	101,606	101,362	149,893	151,562
5 Gain on sale of fixed assets				
Net gain from sale of fixed assets	338,016	338,016	308,278	308,278
Less: value of land	(35,605)	(35,605)	(32,600)	(32,600)
Legal and valuation costs	(5,985)	(5,985)	(10,273)	(10,273)
	296,426	296,426	265,405	265,405
6 Interest payable and similar charges				
Long term bank loans	1,550,472	1,550,472	1,679,611	1,679,611
	1,550,472	1,550,472	1,679,611	1,679,611
7 Operating surplus/(deficit)				
This is stated after charging the following:				
Auditors remuneration – audit services	24,468	17,978	23,031	17,978
Remuneration to entities connected to Baker Tilly UK Audit LLP	11,502	11,502	12,618	11,502
Depreciation	1,193,720	1,193,720	1,010,180	1,010,180
Other operating lease rentals				
– land & buildings	150,124	75,000	74,472	74,472
– plant & machinery	45,977	45,977	42,225	42,225
	1,425,791	1,344,177	1,162,526	1,156,357

	2011	2010
	£	£
8 Staff costs (Group and Company)		
Wages and salaries	1,948,193	1,841,072
Social security costs	153,821	144,927
Other pension costs	343,778	312,131
	2,445,792	2,298,130

The average number of persons employed during the year by the company was 67 (64 in 2010).

Employee costs – salary bands	2011	2010
£80,000 – £89,999	2	2
£90,000 – £99,999	1	1

9 Directors' emoluments (Group and Company)	2011	2010
	£	£
Remuneration for management services	270,989	265,501
Highest paid director excluding pension contributions	95,323	93,951

Retirement benefits are accruing to 3 (3 in 2010) directors under the Lothian Pension Fund including the Chief Executive. (Refer note 22).

Total pension contributions paid for directors in the year were £51,056 (2010 £47,171).

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)

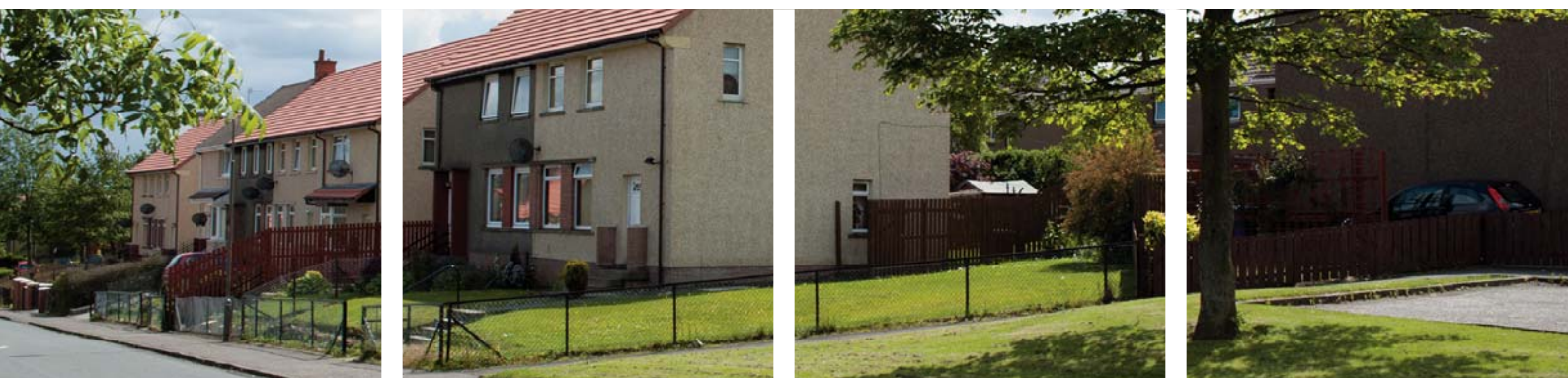
The company is not liable to corporation tax on its primary purpose income.

