

PROSPECT COMMUNITY HOUSING LIMITED
FINANCIAL STATEMENTS
AS AT 31 MARCH 2016

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

**PROSPECT COMMUNITY HOUSING LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

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Registration Particulars:

Financial Conduct Authority	Co-operative and Community Benefit Society Act 2014 Registered Number SP 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:

RSM UK Audit LLP (Formerly Baker Tilly UK Audit LLP)
Statutory Auditor
Third Floor, Centenary House
69 Wellington Street
Glasgow, G2 6HG

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 2016**

The Committee have pleasure in presenting their twenty-seventh report on Prospect's affairs for the year ended 31 March 2016.

BUSINESS OVERVIEW

Constitution & Legal Framework

Prospect Community Housing was founded in 1988. It was constituted under the Co-operative and Community Benefit Society Act in that year. It is a registered Scottish Charity. The financial statements reflect the introduction of Financial Reporting Standard 102 ('FRS 102') and the Statement of Recommended Practice for Registered Social Landlords 2014 for the first time. Comparative figures have been updated accordingly. See note 24 to the financial statements for further detail.

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 £925,140 (2015: £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 2016 Prospect had 898 homes in management.

Prospect continued its investment in the maintenance of its existing properties, spending £893,837 (2015: £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 pro-active strategy of minimising the potential cost and disruption of antisocial behaviour.

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 most of the following areas has improved during the past year.

INDICATOR	2015/16	2014/15	2013/14	2012/13	TARGET
Current Tenant Rent Arrears as % income	4.20	4.02	4.18	3.84	4.5
Voids turnaround times (days)	13.5	14	19	17	19
% rent loss due to voids	0.3	0.5	1.1	0.4	N/A
Staff costs as % of turnover	28.90	32.26	34.70	37.94	36.80

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2016**

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
<ul style="list-style-type: none"> ➤ 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. 	<ul style="list-style-type: none"> ➤ 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.
<ul style="list-style-type: none"> ➤ 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. 	<ul style="list-style-type: none"> ➤ 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.
<ul style="list-style-type: none"> ➤ New developments. If Prospect were to start to develop new homes, this would bring with it significant risks. 	<ul style="list-style-type: none"> ➤ 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.
<ul style="list-style-type: none"> ➤ Not meeting the Scottish Housing Charter outcomes. 	<ul style="list-style-type: none"> ➤ 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.

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, Wester Hailes Community Trust 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 2016**

Income & Expenditure

Turnover

Rental and Service Charge Income Receivable increased by 2.7% to £3,933,634 (2015: £3,862,244)

Surplus on Ordinary Activities

The surplus for the year was £974,409 (2015: £771,402) 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 £815,525. Current revenue reserves meet this aim and are backed by cash reserves.

Going Concern

The Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Balance Sheet

Fixed Assets, stated at Net Book Value, decreased by £12,682 from £42,793,459 to £42,780,777. These were financed by Housing Association Grants (now shown as a deferred capital grant creditor), Loan Finance and Prospect's own resources.

Reserves

Reserves increased by £974,409 from £2,710,967 to £3,685,376.

Treasury Management

Prospect, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2016, 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 2014. All other expenditure is charged to the Statement of Comprehensive Income.

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.

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 long term financial planning, regulatory standards of governance and financial management and health and safety. 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. At the SGM on 29 April 2015 members approved a change in the Rules and the new Rules were adopted from July 2015.

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2016**

Business Plan

Prospect's business plan sets out the direction and aims of the Association over a three year period from April 2015 to March 2018. Central to the document are the organisation's Vision, Values and Strategic Objectives which were developed in consultation with tenants and staff and through discussion with the Business Plan working group.

Our vision: Providing homes and building communities together.

Our values: Pioneering, reliability, listening, fairness, partnership.

