

PROSPECT COMMUNITY HOUSING LIMITED

FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

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 2012

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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
EH14 5EL

Auditors:

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

Registered Office:

6 Westburn Avenue
Edinburgh
EH14 2TH

Solicitors:

T C Young	Anderson Strathern
69a George Street	1 Rutland Court
Edinburgh	Edinburgh
EH2 2JG	EH3 8EY

PROSPECT COMMUNITY HOUSING LIMITED REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2012

The Committee have pleasure in presenting their twenty-third 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 61 in West Edinburgh. The Association's subsidiary, Prospect Community Projects Ltd, has been dormant for a number of years.

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 £494,717 in the building and refurbishment of homes in the Wester Hailes area for rent, including the continuation of our component replacement programme. At 31 March 2012 Prospect had 902 homes in management.

Prospect continued its investment in the maintenance of its existing properties, spending £1,098,749 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 £38,495 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 majority of these key areas during the year: -

INDICATOR	2011/12	2010/11	2009/10	2008/9	TARGET
Current Tenant Rent Arrears as % income	3.54	3.65	3.9	3.7	4.0
Voids turnaround times (days)	18	19.3	21.0	23.8	21
% rent loss due to voids	0.3	0.3	0.4	0.5	1.0
Staff costs as % of turnover	35.85	34.9	32.8	30.9	38.0

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

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
➤ Welfare benefit changes which could lead to a reduction in income for tenants and a resulting increase in rent arrears.	➤ Obtain information on number of tenants likely to be affected. Target these tenants to ensure they are aware of the impact of changes. Priority given to arrears control by staff. Money Advice Officer (MAO) providing advice to maximise income.
➤ 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 Housing Benefit 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.
➤ 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.
➤ Reliance on Estates Team to generate efficiencies and savings	➤ Ongoing review of service and costs to ensure value for money.
➤ Increasing cost of pension provision and uncertainty about long term viability of scheme.	➤ Review of pension provision undertaken by Management Committee and changes to pension provision instigated from April 2012. Costs (including assumptions about potential increased costs) included in budget figures and 25 year projections. Further review by Committee when actuarial review completed (September 2012)

Grants and Funding

Prospect hopes to continue 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; structures, including the Voluntary Sector Forum and Neighbourhood Service Partnership; the Edinburgh Affordable Partnerships; 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.

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. A survey of existing properties is underway to examine ways to incorporate sustainable technology into older properties.

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

Income & Expenditure

Turnover

Rental and Service Charge Income Receivable increased by 3.54% to £ 3,444,528.

Surplus on Ordinary Activities

The surplus for the year of £333,287 (2011:£697,563) before transfer to designated reserves is due to the fact that the Association received defect liability legal claim monies in 2010/11.

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 £ 387,000. 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 3 to 5 years of approximately £ 4.3m. 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 £558,035 was drawn from the reserves during 2011/12 to pay for major repairs and replacements.

Balance Sheet

Fixed Assets, stated at Net Book Value, increased by £223,363 from £11,468,874 to £11,692,237 financed by Housing Association Grants, Loan Finance and Prospect's own resources.

Reserves

Reserves increased by £333,287 to £4,323,302 including 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 2012, the Association had 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 components of the properties which have come to the end of their economic lives. Where a component has been replaced, or there is an improvement to a component that enhances the economic benefit of the tangible fixed asset, then this would be capitalised under the terms of SORP 2010. All other expenditure is charged to the Income and Expenditure Account.

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 2012**

Service Charge Policy

Following a review of service charge income and future anticipated spend in early 2011, the Committee of Management agreed to pass on significant cost savings to tenants. As a result, service charge monthly charges (effective April 2011) were reduced by an average of 14.5%. In addition, an increase has not been applied to 2012/13 service charge levies.