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 2010	52,254,377	–	–	–	52,254,377
Additions during year	5,455,014	–	–	–	5,455,014
Disposals	(145,890)	–	–	–	(145,890)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 2011	57,563,501	–	–	–	57,563,501
Depreciation					
At 1 March 2010	7,520,408	–	–	–	7,520,408
Charge during year	920,375	–	–	–	920,375
Disposals in year	(35,605)	–	–	–	(35,605)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 2011	8,405,178	–	–	–	8,405,178
Housing association grant					
At 1 March 2010	11,443,402	–	–	–	11,443,402
Additional during year	1,876,971	–	–	–	1,876,971
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 2011	13,320,373	–	–	–	13,320,373
Net book values					
At 28 February 2011	35,837,950	–	–	–	35,837,950
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 2010	33,290,567	–	–	–	33,290,567
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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 flats leased by Weslo Housing Management to Weslo Initiatives cost £757,898 and have accumulative depreciation of £143,783 giving a net book value of £614,115 at 28 February 2011.

The total expenditure in the year on works to existing housing properties amounted to £1,083,428 (2010 £734,750). Of this £926,315 (2010 £479,867) 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	leasehold improvements	Total
	£	£	£	£	£
Cost					
At 1 March 2010	232,483	792,507	477,753	686,640	2,189,383
Additions during year	4,751	150,985	24,995	19,724	200,455
At 28 February 2011	237,234	943,492	502,748	706,364	2,389,838
Depreciation					
At 1 March 2010	210,208	616,859	392,955	377,276	1,597,298
Charge during year	18,224	107,669	46,248	101,205	273,346
At 28 February 2011	228,432	724,528	439,203	478,481	1,870,644
Net book values					
At 28 February 2011	8,802	218,964	63,545	227,883	519,194
At 28 February 2010	22,275	175,648	84,798	309,364	592,085

NOTES TO THE FINANCIAL STATEMENTS 28 FEBRUARY 2011



	2011		2010	
	Group £	Company £	Group £	Company £
12 Debtors				
Rental debtors	226,336	226,336	240,865	237,127
Less bad debt provision	–	–	–	–
	<u>226,336</u>	<u>226,336</u>	<u>240,865</u>	<u>237,127</u>
Other debtors	373,752	393,154	578,865	595,377
Prepayments and accrued income	4,899	4,899	8,488	8,483
	<u>604,987</u>	<u>624,389</u>	<u>828,218</u>	<u>840,987</u>
13 Creditors (amounts falling due within one year)				
Bank loans (note 14)	–	–	–	–
Trade creditors	158,361	158,361	155,455	155,455
Rent advances	203,246	201,084	178,715	177,967
Taxation and social security	98,843	98,843	84,215	84,215
Accruals & deferred income	177,370	163,218	319,926	313,758
	<u>637,820</u>	<u>621,506</u>	<u>738,311</u>	<u>731,395</u>

NOTES TO THE FINANCIAL STATEMENTS 28 FEBRUARY 2011

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

Bank loans
Less: issue costs

	2011	2010
	£	£
	36,043,781	33,860,702
	–	(3,333)
	36,043,781	33,857,369

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 £2.183 million helped fund the acquisition of new build and properties bought on the open market.

Analysis of maturity of bank loans:

Within one year (note 13)
Between one and two years
Between two and five years
In five years or more

	2011	2010
	£	£
	–	–
	–	–
	–	–
	36,043,781	33,860,702
	36,043,781	33,860,702

The bank loans can be analysed as follows:

At 1 Mar. 2010 £	Advanced (repaid) during the year £	At 28 Feb. 2011 £	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
2,536,229	2,183,079	4,719,308	Acquisition of Properties	2043
33,860,702	2,183,079	36,043,781		

The above loans have been competitively obtained at market rates and where applicable they are regularly reviewed. The Company has further facilities of £4.0 million as yet not drawn with Dunfermline Building Society. This will fund both the new build for the West Lothian Development Alliance properties and other development opportunities.

15 Reserves (Group and Company)

	2011		2010	
	Group £	Company £	Group £	Company £
Revaluation reserves				
Balance at 1 March	1,364,886	1,364,886	1,412,009	1,412,009
Transfer on disposal of revalued housing stock	(9,965)	(9,965)	(9,965)	(9,965)
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	1,317,763	1,317,763	1,364,886	1,364,886
Accumulated unrestricted reserve				
Balance at 1 March	1,085,029	1,085,029	1,070,279	1,070,279
Transfer on disposal of revalued housing stock	9,965	9,965	9,965	9,965
Transfer from revaluation reserves	37,158	37,158	37,158	37,158
Surplus/(deficit) for the year	1,057,370	1,057,370	(27,373)	(27,373)
Actuarial gain/(loss) on pension scheme	1,014,000	1,014,000	(2,352,000)	(2,352,000)
Transfer from pension reserve	(1,829,000)	(1,829,000)	2,347,000	2,347,000
Balance at 28 February	1,374,522	1,374,522	1,085,029	1,085,029
Defined benefit pension scheme reserve				
Balance at 1 March	(3,046,000)	(3,046,000)	(699,000)	(699,000)
Transfer to unrestricted reserve	1,829,000	1,829,000	(2,347,000)	(2,347,000)
Balance at 28 February	(1,217,000)	(1,217,000)	(3,046,000)	(3,046,000)
Total reserves at 28 February	1,475,285	1,475,285	(596,085)	(596,085)

