# Weslo Housing Management

## Directors' Report & Financial Statement 2005-2006

**Registered Number – 140597**

**Scottish Charity Number: SC021100**

weslo housing management

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# Objectives

**The objectives of Weslo Housing Management are to:**

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.**

**Welcome to the twelfth Annual Report of Weslo Housing Management – and the first one with a photograph of me accompanying the Chairman's Report! As we noted in last year's report, Robert Lee did indeed retire in December and it was an honour and a privilege for me to be elected by my fellow board members as his replacement.**

May I start then by paying tribute to Robert's work with Weslo. As Chairman of Weslo Housing Management since its early days, he brought to the organisation a wealth of experience gleaned from his time as a long standing elected member of West Lothian Council and one-time Housing Convenor of both the Council and the influential Convention of Scottish Local Authorities. His experience will be missed greatly. I hope to bring my own rather different experience to this role. One other key outcome of Robert retiring was the appointment of Mike Bruce as Weslo's first Chief Executive. I know that Mike, with the support of his strong management team, is looking forward to meeting whatever lies ahead for all of us involved in the provision and management of social housing.

**"We are extremely gratified with the results [from our Tenants' Survey]"**

We've also introduced some structural change in our maintenance operation, which will assist our excellent reactive maintenance performance and also bear fruit in the field of planned maintenance. It is in this latter area that a major challenge lies in the shape of the Scottish Housing Quality Standard, to be achieved by 2015. All this change brings to mind the words of one of the great American captains of industry who said "if the world is changing faster outside your organisation than in – the end is near!" Although not a message to be taken literally, as far as we're concerned, the point is well recognised by the Board of this organisation!

# Chairman's Report

**"I'm delighted to report improvements on last year's figures in all three key performance indicators"**

In his report last year Robert also made mention of the imminent Tenants' Survey. The proof of the pudding, he said, would be in the eating. How right he was! I can now report that we were extremely gratified with the results. It really is encouraging to know that over 91% of our tenants are happy with the service we provide, that 95% found our staff helpful and that 89% of our tenants are happy with their homes. Limitations of space prevent more detailed coverage of the survey here. Throughout this report, however, you can read quotations taken from some of the many tenants who took the time to comment extensively on our service. For those who want more detailed information the full survey and appendices can be found on our web-site **www.weslo-housing.org**

I'm delighted also to report improvements on last year's figures in all three key performance indicators detailed elsewhere in this report. Voids and arrears will probably always be with us but to minimise these losses to the extent we have over the past few years is very pleasing indeed. Another stunning performance in the reactive maintenance field has also surely played a part in the satisfying returns received in our survey. Figures like these are no accident and I would like to record my thanks to the staff concerned whose hard work and application deliver such standards.

It was also good this year to consolidate our work with our partners in the West Lothian Strategic Alliance. This coming year should see the first houses under this arrangement. Although, while we remain unregistered, we cannot play as full a part in this Alliance as we would wish, it is encouraging to see these developments coming to fruition. On that note, I am pleased to report progress being made on the long standing matter of our registration as a social landlord with Communities Scotland. At the time of writing we have had a series of

positive meetings with the regulator. I believe everyone will benefit from what seems to be a more pragmatic, less theoretical focus on what we achieve rather than on the details of our legal structure. Consequently the Management Team are working hard internally and externally with Communities Scotland staff to deliver registration requirements and I hope to refer to a successful conclusion to this vexed matter in my report next year.

It only remains for me this year to thank the Management Team for their assistance in easing me from Board Member to Chairman, and to thank the Weslo staff at large for their unstinting efforts in delivering the levels of performance you can now read about in the following pages.

**Peter Robson**
Chairman

**"It was also good this year to consolidate our work with our partners in the West Lothian Strategic Alliance"**

# Rent Arrears Performance 2005/06

| | |
|---|---|
| **Total rent receivable 2005/06** | £5,694,950 |
| **Current tenant rent arrears at 28 February 2006** | £93,249 |
| **Arrears as a % of rental income** | 1.64% |

## Our objective

**➜ To maximise benefit take-up and minimise rent arrears.**

The arrears figure of £93,249 is net of outstanding housing benefit due at 28 February from Falkirk and West Lothian Councils. This represents a substantial reduction in last year's figure of 22.53%.