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, including briefing sessions on revised regulation guidance, the Scottish Housing Charter and proposed welfare benefit changes and reflect the importance of ensuring Committee members are fully briefed on all aspects of the business. 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 has determined that by March 2013 Prospect will:

- o Manage our financial resources to ensure we cope with all the risks relating to the anticipated changes to welfare benefits and increasing liabilities in relation to staff pensions;
- o Develop and start implementing an energy efficiency investment programme to future proof our existing stock, reduce fuel poverty among our tenants and adapt to climate change;
- o Improve efficiency, good governance and good practice by:
 - o upgrading our IT systems;
 - o revising our policy and procedures in relation to complaints and appeals;
 - o reviewing and developing Prospect's Estates Team performance to maintain and increase operating savings;
 - o benchmarking with others.
- o Maintain and enhance Prospect's reputation and profile as an honest broker locally, and an exemplar in the wider housing context;
- o Continue to develop Prospect's wider role activities;
- o Maintain progress towards annual rent increases being no more than RPI.

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.

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

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 on pages 10 to 31 are for the period of twelve months to 31 March 2012.

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 11 days (2011: 15 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
- Sustainability
- IT

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.

Tenant Involvement

Prospect Community Housing actively involves tenants to help direct and improve what we do. We recognise that tenants will want to engage in different ways, so we provide a variety of mechanisms for tenants to be involved. This includes:

- the work we do with Registered Tenant Organisations
- the Tenant Forum
- tenant Management Committee members
- learning from tenant comments or complaints
- full scale tenant survey
- ongoing surveys relating to specific areas of our work
- annual rent consultation

Changes in financial reporting

Accounting Policies are set out on pages 13 to 16. The Statement of Recommended Practice (SORP), Accounting by Registered Housing Providers – Update 2010 introduced the requirement for Component Accounting. Under component accounting, a housing property is divided into those major components that have substantially different useful economic lives and each component is depreciated over its useful life. This more fairly reflects, in the Income and Expenditure Account, the cost of using the asset and is recommended best practice. The impact of component accounting is a fundamental change in accounting policy, and as such a prior period adjustment has been undertaken to reflect the changes in the application of the accounting policy to prior years. These are fully disclosed in note 24 on page 31.

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

Committee of Management members at 31 March 2012

<ul style="list-style-type: none"> * Vera Geddes * Mo Connolly * Sheila Bunt * Peter Matthews * David Arnot * Marnie Roadburg * Patt Kerr(resigned 25.5.11) 	<p>Chairperson Secretary</p>	<ul style="list-style-type: none"> * Alan Gee * Naomi MacKenzie * Bill Buchanan * Rod Mackenzie * Bruce Penman * Shulah Allan 	<p>Vice Chairperson Treasurer</p>
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Disclosure of Information to Auditors

Members of the Management Committee who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Members have confirmed that they have taken all the steps that they ought to have taken as Members in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

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



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

27 June 2012

PROSPECT COMMUNITY HOUSING LIMITED

COMMITTEE OF MANAGEMENT STATEMENT ON INTERNAL FINANCIAL CONTROLS

FOR THE YEAR ENDED 31 MARCH 2012

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 2012. 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

27 June 2012

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.

Baker Tilly UK Audit LLP

**Baker Tilly UK Audit LLP
Statutory Auditor
Chartered Accountants**

Edinburgh

3 July 2012

PROSPECT COMMUNITY HOUSING LIMITED

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

We have audited the financial statements of Prospect Community Housing Limited for the year ended 31 March 2012 on pages 10 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Committee of Management and auditor

As explained more fully in the Committee of Management's Responsibilities Statement set out on pages 4 and 5, the Committee of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). - Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2010.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Statutory Auditor
First Floor, Quay 2
139 Fountainbridge
Edinburgh, EH3 9QG

Date: *3 July 2012*

PROSPECT COMMUNITY HOUSING LIMITED
INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012		2011 (Restated)	
		£	£	£	£
TURNOVER	2		3,543,725		3,424,398
Operating costs	2		<u>(2,808,484)</u>		<u>(3,020,109)</u>
OPERATING SURPLUS			735,241		404,289
Extraordinary Income	23	-		710,000	
Loss on Disposal of Property		(1,304)		(2,630)	
Interest receivable		17,490		408	
Interest payable and other charges	4	<u>(418,140)</u>		<u>(414,504)</u>	
			<u>(401,954)</u>		<u>293,274</u>
SURPLUS FOR THE YEAR	13		<u>333,287</u>		<u>697,563</u>
			2012		2011 (Restated)
			£		£
Statement of Total Recognised Gains and Losses					
Surplus for the year			333,287		697,563
Prior period adjustment (note 24)			<u>(167,833)</u>		-
Total surpluses and deficits recognised since last reporting period			<u>165,454</u>		<u>697,563</u>

The above results relate wholly to continuing activities.