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 capital commitments (Group and Company)

There were no contingent liabilities or capital commitments at 31 March 2011. (2010: £Nil)

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:

	2011		2010	
	Land and buildings £	Other operating leases £	Land and buildings £	Other operating leases £
Within one year	–	–	–	–
Between one and five years	–	56,594	–	44,871
After five years	75,337	–	74,858	–
	75,337	56,594	74,858	44,871



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

	2011		2010	
	Group £	Company £	Group £	Company £
Surplus/(deficit) for year	1,057,370	1,057,370	(27,373)	(27,373)
Interest receivable and other income	(177,269)	(185,447)	(180,976)	(182,645)
Interest payable and other charges	1,550,472	1,550,472	1,679,611	1,679,611
(Decrease)/Increase in pension provision	(1,829,000)	(1,829,000)	2,347,000	2,347,000
Actuarial gain/(loss) on pension fund	1,014,000	1,014,000	(2,352,000)	(2,352,000)
Other income	163,250	163,250	152,895	152,895
Depreciation charge	1,193,720	1,193,720	1,010,180	1,010,180
Gain on sale of tangible fixed assets	(296,426)	(296,426)	(265,405)	(265,405)
Decrease in debtors	210,418	216,598	233,008	241,769
Decrease in creditors	(95,972)	(109,890)	(45,146)	(71,901)
Decrease in stock	7,519	7,519	1,383	1,383
Amortisation of finance cost	3,333	3,333	3,333	3,333
Net cash inflow from operating activities	2,801,415	2,785,499	2,556,510	2,536,847

19 Analysis of charges in cash and cash equivalents

	2011		2010	
	Group £	Company £	Group £	Company £
Balance at 1 March 2010	2,271,618	2,251,928	1,945,929	1,945,929
Net cash Inflow	84,548	68,517	325,689	305,999
Balance at 28 February 2011	2,356,166	2,320,445	2,271,618	2,251,928

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

Group	2011	2011	2010	2010	2009
	£	Change £	£	Change £	£
Cash at bank and in hand	2,356,166	84,548	2,271,618	325,689	1,945,929
Company	2011	2011	2010	2010	2009
	£	Change £	£	Change £	£
Cash at bank and in hand	2,320,445	68,517	2,251,928	305,999	1,945,929

21 Analysis of changes in financing during the year

	2011		2010	
	Group £	Company £	Group £	Company £
Balance at 1 March 2010	33,860,702	33,860,702	31,977,873	31,977,873
Net cash inflow from financing	2,183,079	2,183,079	1,882,829	1,882,829
Balance at 28 February 2011	36,043,781	36,043,781	33,860,702	33,860,702

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 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 of deficits which arise at future valuations may impact on the institution's future contributions commitments. 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.

Analysis of amount charged to operating profit

	Year to 31 March 2011		Year to 31 March 2010	
	£000	(% of Payroll)	£000	(% of Payroll)
Amount charged to operating profit				
Service cost	369	22.4%	190	12.00%
Past service cost	(847)	(51%)	58	3.70%
Curtailment and settlements	–	0.0%	–	0.00%
Decrease in irrecoverable surplus	–	0.0%	–	0.00%
Total operating charge (A)	(478)	(29%)	248	15.7%
Amount credited of other finance income				
Expected return on employer assets	513	31.1%	329	20.8%
Interest on pension scheme liabilities	(519)	(32%)	(389)	(25%)
Net return (B)	(6)	(%)	(60)	(4%)
Net reserve account cost (A) – (B)	(472)	(29%)	308	19.5%

Balance sheet disclosure as at 31 March 2011

Assumptions as at	31 March 2011		31 March 2010		31 March 2009	
	% p.a.		% p.a.		% p.a.	
Price increases	2.8%		3.8%		3.1%	
Salary increases	5.1%		5.3%		4.6%	
Pension increases	7.0%		7.3%		3.1%	
Discount rate	5.5%		5.5%		6.9%	