Our strategic objectives are outlined in the table below:

<p>Independence – thrive as an independent, community based organisation</p> <ul style="list-style-type: none"> • Work to ensure that the organisation is financially secure by <ul style="list-style-type: none"> ○ Keeping to within planned budgeted expenditure ○ Undertaking sensitivity analysis on our long term financial projections ○ Focussing on value for money ○ Through annual budget process, achieving cost reductions where possible, and minimising any areas where costs increase • Focus on good governance arrangements • Ensure compliance with new Scottish Housing Regulator guidance
<p>Planned property improvements – invest £4.4m during the period of the business plan, including work to fully meet the standards set out in the Energy Efficiency Standard for Social Housing (EESH)</p> <ul style="list-style-type: none"> • Make progress that would allow us to fully comply with the Energy Efficiency Standard for Social Housing (EESH) by 2018 • Complete all the anticipated property investment programme that is included in the 2016/17 budget • Be on target to spend £4.4m by March 2018 on planned property improvements • Fully utilise the Cx Planned and Servicing module to assist with operating our plans, and keep the information required for future planning in this area up to date. This is due to go live in early May
<p>New housing provision – to build new affordable homes to meet housing need, providing they contribute to the financial health of Prospect</p> <ul style="list-style-type: none"> • Actively investigate development opportunities by: <ul style="list-style-type: none"> ○ Meeting with local elected members ○ Meeting with Council staff, both locally and centrally ○ Keeping up to date with planning decisions locally ○ Contacting private developers who are active in our area • Keep Management Committee up to date each month with any opportunities that we are pursuing • Regularly discuss development opportunities with our lenders, and discuss with them the potential funding sources for new developments
<p>Affordable rents – achieve a maximum of inflation (RPI) only rent increases from April 2016</p> <ul style="list-style-type: none"> • Through budget process, ensure that costs are contained so that rent increase does not have to be above RPI • Start sensitivity work with Management Team and Committee regarding the impact of CPI increases, whether this is realistic, and the steps we would need to put in place to achieve this • Following from above, consider whether we should aim to have CPI increases as an aim for our next business plan in 2018
<p>Customer service – improve tenant satisfaction (to be measured by the survey results from the next tenant survey)</p> <ul style="list-style-type: none"> • Fully utilise the Cx system to improve communication and service to tenants • Rollout of Tenant Scrutiny • Achieve improvements in tenant satisfaction, measured by the 2016 tenant survey
<p>Community Projects – develop new community projects, and ensure current projects are reshaped appropriately, in partnership with other agencies that meet local priorities</p> <ul style="list-style-type: none"> • Work towards the aims set out in the Community Action Plan • Work with partners more strategically to develop projects to reflect the community priorities arising from the Open Space events • Commitment to being connected to our community in as many ways as possible (e.g. voluntary sector forum, Community Council, liaison with local agencies, participation in local events)

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2016**

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.

Progress towards achieving Strategic Objectives

This table indicates the progress made towards achieving these objectives as detailed at 31 March 2016.

OBJECTIVE	ACHIEVEMENTS
Independence	<ul style="list-style-type: none"> · Improved financial position · Member of Housemark to access benchmarking information
Planned property improvements	<ul style="list-style-type: none"> · On budget spending to date
New housing provision	<ul style="list-style-type: none"> · Local opportunities being explored · Involvement in Affordable Housing Partnership to explore options for development · Strong links with City of Edinburgh Council
Affordable rents	<ul style="list-style-type: none"> · RPI only rent increase applied in April 2016
Customer service	<ul style="list-style-type: none"> · Implementation of new website and tenant portal provides additional options for customers to communicate with us · Tenant survey to be carried out before the end of 2016
Community projects	<ul style="list-style-type: none"> · Involvement in Open Space event in 2015 · Founding partner in the Wester Hailes Community Trust

Statement of Committee of Management Responsibilities

The Co-operative and Community Benefit Societies Act 2014 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;
- 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 Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Registered Housing Associations Determination of Accounting Requirements 2014. 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. It has general responsibility for taking reasonable steps to safeguard the assets of Prospect and to prevent and detect fraud and other irregularities.

Results for the Period

The attached Financial Statements on pages 10 to 36 are for the period of twelve months to 31 March 2016.

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 (2015: 22 days).

