

PROSPECT COMMUNITY HOUSING LIMITED
FINANCIAL STATEMENTS
AS AT 31 MARCH 2014

Financial Conduct Authority No 2290 R (S)
Register Housing Association No. HAL 204
Scottish Charity No. SC029797
Scottish Property Factors No. PF000204

BAKER TILLY UK AUDIT LLP
Chartered Accountants
Edinburgh

PROSPECT COMMUNITY HOUSING LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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Registration Particulars:

Financial Conduct Authority	Industrial and Provident Societies Act 1965 Registered Number 2290 R (S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 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 2014**

The Committee have pleasure in presenting their twenty-fifth report on Prospect'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 898 homes and providing factoring services to a further 38 in West Edinburgh. Prospect's subsidiary, Prospect Community Projects Ltd, remains dormant.

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 investing in its properties during the year, spending a further £754,295 in the refurbishment of homes in the Wester Hailes area for rent, including the continuation of our component replacement programme. At 31 March 2014 Prospect had 898 homes in management.

Prospect continued its investment in the maintenance of its existing properties, spending £997,660 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 £40,881 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	2013/14	2012/13	2011/12	2010/11	TARGET
Current Tenant Rent Arrears as % income	4.18	3.84	3.54	3.65	4.5
Voids turnaround times (days)	19	17	18	19.3	20
% rent loss due to voids	1.1	0.4	0.3	0.3	N/A
Staff costs as % of turnover	34.70	37.94	35.85	34.90	36.80

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

Risks

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

RISK	CONTROL ACTIONS
➤ Welfare benefit changes which could lead to a reduction in income for tenants and/or rent payments being made directly to the tenant, with the possible resulting increase in rent arrears.	➤ Personal approach to working with tenants. Up to date profiling of tenants and household. Enhanced support for tenants, using a variety of projects. Proactive arrears work, and involvement of Money Advice Officer (MAO) providing advice to maximise income.
➤ Cash flow is increasingly important at a time when there are pressures on our rental income and upward pressures on costs e.g. pensions. If Prospect decided to develop new homes, close monitoring of our cash flow would become increasingly important.	➤ Effective budget setting and monitoring. Minimising costs where possible. Looking at efficiencies across the organisation.
➤ New developments. If Prospect were to start to develop new homes, this would bring with it significant risks.	➤ Close consideration of the various risks prior to committing to any new development. If a new development is to proceed, then there would need to be regular reviews of the risks identified.
➤ Non-compliance with SHQS by March 2015.	➤ The current position will be reported in the 2013/14 ARC, and any further work required would be closely planned and monitored to ensure compliance by March 2015.
➤ Not meeting the Scottish Housing Charter outcomes.	➤ Review of position following completion of the ARC, with an action plan for areas where further work is required.
➤ Independence referendum implications in the event of a 'yes' vote.	➤ If there is a yes vote, then work would need to be carried out to look at the potential risks and what we would do to plan for the impact of independence.

Grants and Funding

Prospect has no current plans to develop new properties or engage in regeneration work which would attract capital grant from the Scottish Government through the City of Edinburgh Council. Prospect does, however, receive 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 Edinburgh Affordable Partnership, West Edinburgh Voluntary Sector Forum and other similar bodies.

A Community Projects Officer post has been in place for a number of years now 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. Prospect continues to seek opportunities to incorporate sustainable technology into its properties and, during the year:

- 101 properties received increased levels of insulation to their lofts;
- 78 properties received a highly efficient 'A' rated replacement gas boiler;
- 29 properties received new gas central heating, with a highly efficient 'A' rated gas boiler;
- 82 properties received improved ventilation;
- 31 properties received a replacement external door;
- 39 households received energy advice information;
- 12 properties had a new shower installed; and
- all our tenants received welfare benefits advice as well as a number of local organisations.

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

Income & Expenditure**Turnover**

Rental and Service Charge Income Receivable increased by 3.54% to £ 3,678,017 (2013:£3,552,436)

Surplus on Ordinary Activities

The surplus for the year was £795,380 (2013:£644,063) before transfer to designated reserves.