Assets (Employer)	Long term		Long term		Long term	
	return at 31 March 2011	Assets at 31 March 2011	return at 31 March 2010	Assets at 31 March 2010	return at 31 March 2009	Assets at 31 March 2009
	% p.a.	£(000)	% p.a.	£(000)	% p.a.	£(000)
Equities	7.5%	5,993	7.8%	5,425	7.0%	3,802
Bonds	4.9%	607	5.0%	549	5.4%	529
Property	5.5%	759	5.8%	618	4.9%	481
Cash	4.6%	228	4.8%	275	4.0%	–
Total	7.0%	7,587	7.3%	6,867	6.6%	4,812

NOTES TO THE FINANCIAL STATEMENTS 28 FEBRUARY 2011

Net pension asset as at	31 March 11	31 March 10	31 March 09	31 March 08	31 March 07
	£(000)	£(000)	£(000)	£(000)	£(000)
Estimated employer assets (A)	7,587	6,867	4,812	5,762	5,646
Present value of scheme liabilities	8,804	9,913	5,511	5,514	6,303
Present value of unfunded liabilities	–	–	–	–	–
Total value of liabilities (B)	8,804	9,913	5,511	5,514	6,303
Net pension (liability)/asset (A–B)	(1,217)	(3,046)	(699)	248	(657)

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

	Year to	Year to	Year to
	31 March 2011	31 March 2010	31 March 2009
	£(000)	£(000)	£(000)
Actual return less expected return on pension scheme assets	(126)	1,390	(1,572)
Experience gains and losses arising on the scheme liabilities	–	–	–
Changes in assumptions underlying the present value of the scheme liabilities	1,140	(3,742)	531
Actuarial gain/(loss) in pension plan	1,014	(2,352)	(1,041)
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	–	–	–
Actuarial gain/(loss) recognised in STRGL	1,014	(2,352)	(1,041)

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
	2011	2010	2009	2008	2007
	£(000)	£(000)	£(000)	£(000)	£(000)
Difference between expected and actual return on assets	(126)	1,390	(1,572)	(574)	33
Value of assets	7,587	6,867	4,812	5,762	5,646
Percentage of assets	(2%)	20.2%	(33%)	(10%)	0.6%
Experience gains/(losses) on liabilities	–	–	(100)	–	(2)
Total present value of liabilities	8,804	9,913	5,511	5,514	6,303
Percentage of the total present value of liabilities	0.0%	0.0%	(1.8%)	0.0%	0.0%
Actuarial gains/losses recognised in STRGL	1,014	(2,352)	(1,041)	883	593
Total present value of liabilities	8,804	9,913	5,511	5,514	6,303
Percentage of the total present value of liabilities	11.5%	(23.7%)	(18.9%)	16.0%	9.4%

Analysis of amount charged to staff costs

	2011	2010	2009
	£	£	£
Current service cost	369,000	190,000	189,000

Analysis of amounts charged to interest payable and similar charges

	2011	2010	2009
	£	£	£
Expected return on pension scheme asset	513,000	329,000	422,000
Interest on pension scheme liabilities	(519,000)	(389,000)	(385,000)
	(6,000)	(60,000)	37,000

23 Housing stock (Group and Company)

	2011	2010
The number of units at the period end was:		
General needs	2,173	2,138
Market rent	22	16
Unit balance at 28 February	<u>2,195</u>	<u>2,154</u>

The average rent for year ending 28 February 2011 was £3,115.35 (2010 £3,010.65).

24 Share capital

The company has no share capital as it is a company limited by guarantee. At 28 February 2011 the company had twelve members, each guaranteeing a maximum £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 £11,372 which is considered to be at arm's length and reflect current market rates. As at 28 February 2011 rent advances for tenant directors amounted to £78.

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

Weslo Housing Management leased 22 market rent flats to Weslo Initiatives Limited. The annual lease charge for the 22 flats is £75,124. As part of the lease agreement Weslo Housing Management will provide Weslo Initiatives 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 £85,876. The net balance due to Weslo Housing Management at the period end was £12,742.