**PROSPECT COMMUNITY HOUSING LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2016**

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
- 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

Committee of Management members at 31 March 2016 and up to date of approval of these financial statements:

* Alan Gee	Chairperson	* Keith Noble	
* Mo Connolly	Secretary	* Naomi MacKenzie	
* Sheila Bunt	Vice Chairperson	* Shulah Allan	
* Peter Matthews	Treasurer	* Milind Kolhatkar	Elected 8.9.15
* Mary MacRaid		* David Corcoran	Elected 8.9.15
* Bill Buchanan		* Gary Marchbank	
* Vera Geddes	Resigned 24.6.15	* Rod Mackenzie	Deceased 31.8.15
* Marnie Roadburg	Resigned 28.9.15		

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 RSM UK Audit LLP (previously Baker Tilly UK Audit LLP)

M. Connolly

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

25/6/16

**PROSPECT COMMUNITY HOUSING LIMITED
COMMITTEE OF MANAGEMENT STATEMENT ON INTERNAL FINANCIAL CONTROLS
FOR THE YEAR ENDED 31 MARCH 2016**

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 ongoing 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;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- 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; and
- 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 2016. 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

M. Connolly
**Mo Connolly
Secretary**

**PROSPECT COMMUNITY HOUSING LIMITED
INDEPENDENT AUDITOR'S 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.

RSM UK Audit LLP

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)

Statutory Auditor

Chartered Accountants

Third Floor

Centenary House

69 Wellington Street

Glasgow

G2 6HG

Date *2/7/16*

**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 2016 on pages 10 to 36. 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) including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland".

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.

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 2016 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 – December 2014.

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.

RSM UK Audit LLP

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)
Statutory Auditor

Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date: 12/7/16.

PROSPECT COMMUNITY HOUSING LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	2015 £
TURNOVER		4,579,296	4,506,519
Operating expenditure	2	<u>(3,251,006)</u>	<u>(3,405,144)</u>
OPERATING SURPLUS		1,328,290	1,101,375
Gain/(Loss) on Disposal of property plant and equipment		(7,449)	(55,652)
Interest receivable		38,440	12,721
Interest and financing costs	5	<u>(384,872)</u>	<u>(287,042)</u>
SURPLUS FOR THE YEAR	7	<u>974,409</u>	<u>771,402</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>974,409</u></u>	<u><u>771,402</u></u>

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

PROSPECT COMMUNITY HOUSING LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Notes	2016	2015
		£	£
FIXED ASSETS			
Intangible Assets	8	146,227	148,282
Housing properties	9a	41,784,904	41,772,828
Other fixed assets	9b	849,646	872,349
		<u>42,780,777</u>	<u>42,793,459</u>
CURRENT ASSETS			
Trade and other debtors	10	280,590	284,524
Cash and cash equivalents		3,371,902	3,513,827
		<u>3,652,492</u>	<u>3,798,351</u>
CURRENT LIABILITIES:			
Creditors: Amounts falling due within one year	11	1,298,039	1,267,159
NET CURRENT ASSETS		<u>2,354,453</u>	<u>2,531,192</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		45,135,230	45,324,651
Creditors: Amounts falling due after more than one year	12	39,559,794	40,603,613
Provisions for liabilities:			
Pension Liability	15	1,890,000	2,010,000
TOTAL NET ASSETS		<u>3,685,436</u>	<u>2,711,038</u>
RESERVES			
Share Capital	16	60	71
Income and expenditure reserves		3,685,376	2,710,967
TOTAL RESERVES		<u>3,685,436</u>	<u>2,711,038</u>

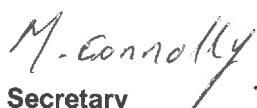
Approved by the Management Committee and authorised for issue on 29 June 2016 and signed on their behalf by:

A Gee



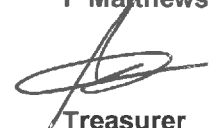
Chairperson

M Connolly



Secretary

P Matthews



Treasurer

PROSPECT COMMUNITY HOUSING LIMITED
STATEMENT OF CHANGES IN RESERVES
AS AT 31 MARCH 2016

	Notes	Income and expenditure reserve £	Total £
Balance at 1 April 2014		1,939,565	1,939,565
Surplus / (deficit) for the year		771,402	771,402
Balance as at 31 March 2015		<u>2,710,967</u>	<u>2,710,967</u>
Surplus / (deficit) for the year		974,409	974,409
Balance at 31 March 2016		<u><u>3,685,376</u></u>	<u><u>3,685,376</u></u>

