

**PROSPECT COMMUNITY HOUSING LIMITED**  
**FINANCIAL STATEMENTS**  
**AS AT 31 MARCH 2015**

**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 2015

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**Registration Particulars:**

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 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

**Registered Office:**

6 Westburn Avenue  
Edinburgh  
EH14 2TH

**Auditors:**

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

**Solicitors:**

T C Young 69a George Street Edinburgh EH2 2JG	Anderson Strathern 1 Rutland Court Edinburgh EH3 8EY
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**PROSPECT COMMUNITY HOUSING LIMITED  
REPORT OF THE COMMITTEE OF MANAGEMENT  
FOR THE YEAR ENDED 31 MARCH 2015**

The Committee have pleasure in presenting their twenty-sixth report on Prospect's affairs.

**BUSINESS OVERVIEW**

**Constitution & Legal Framework**

Prospect Community Housing was founded in 1988. It was constituted under the Co-operative and Community Benefit Societies Act 2014 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 £862,642 in the refurbishment of homes in the Wester Hailes area for rent, including the continuation of our component replacement programme. At 31 March 2015 Prospect had 898 homes in management.

Prospect continued its investment in the maintenance of its existing properties, spending £951,953 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 antisocial behaviour.

A total of £176,828 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. Performance in all of the following areas has improved during the past year.

<b>INDICATOR</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>TARGET</b>
<b>Current Tenant Rent Arrears as % income</b>	4.02	4.18	3.84	3.54	4.5
<b>Voids turnaround times (days)</b>	14	19	17	18	19
<b>% rent loss due to voids</b>	0.5	1.1	0.4	0.3	N/A
<b>Staff costs as % of turnover</b>	32.26	34.70	37.94	35.85	36.80

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**PROSPECT COMMUNITY HOUSING LIMITED  
REPORT OF THE COMMITTEE OF MANAGEMENT  
FOR THE YEAR ENDED 31 MARCH 2015**

**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:

<b>RISK</b>	<b>CONTROL ACTIONS</b>
<ul style="list-style-type: none"> <li>➤ <b>Welfare benefit changes</b> 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.</li> </ul>	<ul style="list-style-type: none"> <li>➤ 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.</li> </ul>
<ul style="list-style-type: none"> <li>➤ <b>Cash flow</b> 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.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Effective budget setting and monitoring. Minimising costs where possible. Considerable efficiencies have been achieved across the organisation, and we will continue to look at further efficiencies in the future.</li> </ul>
<ul style="list-style-type: none"> <li>➤ <b>New developments.</b> If Prospect were to start to develop new homes, this would bring with it significant risks.</li> </ul>	<ul style="list-style-type: none"> <li>➤ 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.</li> </ul>
<ul style="list-style-type: none"> <li>➤ <b>Not meeting the Scottish Housing Charter outcomes.</b></li> </ul>	<ul style="list-style-type: none"> <li>➤ Review of position following completion of the ARC, with an action plan for areas where further work is required. The first year of results were very positive.</li> </ul>

**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 (CEC). 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 Housing Partnership, West Edinburgh Voluntary Sector Forum and other similar bodies.

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. Prospect is currently working towards meeting the energy efficiency targets set within the new 2020 Energy Efficiency Standard for Social Housing (ESSH) target.

**PROSPECT COMMUNITY HOUSING LIMITED  
REPORT OF THE COMMITTEE OF MANAGEMENT  
FOR THE YEAR ENDED 31 MARCH 2015**

**Income & Expenditure**

**Turnover**

Rental and Service Charge Income Receivable increased to £3,862,244 (2014:£3,717,396).

**Surplus on Ordinary Activities**

The surplus for the year was £857,406 (2014:£795,380) before transfer to/from 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 £1,053,751. Current revenue reserves meet this aim and are backed by cash reserves.

**Transfer to Designated Reserves**

Prospect introduced a designated pension reserve to provide for anticipated levels of future past service deficit payments from 2012/13 and has transferred a total of £79,793 from the Designated Reserves into the Revenue Reserves during the year, representing payments made towards the deficit. The amount remaining in the Designated Reserves equals the present value of the past service deficit payments currently estimated to be repaid by September 2027.