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 £ 135,651. Current revenue reserves meet this aim and are backed by cash reserves.

Transfer to Designated Reserves

Prospect introduced a pension reserve to provide for anticipated levels of future past service deficit from 2012/13 and has transferred a total of £945,155 into the reserves during the year. The amount transferred equals the present value of the past service deficit currently estimated to be repaid by September 2027.

Balance Sheet

Fixed Assets, stated at Net Book Value, increased by £449,651 from £12,186,730 to £12,636,381 financed by Housing Association Grants, Loan Finance and Prospect's own resources.

Reserves

Reserves increased by £795,377 to £5,762,815 including designated reserves held to fund future pension liabilities.

Treasury Management

Prospect, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2014, Prospect had a 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.

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, this is capitalised under the terms of SORP 2010. All other expenditure is charged to the Income and Expenditure Account.

Rent Policy

Prospect's aim 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 Prospect in order to maintain continued financial viability.

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

Committee Recruitment and Induction

New Committee members are elected at Prospect's Annual General Meeting. All new members undergo induction training.

Committee Training

Prospect invests substantially in terms of time and money in ensuring its Committee members have the skills and knowledge required to manage a successful business. These expectations are set out in a Training Policy. Training during the financial year under review has focussed on equality and 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 Prospect 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 Prospect. 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

Prospect's Management Committee has determined that between April 2014 and March 2015 Prospect will:

1. Manage Prospect's financial, staff and IT resources to ensure that the following risks relating to the changes are managed effectively:
 - Changes to welfare benefits;
 - Increasing pension liabilities;
 - Pension auto-enrolment;
 - FRS 102; and
 - Compliance with bank covenants.
2. Finalise Prospect's Energy Efficiency Strategy aimed at future-proofing existing stock and reducing fuel poverty among Prospect's tenants.
3. Improve efficiency and good practice by:
 - Upgrading the following IT systems;
 - Website;
 - Deeplake texting system;
 - Review and improve value for money across all departments; and
 - Assess future upgrade path for our Housing Management System (currently Universal Housing.)
4. Maintain and enhance Prospect's reputation and profile locally and in the wider housing context by:
 - supporting local agencies, groups and initiatives;
 - liaison with local politicians and 'influencers'; and
 - refresh Prospect's website.
5. Contribute to promoting community stability and resilience by continuing to develop our Wider Role activities.
6. Consolidate new Management Team and foster positive inter-departmental working, following senior personnel changes in March and April 2014.
7. Review budget process and implement any changes agreed.
8. 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.

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

Statement of Committee of Management Responsibilities

The Industrial and Provident Societies Act 1985-2002 requires that the Committee of Management are required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of Prospect and of the surplus or deficit of Prospect 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 Prospect 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 Prospect and to enable them to ensure that the Financial Statements comply with the legislation. They are also responsible for safeguarding the assets of Prospect 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 9 to 29 are for the period of twelve months to 31 March 2014.

Credit Payment Policy

Prospect's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is 29 days (2013: 10 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 their colleagues.

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 surveys;
- ongoing surveys relating to specific areas of our work; and
- annual rent consultation.

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

Committee of Management members at 31 March 2014

* Alan Gee	Chairperson	* Vera Geddes	Vice Chairperson
* Mo Connolly	Secretary	* Keith Noble	
* Sheila Bunt	Treasurer	* Bill Buchanan	
	(Appointed 24.4.13)		
* Peter Matthews		* Rod Mackenzie	
* Mary Jones	(Appointed 5.9.13)	* Shulah Allan	
* Marnie Roadburg		* Naomi MacKenzie	(Resigned as Treasurer 24.4.13)
* David Arnot	(Resigned 28.8.13)		

Disclosure of Information to Auditors

Members of the Committee of Management 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.

M. Connolly

**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 2014

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).

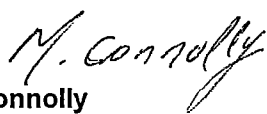
It is the Committee of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements include ensuring that:

- 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 2014. 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.