BALANCE SHEET AS AT 31 MARCH 2012

	Notes	2012		2011 (Restated)	
		£	£	£	£
FIXED ASSETS					
Housing properties - depreciated cost	7a	51,166,341		51,213,162	
Less: HAG	7a	(38,332,755)		(38,606,845)	
Other public grants	7a	<u>(2,042,673)</u>		<u>(2,054,168)</u>	
	7a		10,790,913		10,552,149
Office Accommodation	7b		800,337		820,936
Other fixed assets	7c		<u>100,987</u>		<u>95,789</u>
			11,692,237		11,468,874
CURRENT ASSETS					
Debtors	8	218,115		224,873	
Cash at bank and in hand	16c	<u>1,390,991</u>		<u>1,840,524</u>	
		1,609,106		2,065,397	
CREDITORS:					
Amounts falling due within one year	9	<u>(706,153)</u>		<u>(727,345)</u>	
NET CURRENT ASSETS			<u>902,953</u>		<u>1,338,052</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			12,595,190		12,806,926
CREDITORS:					
Amounts falling due after more than one year	10		<u>(8,271,810)</u>		<u>(8,816,830)</u>
NET ASSETS			<u>4,323,380</u>		<u>3,990,096</u>
CAPITAL AND RESERVES					
Share Capital	11		78		81
Designated Reserves	12		2,249,596		2,249,596
Revenue Reserves	13		<u>2,073,706</u>		<u>1,740,419</u>
			<u>4,323,380</u>		<u>3,990,096</u>

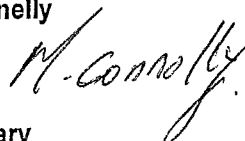
Approved by the Management Committee and authorised for issue on 27 June 2012 and signed on their behalf by:

V Geddes



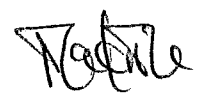
Chairperson

M Connelly



Secretary

N MacKenzie



Treasurer

PROSPECT COMMUNITY HOUSING LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

		2012		2011 (Restated)
	Note	£	£	£
Net cash inflow from operating activities	16(a)		1,007,253	1,403,910
Returns on investment and servicing of finance				
Interest received		17,490		408
Interest paid	4	<u>(418,140)</u>	<u>(414,504)</u>	<u>(414,096)</u>
Net cash outflow from returns on investment and servicing of finance			(400,650)	(414,096)
Capital expenditure				
Cash paid for construction and purchases	7a	(450,782)	(24,357)	
Net Purchase of other fixed assets	7c	(55,708)	(51,656)	
Other public grants (repaid)/received	7a	<u>(6,387)</u>	<u>(40,846)</u>	
Net cash outflow from capital expenditure			(512,877)	(116,859)
Net Cash inflow before financing and management of liquid resources			<u>93,726</u>	<u>872,955</u>
Financing				
Issue of Share Capital	11	1	6	
Loan received	10	-	1,000,000	
Loan repayments	10	<u>(543,260)</u>	<u>(513,624)</u>	
Net cash(outflow)/inflow from financing			(543,259)	486,382
(Decrease)/Increase in cash	16(b)		<u>(449,533)</u>	<u>1,359,337</u>

Further details are given in note 16.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012

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 2010 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Landlords" Update 2010. The principal accounting policies are set out below:

a. Basis of Accounting

The Financial Statements are prepared on the historical cost basis of accounting. Prospect Community Projects Limited has not been consolidated due to the highly immaterial nature of amounts involved.

b. Going Concern

The Management Committee have reviewed the detailed financial projections included in the Business Plan 2011-14 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 £333,287, had year-end cash balances of £1,390,991, net current assets of £902,953 and net assets of £4,323,380 of which £2,073,706 were unrestricted.