**Balance Sheet**

Fixed Assets, stated at Net Book Value, increased by £590,827 from £12,636,381 to £13,227,208 financed by Housing Association Grants, Loan Finance and Prospect's own resources.

**Reserves**

Reserves increased by £857,406 to £6,620,151 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 2015, 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 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 2015**

**Committee Recruitment and Induction**

New Board 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 risk management, the Scottish Social Housing Charter and tenant scrutiny. 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. The rules are currently in the process of being revised following approval at the SGM held on 29 April 2015.

**Future Prospects**

Prospect's Management Committee has determined that between April 2015 and March 2016 Prospect will ensure the following:

Prospect's financial health

- Implement the new Statement of Recommended Practice (SORP) 2014
- Manage pension auto-enrolment
- Ensure compliance with bank covenants
- Achieve inflation only rent increases by April 2016, and work to make sure that this is sustainable
- Minimise lost rent due to rent arrears and voids

Community development and tenant involvement

- Work closely with local partners to continue existing community projects, and develop new projects
- Support the work of the voluntary sector in the area
- Revise our approach to tenant involvement, including further development of tenant scrutiny
- Mitigate the effects of welfare changes through information, support and training
- Regularly liaise with local elected members and officials

Information Technology

- Replace the existing Universal Housing (UH) housing management system with Cx
- Revise the key procedural areas linking to Cx implementation

Investing in Prospect's housing stock

- Plan for implementation of five year shower installation programme
- Achieve anticipated outputs on planned maintenance (including componentised asset replacement)
- Develop a clear plan for achieving the Energy Efficiency Standard for Social Housing (ESSH) by 2020

Pursuing new development opportunities

- Actively consider opportunities for building new properties
- Work closely with Management Committee to consider what, if any, opportunities we want to pursue
- Regularly liaise with staff at CEC regarding development opportunities

Governance and risk management

- Introduce an appraisal system for Management Committee members
- Revise the approach to Risk Management to ensure that risks are effectively managed throughout the organisation

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 2015**

**Statement of Committee of Management Responsibilities**

The Co-operative and Community Benefit Societies Act 2014 and Registered Social Housing 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 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; and
- 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 10 to 30 are for the period of twelve months to 31 March 2015.

**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 22 days (2014: 29 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. Current Working Groups on which staff are represented include:

- Health and Safety working group
- Equalities working group
- Budget working group
- Business Plan working group
- IT working group

A Health and Safety Committee, which comprises staff and Committee members, meets quarterly to review health and safety issues. Each department has a 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
- annual rent consultation

**PROSPECT COMMUNITY HOUSING LIMITED  
REPORT OF THE COMMITTEE OF MANAGEMENT  
FOR THE YEAR ENDED 31 MARCH 2015**

**Committee of Management members at 31 March 2015**

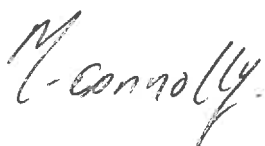
* Alan Gee	<b>Chairperson</b>	* Vera Geddes	
* Mo Connolly	<b>Secretary</b>	* Naomi MacKenzie	<b>Vice Chairperson</b>
* Sheila Bunt	<b>Treasurer</b>	* Bill Buchanan	
* Peter Matthews		* Rod Mackenzie	
* Mary MacRaid		* Shulah Allan	
* Marnie Roadburg		* Keith Noble	
* Gary Marchbank	Co-opted 28.1.15		

**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**



**PROSPECT COMMUNITY HOUSING LIMITED****COMMITTEE OF MANAGEMENT STATEMENT ON INTERNAL FINANCIAL CONTROLS****FOR THE YEAR ENDED 31 MARCH 2015**

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 2015. 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 AUDITORS REPORT TO THE MEMBERS OF  
PROSPECT COMMUNITY HOUSING LIMITED ON INTERNAL FINANCIAL CONTROLS**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 7 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

**Basis of Opinion**

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. 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 reason given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on page 7 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls 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  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh, EH3 9QG

Date: *30/6/15*

**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 2015 on pages 10 to 30. 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 Part 7 of the Co-operative and Community Benefit Societies Act 2014. 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](http://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 2015 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, 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 Co-operative and Community Benefit Societies Act 2014 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  
Chartered Accountants  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh, EH3 9QG