By order of the Committee of Management



Mo Connolly
Secretary

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 2014 on pages 9 to 29. 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 page 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2014 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, Part 6 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements – April 2012.

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: 27/6/14

PROSPECT COMMUNITY HOUSING LIMITED
INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	£	2014	£	£	2013	£
TURNOVER	2		3,736,070			3,607,142	
Operating costs	2		<u>(2,874,868)</u>			<u>(2,833,372)</u>	
OPERATING SURPLUS			861,202			773,770	
Gain/(Loss) on Disposal of Assets		53,420			(6,695)		
Interest receivable		6,616			17,344		
Interest payable and other charges	4		<u>(125,858)</u>			<u>(140,356)</u>	
			<u>(65,822)</u>			<u>(129,707)</u>	
SURPLUS FOR THE YEAR	13		<u>795,380</u>			<u>644,063</u>	

The above results relate wholly to continuing activities.

There are no recognised surpluses or deficits other than those included in the Income and Expenditure Account.

BALANCE SHEET AS AT 31 MARCH 2014

	Notes	2014		2013	
		£	£	£	£
FIXED ASSETS					
Housing properties - depreciated cost	7a	51,395,168		51,347,333	
Less: HAG	7a	(37,665,391)		(38,028,149)	
Other public grants	7a	<u>(1,997,221)</u>		<u>(2,014,612)</u>	
	7a		11,732,556		11,304,572
Office Accommodation	7b		799,244		779,738
Other fixed assets	7c		<u>104,581</u>		<u>102,420</u>
			12,636,381		12,186,730
CURRENT ASSETS					
Debtors	8	229,387		256,705	
Cash at bank and in hand	16c	<u>1,002,264</u>		<u>1,031,239</u>	
		1,231,651		1,287,944	
CREDITORS:					
Amounts falling due within one year	9	<u>(923,985)</u>		<u>(781,705)</u>	
NET CURRENT ASSETS			<u>307,666</u>		<u>506,239</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			12,994,047		12,692,969
CREDITORS:					
Amounts falling due after more than one year	10		<u>(7,181,231)</u>		<u>(7,725,530)</u>
NET ASSETS			<u>5,762,816</u>		<u>4,967,439</u>
CAPITAL AND RESERVES					
Share Capital	11		71		74
Designated Reserves	12		1,909,632		964,477
Revenue Reserves	13		<u>3,853,113</u>		<u>4,002,888</u>
			<u>5,762,816</u>		<u>4,967,439</u>

Approved by the Management Committee and authorised for issue on 25 June 2014 and signed on their behalf by:

A Gee



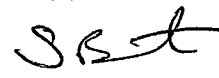
Chairperson

M Connolly



Secretary

S Bunt



Treasurer

PROSPECT COMMUNITY HOUSING LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

		2014		2013	
	Note	£	£	£	£
Net cash inflow from operating activities	16(a)		1,445,929		1,123,267
Returns on investment and servicing of finance					
Interest received		6,616		17,344	
Interest paid	4	<u>(125,858)</u>		<u>(140,356)</u>	
Net cash outflow from returns on investment and servicing of finance			(119,242)		(123,012)
Capital expenditure					
Cash paid for construction and purchases	7a	(700,832)		(762,552)	
Net Purchase of other fixed assets	7c	(85,160)		(51,792)	
Other public grants (repaid)/received	7a	<u>(26,947)</u>		<u>(5,885)</u>	
Net cash outflow from capital expenditure			(812,939)		(820,229)
Net Cash inflow before financing and management of liquid resources			<u>513,748</u>		<u>180,026</u>
Financing					
Issue of Share Capital	11	2		1	
Loan received	10	-		-	
Loan repayments	10	<u>(542,725)</u>		<u>(539,779)</u>	
Net cash (outflow) from financing			(542,723)		(539,778)
(Decrease) in cash	16(b)		<u>(28,975)</u>		<u>(359,752)</u>

Further details are given in note 16.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014

1. ACCOUNTING POLICIES

The Association is registered under the Industrial and Provident Societies Act 1965 and is registered with the Financial Conduct Authority (formerly 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 Determination of Accounting Requirements – April 2012, 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 2014-17 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 £795,380, had year-end cash balances of £1,002,264, net current assets of £307,666 and net assets of £5,762,816 of which £3,853,113 were unrestricted.