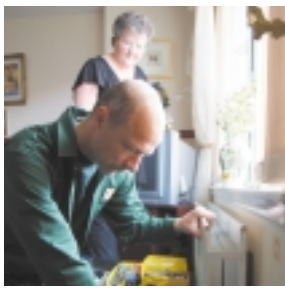
**Our objective**

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

This year, 146 houses were re-let (6.7% turnover) incurring a total rent loss for the year of £26,308 – 0.46% of rent receivable.

**Weslo provides me with a house I can afford, with repairs carried out with little or no waiting time and the workmen always do a good job and are very pleasant at all times.**

| | |
|---|---|
| **Total rent receivable** | £5,694,950 |
| **Total rent loss on voids** | £26,308 |
| **Rent loss as a % of rent receivable** | 0.46% |



# Reactive Maintenance Performance 2005/06

## Our Objective

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

In 2005/06, a total of 8157 reactive maintenance jobs were carried out to our houses. 83% 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 6 repairs being dealt with outside the target time. Overall our maintenance team and local contractors successfully completed 99.93% of all repairs on time.

| Repairs Category | No. Completed | No. Completed in Target Time | % |
|---|---|---|---|
| **Emergency** (2 hours) | 79 | 79 | 100 |
| **Priority** (1 working day) | 1103 | 1103 | 100 |
| **Gas Repairs** (3 working days) | 775 | 775 | 100 |
| **Urgent** (3 working days) | 1292 | 1292 | 100 |
| **Electrical** (5 working days) | 913 | 910 | 99.7 |
| **Plumbing** (10 working days) | 921 | 921 | 100 |
| **Joinery/Building** (20 working days) | 1711 | 1711 | 100 |
| **External Contractors** | 1363 | 1360 | 99.8 |
| **TOTAL** | **8157** | **8151** | **99.93%** |

**Registered Number – 140597**
**Scottish Charity Number: SC021100**

## Registered office

**66 North Bridge Street**
**Bathgate**
**West Lothian**
**EH48 4PP**

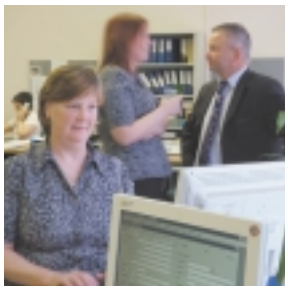
## Names and addresses of advisors

**Auditors**
PricewaterhouseCoopers LLP
Kintyre House
209 West George Street
Glasgow
G2 2LW

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

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

**"I have found the staff very friendly and helpful and feel very relaxed with the way they deal with query/complaints. Workmen [are] very helpful and friendly."**



# Directors' Report

**The directors submit their report and the audited financial statements of the company for the year ended 28 February 2006.**

## 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.

## Results

The results taken for the year are set out in the income and expenditure account on page 13. The surplus for the year of £242,616 (2005 – £892,321) has been taken to reserves.

The surplus for the year before deducting depreciation is £1,234,940 (2005 – £1,886,773). The charge for depreciation for the year ended 28 February 2006 is £992,325 (2005 – £994,452 ).

## Directors

The directors who held office during the period were:

| | |
|---|---|
| **MA Bruce** | Employee |
| **MS Crozier** | Employee |
| **DW Drummond** | Employee |
| **R Lee** | Employee – Retired 31 December 2005 |
| **PWG Robson** | Non-Executive Chairman (Appointed 7 December 2005) |
| **G Mulligan** | Tenant Representative |
| **E Johnstone** | Tenant Representative |
| **A Illidge** | Tenant Representative |
| **H Owens** | West Lothian Council Representative |
| **A Sneddon** | Tenant Representative |
| **A Graham** | Falkirk Council Representative |
| **J Spraggon** | 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.

## Assets

The directors confirm that the charity's assets are available and adequate to fulfil the obligations of the charity.

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company 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 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 Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

## Internal controls and risk management

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 safeguard 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 for the year ended 28 February 2006.

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 company 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 company'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

## Taxation status

The company has charitable status and as a result it is not liable to Corporation Tax.

## Creditor payment policy

The company'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 2006 the company took an average of 19 days (2005 16 days) to settle its bills with suppliers.

## Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution regarding their reappointment will be proposed at the next Annual General Meeting.