Date: 30/6/15

**PROSPECT COMMUNITY HOUSING LIMITED**  
**INCOME & EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2015**

	Notes	£	2015	£	£	2014	£
<b>TURNOVER</b>	2			4,009,083			3,736,070
Operating costs	2			<u>(2,920,222)</u>			<u>(2,874,868)</u>
<b>OPERATING SURPLUS</b>				1,088,861			861,202
(Loss)/Gain on Disposal of Assets				(21,134)		53,420	
Interest receivable				12,721		6,616	
Interest payable and other charges	4			<u>(223,042)</u>		<u>(125,858)</u>	
				<u>(231,455)</u>		<u>(65,822)</u>	
<b>SURPLUS FOR THE YEAR</b>	13			<u>857,406</u>		<u>795,380</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.


PROSPECT COMMUNITY HOUSING LIMITED

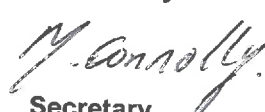
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BALANCE SHEET AS AT 31 MARCH 2015

	Notes	2015		2014	
		£	£	£	£
<b>FIXED ASSETS</b>					
Housing properties - depreciated cost	7a	51,431,284		51,395,168	
Less: HAG	7a	(37,299,267)		(37,665,391)	
Other public grants	7a	<u>(1,925,440)</u>		<u>(1,997,221)</u>	
	7a		12,206,577		11,732,556
Office Accommodation	7b		789,019		799,244
Other fixed assets	7c		<u>231,612</u>		<u>104,581</u>
			13,227,208		12,636,381
<b>CURRENT ASSETS</b>					
Debtors	8	284,524		229,387	
Cash at bank and in hand	16c	<u>3,513,827</u>		<u>1,002,264</u>	
		3,798,351		1,231,651	
<b>CREDITORS:</b>					
Amounts falling due within one year	9	<u>(769,723)</u>		<u>(923,985)</u>	
<b>NET CURRENT ASSETS</b>			<u>3,028,628</u>		<u>307,666</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			16,255,836		12,994,047
<b>CREDITORS:</b>					
Amounts falling due after more than one year	10		<u>(9,635,614)</u>		<u>(7,181,231)</u>
<b>NET ASSETS</b>			<u><u>6,620,222</u></u>		<u><u>5,762,816</u></u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	11		71		71
Designated Reserves	12		1,829,839		1,909,632
Revenue Reserves	13		<u>4,790,312</u>		<u>3,853,113</u>
			<u><u>6,620,222</u></u>		<u><u>5,762,816</u></u>

Approved by the Management Committee and authorised for issue on 24 June 2015 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 2015**

	Note	£	2015 £	£	2014 £
<b>Net cash inflow from operating activities</b>	16(a)		1,290,937		1,445,929
<b>Returns on investment and servicing of finance</b>					
Interest received		12,721		6,616	
Interest paid	4	<u>(223,042)</u>		<u>(125,858)</u>	
<b>Net cash outflow from returns on investment and servicing of finance</b>			(210,321)		(119,242)
<b>Capital expenditure</b>					
Cash paid for construction and purchases	7a	(835,860)		(700,832)	
Net Purchase of other fixed assets	7b&c	(189,190)		(85,160)	
Other public grants (repaid)	7a	<u>-</u>		<u>(26,947)</u>	
<b>Net cash outflow from capital expenditure</b>			(1,025,050)		(812,939)
<b>Net Cash inflow before financing and management of liquid resources</b>			<u>55,566</u>		<u>513,748</u>
<b>Financing</b>					
Issue of Share Capital	11	2		2	
Loan received	16b	3,000,000		-	
Loan repayments	16b	<u>(544,005)</u>		<u>(542,725)</u>	
<b>Net cash inflow/(outflow) from financing</b>			2,455,997		(542,723)
<b>Increase/(decrease) in cash</b>	16(b)		<u>2,511,563</u>		<u>(28,975)</u>

Further details are given in note 16.

**PROSPECT COMMUNITY HOUSING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT 31 MARCH 2015**

**1. ACCOUNTING POLICIES**

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 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 2015-18 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 £857,406 had year-end cash balances of £3,513,827, net current assets of £3,028,628 and net assets of £6,620,222 of which £4,790,312 were unrestricted.