The Association plans to consider a sustainability programme in 2014/15 which may require additional loan financing and grant funding. Further detailed projections will be considered during 2014/15.

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. Mortgage Loans

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

e. 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 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.

f. 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 2014

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 major components of housing properties are 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 j (i). The 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.

g. 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.

h. 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.

i. 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.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014

1. ACCOUNTING POLICIES (continued)

j. 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
Environmentals	not depreciated

(ii) Other Fixed Assets

Expenditure incurred is written-off at the following annual percentages of cost on a straight line basis: -

Office equipment	15%
Computer equipment	25%
Office accommodation	2%
Office Kitchen	5%
Estate Assets	25%

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

k. 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.

l. Designated Reserves

A designated reserve was held for major repair and replacement expenditure, however during 2012/2013 this reserve was transferred back to revenue reserves.

A designated reserve has been put in place to provide for future liability, in line with the past service debt notified to the Association as payable until September 2027 in relation to the SHAPS pension scheme.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014

1. ACCOUNTING POLICIES (continued)

m. 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.

n. 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.

o. 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.

p. 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.

q. Taxation

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

r. Allocation of Office Costs

Office costs are allocated to Major Repairs, Componentised Assets and Maintenance at 12%, 12% and 25% respectively based on staff time profiles. (2012/13: 12%, 12% and 25%).

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014

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

	Turnover	Operating Costs	Operating Surplus/(Deficit)	Operating Surplus/ (Deficit) 2013
	£	£	£	£
Social Lettings (note 3a)	3,678,017	(2,650,784)	1,027,233	831,439
Other Activities (note 3b)	58,053	(224,084)	(166,031)	(57,669)
	<hr/>	<hr/>	<hr/>	<hr/>
2014 Total	<u>3,736,070</u>	<u>(2,874,868)</u>	<u>861,202</u>	<u>773,770</u>
2013 Total	<u>3,607,142</u>	<u>(2,833,372)</u>	<u>773,770</u>	

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)

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

	2014 General Needs Housing £	2014 Shared Ownership £	2014 Total £	2013 Total £
Rent Receivable net of Service Charges	3,520,513	30,498	3,551,011	3,414,666
Service Charges	166,385	-	166,385	166,269
Gross income from rents and service charges	3,686,898	30,498	3,717,396	3,580,935
Less Voids	(39,379)	-	(39,379)	(28,499)
Net income from rents & service charges	3,647,519	30,498	3,678,017	3,552,436
Management/Maintenance Administration Costs	1,140,222	9,878	1,150,100	1,147,132
Service Costs	165,972	-	165,972	165,175
Planned & Cyclical Maintenance including Major Repair Costs	429,777	-	429,777	580,000
Reactive Maintenance Costs	567,883	-	567,883	544,493
Bad Debts-Rents & Service Charges	37,257	-	37,257	29,419
Depreciation of Social Housing	299,795	-	299,795	254,778
Operating costs for social lettings Activities	2,640,906	9,878	2,650,784	2,720,997
Operating surplus for social lettings 2014	1,006,613	20,620	1,027,233	831,439
Operating surplus for social lettings 2013	810,760	20,679	831,439	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £Nil (2013 – £Nil)

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(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 2013
	£	£	£	£	£	£	£	£	£
Wider Role Activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	(46,300)	(46,300)	(46,300)	(44,661)
Factoring	-	-	10,935	10,935	-	(11,133)	(11,133)	(198)	346
Other Activities	-	-	47,118	47,118	(18,162)	(148,489)	(166,651)	(119,533)	(13,354)
Total from other Activities	-	-	58,053	58,053	(18,162)	(205,922)	(224,084)	(166,031)	(57,669)

Total from other activities – 2013

During the year Prospect, as the agent, received Stage III Grant of £6,048, (2013: £20,764), and SLAB Grant of £11,302 (2013: £Nil). 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 Determination of Accounting Requirements 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