26 Group structure

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

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

27 Investments

	2011	2010
	£	£
Shares in subsidiary company	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	Management of market rent properties	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:

	2011	2010
	£	£
Profit on ordinary activities after taxation	-	-
Net assets	5	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	1,463,599	411,890	–	–	–	1,875,489
Pensions	253,650	64,314	–	–	–	317,964
Other staff costs	168,461	2,220	–	–	–	170,681
Estate costs						
Repairs & maintenance	–	333,506	–	–	–	333,506
Planned maintenance	–	–	–	490,892	–	490,892
Materials & components	–	200,906	–	–	–	200,906
Open space maintenance	–	48,683	–	–	–	48,683
Tenants allowances	–	17,394	–	–	–	17,394
Depreciation – housing properties	920,374	–	–	–	–	920,374
Depreciation – motor vehicles	–	46,248	–	–	–	46,248
Office overheads						
Rent & rates	50,407	24,099	–	–	–	74,506
Heating, lighting, alarms & cleaning	49,900	11,235	–	–	–	61,135
Tenant participation	4,595	–	–	–	–	4,595
Transport costs	60,808	69,913	–	–	–	130,721
Office supplies	68,468	7,815	–	–	–	76,283
Computer support	51,177	–	–	–	–	51,177
Consultancy services	51,178	–	22,044	34,473	–	107,695
Telecoms costs	35,852	5,000	–	–	–	40,852
Publicity, promotion & advertising	37,749	–	–	–	–	37,749
Insurance	164,232	–	–	–	–	164,232
Depreciation – furniture & equipment	125,894	–	–	–	–	125,894
Depreciation – leasehold improvements	101,205	–	–	–	–	101,205
Miscellaneous costs	59,773	22,688	–	–	–	82,461
Legal costs	73,201	–	–	–	–	73,201
Bad debts written off	64,408	–	–	–	–	64,408
Other costs						
Audit fees	–	–	–	–	32,422	32,422
Bank charges	–	–	–	–	7,928	7,928
Total costs	3,804,931	1,265,911	22,044	525,365	40,350	5,658,601
Allocation of finance & administration costs	30,277	10,073	–	–	(40,350)	–
Total expenditure for 20010/11	3,835,208	1,275,984	22,044	525,365	–	5,658,601

ALLOCATION OF MANAGEMENT EXPENSES (COMPANY)

	Housing management £	Day-to-day repairs £	Development £	Cyclical management £	Finance & administration £	Total £
Employee costs						
Salaries & NIC	1,463,599	411,890	–	–	–	1,875,489
Pensions	253,650	64,314	–	–	–	317,964
Other staff costs	160,557	2,220	–	–	–	162,777
Estate costs						
Repairs & maintenance	–	333,506	–	–	–	333,506
Planned maintenance	–	–	–	490,892	–	490,892
Materials & components	–	200,906	–	–	–	200,906
Open space maintenance	–	48,683	–	–	–	48,683
Tenants allowances	–	17,394	–	–	–	17,394
Depreciation – housing properties	920,374	–	–	–	–	920,374
Depreciation – motor vehicles	–	46,248	–	–	–	46,248
Office overheads						
Rent & rates	61,159	24,099	–	–	–	85,258
Heating, lighting, alarms & cleaning	49,900	11,235	–	–	–	61,135
Tenant participation	4,595	–	–	–	–	4,595
Transport costs	60,808	69,913	–	–	–	130,721
Office supplies	68,468	7,815	–	–	–	76,283
Computer support	51,177	–	–	–	–	51,177
Consultancy services	51,178	–	22,044	34,473	–	107,695
Telecoms costs	35,852	5,000	–	–	–	40,852
Publicity, promotion & advertising	37,749	–	–	–	–	37,749
Insurance	164,232	–	–	–	–	164,232
Depreciation – furniture & equipment	125,894	–	–	–	–	125,894
Depreciation – leasehold improvements	101,205	–	–	–	–	101,205
Miscellaneous costs	48,136	22,688	–	–	–	70,824
Legal costs	73,201	–	–	–	–	73,201
Bad debts written off	61,879	–	–	–	–	61,879
Other costs						
Audit fees	–	–	–	–	29,190	29,190
Bank charges	–	–	–	–	7,928	7,928
Total costs	3,793,613	1,265,911	22,044	525,365	37,118	5,644,052
Allocation of finance & administration costs	27,831	9,287	–	–	(37,118)	–
Total expenditure for 2011/12	3,821,444	1,275,198	22,044	525,365	–	5,644,052



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