**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 2015**

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**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 are included in the accounts.

**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**  
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**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 put in place in the 2013/14 financial year 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**  
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**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**

On 1<sup>st</sup> April 2014, the Association closed the Final Salary and Care Related schemes in the centralised Scottish Housing Association's Pension Scheme (SHAPS), and now only operates a Defined Contribution Scheme in respect of staff. The pension cost charged in the financial statements represents the contribution payable by Prospect Community Housing Ltd during the year.

**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. (2014: 12%, 12% and 25%).

**PROSPECT COMMUNITY HOUSING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. ANALYSIS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT**

	Turnover	Operating Costs	Operating Surplus/(Deficit)	Operating Surplus/ (Deficit) 2014
	£	£	£	£
<b>Social Lettings</b> (note 3a)	3,841,232	(2,638,491)	1,202,741	1,027,233
<b>Other Activities</b> (note 3b)	167,851	(281,731)	(113,880)	(166,031)
	-----	-----	-----	-----
<b>2015 Total</b>	<b><u>4,009,083</u></b>	<b><u>(2,920,222)</u></b>	<b><u>1,088,861</u></b>	<b><u>861,202</u></b>
<b>2014 Total</b>	<b><u>3,736,070</u></b>	<b><u>(2,874,868)</u></b>	<b><u>861,202</u></b>	

**PROSPECT COMMUNITY HOUSING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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*(Continued)*

<b>3(a) PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM SOCIAL LETTING ACTIVITIES</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>
	<b>General</b>	<b>Shared</b>	<b>Total</b>	<b>Total</b>
	<b>Needs</b>	<b>Ownership</b>		
	<b>Housing</b>			
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Rent Receivable net of Service Charges	3,659,744	30,549	3,690,293	3,551,011
Service Charges	171,951	-	171,951	166,385
<b>Gross income from rents and service charges</b>	<b>3,831,695</b>	<b>30,549</b>	<b>3,862,244</b>	<b>3,717,396</b>
Less Voids	(21,012)	-	(21,012)	(39,379)
<b>Net income from rents &amp; service charges</b>	<b>3,810,683</b>	<b>30,549</b>	<b>3,841,232</b>	<b>3,678,017</b>
Management/Maintenance Administration Costs	1,107,327	9,243	1,116,570	1,150,100
Service Costs	195,664	-	195,664	165,972
Planned & Cyclical Maintenance including Major Repair Costs	498,799	-	498,799	429,777
Reactive Maintenance Costs	453,154	-	453,154	567,883
Bad Debts-Rents & Service Charges	12,466	-	12,466	37,257
Depreciation of Social Housing	361,838	-	361,838	299,795
<b>Operating costs for social lettings Activities</b>	<b>2,629,248</b>	<b>9,243</b>	<b>2,638,491</b>	<b>2,650,784</b>
<b>Operating surplus for social lettings 2015</b>	<b>1,181,435</b>	<b>21,306</b>	<b>1,202,741</b>	<b>1,027,233</b>
Operating surplus for social lettings 2014	1,006,613	20,620	1,027,233	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £Nil (2014 – £Nil)

**PROSPECT COMMUNITY HOUSING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT 31 MARCH 2015**  
*(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 2014 £
Wider Role Activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	(51,720)	(51,720)	(51,720)	(46,300)
Factoring	-	-	15,401	15,401	-	(15,149)	(15,149)	252	(198)
Other Agency (SLAB/Big Lottery)	-	82,574	-	82,574	-	(82,574)	(82,574)	-	-
Stage III Grant	-	22,830	-	22,830	-	(22,830)	(22,830)	-	-
Other Activities	-	-	47,046	47,046	(24,983)	(84,475)	(109,458)	(62,412)	(119,533)
<b>Total from other Activities</b>	-	<b>105,404</b>	<b>62,447</b>	<b>167,851</b>	<b>(24,983)</b>	<b>(256,748)</b>	<b>(281,731)</b>	<b>(113,880)</b>	<b>(166,031)</b>
Total from other activities – 2014	-	-	<b>75,403</b>	<b>75,403</b>	<b>(18,162)</b>	<b>(223,272)</b>	<b>(241,434)</b>	<b>(166,031)</b>	

During the year Prospect, as the agent, received Big Lottery Grant of £48,414 (2014: £Nil). Included in creditors is £16,051 of Big Lottery and The Russell Trust due to be paid over at the year end.