	2014	2013
	£	£
Total Interest Incurred on Loans	125,858	140,356

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014

5. EMPLOYEES

	2014	2013
	£	£
Staff costs during year		
Wages and Salaries	1,065,245	1,116,847
Social Security Costs	90,198	93,280
Other Pension Costs (Including Past Service Deficit)	156,968	164,328
	<u>1,312,411</u>	<u>1,374,455</u>
The average full time equivalent number of persons employed by the Association during the year were as follows:	No.	No.
Corporate and Finance	6	6
Property Services	20	24
Housing Management	9	9
	<u>35</u>	<u>39</u>

The Directors are defined as the members of the Committee of Management, the Director and any other person reporting directly to the Directors or the Committee of Management whose total emoluments, excluding pension contributions, exceed £60,000 per year (2013 : £60,000)

	2014	2013
	£	£
Aggregate Emoluments payable to Directors (excluding pensions contributions)	139,133	132,029
Pensions payable for Directors	12,340	11,316
Emoluments payable to Highest Paid Director (excluding pension contributions)	76,256	74,136

	2014	2013
Emoluments paid to Directors including pensions can be analysed as:		
£60,001 - £70,000	2	3
£70,001 - £80,000	-	-
£80,001 - £90,000	1	1

The Association's contributions to the pension scheme for the Highest Paid Director amounted to £6,705 (2013: £6,277). The employer's contribution is currently 9.6% of salary, plus an additional cost of 11.36% 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>2,718</u>	<u>2,890</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

	2014	2013
	£	£
Received in capacity as Auditor	<u>9,718</u>	<u>9,260</u>

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014

7. TANGIBLE FIXED ASSETS

a) Housing Properties Including Shared Ownership Properties	2014 Held For Letting	2014 Environ- mentals	2014 In Course Of Construction	2014 Total
	£	£	£	£
COST				
At start of period	53,118,530	753,235	-	53,871,765
Additions during period	749,397	-	4,898	754,295
Disposals	(479,988)	-	-	(479,988)
At end of period	<u>53,387,939</u>	<u>753,235</u>	<u>4,898</u>	<u>54,146,072</u>
DEPRECIATION				
At start of period	2,524,432	-	-	2,524,432
Charged during period	299,795	-	-	299,795
Disposals	(73,323)	-	-	(73,323)
At end of period	<u>2,750,904</u>	<u>-</u>	<u>-</u>	<u>2,750,904</u>
Depreciated Cost	<u>50,637,035</u>	<u>753,235</u>	<u>4,898</u>	<u>51,395,168</u>
HOUSING ASSOCIATION GRANT				
At start of period	37,331,336	696,813	-	38,028,149
HAG repaid	(26,947)	-	-	(26,947)
Disposals	(335,811)	-	-	(335,811)
At end of period	<u>36,968,578</u>	<u>696,813</u>	<u>-</u>	<u>37,665,391</u>
OTHER PUBLIC GRANTS				
At start of period	2,014,612	-	-	2,014,612
Disposals	(17,391)	-	-	(17,391)
At end of period	<u>1,997,221</u>	<u>-</u>	<u>-</u>	<u>1,997,221</u>
NET BOOK VALUE				
At end of period	<u>11,671,236</u>	<u>56,422</u>	<u>4,898</u>	<u>11,732,556</u>
At start of period	<u>11,248,150</u>	<u>56,422</u>	<u>-</u>	<u>11,304,572</u>

The shared ownership properties (11 units out of 898 units held for letting) are not disclosed separately as the amounts are not considered material.

At 31 March 2014, none of the cost of the properties included in letting properties were held under a lease (2013: none).

