

PROSPECT COMMUNITY HOUSING LIMITED
FINANCIAL STATEMENTS
AS AT 31 MARCH 2010

Financial Services Authority No 2290 R (S)
Register Housing Association No. HAL 204
Scottish Charity No. SC029797

BAKER TILLY UK AUDIT LLP
Chartered Accountants

Edinburgh

PROSPECT COMMUNITY HOUSING LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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Registration Particulars:

Financial Services Authority	Industrial and Provident Societies Act 1965 Registered Number 2290 R (S)
Housing (Scotland) Act 2001	Housing (Scotland) Act 2001 Registered Number HAL 204
Charity Number	SC029797

Bankers:

Royal Bank of Scotland
540a Lanark Road
Edinburgh
EH13 5EL

Registered Office:

6 Westburn Avenue
Edinburgh
EH14 2TH

Auditors:

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

Solicitors:

T C Young
69a George Street
Edinburgh
EH2 2JG

Anderson Strathern
1 Rutland Court
Edinburgh
EH3 8EY

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2010**

The Committee have pleasure in presenting their twenty-second report on the Association's affairs.

BUSINESS OVERVIEW

Constitution & Legal Framework

Prospect Community Housing was founded in 1988. It was constituted under the Industrial & Provident Societies Act in that year. It is a registered Scottish Charity.

Area of Operation

Prospect Community Housing has grown steadily since 1988 to become a medium sized Housing Association, managing nearly 900 homes and providing factoring services to a further 57 in West Edinburgh.

Principal Activities

The principal activities of Prospect are the provision, management and maintenance of high quality rented housing at rents which are affordable to people on low incomes and contributing to the physical, economic and social regeneration of West Edinburgh.

REVIEW OF BUSINESS

Growth and Innovation

Prospect continued its growth and development activities during the year, investing a further £320,680 in the building and refurbishment of homes in the Wester Hailes area for rent. At 31 March 2010 Prospect had 899 homes in management.

Prospect continued its investment in the maintenance of its existing properties, spending £1,088,903 on routine maintenance and major repair works and the upgrading of environmental areas around its stock. This investment was not only consistent with Prospect's aim to maintain its properties to the highest standard, but also contributed to its proactive strategy of minimising the potential cost and disruption of anti-social behaviour.

A total of £10,506 was invested in IT equipment and systems as part of an ongoing programme of upgrades and renewal.

Investment also continued in the provision of varied and targeted training programmes for both staff and committee members.

Performance

Performance in key areas is monitored and reviewed on a quarterly basis. Improvements have been made in the following key areas during the year: -

INDICATOR	2009/10	2008/09	2007/08	TARGET	BENCHMARK MEDIAN
Arrears as % income	3.9	3.7	4.59	4.2	4.5
Voids turnaround times (days)	21.0	23.8	31	20	19
% rent loss due to voids	0.4	0.5	0.69	1.0	0.5
% of maintenance response times met - urgent repairs (3 days)	97.5	95.9	99.6	100%	100%
Staff costs as % of turnover	32.8	30.9	31.4	30.2	

**PROSPECT COMMUNITY HOUSING LIMITED
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FOR THE YEAR ENDED 31 MARCH 2010**

Risks

Prospect has a comprehensive system of risk management which is kept under regular review. Risks which are currently considered high in both likelihood and potential impact are:

RISK	CONTROL ACTIONS
➤ High levels of rent arrears leading to loss of income, poor performance and tenant debt.	➤ Priority given to arrears control by staff. Employment of Money Advice Officer (MAO). Improved performance during year.
➤ High dependency on Housing Benefit leading to complications and delays in collection and monitoring of income, increased arrears and loss of income.	➤ Pro-active approach to changes in circumstances. Maintenance of positive working relationships with HB staff. Active involvement of MAO.
➤ Low income of tenant group leading to rent arrears and loss of income.	➤ Rents kept at levels affordable to those on low incomes. Investment in energy efficiency measures to minimise household running costs.
➤ Failure to identify a viable development programme leading to unsustainable staffing levels, redundancies, Prospect having to buy-in services and losing control of an important aspect of its activities.	➤ Pro-active and creative approach to programme development. Active lobbying and communications strategy. Increasing use of IT to create efficiencies and savings. Provision of development services to others to offset costs.
➤ Other Housing Associations winning projects in the Wester Hailes / West Edinburgh area leading to the loss of Prospect's development programme and unmet staff costs.	➤ Pro-active and creative approach to programme development. Active lobbying and maintenance of reputation and profile locally and nationally.
➤ Uncertainty about the future of housing in Scotland following publication of Firm Foundations and Investing in Affordable Housing consultation.	➤ Active lobbying and use of local and national reputation and profile to influence debate and decision makers.
➤ Uncertainties caused by Credit Crunch and economic down-turn leading to financial constraints or difficulties.	➤ Prudent approach to business and decision making. Ensuring all loan covenants are met. Ensuring ongoing improvements to Key Performance Indicators.
➤ Continuing deficits in Income and Expenditure Accounts and overhead costs higher than peer group benchmarks	➤ Better management of Planned Maintenance programme and increased use of Estates Team, IT and better procedures to create efficiencies and savings.
➤ Reliance on Estates Team to generate efficiencies and savings	➤ Strategy has been developed incrementally and tested in 2009/10. Investment in training and extra personnel.

Grants and Funding

Prospect continues to develop new properties and engage in regeneration work which attracts capital grant from the Scottish Government through the City of Edinburgh Council. This funding is supplemented by loans raised from commercial lenders. In addition Prospect receives grant funding from a variety of sources to support its wider role activities.