The Association plans to consider a sustainability programme in 2012/13 which will require additional loan financing and grant funding. Further detailed projections will be considered during 2012/13.

c. Turnover

The results represent those of Prospect Community Housing Limited only. 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 (g) 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.

g. Fixed Assets – Housing Land And Buildings

Housing properties are stated at cost less social housing and other public grants less accumulated depreciation.

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012

1. ACCOUNTING POLICIES (continued)

- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, 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.

The adoption of component accounting represents a change in accounting policy. Previously the major components of the Association's housing properties were deemed to be land and buildings. The major components are now deemed to be land, structure, roofs, kitchens, windows/doors, boilers, radiators, electrics and showers. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in Note i. The new accounting policy is compliant with the SORP 2010.

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.

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

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Land	not depreciated
Structure	80 years
Roofs	70 years
Kitchens	20 years
Windows/doors	25 years
Boilers	10 years
Radiators	30 years
Electrics	30 years
Showers	20 years

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012

1. ACCOUNTING POLICIES (continued)

(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.

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.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012

1. ACCOUNTING POLICIES (continued)

o. Pensions

The Association participates in the centralised Scottish Housing Association's Pension Scheme (SHAPS) 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. Capitalised Development and Development Interest

Costs which are directly attributable to bringing housing properties into working condition are included in housing properties cost. Directly attributable costs include direct labour cost of the Association and incremental costs which would have been avoided only if the property had not been constructed or acquired. All other development costs are written off to the Income and Expenditure Account in the period in which it occurs.

Interest charges incurred on the financing of housing properties are capitalised up to the date of practical completion. Interest charges arising after that date are charged to the Income and Expenditure Account.

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. Any impairment would be recognised in the Income and Expenditure Account.

s. Allocation of Office Costs

Office costs are allocated to Major Repairs, Componentised Assets, Development and Maintenance at 18%, 2%, 4%, 25% respectively based on staff time profiles.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012

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

	Turnover	Operating Costs	Operating Surplus/(Deficit)	Operating Surplus/ (Deficit) 2011 (Restated)
	£	£	£	£
Social Lettings (note 3a)	3,413,702	(2,558,508)	855,194	801,408
Other Activities (note 3b)	<u>130,023</u>	<u>(249,976)</u>	<u>(119,953)</u>	<u>(397,119)</u>
2012 Total	<u>3,543,725</u>	<u>(2,808,484)</u>	<u>735,241</u>	<u>404,289</u>
2011 Total As Restated	<u>3,424,398</u>	<u>(3,020,109)</u>	<u>404,289</u>	

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

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

	2012	2012	2011 (Restated) Total
	General Needs Housing £	Shared Ownership £	Total £
Rent Receivable net of Service Charges	3,250,467	29,943	3,280,410
Service Charges	164,118	-	164,118
Gross income from rents and service charges	3,414,585	29,943	3,444,528
Less Voids	(30,826)	-	(30,826)
Net income from rents & service charges	3,383,759	29,943	3,413,702
Management/Maintenance Administration Costs	1,039,524	9,576	1,049,100
Service Costs	159,414	-	159,414
Planned & Cyclical Maintenance including Major Repair Costs	558,035	-	558,035
Reactive Maintenance Costs	540,714	-	540,714
Bad Debts-Rents & Service Charges	24,314	-	24,314
Depreciation of Social Housing	226,931	-	226,931
Operating costs for social lettings Activities	2,548,932	9,576	2,558,508
Operating surplus for social lettings 2012	834,827	20,367	855,194
Operating surplus for social lettings 2011 As Restated	782,413	18,995	801,408

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £Nil (2011 – £Nil)

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(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)/ Surplus	Operating (Deficit)/ Surplus 2011
	£	£	£	£	£	£	£	£	£
Wider Role Activities undertaken to support the community, other than the provision, construction, improvement and management of housing	61,414	-	10,562	71,976	-	(121,246)	(121,246)	(49,270)	(40,793)
Factoring	-	-	20,007	20,007	-	(20,028)	(20,028)	(21)	1,009
Other Activities (inc rechargeables £9,273)	-	-	38,040	38,040	(13,583)	(95,119)	(108,702)	(70,662)	(357,335)
Total from other Activities	61,414	-	68,609	130,023	(13,583)	(236,393)	(249,976)	(119,953)	(397,119)
Total from other activities – 2011	52,778	-	69,304	122,082	(24,883)	(494,318)	(519,201)	(397,119)	