During the year £749,397 (2013: £795,377) out of a total planned, cyclical and major repairs spend of £1,179,174 (2013: £1,375,377) was capitalised. All amounts capitalised related to component replacements and no expenditure was incurred during 2013/14 (2013: £Nil) on capitalised improvement works.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014

7b) Office Accommodation	2014	2013		
COST	£	£		
At start and at end of period	1,027,469	1,027,469		
Additions during period	41,917	-		
At end of period	<u>1,069,386</u>	<u>1,027,469</u>		
AGGREGATE DEPRECIATION				
At start of period	247,731	227,132		
Charged during period	22,411	20,599		
At end of period	<u>270,142</u>	<u>247,731</u>		
NET BOOK VALUE				
At end of period	<u>799,244</u>	<u>779,738</u>		
At start of period	<u>779,738</u>	<u>800,337</u>		
c) Other Fixed Assets	2014	2014	2014	2014
	Estate	Office	Computer	Total
	Assets	Equipment	Equipment	
	£	£	£	£
COST				
At start of period	63,464	47,613	177,728	288,805
Additions during period	-	5,192	40,881	46,073
Disposals during period	(11,327)	-	-	(11,327)
At end of period	<u>52,137</u>	<u>52,805</u>	<u>218,609</u>	<u>323,551</u>
AGGREGATE DEPRECIATION				
At start of period	52,171	37,387	96,827	186,385
Charge for period	4,233	2,895	33,953	41,081
Disposals during period	(8,496)	-	-	(8,496)
At end of period	<u>47,908</u>	<u>40,282</u>	<u>130,780</u>	<u>218,970</u>
NET BOOK VALUE				
At 31 st March 2014	<u>4,229</u>	<u>12,523</u>	<u>87,829</u>	<u>104,581</u>
At 31 st March 2013	<u>11,293</u>	<u>10,226</u>	<u>80,901</u>	<u>102,420</u>

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014

8. DEBTORS

	2014	2013
	£	£
Rental arrears	164,434	148,625
Less: Bad debt provision	<u>(68,071)</u>	<u>(58,817)</u>
	96,363	89,808
Accrued income	7,423	26,468
Prepaid expenses	68,885	74,050
Other debtors	56,391	65,654
Other taxation	325	725
	<u>229,387</u>	<u>256,705</u>

9. CREDITORS: Amounts falling due within one year

	2014	2013
	£	£
Housing Loans (note 10)	544,339	542,765
Trade creditors	133,184	76,212
Other creditors	114,414	68,025
Other Taxation and Social Security	22,740	-
Rent received in advance	90,151	74,365
Accruals and retentions unpaid	19,157	20,338
	<u>923,985</u>	<u>781,705</u>

10. CREDITORS: Amounts falling due after more than one year

	2014	2013
	£	£
Housing Loans	<u>7,725,570</u>	<u>8,268,295</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	544,339	542,765
Between 1 – 2 years	545,758	544,339
Between two and five years	1,646,867	1,642,398
After five years	<u>4,988,606</u>	<u>5,538,793</u>
	7,725,570	8,268,295
Included in creditors: amounts falling due within one year (Note 9)	<u>(544,339)</u>	<u>(542,765)</u>
	<u>7,181,231</u>	<u>7,725,530</u>

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014

11. SHARE CAPITAL

	2014	2013
	£	£
Shares of £1 each fully paid and issued		
At start of period	74	78
Issued during period	2	1
Cancelled during period	(5)	(5)
At end of period	<u>71</u>	<u>74</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.

2. DESIGNATED RESERVES

	2014	2013
	£	£
(a) Major Repairs		
At start of period	-	2,249,596
Release to Revenue Reserve (Note 13)	<u>-</u>	<u>(2,249,596)</u>
At end of period	<u>-</u>	<u>-</u>

The reserve was 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 reserve was discontinued in 2012/13 with the reserve being released to Revenue Reserve.

(b) Pension Liabilities

	£	£
At start of period	964,477	-
Transfer from Revenue Reserve (Note 13)	<u>945,155</u>	<u>964,477</u>
At end of period	<u>1,909,632</u>	<u>964,477</u>

The amount transferred to this reserve equals the Net Present Value of the Past Service Deficit of the SHAPS Scheme payable until September 2027.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014

13. REVENUE RESERVE

	2014 £	2013 £
At 1 April	4,002,888	2,073,706
Surplus for the year	795,380	644,063
Transfer from designated reserves (Note 12(a))	-	2,249,596
Transfer to designated reserves (Note 12(b))	(945,155)	(964,477)
Balance at 31 st March	<u>3,853,113</u>	<u>4,002,888</u>

14. CAPITAL COMMITMENTS

	2014 £	2013 £
Expenditure contracted less certified	<u>-</u>	<u>-</u>

15. CONTINGENT LIABILITIES

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 2013. As of this date the estimated employer debt for Prospect Community Housing Limited was £4,130,283.