Partnership Working

Prospect continued to develop its collaborative approach to its work by actively contributing to the Rowan Group of Edinburgh based Housing Associations; West Edinburgh Community Planning Partnership structures, including the Voluntary Sector Forum and Neighbourhood Service Partnership; the Edinburgh Affordable Housing Partnership; and others.

A Community Projects Officer post was established in 2006 to develop further this type of working with a range of partners in West Edinburgh for the benefit of Prospect's client group.

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2010**

Sustainability

Prospect has made a commitment to Sustainable Development by including energy efficient technology in its most recent housing developments and by examining all aspects of its business and activities to minimise waste, pollution and energy consumption.

Income & Expenditure

Turnover

Rental and Service Charge Income Receivable increased by 4.56 % to **£3,268,984**.

Surplus on Ordinary Activities

The surplus for the year of **£258,565** is due to reduced spend on major and reactive repairs and management costs.

Revenue Reserves

Prospect aims to generate and maintain unrestricted revenue reserves which approximates to their requirements to meet a 4-month working capital requirement on an ongoing basis. The current average 4-month working capital requirement amounts to approximately **£202,000**. Current revenue reserves meet this aim and are backed by cash reserves.

Transfer to Designated Reserves

Prospect holds reserves to provide for anticipated levels of future major repair and replacement expenditure which tend to rise as properties age. These reserves are calculated as part of a longer-term strategy to meet costs when they are expected to arise. This strategy was further refined during the year.

Based on a net present value calculation reviewing our planned maintenance costs after a review of SHQS requirements, our aim is to establish a designated reserve over the next 5 years of approximately **£4.2m**. The Association aims to ensure that the longer-term planned maintenance works will be funded by existing cash holdings and anticipated future cash surpluses.

A total of **£596,059** was drawn from the reserves during 2009/10 to pay for major repairs and replacements.

Balance Sheet

Fixed Assets, stated at Net Book Value, decreased by **£71,054** from **£11,835,866** to **£11,764,812** financed by Housing Association Grants, Loan Finance and Prospect's own resources. During the year two mortgage to rent properties were acquired.

Reserves

Reserves increased by **258,564** to **£3,417,055**, including **£2,052,364** of designated reserves held to fund future repairs and replacements.

Treasury Management

Prospect, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2010, the Association has an appropriate mix of fixed and variable rate finance.

Maintenance policies

Prospect seeks to maintain its properties to the highest standard. To this end, programmes of planned maintenance are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs will be charged to the Income and Expenditure account.

In addition, Prospect has a long term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties which have come to the end of their economic lives. The cost of these repairs will be charged to the Income and Expenditure account, unless it is agreed they can be capitalised within the terms outlined in the SORP.

Rent Policy

The aim of the Association is to have a common level of rents for all similar properties. The policy should be logical, easily applied and allow for regional variations in marketability.

Income from rents should also be sufficient to meet the financial commitments of the Association in order to maintain continued financial viability.

PROSPECT COMMUNITY HOUSING LIMITED REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2010

Committee Recruitment and Induction

New Board members are elected at the Association's Annual General Meeting. All new members undergo induction training.

Committee Training

Prospect invests substantially in terms of time and money in ensuring our Committee members have the skills and knowledge required to manage a successful business and these expectations are set out in a Training Policy. Training during the financial year under review has focussed on governance issues, reflecting the importance placed on this area. Committee members' attendance at training events is monitored regularly and feedback obtained and actioned.

Corporate Rules

The governing document of the Association is the Rules, which are based on the SFHA standard set of Charitable Rules and adapted through time by properly constituted meetings of the members of the Association. The Rules are the equivalent of a company's Articles and Memorandum of Association. A copy of the Rules can be obtained on request at the Registered Office.

Future Prospects

Business Plan Objectives

Prospect's Management Committee have determined that by 2012 Prospect will:

- o Own more homes to achieve economies of scale;
- o Have more people in West Edinburgh benefiting from our services;
- o Build on our links with other agencies and services to improve and extend choice and opportunity for people in West Edinburgh;
- o Retain our expertise, experience and knowledge to produce sustainable homes, services and communities;
- o Improve service delivery, tenant satisfaction and engagement while reducing our costs and eliminating deficits;
- o Make a real and positive difference to the lives of people in West Edinburgh - which go beyond what can be achieved by concentrating on housing provision alone;
- o Be a catalyst for change and improvement

These will be achieved by the following Activities and Goals:

1.1. Growth, Efficiency and Adding Value

- Ensure that Prospect continues as an independent and active organisation in tune with and responsive to local needs;
- Own and manage 300 or more additional homes to achieve economies of scale, improve life chances and quality and house more people;
- Develop in house capacity for delivering quality and cost effective services;
- Work with others to improve and extend choice and opportunity.

1.2. Building on Organisational Skills and Maximising Impact

- Utilise in-house expertise, experience and knowledge to produce sustainable homes, services and communities;
- Implement the Estates Team Business plan to develop the team as a vehicle for improving service quality and tenant satisfaction and reducing costs;
- Improve and rationalise internal procedures, use of IT systems and inter-departmental working;
- Influence the policy framework at both a national and local level;

1.3. Developing Service Quality & Innovation

- Train, develop, deploy and motivate staff to maximise service quality and cost effectiveness;
- Ensure that Sustainable Development principles inform all aspects of Prospect's activities;
- Explore innovative and pre-emptive approaches to service improvements;
- Listen to and act on the views of tenants and residents;

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2010**

1.4. Developing "Anchor Organisation" Status and Wider Role Activities

- Maintain a high profile & reputation for active and positive community engagement,
- Be the first "port of call" & "preferred partner" for anyone wanting to engage in the area,
- Develop a range of initiatives which enhance & support quality of life in the area

1.5. Good Governance, Management, Financial Control and Viability

- Attract high calibre, committed and reliable individuals to serve as Committee Members
- Self assess Prospect against Governance Guidance Performance Standards and Performance Standards;
- Meet all financial and budgetary targets and ensure strategic management of assets;
- Reduce operating costs (net of planned maintenance and major repairs) by 1%;
- Reverse the trend of deficits in our income and expenditure accounts by making efficiencies and carefully planning and managing our planned maintenance programme;
- Recover Prospect's losses resulting from defects works at Westburn;
- Protect Prospect's charitable status by activating Prospect Community Projects if level of non charitable income and/or activities makes this necessary.