BY ORDER OF THE BOARD

**Director**

**HBJ GW Secretarial Ltd**
**Exchange Tower**
**19 Canning Street**
**Edinburgh EH3 8EH**
14 June 2006

# Independent Auditors' Report
## to the Members of Weslo Housing Management

**We have audited the financial statements which comprise the income and expenditure account, the balance sheet, the cash flow statement and the statement of financial activities and the related notes which have been prepared in accordance with the accounting policies set out in the accounting policies note.**

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

### Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 28 February 2006 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

**PricewaterhouseCoopers LLP**
**Chartered Accountants and Registered Auditors**
**Glasgow**
14 June 2006

# Income and Expenditure Account
## for the Year Ended 28 February 2006

| | Notes | 2006 | 2005 |
|---|---|---|---|
| **Turnover** | 2 | £6,209,682 | £6,444,734 |
| Operating costs excluding depreciation | 7 | (3,492,920) | (2,974,631) |
| **Operating surplus before depreciation** | | 2,716,762 | 3,470,103 |
| Depreciation | 10 | (992,325) | (994,452) |
| **Operating surplus after depreciation** | | 1,724,437 | 2,475,651 |
| Interest receivable and similar income | 3 | 447,544 | 426,420 |
| Interest payable and similar charges | 4 | (1,929,365) | (2,009,750) |
| **Surplus/(deficit) on ordinary activities after depreciation and before and after taxation** | 5 | 242,616 | 892,321 |
| **Unrestricted funds brought forward** | | 733,524 | (158,797) |
| **Unrestricted funds carried forward** | 15 | **976,140** | **733,524** |

All income and expenditure arose from continuing operations.

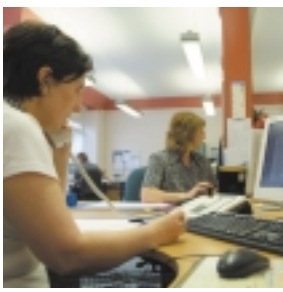
All gains and losses have been recognised in the Income and Expenditure account.

# Balance Sheet at 28 February 2006

| | Notes | 2006 | 2005 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 10 | £31,427,241 | £31,542,461 |
| **Current assets** | | | |
| Stock – Consumables | | 44,968 | 46,806 |
| Debtors | 11 | 480,186 | 465,243 |
| Cash at bank and in hand | | 3,259,034 | 3,416,949 |
| | | 3,784,188 | 3,928,998 |
| **Creditors** | | | |
| (amounts falling due within one year) | 12 | (1,126,940) | (1,147,093) |
| **Net current (liabilities)/assets** | | 2,657,248 | 2,781,905 |
| **Total assets less current liabilities** | | 34,084,489 | 34,324,366 |
| **Creditors** | | | |
| (amounts falling due after more than one year) | 13 | (30,789,842) | (31,272,335) |
| **Net assets** | | **3,294,647** | **3,052,031** |
| **Capital and reserves** | | | |
| Revaluation reserve | 14 | 2,318,507 | 2,318,507 |
| Unrestricted funds | 15 | 976,140 | 733,524 |
| | | **3,294,647** | **3,052,031** |

The financial statements on pages 13 to 27 were approved by the board of Directors on 14 June 2006 and were signed on its behalf by:

**D W Drummond,**
**Director**



# Cash Flow Statement for the Year Ended 28 February 2006

| | | 2006 | | 2005 |
|---|---|---|---|---|
| **Net cash inflow from operating activities** (Note 18) | | £2,280,072 | | £2,680,077 |
| **Returns on investment and servicing of finance** | | | | |
| Interest received | 136,592 | | 122,932 | |
| Interest paid | (1,946,581) | | (2,012,591) | |
| **Net cash outflow from returns on investment and servicing of finance** | | (1,809,989) | | (1,889,659) |
| **Investing activities** | | | | |
| Acquisition of housing properties | (833,326) | | (735,017) | |
| Proceeds from sale of housing properties net of legal fees | 734,254 | | 1,596,035 | |
| Purchase of other tangible fixed assets | (70,859) | | (172,170) | |
| **Net cash outflow from investing activities** | | (169,931) | | 688,848 |
| **Net cash outflow before financing** | | 300,152 | | 1,479,266 |
| **Financing** | | | | |
| Receipt of bank loan | 72,032 | | 114,293 | |
| Repayment of bank loan | (530,098) | | (505,165) | |
| **Net cash inflow from financing** (note 21) | | (458,066) | | (390,872) |
| **(Decrease)/increase in cash and cash equivalents** (note 19) | | **(157,914)** | | **1,088,394** |