During the year Prospect, as the agent, received Stage III Grant of £38,156, (2011: £28,075). As this was transferred to the appropriate parties, the income and expenditure has not been included in the financial statements in accordance with SORP 2010. The Accounting Order includes additional information lines to that shown in notes 3 and 4 above. The Committee of Management do not feel that any additional information is required with regard to these notes.

4. INTEREST PAYABLE

	2012	2011
	£	£
Total Interest Incurred on Loans	<u>418,140</u>	<u>414,504</u>

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012

5. EMPLOYEES

	2012	2011
	£	£
Staff costs during year		
Wages and Salaries	1,029,679	1,005,966
Social Security Costs	83,945	79,234
Other Pension Costs (Including Past Service Deficit)	<u>156,959</u>	<u>111,995</u>
	<u>1,270,583</u>	<u>1,197,195</u>

	No.	No.
The average full time equivalent number of persons employed by the Association during the year were as follows:		
Management & Finance	4	4
Property Services	19	19
Housing Management	8	8
Administration	<u>6</u>	<u>6</u>
	<u>37</u>	<u>37</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, excluding pension contributions, exceed £60,000 per year (2011 : £60,000)

	2012	2011
	£	£
Aggregate Emoluments payable to Directors (excluding pensions contributions)	292,332	286,657
Pensions payable for Directors	25,294	39,959
Emoluments payable to Highest Paid Director (excluding pension contributions)	72,740	69,513

	2012	2011
Emoluments paid to Directors including pensions can be analysed as:		
£60,001 - £70,000	3	3
£70,001 - £80,000	1	1

The Association's contributions to the pension scheme for the Highest Paid Director amounted to £6,142 (2011: £9,563). The employer's contribution is currently 9.6% of salary, plus an additional cost of 10.4% Past Service Deficit on relevant September 2009 salaries.

The highest paid Director is an ordinary member of the SHAPS 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>3,220</u>	<u>2,362</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

	2012	2011
	£	£
Received in capacity as Auditor	<u>8,507</u>	<u>8,958</u>

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012

7. TANGIBLE FIXED ASSETS

a) Housing Properties Including Shared Ownership Properties	2012 Held For Letting	2012 Environ- mentals	2012 In Course Of Construction	2012 Total
	£	£	£	£
COST				
At start of period	52,543,329	753,235	16,961	53,313,525
Prior period adjustment (Note 24)	49,156	-	-	49,156
Restated at 1 April 2011	52,592,485	753,235	16,961	53,362,681
Additions during period	494,673	-	44	494,717
Disposals	(348,637)	-	(16,961)	(365,598)
At end of period	<u>52,738,521</u>	<u>753,235</u>	<u>44</u>	<u>53,491,800</u>
DEPRECIATION				
At start of period	1,726,682	-	-	1,726,682
Prior period adjustment (Note 24)	422,837	-	-	422,837
Restated at 1 April 2011	2,149,519	-	-	2,149,519
Charged during period	215,600	-	-	215,600
Disposals	(39,660)	-	-	(39,660)
At end of period	<u>2,325,459</u>	<u>-</u>	<u>-</u>	<u>2,325,459</u>
Depreciated Cost	<u>50,413,062</u>	<u>753,235</u>	<u>44</u>	<u>51,166,341</u>
HOUSING ASSOCIATION GRANT				
At start of period	38,113,448	696,813	94	38,810,355
Prior period adjustment (Note 24)	(203,510)	-	-	(203,510)
Restated at 1 April 2011	37,909,938	696,813	94	38,606,845
HAG repaid	(6,387)	-	-	(6,387)
Disposals	(267,609)	-	(94)	(267,703)
At end of period	<u>37,635,942</u>	<u>696,813</u>	<u>-</u>	<u>38,332,755</u>
OTHER PUBLIC GRANTS				
At start of period	2,051,759	-	4,747	2,056,506
Prior period adjustment (Note 24)	(2,338)	-	-	(2,338)
Restated at 1 April 2011	2,049,421	-	4,747	2,054,168
Disposals	(6,748)	-	(4,747)	(11,495)
At end of period	<u>2,042,673</u>	<u>-</u>	<u>-</u>	<u>2,042,673</u>
NET BOOK VALUE				
At end of period	<u>10,734,447</u>	<u>56,422</u>	<u>44</u>	<u>10,790,913</u>
At start of period as Restated	<u>10,483,607</u>	<u>56,422</u>	<u>12,120</u>	<u>10,552,149</u>