Prospect is in the early stages of planning three new-build projects –

- **Dumbryden School site** - up to 57 units, including some shared ownership.
- **Calder Gardens site** - up to 32 units, depending on the outcome of discussions with CEC Planning staff.

By March 2011 the aim is to have acquired both of these sites from CEC and to have obtained detailed planning permission for both schemes.

- **Harvesters Way site** - approx. 120 units, including some shared ownership and possibly housing for sale or self-build.

In order to accommodate the expected private finance requirement for these developments, including front funding, Prospect agreed at a Special General Meeting on 24 February 2010 to increase its borrowing limit from £20 million to £30 million.

In order to ensure that the above priorities are progressed, they have been broken down into tasks and allocated to appropriate staff members, through agreed work plans with regularly reviewed performance targets, throughout the organisation.

Statement of Committee of Management Responsibilities

The legislation requires the Committee of Management to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing these Financial Statements, the Committee of Management is 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 Association will continue in business.

The Committee of Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the legislation. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results for the Period

The attached Financial Statements are for the period of twelve months to 31 March 2010.

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2010**

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is 12 days (2009: 12 days).

Employee Involvement and Health & Safety

Prospect Community Housing encourages employee involvement in all major initiatives. Staff have opportunities to discuss and contribute to strategic objectives through Working Groups, Departmental and Staff Meetings and Review Days. Current Working Groups on which staff are represented include:

- Health and Safety
- Communications
- Tenant Participation
- Sustainability
- IT
- Estates Team Working Group

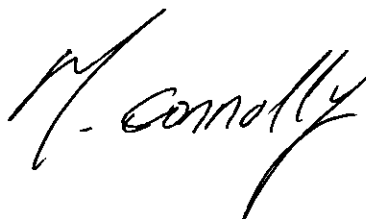
A Health and Safety Committee, which comprises staff and Committee members, meets quarterly to review health and safety issues. Each department has an elected representative on this Committee who raises health and safety issues on behalf of staff members.

Committee of Management members at 31 March 2010

<ul style="list-style-type: none"> * Vera Geddes * Mo Connolly * Sheila Bunt * Sam Martinez * Mo Connelly * Abby Boulton (Appointed 30 September 2009, resigned 29 April 2010) 	<p>Chairperson Secretary</p>	<ul style="list-style-type: none"> * Rod Mackenzie * Alan Gee * Bill Buchanan * Peter Matthews * Bruce Penman * Shulah Allan (Co-opted) (Appointed 25 November 2009) 	<p>Vice Chairperson Treasurer</p>
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Auditor

A resolution will be put to the Annual General Meeting proposing the re-appointment of Baker Tilly UK Audit LLP, Chartered Accountants.



By Order of the Committee
Mo Connolly, Secretary
6 Westburn Avenue, Edinburgh, EH14 2TH

PROSPECT COMMUNITY HOUSING LIMITED
COMMITTEE OF MANAGEMENT STATEMENT ON INTERNAL FINANCIAL CONTROLS
FOR THE YEAR ENDED 31 MARCH 2010

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

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

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

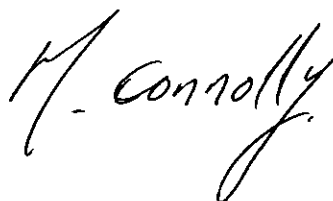
- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- Experienced and suitably qualified staff take responsibility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

The Committee of Management has reviewed the system of internal financial control in the Association during the year ended 31 March 2010. No weaknesses were found in internal financial controls which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

The above arrangements are considered appropriate to the scale and range of the Association's activities, and comply with the requirements contained in the Scottish Housing Regulator's Guidance, and the SFHA's publication "Raising Standards in Housing".

By order of the Committee of Management

Mo Connolly
Secretary



PROSPECT COMMUNITY HOUSING LIMITED
INDEPENDANT AUDITOR'S REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance Matters

In addition to our audit of the accounts, we have reviewed the Committee of Management's statement on page 7 concerning the Association'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 Association'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 statements on Internal Financial Control on page 7 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.

5 July 2010

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants

Edinburgh

PROSPECT COMMUNITY HOUSING LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
OF PROSPECT COMMUNITY HOUSING LIMITED**

We have audited the financial statements on pages 10 to 29, which have been prepared under the accounting policies set out on pages 13 to 15.

This report is made solely to the Association's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association'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 Association and the Association's members as a body, for our audit work, for this report and for the opinion we have formed.

Respective responsibilities of the Committee of Management and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, a satisfactory system of internal control over transactions has not been maintained, if the Association has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgements made by the Committee of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association'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 error or other irregularity. 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2010 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 to the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
First Floor, Quay 2
129 Fountainbridge
Edinburgh, EH3 9QG

5 July 2010

PROSPECT COMMUNITY HOUSING LIMITED
INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010		2009	
		£	£	£	£
TURNOVER	2		3,380,265		3,228,882
Operating costs	2		<u>(2,680,735)</u>		<u>(2,986,935)</u>
OPERATING SURPLUS			699,530		241,947
Loss on Disposal of Property		-		(103)	
Interest receivable		5,452		13,436	
Interest payable and other charges	4	<u>(446,417)</u>		<u>(533,659)</u>	
			<u>(440,965)</u>		<u>(520,326)</u>
SURPLUS/(DEFICIT) FOR THE YEAR	13		<u>258,565</u>		<u>(278,379)</u>

The above results relate wholly to continuing activities.