# Statement of Financial Activities
## for the Year Ended 28 February 2006

| | Unrestricted Funds 2006 | Unrestricted Funds 2005 |
|---|---|---|
| **Incoming resources** | | |
| Rental Income | £5,713,343 | £5,591,644 |
| Sale of Housing Properties | 455,530 | 788,823 |
| Owners Recoveries | 40,808 | 64,267 |
| Interest Receivable | 136,592 | 122,932 |
| Other Income | 310,953 | 303,488 |
| Total Incoming Resources | **6,657,226** | **6,871,154** |
| **Resources expended** | | |
| **Direct charitable expenditure** | | |
| Maintenance Works | 1,610,318 | 1,295,488 |
| Management Services | 1,567,735 | 1,387,273 |
| Interest Payable | 1,929,365 | 2,009,750 |
| Depreciation | 992,325 | 994,452 |
| Total Direct Charitable Expenditure | **6,099,743** | **5,686,963** |
| **Other expenditure** | | |
| Administration Costs | 314,867 | 291,870 |
| Total Other Expenditure | **314,867** | **291,870** |
| Total Resources Expended | **6,414,610** | **5,978,833** |
| Net Incoming Resources | 242,616 | 892,321 |
| BALANCE AT 1.3.2005 | 733,524 | (158,797) |
| FUND BALANCES AT 28.2.2006 | **976,140** | **733,524** |

## 1 Accounting policies

### (1) Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, in accordance with applicable accounting standards and, where applicable, the Statement of Recommended Practice on Accounting by Charities (SORP). Although Weslo Housing Management is not a registered housing association, the financial statements have, where appropriate, been prepared with reference to the Statement of Recommended Practice on Accounting by Registered Housing Associations.

### (2) Turnover

Turnover represents rental income and profit/loss on sales of houses. Sales of houses are recognised on the date of completion.

**"The homes and services Weslo provides make me feel secure and security in your home is, I think, the most important factor someone can give you"**

### (3) Tangible fixed assets and depreciation

Tangible fixed assets, with the exception of housing properties, are stated at cost less depreciation. Housing properties are stated at directors' valuation. The directors have adopted the transitional arrangements permitted by FRS15; effectively this freezes the values of properties at their present amounts. 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 revenue. The depreciation bases for the major classes of assets are as follows:

| | | |
|---|---|---|
| Housing properties | - | 2% straight line |
| Buildings | - | 2% straight line |
| Furniture & equipment | - | 25% straight line |
| Motor vehicles | - | 25% straight line |
| Leasehold improvements | - | 25% straight line |
| IT Systems | - | 25% straight line |

The company carries out an annual desktop impairment review with an independent external valuation carried out every 5 years. These valuations have not in any way shown the company's assets to be impaired.

### (4) Repairs and maintenance

Costs for planned and reactive maintenance are charged to the income and expenditure account as they are incurred. Costs for property improvements are included in the costs of fixed assets and depreciated according to the depreciation policy.

**(5) 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.

**(6) 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.

**(7) Finance costs**

Interest is charged as incurred.

**(8) 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.

**(9) Grants**

The company has received grants from West Lothian Council and Communities Scotland. These are amortised over the life of the asset which is 25 years.

**(10) Management and Administration Costs**

Management and Administration costs are those incurred in the administration of Weslo and comply with constitutional and statutory requirements.

**(11) Reserves Strategy**

The company 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

**(12) Treasury Management**

The company 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.

**"The after sales service from Weslo is good. They check up to make sure that everything is OK and generally sort out anything that isn't"**

## 2 Turnover

| | 2006 | 2005 |
|---|---|---|
| Rents | £5,743,109 | £5,624,938 |
| Less: Rent losses from voids | (29,765) | (33,294) |
| | 5,713,344 | 5,591,644 |
| Gain on sale of housing properties | 455,530 | 788,823 |
| Owners recoveries | 40,808 | 64,267 |
| | **6,209,682** | **6,444,734** |

## 3 Interest receivable and other income

| | 2006 | 2005 |
|---|---|---|
| Consultancy income | 11,820 | 2,530 |
| Other income | 47,489 | 53,069 |
| Bank interest | 136,592 | 122,932 |
| Grants released/received | 251,643 | 247,889 |
| | **447,544** | **426,420** |