The above amounts include staff costs capitalised on development projects totalling £Nil (2011 - £28,397).

The shared ownership properties (12 units out of 902 units held for letting) are not disclosed separately as the amounts are not considered material.

At 31 March 2012, none of the cost of the properties included in letting properties were held under a lease (2011: none).

* Total Spend on Major Repairs during 2011/12 amounted to £558,035 and was reflected through the Income and Expenditure Account, £494,717 was expended and capitalised during 2011/12 on component replacements and no expenditure was incurred during 2011/12 on capitalised improvement works.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012

7b) Office Accommodation		2012	2011
		£	£
COST			
At start and at end of period		<u>1,027,469</u>	<u>1,027,469</u>
 AGGREGATE DEPRECIATION			
At start of period		206,533	185,925
Charged during period		<u>20,599</u>	<u>20,608</u>
At end of period		<u>227,132</u>	<u>206,533</u>
 NET BOOK VALUE			
At end of period		<u>800,337</u>	<u>820,936</u>
At start of period		<u>820,936</u>	<u>841,544</u>
 7c) Other Fixed Assets			
	2012	2012	2012
	Estate	Office	Computer
	Assets	Equipment	Equipment
	£	£	£
COST			2012
At start of period	64,842	81,530	301,678
Additions during period	15,888	1,325	38,495
Disposals for period	<u>(17,266)</u>	<u>(35,242)</u>	<u>(214,237)</u>
At end of period	<u>63,464</u>	<u>47,613</u>	<u>125,936</u>
 AGGREGATE DEPRECIATION			
At start of period	41,414	67,136	243,711
Charge for period	14,852	3,359	35,099
Disposals for period	<u>(17,266)</u>	<u>(35,824)</u>	<u>(216,455)</u>
At end of period	<u>39,000</u>	<u>34,671</u>	<u>62,355</u>
 NET BOOK VALUE			
At 31 st March 2012	<u>24,464</u>	<u>12,942</u>	<u>63,581</u>
At 31 st March 2011	<u>23,428</u>	<u>14,394</u>	<u>57,967</u>
			<u>100,987</u>
			<u>95,789</u>

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012

8. DEBTORS	2012	2011
	£	£
Rental arrears	132,105	124,787
Less: Bad debt provision	<u>(48,307)</u>	<u>(44,025)</u>
	83,798	80,762
Accrued income	6,732	6,753
Prepaid expenses	71,934	70,172
Other debtors	54,936	66,583
Other taxation	715	603
	<u>218,115</u>	<u>224,873</u>
9. CREDITORS: Amounts falling due within one year	2012	2011
	£	£
Housing Loans (note 10)	536,264	534,504
Trade creditors	40,376	25,427
Other creditors	36,582	70,261
Rent received in advance	78,588	75,709
Accruals and retentions unpaid	14,343	21,444
	<u>706,153</u>	<u>727,345</u>
10. CREDITORS: Amounts falling due after more than one year	2012	2011
	£	£
Housing Loans	<u>8,808,074</u>	<u>9,351,334</u>
<p>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: -</p>		
Due within 1 year	536,264	534,504
Between 1 – 2 years	535,879	536,264
Between two and five years	1,631,170	1,615,488
After five years	<u>6,104,761</u>	<u>6,665,078</u>
	8,808,074	9,351,344
Included in creditors: amounts falling due within one year(Note 9)	<u>(536,264)</u>	<u>(534,504)</u>
	<u>8,271,810</u>	<u>8,816,830</u>