**4. INTEREST PAYABLE**

	2015	2014
Total Interest Incurred on Loans	£ 223,042	£ 125,858

**PROSPECT COMMUNITY HOUSING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**5. EMPLOYEES**

<b>Staff costs during year</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Wages and Salaries	964,599	1,065,245
Social Security Costs	96,953	90,198
Other Pension Costs (Including Past Service Deficit)	242,421	156,968
	<u>1,303,973</u>	<u>1,312,411</u>

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

	<b>No.</b>	<b>No.</b>
Corporate and Finance	6	6
Property Services	17	20
Housing Management	8	9
	<u>31</u>	<u>35</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 (2014 : £60,000)

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Aggregate Emoluments payable to Directors (excluding pensions contributions)	253,846	139,133
Pensions payable for Directors	27,076	12,340
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>70,618</u>	<u>76,256</u>

Emoluments paid to Directors including pensions can be analysed as:

	<b>2015</b>	<b>2014</b>
£60,001 - £70,000	3	2
£70,001 - £80,000	1	-
£80,001 - £90,000	<u>-</u>	<u>1</u>

The Association's contributions to the pension scheme for the Highest Paid Director amounted to £7,535 (2014: £6,705). The employer's contribution is currently 12% 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>1,527</u>	<u>2,718</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**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Received in capacity as Auditor	<u>10,026</u>	<u>9,718</u>

**PROSPECT COMMUNITY HOUSING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**7. TANGIBLE FIXED ASSETS**

a) Housing Properties Including Shared Ownership Properties	2015 Held For Letting	2015 Environ- mentals	2015 In Course Of Construction	2015 Total
	£	£	£	£
<b>COST</b>				
At start of period	53,387,939	753,235	4,898	54,146,072
Additions during period	862,642	-	-	862,642
Disposals	(551,808)	-	(4,898)	(556,706)
At end of period	<u>53,698,773</u>	<u>753,235</u>	<u>-</u>	<u>54,452,008</u>
<b>DEPRECIATION</b>				
At start of period	2,750,904	-	-	2,750,904
Charged during period	361,838	-	-	361,838
Disposals	(92,018)	-	-	(92,018)
At end of period	<u>3,020,724</u>	<u>-</u>	<u>-</u>	<u>3,020,724</u>
<b>Depreciated Cost</b>	<u>50,678,049</u>	<u>753,235</u>	<u>-</u>	<u>51,431,284</u>
<b>HOUSING ASSOCIATION GRANT</b>				
At start of period	36,968,578	696,813	-	37,665,391
HAG repaid	-	-	-	-
Disposals	(366,124)	-	-	(366,124)
At end of period	<u>36,602,454</u>	<u>696,813</u>	<u>-</u>	<u>37,299,267</u>
<b>OTHER PUBLIC GRANTS</b>				
At start of period	1,997,221	-	-	1,997,221
Disposals	(71,781)	-	-	(71,781)
At end of period	<u>1,925,440</u>	<u>-</u>	<u>-</u>	<u>1,925,440</u>
<b>NET BOOK VALUE</b>				
At end of period	<u>12,150,155</u>	<u>56,422</u>	<u>-</u>	<u>12,206,577</u>
At start of period	<u>11,671,236</u>	<u>56,422</u>	<u>4,898</u>	<u>11,732,556</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 2015, none of the cost of the properties included in letting properties were held under a lease (2014: none).

During the year £862,642 (2014: £749,397) out of a total planned, cyclical and major repairs spend of £1,361,441 (2014: £1,179,174) was capitalised. All amounts capitalised related to component replacements and no expenditure was incurred during 2015 (2014: £Nil) on capitalised improvement works.