PROSPECT COMMUNITY HOUSING LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £	2015 £
Net cash generated from operating activities	19	1,694,387	1,312,072
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(979,968)	(1,051,832)
Proceeds from sale of tangible fixed assets		1,020	5,649
Interest received		38,440	12,721
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		<u>(940,508)</u>	<u>(1,033,462)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(344,174)	(223,042)
Interest element of finance lease rental payments		(733)	-
New secured loans		-	3,000,000
Repayment of borrowings		(545,390)	(544,005)
Issue of Share Capital		4	-
Capital element of finance lease rental payments		(5,511)	-
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		<u>(895,804)</u>	<u>2,232,953</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(141,925)</u>	<u>2,511,563</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>3,513,827</u>	<u>1,002,264</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	<u>3,371,902</u>	<u>3,513,827</u>

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016

1. ACCOUNTING POLICIES

a. Legal Status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The address of the Company's registered office and principal place of business is 6 Westburn Avenue, Edinburgh, EH14 2TH.

The Association's principal activities are the provision of Social Rented Housing.

Prospect Community Housing is a Public Benefit Entity.

b. 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. These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and the comply with the Determination of Accounting Requirements 2014, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£).

c. Critical Accounting Estimates and Areas of Judgement

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below

Critical accounting estimates

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the asset management projections and reactive repairs expenditure.

The rate used to discount the past service deficit defined benefit obligations to their present value is based upon market yields for high quality corporate bonds with terms consistent with those of the benefit obligations. Our commitment to the SHAPS of £2,162,000 for the next 11 ½ years has been discounted at a rate of 2.29% amounting to a net present value of £1,890,000 at 31 March 2016.

Critical areas of judgement

Management have determined that given the immaterial number of shared ownership properties held there is no value added by separating these properties from the social housing stock held for let.

**PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016**

1. ACCOUNTING POLICIES (continued)

d. Change in Accounting Policy

These financial statements are the first financial statements of Prospect Community Housing Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Prospect Community Housing Limited for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP.

Consequently, the directors have amended certain accounting policies to comply with FRS 102. Comparative figures have been restated to reflect the adjustments made. Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) reserves at the date of transition to FRS 102; (ii) reserves at the end of the comparative period; and (iii) income or expenditure for the comparative period reported under previous UK GAAP are given in note 24.

e. 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 £974,409, had year-end cash balances of £3,371,902, net current assets of £2,354,453 and net assets of £3,685,436.

On that basis, the Management Committee, has a reasonable expectation that Prospect has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

f. 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 provided at the invoice value (excluding VAT). Tenant service charges are levied on a basis intended to cover appropriate service costs each year.

g. Mortgage Loans

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

h. Government Grants

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset (excluding land) under the accruals model.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant a liability is included in the Statement of Financial Position to recognise this obligation.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016

1. ACCOUNTING POLICIES (continued)

i. Other Grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

j. Fixed Assets – Housing Land And Buildings

Housing Properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent and shared ownership. Housing properties and shared ownership properties are stated at cost 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
- (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 Statement of Comprehensive Income.

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 n(i). The accounting policy is compliant with the FRS 102 and the Housing SORP 2014.

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.

k. 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income.

l. Impairment of Fixed Assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, Prospect Community Housing Limited estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the Statement of Comprehensive Income.

**PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016**

1. ACCOUNTING POLICIES (continued)

m. 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.

n. Depreciation

(i) Housing Properties

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

Land	not depreciated
Structure	80 years
Roofs	70 years
Kitchens	15 years
Windows/doors	35 years
Boilers	15 years
Radiators	40 years
Electrics	40 years
Showers	15 years

(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.

**PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016**

1. ACCOUNTING POLICIES (continued)

o. Intangibles

All intangible assets shall be considered to have a finite useful life. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but maybe shorter depending on the period over which the entity expects to use the asset.

p. Leases

The annual rentals in relation to operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

q. Cash and cash equivalents

Cash includes all short-term bank deposits maturing within one month, which the Committee regards as part of the Association's bank balances.

r. 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.

s. Pensions

On 1st 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.

For the SHAPS, contributions are recognised in the Statement of Comprehensive Income in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the RSL will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

t. Taxation

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

u. 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. (2014/15: 12%, 12% and 25%).