There are no recognised surpluses or deficits apart from those included on the above Income and Expenditure Account for the twelve months ended 31 March 2010.

BALANCE SHEET AS AT 31 MARCH 2010

	Notes	2010		2009	
		£	£	£	£
FIXED ASSETS					
Housing properties - depreciated cost	7a	51,736,704		51,588,839	
Less: HAG	7a	(38,851,201)		(38,851,201)	
Other public grants	7a	<u>(2,056,506)</u>		<u>(1,899,306)</u>	
	7a		10,828,997		10,838,332
Office Accommodation	7b		841,544		862,142
Other fixed assets	7c		<u>94,271</u>		<u>135,392</u>
			11,764,812		11,835,866
CURRENT ASSETS					
Debtors	8	255,194		210,269	
Cash at bank and in hand	16c	<u>481,187</u>		<u>733,222</u>	
		736,381		943,491	
CREDITORS:					
Amounts falling due within one year	9	<u>(732,805)</u>		<u>(754,884)</u>	
NET CURRENT ASSETS			<u>3,576</u>		<u>188,607</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			11,768,388		12,024,473
CREDITORS:					
Amounts falling due after more than one year	10		<u>(8,351,333)</u>		<u>(8,865,982)</u>
NET ASSETS			<u>3,417,055</u>		<u>3,158,491</u>
CAPITAL AND RESERVES					
Share Capital	11		79		80
Designated Reserves	12		2,052,364		2,136,423
Revenue Reserves	13		<u>1,364,612</u>		<u>1,021,988</u>
			<u>3,417,055</u>		<u>3,158,491</u>

Approved by the Management Committee and authorised for issue on 30 June 2010 and signed on their behalf by:

V. Geddes

Chairperson

M Connelly

Secretary

A. Gee

Treasurer

PROSPECT COMMUNITY HOUSING LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010**

			2010		2009
	Note	£	£	£	£
Net cash inflow from operating activities	16(a)		876,075		462,844
Returns on investment and servicing of finance					
Interest received		5,452		13,436	
Interest paid	4	<u>(446,417)</u>	(440,965)	<u>(533,659)</u>	(520,223)
Net cash outflow from returns on investment and servicing of finance					
Capital expenditure					
Cash paid for construction and purchases	7a	(320,680)		(230,707)	
Net Purchase of other fixed assets	7c	(10,656)		(63,189)	
Other public grants received	7a	<u>157,200</u>		<u>147,400</u>	
Net cash outflow from capital expenditure			(174,136)		(146,496)
Net Cash inflow/(outflow) before financing and management of liquid resources			<u>260,974</u>		<u>(203,875)</u>
Financing					
Issue of Share Capital	11	3		5	
Loan received	10	-		1,000,000	
Loan repayments	10	<u>(513,010)</u>		<u>(505,964)</u>	
Net cash (inflow)/outflow from financing			(513,007)		494,041
(Decrease)/Increase in cash	16(b)		<u>(252,033)</u>		<u>290,166</u>

Further details are given in note 16.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010

1. ACCOUNTING POLICIES

The Association is registered under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services Authority. The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards and comply with the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Landlords" 2008. The principal accounting policies are set out below:

a. Basis of Accounting

The Financial Statements are prepared on the historical cost basis of accounting.

b. Going Concern

The Management Committee have reviewed the detailed financial projections included in the Business Plan 2010-13 with particular focus on the cash flow position and believe that it is appropriate to prepare the financial statements on a going concern basis.

The Association generated a surplus in the year of £258,565, had year-end cash balances of £481,187, net current assets of £3,576 and net assets of £3,417,055 of which £1,364,612 were unrestricted.

The Association plans to embark on a development programme in 2010/11 which requires additional loan financing. The cashflow for the period 2010-13 projects upfront development spend of £19.8m offset by £4.3m grant funding in the period, with further grants due in subsequent years. The Association is in the process of negotiating additional funding of £16.5m from two funders and expect to conclude negotiations over the next few months.

We will not initiate construction works for the developments unless sufficient funding is agreed.

c. Turnover

The results represent those of Prospect Community Housing Limited only. Prospect Community Projects Limited has not been consolidated due to the highly immaterial nature of amounts involved. Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from Scottish Housing Regulator, local authorities and other agencies. Tenant service charges are levied on a basis intended to cover appropriate service costs each year.

d. Finance

The accounts have been prepared on the basis that the capital expenditure referred to in Note 7(a) will be grant aided or funded by loan.

e. Mortgage Loans

Mortgage loans are advanced by private lenders under the terms of individual mortgage deeds in respect of each housing scheme.

f. Housing Association Grant

Housing Association Grants (HAG) are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying costs Note 1 (f) of the scheme in accordance with instructions issued from time to time by the Grant awarding body. HAG is paid directly to the Association as required to meet its liabilities during the development process.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010

1. ACCOUNTING POLICIES (continued)

g. Fixed Assets – Housing Land And Buildings

Housing properties are included at cost, including: -

- i. cost of acquiring land and buildings;
- ii. development expenditure including clerk of works costs;
- iii. investigation costs incurred on sites not yet acquired where the committee considers that acquisition will follow in the foreseeable future;
- iv. interest is capitalised from first draw down of private finance up to the date all houses are available for letting in accordance with the funding arrangements agreed by the Grant awarding body.