## 4 Interest payable and similar charges

| | 2006 | 2005 |
|---|---|---|
| Long term bank loans payable in more than 5 years in instalments | **1,929,365** | **2,009,750** |

## 5 Surplus on ordinary activities before and after taxation

| | 2006 | 2005 |
|---|---|---|
| This is stated after charging the following: | | |
| Auditors' remuneration – audit services | £17,614 | £17,101 |
| Depreciation | 992,325 | 994,452 |
| Other operating lease rentals – Land & Buildings | 57,964 | 57,398 |
| – Plant & Equipment | 30,912 | 38,839 |
| Reactive maintenance on housing properties | 698,346 | 661,236 |
| Planned maintenance on housing properties | 568,690 | 336,086 |

## 6 Staff costs

| | 2006 | 2005 |
|---|---|---|
| Wages and salaries | 1,376,292 | 1,262,136 |
| Social security costs | 108,655 | 98,314 |
| Other pension costs | 214,708 | 196,482 |
| | **1,699,655** | **1,556,932** |
| Payments made to third parties for the provision of staff | **8,557** | **33,348** |

The average number of persons employed during the year by the company was 57 (2005 – 55)

## 7 Operating costs analysis

| | 2006 | 2005 |
|---|---|---|
| Management & Administration Costs | | |
| - Staff Costs | £1,265,250 | £1,176,908 |
| - Office Running Costs | 130,584 | 136,535 |
| - Transport Costs | 43,593 | 51,264 |
| - Services | 275,104 | 208,662 |
| - Other Overhead Costs | 112,200 | 70,880 |
| Maintenance Costs | 1,666,189 | 1,330,382 |
| | **3,492,920** | **2,974,631** |

## 8 Directors' emoluments

| | 2006 | 2005 |
|---|---|---|
| Remuneration for management services | **227,278** | **220,380** |
| Highest paid director excluding pension contributions | **70,974** | **66,930** |

Retirement benefits are accruing to 3 (2005 – 4) directors under the Lothian Pension Fund (refer note 22).

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

## 9 Taxation

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

## 10 Tangible fixed assets

| | Housing for Letting | Housing under Construction | Total Housing Properties | Furniture and Equipment | IT Systems | Motor Vehicles | Short Leasehold Buildings | TOTAL |
|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | | |
| At 1 March 2005 | £42,059,408 | £0 | £42,059,408 | £122,910 | £458,669 | £281,282 | £301,380 | £43,223,649 |
| Additions | 924,295 | 0 | 924,295 | 23,170 | 26,355 | 19,622 | 1,712 | 995,154 |
| Assets under construction | 0 | 2,885 | 2,885 | 0 | 0 | 0 | 0 | 2,885 |
| Disposal | (337,357) | 0 | (337,357) | 0 | 0 | 0 | 0 | (337,357) |
| Schemes completed | 2,885 | (2,885) | 0 | 0 | 0 | 0 | 0 | 0 |
| At 28 February 2006 | 42,649,231 | 0 | 42,649,231 | 146,080 | 485,024 | 300,904 | 303,092 | 43,884,331 |
| **Of Which** | | | | | | | | |
| Cost | 23,418,889 | 0 | 23,418,889 | 146,080 | 485,024 | 300,904 | 303,092 | 24,653,989 |
| Valuation at 28.2.1998 | 19,230,342 | 0 | 19,230,342 | 0 | 0 | 0 | 0 | 19,230,342 |
| | 42,649,231 | 0 | 42,649,231 | 146,080 | 485,024 | 300,904 | 303,092 | 43,884,331 |
| **Grants** | | | | | | | | |
| At start of year | 6,253,864 | 0 | 6,253,864 | 0 | 0 | 0 | 0 | 6,253,864 |
| Additions | 93,853 | 0 | 93,853 | 0 | 0 | 0 | 0 | 93,853 |
| Amortisation | (251,643) | 0 | (251,643) | 0 | 0 | 0 | 0 | (251,643) |
| Schemes Completed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **6,096,074** | **0** | **6,096,074** | **0** | **0** | **0** | **0** | **6,096,074** |
| **Depreciation** | | | | | | | | |
| At 1 March 2005 | 4,572,033 | 0 | 4,572,033 | 107,532 | 298,067 | 223,561 | 226,131 | 5,427,324 |
| Charge for year | 878,288 | 0 | 878,288 | 19,195 | 58,011 | 33,097 | 3,734 | 992,325 |
| Disposals | (58,633) | 0 | (58,633) | 0 | 0 | 0 | 0 | (58,633) |
| At 28 February 2006 | 5,391,688 | 0 | 5,391,688 | 126,727 | 356,078 | 256,658 | 229,865 | 6,361,016 |
| **Net Book Amount** | | | | | | | | |
| At 28 February 2006 | **31,161,469** | **0** | **31,161,469** | **19,353** | **128,946** | **44,246** | **73,227** | **31,427,241** |
| At 28 February 2005 | **31,233,511** | **0** | **31,233,511** | **15,378** | **160,602** | **57,721** | **75,249** | **31,542,461** |