**PROSPECT COMMUNITY HOUSING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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<b>7b) Office Accommodation</b>		<b>2015</b>	<b>2014</b>
		£	£
<b>COST</b>			
At start and at end of period		1,069,386	1,027,469
Additions during period		12,362	41,917
At end of period		<u>1,081,748</u>	<u>1,069,386</u>
<b>AGGREGATE DEPRECIATION</b>			
At start of period		270,142	247,731
Charged during period		22,587	22,411
At end of period		<u>292,729</u>	<u>270,142</u>
<b>NET BOOK VALUE</b>			
At end of period		<u>789,019</u>	<u>799,244</u>
At start of period		<u>799,244</u>	<u>779,738</u>
<b>7c) Other Fixed Assets</b>			
	<b>2015</b>	<b>2015</b>	<b>2015</b>
	<b>Estate</b>	<b>Office</b>	<b>Computer</b>
	<b>Assets</b>	<b>Equipment</b>	<b>Equipment</b>
	£	£	£
<b>COST</b>			£
At start of period	52,137	52,805	218,609
Additions during period	-	-	176,828
Disposals during period	-	-	(12,793)
At end of period	<u>52,137</u>	<u>52,805</u>	<u>382,644</u>
<b>AGGREGATE DEPRECIATION</b>			
At start of period	47,908	40,282	130,780
Charge for period	4,229	3,027	42,541
Disposals during period	-	-	(12,793)
At end of period	<u>52,137</u>	<u>43,309</u>	<u>160,528</u>
<b>NET BOOK VALUE</b>			
At end of period	<u>-</u>	<u>9,496</u>	<u>222,116</u>
At start of period	<u>4,229</u>	<u>12,523</u>	<u>87,829</u>
			<u>231,612</u>
			<u>104,581</u>



**PROSPECT COMMUNITY HOUSING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. DEBTORS**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Rental arrears	165,196	164,434
Less: Bad debt provision	<u>(55,295)</u>	<u>(68,071)</u>
	109,901	96,363
Accrued income	11,603	7,423
Prepaid expenses	85,287	68,885
Other debtors	77,304	56,391
Other taxation	429	325
	<u>284,524</u>	<u>229,387</u>

**9. CREDITORS: Amounts falling due within one year**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Housing Loans (note 10)	545,951	544,339
Trade creditors	59,611	133,184
Other creditors	11,764	114,414
Other Taxation and Social Security	23,884	22,740
Rent received in advance	79,986	90,151
Accruals and retentions unpaid	<u>48,527</u>	<u>19,157</u>
	<u>769,723</u>	<u>923,985</u>

Included in Other Creditors above is £18,237 of pension contributions due at 31 March 2015.

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

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Housing Loans	<u>10,181,565</u>	<u>7,725,570</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 3.565% in instalments due as follows: -</p>		
Due within 1 year	545,951	544,339
Between 1 – 2 years	546,099	545,758
Between 2 and 5 years	1,840,472	1,646,867
After 5 years	<u>7,249,043</u>	<u>4,988,606</u>
	10,181,565	7,725,570
Included in creditors: amounts falling due within one year (Note 9)	<u>(545,951)</u>	<u>(544,339)</u>
	<u>9,635,614</u>	<u>7,181,231</u>

**PROSPECT COMMUNITY HOUSING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. SHARE CAPITAL**

	2015	2014
	£	£
<b>Shares of £1 each fully paid and issued</b>		
At start of period	71	74
Issued during period	2	2
Cancelled during period	(2)	(5)
At end of period	<u>71</u>	<u>71</u>

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

**12. DESIGNATED RESERVES**

	2015	2014
	£	£
<b>Pension Liabilities</b>		
At start of period	1,909,632	964,477
Release to/transfer from Revenue Reserve (Note 13)	(79,793)	945,155
At end of period	<u>1,829,839</u>	<u>1,909,632</u>

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

**13. REVENUE RESERVE**

	2015	2014
	£	£
At 1 April	3,853,113	4,002,888
Surplus for the year	857,406	795,380
Transfer from designated reserves (Note 12)	79,793	-
Transfer to designated reserves (Note 12)	-	(945,155)
Balance at 31 <sup>st</sup> March	<u>4,790,312</u>	<u>3,853,113</u>

**14. CAPITAL COMMITMENTS**

	2015	2014
	£	£
Expenditure contracted less certified	<u>66,900</u>	<u>-</u>

**PROSPECT COMMUNITY HOUSING LIMITED**  
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**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 30<sup>th</sup> September 2013. As of this date the estimated employer debt for Prospect Community Housing Limited was £5,532,916.