All invoices and Architects' certificates relating to capital expenditure incurred in the year at gross value before retention's are included in the accounts, provided the dates of issue or valuation are prior to the year-end. Related HAG advances receivable are also included.

Expenditure on schemes, which are aborted, is written-off in the year in which it is recognised that the schemes will not be developed to completion.

Environmental expenditure to date of £753,235 was transferred from In Course of Construction to a separate category of Environmentals within the Housing Properties in 2009/10.

h. 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, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

i. Depreciation

(i) Housing Properties

Housing properties are stated at cost, less Housing Association grants and other contribution, less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic useful lives of the properties at annual rates of 2%. No depreciation is charged on the cost of the land.

(ii) Other Fixed Assets

Expenditure incurred is written-off at the following annual percentages of cost: -

–	Office equipment;	15%;
–	Computer equipment;	25%;
–	Office accommodation;	2%;
–	Estate Assets	25%.

Depreciation is charged for each month that the asset is in use.

j. Development Costs and Allowances

Development allowances are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Notional development allowances become available in instalments according to the progress of work on the scheme and are included in HAG or are treated as deferred allowances in designated reserves while actual development costs are added to housing properties. Deferred Development Allowances are used to fund future development costs.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010

1. ACCOUNTING POLICIES (continued)

k. Designated Reserves

The Whole Life Costing System does not differentiate between cyclical maintenance and major repairs. The Association has, therefore, consolidated its designated reserves to show a Major Repairs Reserve which reflects better the basis on which the provision has been designated. This reserve is based on estimated future costs to be incurred by the Association, in respect of existing housing accommodation for all repairs, including improvement or replacement, with a cycle of two or more years.

Designated Reserves also include provisions set aside for scheme asset replacements.

l. Leases

Assets leased under finance leases are not included in the balance sheet, as the total cost and depreciation charge are not considered to be material to an understanding of the accounts. Instead rentals are included in management expenses in the year in which incurred.

m. Cash at Bank and in Hand

Cash includes all short-term bank deposits maturing within one month, which the Committee regards as part of the Association's bank balances. This treatment is not in accordance with FRS1 (revised 1996) which requires such deposits to be shown in the Cash Flow Statement as non-cash investments. The Committee considers that the FRS treatment would be misleading in this case.

n. Value Added Tax

The Association is VAT registered but a large proportion of its income is exempt for VAT purposes. Consequently little VAT paid is recoverable and expenditure is therefore shown inclusive of VAT. Any VAT recovered is included in Miscellaneous Income.

o. Pensions

The Association participates in the centralised SFHA Defined Benefit Pension Scheme and retirement benefits to employees of the Association are funded by contributions from all participating employees and employers in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. The expected costs to the Association of pensions are charged to the Income and Expenditure Account so as to spread the costs of pensions over the service lives of employees.

p. Capitalisation of interest

Interest on capital borrowed to finance developments during the period of development, has been capitalised and included in the cost of housing properties.

q. Taxation

The Association has charitable status and is therefore not required to account for tax on its exempt activities.

r. Impairment of fixed assets

Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use at the date an impairment loss is recognised. Value in use represents the net present value of expected future cash flows from these units.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010

1. ACCOUNTING POLICIES (continued)

s. Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in: -

- *an increase in rental income or*
- *a material reduction in future maintenance costs or*
- *a significant extension of the life of the property.*

Works to existing properties which fail to meet the above criteria are charged to the income and expenditure account.

t. Allocation of Office Costs

A major review of the staff time profile was carried out in 2008/09, and resulted in a variation to the allocation of office costs from previous years. The main variations include the previous years allocations for Major Repairs, Development and Maintenance of 3%, 11% and 32% respectively now being reflected at 20%, 4% and 25% respectively based on these revised staff time profiles.

2. ANALYSIS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

	Turnover	Operating Costs	Operating Surplus/(Deficit)	Operating Surplus/(Deficit) 2009
	£	£	£	£
Social Lettings (note 3a)	3,239,634	(2,450,697)	788,937	434,460
Other Activities (note 3b)	<u>140,631</u>	<u>(230,038)</u>	<u>(89,407)</u>	<u>(192,513)</u>
2010 Total	<u>3,380,265</u>	<u>(2,680,735)</u>	<u>699,530</u>	
2009 Total	<u>3,228,882</u>	<u>(2,986,935)</u>	<u>241,947</u>	<u>241,947</u>

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

3(a) PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM SOCIAL LETTING ACTIVITIES

	2010 General Needs Housing £	2010 Shared Ownership £	2010 Total £	2009 Total £
Rent Receivable net of Service Charges	3,047,603	28,052	3,075,655	2,897,620
Service Charges	193,329	-	193,329	228,757
Gross income from rents and service charges	3,240,932	28,052	3,268,984	3,126,377
Less Voids	(29,350)	-	(29,350)	(21,882)
Net income from rents & service charges	3,211,582	28,052	3,239,634	3,104,495
Management/Maintenance Administration Costs	967,309	9,100	976,409	1,084,137
Service Costs	191,442	-	191,442	232,640
Planned & Cyclical Maintenance including Major Repair Costs	596,059	-	596,059	627,630
Reactive Maintenance Costs	492,844	-	492,844	528,363
Bad Debts-Rents & Service Charges	21,128	-	21,128	24,752
Depreciation of Social Housing	172,815	-	172,815	172,513
Operating costs for social lettings Activities	2,441,597	9,100	2,450,697	2,670,035
Operating surplus for social lettings 2010	769,985	18,952	788,937	434,460
Operating surplus for social lettings 2009	418,050	16,410	434,460	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £Nil (2009 – £Nil)