## 11 Debtors

| | 2006 | 2005 |
|---|---|---|
| Rental debtors | £261,198 | £286,350 |
| Other debtors | 210,229 | 169,086 |
| Prepayments and accrued income | 8,759 | 9,807 |
| | **480,186** | **465,243** |

## 12 Creditors

| (amounts falling due within one year) | 2006 | 2005 |
|---|---|---|
| Bank loans (note 13) | 566,125 | 538,363 |
| Trade creditors | 178,332 | 137,094 |
| Rent advances | 165,429 | 182,814 |
| Taxation and Social Security | 72,181 | 57,198 |
| Accruals & deferred income | 25,812 | 95,346 |
| Loan interest payable | 119,061 | 136,278 |
| | **1,126,940** | **1,147,093** |

## 13 Creditors

| (amounts falling due after more than one year) | 2006 | 2005 |
|---|---|---|
| Bank loans | 30,806,508 | 31,292,335 |
| Less: Issue Costs | (16,667) | (20,000) |
| | **30,789,841** | **31,272,335** |

The purpose of bank loans is to fund the acquisitions of both Scottish Homes houses and other properties bought on the open market along with funding upgrading works to existing properties. The loans are repayable over 10, 15, 25 and 30 years.

During the year additional borrowings of £0.072 million helped fund the acquisition of properties bought on the open market. Repayment of this loan is over 25 years.

| **Analysis of maturity of bank loans:** | **2006** | **2005** |
|---|---|---|
| Within one year (note 12) | £566,125 | £538,363 |
| Between one and two years | 835,210 | 565,471 |
| Between two and five years | 2,693,830 | 2,601,257 |
| In five years or more | 27,277,468 | 28,125,607 |
| | **31,372,633** | **31,830,698** |

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. 2005 | Advanced (repaid) during the year | At 28 Feb. 2006 | Purpose | Maturity Date |
|---|---|---|---|---|
| £67,500 | £(30,000) | £37,500 | Upgrading Kitchens | 2007 |
| 93,750 | (25,000) | 68,750 | Upgrading Kitchens | 2008 |
| 125,000 | (25,000) | 100,000 | Upgrading Kitchens | 2009 |
| 6,485,047 | (83,791) | 6,401,256 | Building 298 properties in West Lothian | 2031 |
| 57,500 | (10,000) | 47,500 | Upgrading Kitchens | 2010 |
| 93,750 | (15,000) | 78,750 | Upgrading Kitchens | 2012 |
| 105,000 | (15,000) | 90,000 | Upgrading Kitchens | 2012 |
| 495,479 | 72,032 | 567,511 | Purchase of Properties on Open Market | 2030 |
| 24,307,672 | (326,306) | 23,981,366 | Refinancing of Existing Facilities | 2027 |
| **31,830,698** | **(458,065)** | **31,372,633** | | |

The above loans have been competitively obtained at market rates and where applicable they are regularly reviewed.

## 14 Revaluation reserve

| | |
|---|---|
| At 1 March 2005 | £2,318,507 |
| Surplus on revaluation of housing properties (note 10) | - |
| At 28 February 2006 | **2,318,507** |

## 15 Unrestricted funds

The unrestricted funds are to be used for maintenance and improvement of the houses in accordance with the planned programme.

| | |
|---|---|
| At 1 March 2005 | 733,524 |
| Surplus for year | 242,616 |
| At 28 February 2006 | **976,140** |

## 16 Contingent liabilities and commitments

On 1 March 1994, the company entered into an agreement with Scottish Homes for the acquisition of 1,822 tenanted dwelling houses. The agreement sets out the number of properties which the company anticipates selling on to tenants with right to buy status in each of the ten years from 1 March 1994. The terms of the agreement specify that, should the cumulative number of properties sold over either of two consecutive five year periods from 1 March 1994 and 1 March 1999 exceed the anticipated levels set out in the agreement, the company will share equally, with Scottish Homes, any gains made on the disposal of the properties in excess of the cumulative number specified in the agreement for each of these five year periods. There are no further liabilities in respect of this agreement.