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 2014 was £1,115,969 (31st March 2013 £762,767).

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014

16. NOTES TO CASHFLOW STATEMENT

	2014	2013
(a) Reconciliation of operating surplus to net cash inflow from activities	£	£
Operating surplus	861,202	773,770
Gain/(Loss) on Disposal of Property	53,420	(6,695)
Depreciation	363,287	325,736
Decrease/(Increase) in debtors	27,318	(38,590)
Increase in creditors	140,707	69,051
Members shares cancelled	(5)	(5)
Net cash inflow from operating activities	<u>1,445,929</u>	<u>1,123,267</u>
(b) Reconciliation of net cash flow to movement in net debt		
(Decrease) in cash in the period	(28,975)	(359,752)
Cash inflow from movement in debt	<u>542,725</u>	<u>539,779</u>
Movement in net debt in the year	513,750	180,027
Increase in loans during year	<u>-</u>	<u>-</u>
Net debt at 1 April 2013	<u>(7,237,056)</u>	<u>(7,417,083)</u>
Net debt at 31 March 2014	<u>(6,723,306)</u>	<u>(7,237,056)</u>

(c) Analysis of changes in net debt

	2013	Cash Flows	Other non Cash changes	2014
	£	£	£	£
Cash at bank and in hand	1,031,239	(28,975)	-	1,002,264
Debt due within one year (note 10)	(542,765)	542,765	(544,339)	(544,339)
Debt due after one year (note 10)	(7,725,530)	(40)	544,339	(7,181,231)
	<u>(7,237,056)</u>	<u>513,750</u>	<u>-</u>	<u>(6,723,306)</u>

7. HOUSING STOCK

	2014	2013
	No.	No.

The number of units in Management at 31 March was as follows:

General Needs	883	883
Supported Housing	4	6
Shared Ownership	<u>11</u>	<u>12</u>
	<u>898</u>	<u>901</u>

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014

18. SECURE TENANCY RENTS

	2014	2013
	£	£
Annual average secure tenancy rent for housing accommodation	3,960	3,805
Percentage increase from previous year	4.1%	4.2%

The rent increase for 2014 was 3.9%

9. 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 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

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.

**PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014**

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.

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 2013.

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 2013. As of this date the estimated employer debt for Prospect was £4,130,283.

The Association has been notified by The Pensions Trust that the amount to be paid towards Past Service Deficits in 2014/15 is £156,173. The Association has also been notified that they will be required to pay additional contributions in relation to the past service deficit until September 2027. The amount payable annually is anticipated to increase by 4.5% per annum based on the current past service deficit. This therefore equals to a Net Present Value of £1,909,633 for which an equivalent amount has been transferred from Revenue to Designated Reserves to provide for future liability. This amount may be subject to change following the results of the next valuation.

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.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014

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 21 active members of the Scheme employed by Prospect. The annual pensionable payroll in respect of these members was £679,271.

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:

2012 Valuation Assumptions	% p.a.
Investment return pre retirement	5.3
Investment return post retirement - Non-pensioners	3.4
Investment return post retirement - Pensioners	3.4
Rate of salary increases	4.1
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.0
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6

Mortality Tables	
Non-pensioners	44% pf SP1PMA (males) and SP1PFA (females) projected using CM1_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females.
Pensioners	90% pf SP1PMA (males) and SP1PFA (females) projected using CM1_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females.

Contribution Rates for Future Service (payable from 1 April 2014)	%
Final salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014

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 2014 were £1.

Prospect Community Projects Limited has not been consolidated in the accounts of Prospect Community Housing Limited, for the year ended 31 March 2014, 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.