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

3(b) TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICITS FROM OTHER ACTIVITIES

	Grants from Scottish Ministers £	Other Revenue Grants £	Other Income £	Total Turnover £	Operating Costs – BadDebts £	Other Operating Costs £	Total Operating Costs £	Operating Deficit £	Operating Deficit 2009 £
Wider Role Activities undertaken to support the community, other than the provision, construction, improvement and management of housing	34,180	-	30,340	64,520	-	(103,286)	(103,286)	(38,766)	(39,110)
Factoring	-	-	19,461	19,461	(3,310)	(16,151)	(19,461)	-	-
Agency/management services for registered social landlords	-	-	9,029	9,029	-	(9,029)	(9,029)	-	-
Other Activities (inc rechargeables £19,065)	8,309	-	39,312	47,621	(25,900)	(72,362)	(98,262)	(50,641)	(153,403)
Total from other Activities	42,489	-	98,142	140,631	(29,210)	(200,828)	(230,038)	(89,407)	(192,513)
Total from other activities – 2009	<u>34,496</u>	<u>-</u>	<u>89,891</u>	<u>124,387</u>	<u>(56,141)</u>	<u>(260,759)</u>	<u>(316,900)</u>	<u>(192,513)</u>	

During the year Prospect, as the agent, received Stage III Grant (£19,091), (2008:£27,603 and Warmdeal grant of £16,632). As this was transferred to the appropriate parties, the income and expenditure has not been included in the financial statements in accordance with SORP 2008.

4. INTEREST PAYABLE

	2010	2009
Total Interest Incurred on Loans	£ 446,417	£ 533,659

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010

5. EMPLOYEES

	2010	2009
	£	£
Staff costs during year		
Wages and Salaries	922,512	839,067
Social Security Costs	70,706	65,302
Other Pension Costs	<u>112,388</u>	<u>96,187</u>
	<u><u>1,105,606</u></u>	<u><u>1,000,556</u></u>

The average full time equivalent number of persons employed by the Association during the year were as follows:

	No.	No.
Management & Finance	4	4
Property Services	16	13
Housing Management	8	8
Administration	<u>6</u>	<u>7</u>
	<u><u>34</u></u>	<u><u>32</u></u>

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Directors or the Management Committee whose total emoluments exceed £60,000 per year. (2009 : £60,000)

	2010	2009
	£	£
Aggregate Emoluments payable to Directors (including pensions contributions and benefits in kind)	319,093	290,689
Pensions payable for Directors	38,271	28,821
Emoluments payable to Highest Paid Director (excluding pension contributions)	68,269	57,089

The Association's contributions to the pension scheme for the Highest Paid Director amounted to £9,180 (2009 : £7,589).

The highest paid Director is an ordinary member of the SFHA Pension Scheme, with no enhanced/special terms. No additional contributions are made by Prospect Community Housing for any individual pension arrangements for the highest paid Director.

Total expenses reimbursed insofar as not chargeable to UK Income Tax	<u>2,235</u>	<u>2,071</u>
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Expenses are incurred wholly, exclusively and necessarily on behalf of the Association.

No member of the Committee of Management received emoluments in respect of their services to the Association.

6. AUDITOR'S REMUNERATION

	2010	2009
	£	£
Received in capacity as Auditor	8,107	7,418
Received in respect of other services	<u>-</u>	<u>-</u>
	<u><u>8,107</u></u>	<u><u>7,418</u></u>

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010

7. TANGIBLE FIXED ASSETS

a) Housing Properties Including Shared Ownership Properties

	2010 Held For Letting £	2010 Environ- mentals £	2010 In Course Of Construction £	2010 Total £	2009 Total £
COST					
At start of period	52,166,263	-	800,276	52,966,539	52,735,832
Additions during period	232,830	-	87,850	320,680	230,707
Transfers	-	753,235	(753,235)	-	-
At end of period	<u>52,399,093</u>	<u>753,235</u>	<u>134,891</u>	<u>53,287,220</u>	<u>52,966,539</u>
DEPRECIATION					
At start of period	1,377,700	-	-	1,377,700	1,205,187
Charged during period	172,815	-	-	172,815	172,513
At end of period	<u>1,550,515</u>	<u>-</u>	<u>-</u>	<u>1,550,515</u>	<u>1,377,700</u>
Depreciated Cost	<u>50,848,578</u>	<u>753,235</u>	<u>134,891</u>	<u>51,736,704</u>	<u>51,588,839</u>
HOUSING ASSOCIATION GRANT					
At start of period	38,154,294	-	696,907	38,851,201	38,851,201
Additions during period	-	-	-	-	-
Transfers	-	696,813	(696,813)	-	-
At end of period	<u>38,154,294</u>	<u>696,813</u>	<u>94</u>	<u>38,851,201</u>	<u>38,851,201</u>
OTHER PUBLIC GRANTS					
At start of period	1,894,559	-	4,747	1,899,306	1,751,906
Additions during period	157,200	-	-	157,200	147,400
At end of period	<u>2,051,759</u>	<u>-</u>	<u>4,747</u>	<u>2,056,506</u>	<u>1,899,306</u>
NET BOOK VALUE					
At end of period	<u>10,642,525</u>	<u>56,422</u>	<u>130,050</u>	<u>10,828,997</u>	<u>10,838,332</u>
At start of period	<u>10,739,710</u>	<u>-</u>	<u>98,622</u>	<u>10,838,332</u>	<u>10,927,538</u>

The above amounts include interest capitalised on development projects totalling £Nil. (2009 - £Nil).

The above amounts include staff costs capitalised on development projects totalling £32,302 (2009 - £14,768).