The company entered into another agreement with Scottish Homes on 15 December 1997 to acquire a further 489 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.

The first agreement also stipulates that the company should incur a certain minimum level of maintenance expenditure over a 5 to 10 year period and that any shortfall is payable to Scottish Homes. The second 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 Communities Scotland will arise in respect of the above.

**Perhaps a neighbourhood watch scheme might be implemented to keep crime down in our area**

## 17 Lease obligations

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

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Land and buildings | Other operating leases | Land and buildings | Other operating leases |
| Within one year | - | - | - | £26,974 |
| Between one and five years | - | 17,347 | | 28,379 |
| After five years | 58,546 | - | 57,828 | - |
| | **58,546** | **17,347** | **57,828** | **55,353** |

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

| | 2006 | 2005 |
|---|---|---|
| Operating surplus | £1,724,436 | £2,475,651 |
| Other income | 59,309 | 55,599 |
| Depreciation charge | 992,325 | 994,452 |
| Gain on sale of tangible fixed assets | (455,530) | (788,824) |
| (Increase) / Decrease in debtors | (14,943) | (63,508) |
| (Decrease) in creditors | (30,697) | 16,016 |
| Decrease / (Increase) in stock | 1,838 | (12,642) |
| Amortisation of finance cost | 3,334 | 3,333 |
| Net cash inflow from operating activities | **2,280,072** | **2,680,077** |

## 19 Analysis of changes in cash and cash equivalents

| | 2006 | 2005 |
|---|---|---|
| Balance at 1 March | £3,416,949 | £2,328,555 |
| Net cash inflow/(outflow) | (157,915) | 1,088,394 |
| Balance at 28 February | **3,259,034** | **3,416,949** |

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

| | 2006 | 2006 Change | 2005 | 2005 Change | 2004 |
|---|---|---|---|---|---|
| Cash at bank and in hand | **3,259,034** | **(157,915)** | **3,416,949** | **1,088,394** | **2,328,555** |

## 21 Analysis of changes in financing during the year

| | 2006 Loans | 2005 Loans |
|---|---|---|
| Balance at 1 March | 31,830,698 | 32,221,570 |
| Net cash (outflow)/inflow from financing | (458,065) | (390,872) |
| Balance at 28 February | **31,372,633** | **31,830,698** |

**Weslo has got it right with repairs and any kind of problems you may have**

## 22 Pensions

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.



**Weslo's overall service is very good – I haven't had any problems and found Weslo very supportive**



It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme hence the contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme of the year.

The fund is actuarially valued by a qualified actuary on a triennial basis with the most recent valuation being at 31 March 2005. 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 4.4% per annum, that present and future pensions would increase at the rate of 2.9% per annum. At valuation date the market value of the scheme was £2,092 million and the value of the past services liabilities was £2,450 million leaving a deficit of assets of £358 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 year to 31 March 2009 of 18.8% of total pensionable pay. Employees' contributions are 6% for clerical staff and 5% for building operatives of total pensionable pay.

Surpluses or deficits which arise at future valuations may impact on the institutions future contribution commitment. The next formal actuarial valuation is due at 31 March 2008.

The total pension cost for the company was £214,708 (2005 £196,482). This includes £24,471 (2005 £21,249) outstanding contributions at the balance sheet date. The contribution rate payable by the company was 18.5% of pensionable salary.

## 23 Capital

The company has no share capital as it is a company limited by guarantee. At 28 February 2006 the company had twelve members, each guaranteeing a maximum of £1 in the event of a winding up.

## 24 Related Parties

During the year four tenants of the company acted as directors. In total they paid rent of £10,643 which is considered to be at arm's length and reflect current market rates. At 28 February 2006 arrears for tenant directors amounted to £12.

“

...staff were always helpful...excellent service...I like my flat...workmen always courteous and pleasant...very good landlords...helpful and supportive... I have a lovely home...warm, comfortable and easily managed...fast, friendly and reliable...always very efficient...willing to help...comfortable and secure...good and understanding...Weslo has got it right...they really seem to care... communication is much better

”

weslo
housing management

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