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012

11. SHARE CAPITAL

	2012	2011
	£	£
Shares of £1 each fully paid and issued		
At start of period	81	79
Issued during period	1	6
Cancelled during period	(4)	(4)
At end of period	78	81

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

	2012	2011
	Total £	Total £
Major Repairs		
At start of period	2,249,596	2,052,364
Release to Revenue Reserve (Note 13)	(558,035)	(502,768)
Transfer from Revenue Reserve (Note 13)	558,035	700,000
At end of period	2,249,596	2,249,596

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

	2012	2011 (Restated)
	£	£
At 1 April as originally reported	1,908,252	1,240,088
Prior period adjustment (Note 24)	(167,833)	-
At 1 April as restated	1,740,419	1,240,088
Surplus for the year	333,287	697,563
Transfer from designated reserves (Note 12)	558,035	502,768
Transfer to designated reserves (Note 12)	(558,035)	(700,000)
Balance at 31 st March	2,073,706	1,740,419

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012

14. CAPITAL COMMITMENTS

	2012	2011
	£	£
Expenditure contracted less certified	<u>-</u>	<u>-</u>

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 scheme based on the financial position of the scheme as at 30th September 2011. As of this date the estimated employer debt for Prospect Community Housing Limited was £4,105,368. Prospect has also been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan, which was £33,402 as at 30 September 2009.

Housing Association Grant allocated to components (as detailed in Note 1) that have subsequently been replaced by the Association are recognised in the Income and Expenditure account, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Income and Expenditure account at 31st March 2012 was £435,985 (31st March 2011 £205,848).

16. NOTES TO CASHFLOW STATEMENT

	2012	2011
		(Restated)
(a) Reconciliation of operating surplus to net cash inflow from activities	£	£
Operating surplus	735,241	404,289
Loss on Disposal of Property	(1,304)	(2,630)
Depreciation	289,509	288,275
Decrease/(Increase) in debtors	6,763	30,321
(Decrease) in creditors	(22,952)	(26,341)
Extraordinary Income	-	710,000
Extraordinary Expenditure	-	-
Members shares cancelled	(4)	(4)
Net cash inflow from operating activities	<u>1,007,253</u>	<u>1,403,910</u>
(b) Reconciliation of net cash flow to movement in net debt		
Increase/(Decrease) in cash in the period	(449,533)	1,359,337
Cash inflow from movement in debt	<u>543,260</u>	<u>513,624</u>
Movement in net debt in the year	93,727	1,872,961
Increase in loans during year	-	<u>(1,000,000)</u>
Net debt at 1 April 2011	<u>(7,510,810)</u>	<u>(8,383,771)</u>
Net debt at 31 March 2012	<u>(7,417,083)</u>	<u>(7,510,810)</u>

(c) Analysis of changes in net debt

	2011	Cash	Other non	2012
	£	Flows	Cash changes	£
		£	£	
Cash at bank and in hand	1,840,524	(449,533)	-	1,390,991
Debt due within one year	(534,504)	534,504	(536,264)	(536,264)
Debt due after one year	(8,816,830)	8,756	536,264	(8,271,810)
	<u>(7,510,810)</u>	<u>93,727</u>	<u>-</u>	<u>(7,417,083)</u>

**PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012**

17. HOUSING STOCK

	2012	2011 (Restated)
	No.	No.
The number of units in Management at 31 March was as follows:		
General Needs	884	885
Supported Housing	6	6
Shared Ownership	12	12
	902	903

A property, which was previously classified as 1 General Needs Unit, has now been reclassified as 6 Supported Housing Units. The 2011 figure has been restated accordingly.

18. SECURE TENANCY RENTS

	2012	2011
	£	£
Annual average secure tenancy rent for housing accommodation	3652	3,488
Percentage increase from previous year	4.7%	1.8%

The rent increase for 2012 was 4.7%

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012

19. PENSION COMMITMENTS

Prospect Community Housing Limited ('Prospect') participates in the Scottish Housing Associations' 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 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

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.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012

The Scheme Actuary has calculated the employer debt that would have been payable if your organisation had withdrawn from the Scottish Housing Associations' Pension Scheme as at 30 September 2011.