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016

1. ACCOUNTING POLICIES (continued)

v. Financial Instruments

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Financial liabilities

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016

1. ACCOUNTING POLICIES (continued)

w. Provisions

Provisions are recognised when the RSL has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016

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

		Turnover	Operating Costs	Operating Surplus/(Deficit)	Operating Surplus/ (Deficit) 2015
		£	£	£	£
Social Lettings	(note 3a)	4,451,314	(3,065,866)	1,385,448	1,215,255
Other Activities	(note 3b)	127,982	(185,140)	(57,158)	(113,880)
		-----	-----	-----	-----
2016 Total		<u>4,579,296</u>	<u>(3,251,006)</u>	<u>1,328,290</u>	<u>1,101,375</u>
2015 Total		<u>4,506,519</u>	<u>(3,405,144)</u>	<u>1,101,375</u>	

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016
(Continued)

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

	2016 General Needs Housing £	2016 Shared Ownership £	2016 Total £	2015 Total £
Rent Receivable net of Service Charges	3,751,593	31,282	3,782,875	3,690,293
Service Charges	182,041	-	182,041	171,951
Gross income from rents and service charges	3,933,634	31,282	3,964,916	3,862,244
Less Voids	(10,961)	-	(10,961)	(21,012)
Net income from rents & service charges	3,922,673	31,282	3,953,955	3,841,232
Grants released from deferred income	497,359	-	497,359	497,436
Total turnover from affordable letting activities	4,420,032	31,282	4,451,314	4,338,668
Management/Maintenance Administration Costs	1,040,944	8,653	1,049,597	1,106,570
Service Costs	189,506	-	189,506	195,664
Planned & Cyclical Maintenance including Major Repair Costs	457,692	-	457,692	498,799
Reactive Maintenance Costs	436,145	-	436,145	453,154
Bad Debts-Rents & Service Charges	28,329	-	28,329	12,466
Depreciation of affordable let properties	904,597	-	904,597	856,760
Operating costs for affordable letting activities	3,057,213	8,653	3,065,866	3,123,413
Operating surplus for affordable letting activities	1,362,819	22,629	1,385,448	1,215,255
Operating surplus for affordable lettings activities for 2015	1,193,949	21,306	1,215,255	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £Nil (2015 – £Nil)

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016
(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 2016	Operating (Deficit)/ Surplus 2015
	£	£	£	£	£	£	£	£	£
Wider Role Activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	(46,289)	(46,289)	(46,289)	(51,720)
Factoring	-	-	14,419	14,419	-	(14,789)	(14,789)	(370)	252
Other Agency (SLAB/Big Lottery)	-	53,246	-	53,246	-	(53,246)	(53,246)	-	-
Stage III Grant	-	14,304	-	14,304	-	(14,304)	(14,304)	-	-
Other Activities	-	-	46,013	46,013	(19,262)	(37,250)	(56,512)	(10,499)	(62,412)
Total from other Activities	-	67,550	60,432	127,982	(19,262)	(165,878)	(185,140)	(57,158)	(113,880)
Total from other activities – 2015	-	-	62,447	167,851	(24,983)	(256,748)	(281,731)	(113,880)	

During the year Prospect, as the agent, received Big Lottery grant of £15,051 (2015: £48,414). Included in creditors is £10,725 (2015: £10,620) of SLAB grants due to be paid over at the year end.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016

4. HOUSING STOCK

	2016	2015
	No.	No.
The number of units in Management at 31 March was as follows:		
General Needs	883	883
Supported Housing	4	4
Shared Ownership	11	11
	898	898
	898	898

5. INTEREST PAYABLE AND FINANCING COSTS

	2016	2015
	£	£
Total Interest Incurred on Loans	341,792	223,042
Net cost on pension	43,080	64,000
	384,872	287,042
Total	384,872	287,042

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016

6. EMPLOYEES

	2016	2015
	£	£
Staff costs (including key management personnel) during year		
Wages and Salaries	974,369	964,599
Social Security Costs	97,777	96,953
Other Pension Costs (Including Past Service Deficit)	251,449	242,421
	<u>1,323,595</u>	<u>1,303,973</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	17	17
Housing Management	8	8
	<u>31</u>	<u>31</u>

The key management personnel 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

	2016	2015
	£	£
Aggregate Emoluments payable to key management personnel (excluding pensions contributions)	263,557	253,846
Pensions payable for key management personnel	28,106	27,076
Emoluments payable to the Director (excluding pension contributions)	<u>73,851</u>	<u>70,618</u>

Emoluments paid to KMP including pensions can be analysed as:	2016	2015
£60,001 - £70,000	2	3
£70,001 - £80,000	1	1
£80,001 - £90,000	<u>1</u>	<u>-</u>

The Association's contributions to the pension scheme for the Director amounted to £7,850 (2015: £7,535). 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 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.