The shared ownership properties (12 units out of 899 units held for letting) are not disclosed separately as the amounts are not considered material.

At 31 March 2010, none of the cost of the properties included in letting properties were held under a lease (2009: none).

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010

7b) Office Accommodation		2010	2009		
		£	£		
COST					
At start of period		<u>1,027,469</u>	<u>1,027,469</u>		
At end of period		<u>1,027,469</u>	<u>1,027,469</u>		
 AGGREGATE DEPRECIATION					
At start of period		165,327	144,730		
Charged during period		<u>20,598</u>	<u>20,597</u>		
At end of period		<u>185,925</u>	<u>165,327</u>		
 NET BOOK VALUE					
At end of period		<u>841,544</u>	<u>862,142</u>		
At start of period		<u>862,142</u>	<u>882,739</u>		
 7c) Other Fixed Assets					
	2010	2010	2010	2010	2009
	Estate	Office	Computer	Total	Total
	Assets	Equipment	Equipment	£	£
	£	£	£		
COST					
At start of period	52,335	68,997	264,406	385,738	322,549
Additions during period	150	-	10,506	10,656	74,457
Disposals in period	-	-	-	-	(11,268)
At end of period	<u>52,485</u>	<u>68,997</u>	<u>274,912</u>	<u>396,394</u>	<u>385,738</u>
 AGGREGATE DEPRECIATION					
At start of period	22,922	62,155	165,269	250,346	213,210
Charge for period	7,830	2,285	41,662	51,777	48,301
Depreciation on disposals	-	-	-	-	(11,165)
At end of period	<u>30,752</u>	<u>64,440</u>	<u>206,931</u>	<u>302,123</u>	<u>250,346</u>
 NET BOOK VALUE					
At 31 st March 2010	<u>21,733</u>	<u>4,557</u>	<u>67,981</u>	<u>94,271</u>	<u>135,392</u>
At 31 st March 2009	<u>29,413</u>	<u>6,842</u>	<u>99,137</u>	<u>135,392</u>	

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010

8. DEBTORS	2010	2009
	£	£
Rental arrears	132,892	140,722
Less: Bad debt provision	<u>(49,826)</u>	<u>(61,844)</u>
	83,066	78,878
Accrued income	14,044	7,013
Prepaid expenses	58,651	49,214
Other debtors	99,014	75,164
Other taxation	419	-
	<u>255,194</u>	<u>210,269</u>
9. CREDITORS: Amounts falling due within one year	2010	2009
	£	£
Housing Loans (note 10)	513,625	511,986
Trade creditors	73,434	73,862
Other creditors	46,950	42,273
Rent received in advance	77,211	74,304
Accruals and retention unpaid	21,585	52,459
	<u>732,805</u>	<u>754,884</u>
10. CREDITORS: Amounts falling due after more than one year	2010	2009
	£	£
Housing Loans	<u>8,864,958</u>	<u>9,377,968</u>
Housing Loans are secured by a specific charge on the Association's properties. They are repayable at a rates of interest of between 0.37% over LIBOR and 6.165% in instalments due as follows: -		
Between one and two years	513,625	511,986
Between two and five years	1,662,154	2,056,075
After five years	<u>6,689,179</u>	<u>6,809,907</u>
	8,864,958	9,377,968
Included in creditors: amounts falling due within one year	<u>(513,625)</u>	<u>(511,986)</u>
	<u>8,351,333</u>	<u>8,865,982</u>

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010

11. SHARE CAPITAL

	2010	2009
	£	£
Shares of £1 each fully paid and issued		
At start of period	80	79
Issued during period	2	5
Cancelled during period	(3)	(4)
At end of period	<u>79</u>	<u>80</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends or distributions on a winding-up. When a shareholder ceases to be a member, that persons share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members meetings.

12. DESIGNATED RESERVES

	2010	2009
Major Repairs	Total	Total
	£	£
At start of period	2,136,423	2,764,053
Release to Revenue Reserve	(596,059)	(627,630)
Transfer from Revenue Reserve	<u>512,000</u>	<u>-</u>
At end of period	<u>2,052,364</u>	<u>2,136,423</u>

These reserves are designed to accommodate the necessary work required to ensure compliance with the Scottish Housing Quality Standards and include all known planned maintenance, environmental works funded out of the Associations own resources and other major repairs. The estimated costs of carrying out these works in the next 5 years is expected to be in the region of £4.2 million.

13. REVENUE RESERVE

	2010	2009
	£	£
At start of period	<u>1,021,988</u>	<u>672,737</u>
Surplus/(Deficit) for the period	258,565	(278,379)
Transfer from Designated Reserve	596,059	627,630
Transfer to Designated Reserve	(512,000)	-
At 31 st March 2010	<u>1,364,612</u>	<u>1,021,988</u>

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010

14. CAPITAL COMMITMENTS

	2010	2009
	£	£
Expenditure contracted less certified	<u>-</u>	<u>61,800</u>

All of the amounts contracted for and authorised by the Committee of Management at 31 March 2010 have received project approval from City of Edinburgh Council.

The Committee of Management expects the expenditure they have authorised to be financed by the relevant grant giving body through HAG, private finance or cash reserves.

15. CONTINGENT LIABILITIES

The Prospect Plus Savings and Loans scheme commenced on 1 May 2003. The Association has issued a guarantee to the bank supporting this scheme. The maximum liability under this scheme is £20,000.

Prospect Community Housing Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the relevant schemes based on the financial position of the schemes as at 30th September 2009. As of this date the estimated employer debt for Prospect Community Housing Limited was £3,308,127 and £33,402 respectively.