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 31<sup>st</sup> March 2015 was £1,553,874 (2014 £1,115,969).

**16. NOTES TO CASHFLOW STATEMENT**

	2015	2014		
<b>(a) Reconciliation of operating surplus to net cash inflow from activities</b>	<b>£</b>	<b>£</b>		
Operating surplus	1,088,862	861,202		
(Loss)/Gain on Disposal of Property	(21,134)	53,420		
Depreciation	434,222	363,287		
(Increase)/Decrease in debtors	(55,137)	27,318		
(Decrease)/Increase in creditors	(155,874)	140,707		
Members shares cancelled	(2)	(5)		
Net cash inflow from operating activities	<u>1,290,937</u>	<u>1,445,929</u>		
<b>(b) Reconciliation of net cash flow to movement in net debt</b>				
<b>Increase/(Decrease) in cash in the period</b>	2,511,563	(28,975)		
Cash inflow from movement in debt	544,005	542,725		
<b>Movement in net debt in the year</b>	3,055,568	513,750		
Increase in loans during year	(3,000,000)	-		
Net debt at 1 April 2014	<u>(6,723,306)</u>	<u>(7,237,056)</u>		
Net debt at 31 March 2015	<u>(6,667,738)</u>	<u>(6,723,306)</u>		
<b>(c) Analysis of changes in net debt</b>				
	<b>2014</b>	<b>Cash</b>	<b>Other non</b>	<b>2015</b>
	<b>£</b>	<b>Flows</b>	<b>Cash changes</b>	<b>£</b>
Cash at bank and in hand	1,002,264	£	£	3,513,827
Debt due within one year (note 10)	(544,339)	2,511,563	-	(545,951)
Debt due after one year (note 10)	(7,181,231)	544,339	(545,951)	(9,635,614)
	<u>(6,723,306)</u>	<u>(3,000,334)</u>	545,951	<u>(6,667,738)</u>
		55,568	-	

**PROSPECT COMMUNITY HOUSING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**17. HOUSING STOCK**

	<b>2015</b>	<b>2014</b>
	<b>No.</b>	<b>No.</b>
The number of units in Management at 31 March was as follows:		
General Needs	883	883
Supported Housing	4	4
Shared Ownership	11	11
	<u>898</u>	<u>898</u>

**18. SECURE TENANCY RENTS**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Annual average secure tenancy rent for housing accommodation	4,118	3,960
Percentage increase from previous year	<u>3.99%</u>	<u>4.1%</u>

The basic rent increase for 2015 was 3.9%, but following a programme of Shower installations the average rent increased by 3.99%.

**PROSPECT COMMUNITY HOUSING LIMITED**  
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**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 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.

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 the organisation had withdrawn from the Scottish Housing Associations' Pension Scheme as at 30 September 2013.

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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 £5,532,916.

The Association has been notified by The Pensions Trust that the amount to be paid towards Past Service Deficits in 2015/16 is £160,698. 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 3% per annum based on the current past service deficit. This therefore equals to a Net Present Value of £1,829,839 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 six 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.
- Defined Contribution (DC) option.

Prospect elected to operate only the Defined Contribution (DC) option with effect from 1<sup>st</sup> April 2014.

During the accounting period Prospect paid contributions at a maximum rate of 12% and minimum rate of 6% of pensionable salaries. Member contributions were a minimum of 3%, and no maximum.

As at the balance sheet date there were 22 active members of the Scheme employed by Prospect. The annual pensionable payroll in respect of these members was £720,762.

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

<b>2012 Valuation Assumptions</b>	<b>% p.a.</b>
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
<b>Rate of pension increases</b>	
- 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

<b>Mortality Tables</b>	
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.

<b>Contribution Rates for Future Service (payable from 1 April 2014)</b>	<b>%</b>
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

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**20. SUBSIDIARY DISCLOSURE**

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

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

The net assets of the company as at 31 March 2015 were £1.

Prospect Community Projects Limited has not been consolidated in the accounts of Prospect Community Housing Limited, for the year ended 31 March 2015, 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 Conduct Authority.

**21. 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  
Gary Marchbank

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