The suggested Pensions Disclosure Note includes conditional paragraphs. The appropriate choice of paragraph for each employer will depend on the accounting treatment adopted by the employer, in particular whether or not a provision is made for the employer debt.

Under FRS17 an employer should only provide in the balance sheet for the potential debt on withdrawal if it was demonstrably committed as at the balance sheet date to an event that would make the liability crystallise. For example, if an employer had made the decision prior to the balance sheet date to close the Scheme to future accrual at some date in the future, then this would crystallise an employer debt on the date that the Scheme was closed to future accrual (unless the Scheme was fully funded on a buy-out basis as at the date the Scheme closed to future accrual).

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.

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 Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for Prospect was £4,105,368.

Prospect participates in the Scottish Housing Associations' Pension Scheme.

The Association has been notified by The Pensions Trust of the amount to be paid in 2012/13 is £87,210. The Association has also been notified that they will be required to pay additional contributions in relation to the past service deficit for the next thirteen years. The amount payable annually is anticipated to increase by 4.5% per annum.

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

The Scheme offers five 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.
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in,

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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 option for active members as at 31 March 2012 and the career average related earnings with a 1/70th accrual rate or 1/120th accrual rate, contracted in, (from 1 April 2011) benefit option for new entrants from 1 April 2012.

During the accounting period Prospect paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 26 active members of the Scheme employed by Prospect. The annual pensionable payroll in respect of these members was £778,130.

Prospect has closed the Final Salary 1/60th scheme to new entrants from 1 April 2012.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2009 Valuation Assumptions	% p.a.
Investment return pre retirement	7.4
Investment return post retirement - Non-pensioners	4.6
Investment return post retirement - Pensioners	4.8
Rate of salary increases	4.5
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

Mortality Tables	
Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement

Contribution Rates for Future Service (payable from 1 April 2011)	%
Final salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions *	10.4

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(* Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

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

In relation to the Growth Fund, The association has also been notified by The Pensions Trust of the amount to be paid for the past service deficit commencing 1 April 2013 for ten years is £2,470.

21. 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 2011 were £1.

Prospect Community Projects Limited has not been consolidated in the accounts of Prospect Community Housing Limited, for the year ended 31 March 2011, 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.

22. RELATED PARTY TRANSACTIONS

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

Rod MacKenzie
Sheila Bunt
Vera Geddes
Naomi Mackenzie
Alan Gee
Mo Connolly

All tenancies were granted under the Association's allocations policy, with rent under normal terms.

23. EXTRAORDINARY INCOME

A legal claim made against three parties associated with defective work on some of the Association's properties was resolved in 2010/11 by way of a settlement received for the sum of £710,000 from the three parties.

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24. PRIOR PERIOD ADJUSTMENT

The principle of component accounting is to account separately for each major component of a property asset with substantially different useful economic lives, and to depreciate them over their individual useful economic life. This change in accounting policy has resulted in major works expenditure written off in prior years being capitalised, and an additional depreciation charge now being recognised.

The effect of this change in accounting policy on the 31 March 2011 financial statements is shown below. 31 March 2011 opening reserves have been decreased by £124,524 of which £402,116 related to increased depreciation, £284,954 related to major repairs previously written off to the Income and Expenditure Account now capitalised as components, £83,241 components disposed of and £75,879 related to HAG now allocated across components.

The effect of this change on the comparative year's figures of 2011 has been to:

Increased depreciation charge	41,362
Increased Loss on Sale of assets	1,947
	<hr/>
(Decrease) in the surplus for the year	<u>(43,309)</u>

In summary the overall effect upon the balance sheet at 31 March 2011 has been to:

Increase fixed asset cost	49,156
Increase fixed asset depreciation	(422,837)
Decrease in HAG and other grants	205,848
	<hr/>
Net movement in the balance sheet	<u>(167,833)</u>

The effect of this change in accounting policy on the 31 March 2012 results has been to increase the surplus by £455,284.