16. NOTES TO CASHFLOW STATEMENT

	2010	2009
	£	£
(a) Reconciliation of operating surplus to net cash inflow from activities		
Operating surplus	699,530	241,947
Loss on Disposal of Property	-	(103)
Depreciation net of depreciation added back on disposals	245,190	230,245
(Increase)/decrease in debtors	(23,718)	4,756
(Decrease) in creditors	(44,925)	(13,997)
Members shares cancelled	<u>(2)</u>	<u>(4)</u>
Net cash inflow from operating activities	<u>876,075</u>	<u>462,844</u>

	2010	2009
(b) Reconciliation of net cash flow to movement in net debt		
(Decrease)/Increase in cash in the period	(252,035)	290,166
Cash outflow from decrease in debt	<u>513,010</u>	<u>505,969</u>
Movement in net debt in the year	260,975	796,135
Movement in loans during year	<u>-</u>	<u>(1,000,000)</u>
Net debt at 1 April 2009	<u>(8,644,746)</u>	<u>(8,440,881)</u>
Net debt at 31 March 2010	<u>(8,383,771)</u>	<u>(8,644,746)</u>

(c) Analysis of changes in net debt

	2009	Cash Flows	Other non	2010
	£	£	Cash changes	£
			£	
Cash at bank and in hand	733,222	(252,035)	-	481,187
Debt due within one year	(511,986)	511,986	(513,625)	(513,625)
Debt due after one year	(8,865,982)	1,024	513,625	(8,351,333)
	<u>(8,644,746)</u>	<u>260,975</u>	<u>-</u>	<u>(8,383,771)</u>

**PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010**

17. HOUSING STOCK

	2010	2009
	No.	No.
The number of units in Management at 31 March was as follows:		
General Needs	887	885
Shared Ownership	12	12
	<u>899</u>	<u>897</u>

18. SECURE TENANCY RENTS

	2010	2009
	£	£
Annual average secure tenancy rent for housing accommodation	3,426	3,215
Percentage increase from previous year	6.16%	6.04%

The rent increase this year was 5.8%

Void rents were excluded from this year's figures, causing a slight variance in the actual comparisons.

**PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010**

19. PENSION COMMITMENTS

Prospect Community Housing Limited ('Prospect') participates in the SFHA Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million, equivalent to a past service funding level of 83.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in Autumn 2010. The provisional results of the triennial valuation reflect this showing a deficit of £160 million as at 30 September 2009. This means that the funding level of liabilities represented by assets is 64.8%. Therefore, the total contribution rate must increase on average by 7% of pensionable earnings for all existing benefit options structures from April 2011.

The Employer Debt Regulations were introduced in September 2005 following a change in legislation. This legislation was revised in the Occupational Pension Schemes (Employer Debt and Miscellaneous Amendments) Regulations 2008 (SI 2008/731) ('the Regulations') which came into force on 6 April 2008.

An employer debt will arise if one of the following events occurs at a time when the Scheme is not fully funded on a buy-out basis:

- a. The commencement of winding up of the Scheme.
- b. An employer becomes insolvent.
- c. An Employer Cessation Event.

An Employer Cessation Event occurs when an employer ceases to participate in the Scheme, i.e. it no longer has any active members in the Scheme at a point in time when there is at least one other employer that continues to employ active members in the Scheme.

The 2008 Regulations tighten the definition of an Employer Cessation Event. However, it remains the case that an employer will not be deemed to have withdrawn from the Scheme (and hence will not be liable for a debt on withdrawal) provided that it continues to employ at least one person who is an active member of the Scheme.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis, i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Prospect has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the scheme as at 30 September 2009. As of this date the estimated employer debt for Prospect Community Housing Limited was £3,308,127.

Prospect participates in the SFHA Pension Scheme.

The SFHA Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted-out of the State Pension scheme.

The Scheme offers three benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Prospect has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2010, and the final salary with a 1/60th accrual rate benefit structure for new entrants from 1 April 2010.

During the accounting period Prospect paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 27 active members of the Scheme employed by Prospect.

Prospect continues to offer membership of the Scheme to its employees.

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The key valuation assumptions used to determine the assets and liabilities of the SFHA Pension Scheme are:

Valuation Assumptions	% p.a.
Investment return pre retirement	7.2
Investment return post retirement	4.9
Rate of salary increases	4.6
Rate of pension increases	
- Pension accrued pre 6 April 2005	2.6
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	2.6

Member Category	Instrument
Non-pensioners	PA92C2025 short
Pensioners	PA92C2013 short

Contributions/Assumptions	%
Final salary 1/60ths	17.8
Career average revalued earnings 1/60ths	14.6
Career average revalued earnings 1/70ths	12.6
Additional rate for deficit contributions	5.3

Two members of staff of Prospect participate in the Pensions Trust Growth Plan but Prospect makes no contributions to this plan.

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20. SUBSIDIARY DISCLOSURE

The Association has a subsidiary company, Prospect Community Projects Limited. This is a wholly owned subsidiary of the Association having a share capital of £1. The company is dormant.

The objective of this subsidiary is to carry out appropriate non-charitable activities.

The net assets of the company as at 31 March 2010 were £1.

Prospect Community Projects Limited has not been consolidated in the accounts of Prospect Community Housing Limited, for the year ended 31 March 2010, due to the immateriality of the amounts involved.

Prospect Community Housing Limited is considered to be the ultimate parent undertaking of the group. Separate Group accounts are not required as the Group has been exempted from this requirement by the Financial Services Authority.

21. RELATED PARTY TRANSACTIONS

The following members of the Committee of Management hold tenancies with the Association:

Rod McKenzie
Vera Geddes
Alan Gee
Sheila Bunt
Sam Martinez
Mo Connelly

All tenancies were granted under the Association's allocations policy.