	2016	2015
	£	£
Total expenses reimbursed insofar as not chargeable to UK Income Tax	1,500	1,527

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.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016

7. OPERATING SURPLUS OR DEFICIT

	2016	2015
	£	£
Operating surplus is stated after charging/(crediting):		
Depreciation of housing properties (note 8(a))	904,596	856,760
Depreciation of other tangible fixed assets (note 8(b))		
- owned	79,586	72,384
(Surplus)/deficit on disposals to tangible fixed assets	7,449	55,652

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:

	2016	2015
	£	£
Audit services - statutory audit of the Association	12,341	10,026
All other non-audit services	2,798	-

8. INTANGIBLE ASSETS

	2016
	£
Cost	
At 1 st April 2015	148,282
Additions	-
At 31 st March 2016	148,282
Amortisation	
At 1 st April 2015	-
Charge for Year	2,055
At 31 st March 2016	2,055
Net Book Value	146,227

The intangible assets relate to IT Software, including the Civica CX system.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016

9. TANGIBLE FIXED ASSETS

a) Housing Properties Including Shared Ownership Properties	2016 Held For Letting	2016 Total
	£	£
COST		
At start of period	53,698,773	53,698,773
Additions during period	925,140	925,140
Disposals	(487,593)	(487,593)
At end of period	<u>54,136,320</u>	<u>54,136,320</u>
DEPRECIATION		
At start of period	11,925,945	11,925,945
Charged during period	904,596	904,596
Disposals	(479,125)	(479,125)
At end of period	<u>12,351,416</u>	<u>12,351,416</u>
NET BOOK VALUE NET		
At end of period	<u>41,784,904</u>	<u>41,784,904</u>
At start of period	<u>41,772,828</u>	<u>41,772,828</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 2016, none of the cost of the properties included in letting properties were held under a lease (2015: none).

During the year £925,140 (2015: £862,642) out of a total planned, cyclical and major repairs spend of £1,382,832 (2015: £1,361,441) was capitalised. All amounts capitalised related to component replacements and no expenditure was incurred during 2015/16 (2015: £Nil) on capitalised improvement works.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016

9b) Other Fixed Assets

	Office Accommodation £	Estate Assets £	Office Equipment £	Computer Equipment £	Total £
COST					
At start of period	1,081,748	52,137	52,805	234,362	1,421,052
Additions during period	22,801	-	7,204	24,823	54,828
Disposals during period	-	(1,030)	-	-	(1,030)
At end of period	1,104,549	51,107	60,009	259,185	1,474,850
AGGREGATE DEPRECIATION					
At start of period	292,729	52,137	43,309	160,528	548,703
Charge for period	23,013	-	3,450	51,068	77,531
Disposals during period	-	(1,030)	-	-	(1,030)
At end of period	315,742	51,107	46,759	211,596	625,204
NET BOOK VALUE					
At 31 st March 2016	788,807	-	13,250	47,589	849,646
At 31 st March 2015	789,019	-	9,496	73,834	872,349

10. DEBTORS

	2016	2015
	£	£
Rental arrears	171,426	165,196
Less: Bad debt provision	(56,670)	(55,295)
	114,756	109,901
Accrued income	27,647	11,603
Prepaid expenses	89,419	85,287
Other debtors	48,768	77,304
Other taxation	-	429
	280,590	284,524

11. CREDITORS: Amounts falling due within one year

	2016	2015
	£	£
Debt (note 14)	547,099	545,951
Trade creditors	94,134	59,611
Other creditors	31,266	11,764
Other Taxation and Social Security	24,873	23,884
Rent received in advance	75,549	79,986
Accruals and retentions unpaid	27,759	48,527
Deferred capital grant (note 13)	497,359	497,436
	1,298,039	1,267,159

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016

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

	2016	2015
	£	£
Debt (Note 14)	9,089,077	9,635,614
Deferred capital grant (Note 13)	30,470,717	30,967,999
	<u>39,559,794</u>	<u>40,603,613</u>

13. DEFERRED CAPITAL GRANT

	2016	2015
	£	£
As at 1 April	31,465,435	31,962,870
Capital grant released	(497,359)	(497,436)
As at 31 March	<u>30,968,076</u>	<u>31,465,435</u>
Amounts to be released within one year (note 11)	497,359	497,436
Amounts to be released in more than one year	30,470,717	30,967,999
	<u>30,968,076</u>	<u>31,465,435</u>

14. DEBT ANALYSIS: Borrowings

	2016	2015
	£	£
Housing Loans	<u>9,636,176</u>	<u>10,181,565</u>

Housing Loans are secured by a standard security 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: -

Due within 1 year	547,099	545,951
Between 1 – 2 years	549,348	546,099
Between two and five years	1,996,325	1,652,972
After five years	<u>6,543,404</u>	<u>7,436,543</u>
	9,636,176	10,181,565

Included in creditors: amounts falling due within one year (Note 11)

<u>(547,099)</u>	<u>(545,951)</u>
<u>9,089,077</u>	<u>9,635,614</u>

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016

15. PROVISIONS

	SHAPS	Total
	Pension	£
	£	£
As at 1 April 2015	2,010,000	2,010,000
Utilised in the year	(155,000)	(155,000)
Additional provision in year	-	-
Unwinding of discount	43,000	43,000
Increase due to change in discount rate	(8,000)	(8,000)
As at 31 March 2016	1,890,000	1,890,000

The SHAPS provision represents the net present value of the commitment to the multiemployer pension scheme in respect of the past deficits.

16. SHARE CAPITAL

	2016	2015
	£	£
Shares of £1 each fully paid and issued		
At start of period	71	71
Issued during period	4	2
Cancelled during period	(15)	(2)
At end of period	60	71

The Association is limited by guarantee and consequently has no capital. 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.

17. CAPITAL COMMITMENTS

	2016	2015
	£	£
Expenditure contracted less certified	66,900	66,900

18. 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 £5,532,916.

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016

19. NOTES TO STATEMENT OF CASH FLOWS

	2016	2015
Reconciliation of operating surplus to net cash inflow from activities	£	£
Surplus for the year	974,409	771,402
Lapsed Membership	(15)	
Depreciation of tangible fixed assets	984,182	929,144
Amortisation of capital grant	(497,359)	(497,435)
Defined benefit pension schemes	(160,698)	-
Leases	6,244	-
Increase/(decrease) in provisions	-	(10,000)
(Gain)/loss on disposal of tangible fixed assets	7,449	55,652
Interest received	(38,440)	(12,721)
Interest payable	384,872	287,042
Taxation	-	-
Operating cash flows before movement in working capital	1,660,644	1,523,083
Decrease/(increase) in stock	-	-
Decrease/(increase) in trade and other debtors	3,934	(55,137)
(Decrease)/increased in trade and other creditors	29,809	(155,874)
Cash generated from/(used in) operations	1,694,387	1,312,072

Cash and cash equivalents

	2016	2015
Cash and cash equivalents represents:	£	£
Cash at bank	371,902	263,827
Short-term deposits	3,000,000	3,250,000
	3,371,902	3,513,827

20. SECURE TENANCY RENTS

	2016	2015
	£	£
Annual average secure tenancy rent for housing accommodation	4,239	4,134
Percentage increase from previous year	2.54%	4.39%

The basic rent increase for 2016 was 2.4%, but following a programme of Shower installations the average rent increased by 2.54%.

PROSPECT COMMUNITY HOUSING LIMITED
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21. RETIREMENT BENEFITS

SHAPS Defined Benefit Scheme

Prospect Community Housing Association participates in the Scottish Housing Associations' Pension Scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

From 1 April 2014 to 30 September 2027:	£26,304,000 per annum
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The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

The Association has agreed to make additional deficit payments to SHAPS at the rate of £165,359 per year rising by an additional 3% per annum for 11.5 years using a discount rate based on a AA corporate rate bond for the same period. A liability based upon a discounted net present value of £1,890,000 has been recognised within provisions for the contribution obligations.

PROSPECT COMMUNITY HOUSING LIMITED
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21. RETIREMENT BENEFITS (continued)

PRESENT VALUES OF PROVISION

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2016 (£000s)	Period Ending 31 March 2015 (£000s)
Provision at start of period	2,010	1,956
Unwinding of the discount factor (interest expense)	43	64
Deficit contribution paid	(155)	(151)
Remeasurements - impact of any change in assumptions	(8)	141
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	1,890	2,010

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2016 (£000s)	Period Ending 31 March 2015 (£000s)
Interest expense	43	64
Remeasurements – impact of any change in assumptions	(8)	141
Remeasurements – amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	*	*
Costs recognised in Statement of Comprehensive Income	*	*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

ASSUMPTIONS

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	2.29	2.22	3.42

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

**PROSPECT COMMUNITY HOUSING LIMITED
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21. RETIREMENT BENEFITS (continued)

SHAPS Defined Contribution Scheme

Defined Contribution pension arrangements have been put in place since April 2014 with The Pensions Trust. These arrangements are open to all employees.

Employer contributions vary with the level of contributions chosen by the individual employee member, and range from 1% to 15% for employees. Employer contributions are capped at 12%.

22. 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 2016 were £1.

Prospect Community Projects Limited has not been consolidated in the accounts of Prospect Community Housing Limited, for the year ended 31 March 2016, 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.

23. RELATED PARTY TRANSACTIONS

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

Sheila Bunt
Naomi Mackenzie
Alan Gee
Mo Connolly
Gary Marchbank
David Corcoran
Milind Kilhatkar

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

Total rent charged in the year was £36,289, with arrears of £472 at the yearend (2015: £31,231, arrears Nil).

PROSPECT COMMUNITY HOUSING LIMITED
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24. FIRST TIME ADOPTION OF FRS102

The financial statements have been prepared in accordance with FRS102 for the year ended 31 March 2016. The transition to FRS102 has impacted on the following accounting policies adopted and as such the comparative figures have been restated accordingly.

A – Grant Accounting

Previously all capital grants received were netted off against the cost of housing properties. In line with FRS102 and SORP 2014 capital government grants are now treated under the accrual model and as such are shown as deferred income and amortised to income over the expected useful life of the housing property structure (excluding land).

B – Depreciation of Housing Properties

Previously depreciation on housing properties was calculated on the net cost of properties after capital grant. In line with FRS102, and as noted above in A, grants are no longer netted off against the cost of housing properties and as such depreciation is now calculated on the gross cost of housing properties.

C – SHAPS Pension Scheme

The Association participates in the multi-employer defined benefit Scottish Housing Association Pension Scheme (SHAPS). Under FRS102 a contractual agreement under a multi-employer defined benefit pension scheme to fund a past deficit should be accrued for as a liability discounted to net present value. As at 31 March 2014 this liability was calculated as amounting to £1,956,000.

D – Removal of Environmental

The Association has taken the opportunity during transition to reassess the Environmental asset class and found that the nature of the grant (not directly relating to housing properties) means the grant would have been recognised under the performance method with all related costs being expensed had FRS102 been applied.

E –Statement of Cash Flows

Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing.

F –Intangibles

Computer software was previously categorised as a tangible assets. Under FRS 102, computer software must now be recognised as an intangible asset. All intangible assets shall be considered to have a finite useful life. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but maybe shorter depending on the period over which the entity expects to use the asset.

RECONCILIATION OF RESERVES

		1 April 2014	31 March
		£	2015
	Notes		£
Reserves as previously reported under UK GAAP		5,762,745	6,620,151
Grant accounting	A	7,002,929	7,062,460
Depreciation	B	(8,813,687)	(8,905,222)
SHAPS pension	C	(1,956,000)	(2,010,000)
Removal of environmental asset class	D	(56,422)	(56,422)
Reserves reported under FRS 102		<u>1,939,565</u>	<u>2,710,967</u>

PROSPECT COMMUNITY HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016

24. FIRST TIME ADOPTION OF FRS102 (continued)

RECONCILIATION OF SURPLUS OR DEFICIT	Notes	Year ended 31 March 2015 £
Surplus as previously reported under UK GAAP		857,406
Grant Accounting	A	59,531
Depreciation	B	(91,535)
SHAPS Pension	C	(54,000)
Surplus reported under FRS 102		<u>771,402</u>