



Registered Charity Number 1060571

Company Number 3305658

Scottish Charity Number SC040944

# **Prospects for people with learning disabilities**

## **Annual report and financial statements**

For the year ended 31 March 2018

## Index

## Pages

Reference and Administrative details for Prospects	3
Trustees Report	4-5
Statement of trustees responsibilities	6
Independent Auditor's Report to the Members	7-10
Statement of Financial Activities	11
Balance Sheet	12
Statement of Cash Flows	13-14
Notes to the Financial Statements	15-27

## Reference and administrative details for Prospects

Prospects for People with Learning Disabilities is a Charity registered in England and Wales under number 1060571 and in Scotland under number SC040944. It was incorporated on 22 January 1997 and is governed by Memorandum and Articles of Association dated 22 January 1997 as amended 11 May 2009. It is a private company limited by guarantee. Its Company number is 3305658. The Prospects group merged with Livability on 11 May 2016 following which the management and oversight of the Prospects services passed to the Livability Board of Trustees and Executive Team.

### Board of Trustees

Caroline D. Armitage (Chair of Trustees, resigned 25 July 2018)

Sally Chivers (appointed 25 July 2018)

David Bentley

The above Board members are treated as Directors under Company law and Trustees under Charity law.

### Company Secretary

Alex Botha (appointed 1 August 2018)

### Executive team

Helen England                      Chief Executive Officer (appointed 10 May 2018)

David Webber                      Chief Executive Officer (resigned 9 May 2018)

Liz Mell                              Executive Director of Operations

Adam Bonner                      Executive Director of Public Engagement

Alex Botha                          Executive Director of Resources

### Registered office

6, Mitre Passage, London, SE10 0ER

### Bankers

Lloyds TSB Bank Plc, Market Square, Reading, RG1 2EQ

### Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

### Solicitors

Mills & Reeve LLP, 24 Monument Street, London, EC3R 8AJ

## **Trustees report**

The trustees submit the annual report and the financial statements of Prospects for People with Learning Disabilities for the year ended 31 March 2018.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

The Prospects group merged with Livability on 11 May 2016 following which the management and oversight of the Prospects services passed to the Livability Board of Trustees and Executive Team.

During the 2017/18 financial year, the integration programme which started in 2016 was finalised and the back office and support functions are now delivered through from the Livability National Office in London. The legal integration was enacted by most of the assets and liabilities of Prospects transferring to Livability with effect from 31<sup>st</sup> March 2017. The title to four properties held as security remained with Prospects to enable loans to be repaid which took place on 30 June 2017.

10 staff remained as employees of Prospects during the financial year as we have not yet been able to complete the transfer of regulatory registration (from Prospects to Livability) of the services they are attached to. This is expected to take place in late 2018.

## **Results for the period**

The Company results are set out on pages 11 to 27.

Income for the year was £536k (2017 £8.3m). As noted above, this reflects a small number of employees remaining within Prospects and is significantly lower than the prior year due to the transfer of assets and liabilities to Livability. The costs for the year matched the income at £536k (2017 £10.4m) which reflects the cost of Livability providing resources to run the service.

## **Principal activity**

The Company's principal activity throughout the financial year was the provision of care services to people with learning disabilities.

## **Going concern**

Prior to merger Prospects arranged to enter into a formal secured loan agreement with Livability, to enable Livability to support Prospects during a period of cash flow difficulties.

## **Trustees report (continued)**

### **Going concern (continued)**

In the preparations for merger, Livability confirmed that it would make inter-company loans to Prospects based on Livability's firm intention to enter into the merger. This was in full knowledge and following appropriate due diligence, of Prospects' cash flow position, asset base and trading. In the run up to merger Prospects' cash flow was also supported by a bank loan repayable in February 2017.

The external loans made to Prospects prior to merger and the associated property assets charged as security remained on the Prospects balance sheet at 31 March 2017. The loans were repaid on 30<sup>th</sup> June 2017 as part of a refinancing of the Livability group and title to the properties transferred on that date. Apart from a small element noted below, the trade of the services moved over to Livability and was continued as part of Livability with effect from 31 March 2017.

Due to the difficulty of arranging for all relevant service registrations to be changed to Livability, 10 Prospects service managers remained employed by Prospects during the 2017/18 financial year. Their services will be re-registered with Livability by the end of 2018.

The financial statements have been prepared on a going concern basis. The charity is supported by the parent charity, Livability and on 31 March 2017 the trade and the main elements of net assets were transferred to Livability. This was following the fulfilment of the terms and conditions of the merger agreement and has no impact on the valuation of the charity as a going concern. The activities of Prospects will continue as Livability and this entity will be made dormant following completion of the transfer of four property assets and the registration of its services.

### **Reserves Policy**

Following the merger, all previous activities are now in the parent charity Livability. See parent's financial statements for its reserves policy.

### **Restricted funds**

Restricted funds of £518k at the start of the financial year were transferred to Livability, to be managed in line with the purposes for which they were given and were £Nil at the end of the year

Approved by the Board on 18<sup>th</sup> October 2018



**Sally Chivers**

**Chair of Trustees**

## **Statement of trustees responsibilities**

The trustees are responsible for preparing the trustees report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the trustees and members of Prospects for people with learning disabilities**

### **Opinion**

We have audited the financial statements of Prospects for People with Learning Difficulties for the year ended 31 March 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the related notes, including a summary of significant accounting policies. 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 31 March 2018 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Charitable Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the provisions available for small entities, in the circumstances set out in note 1 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions related to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Independent auditor's report to the trustees and members of Prospects for people with learning disabilities (continued)**

### **Other information**

The other information comprises the Trustees' report and Trustees' responsibilities statement. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report, which includes the Directors' Report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report, which are included in the Trustees' Report, has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Trustee's report.

Prospects for people with learning disabilities

## **Independent auditor's report to the trustees and members of Prospects for people with learning disabilities (continued)**

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

### **Responsibilities of Trustees**

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Charitable Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

Prospects for people with learning disabilities

## **Independent auditor's report to the trustees and members of Prospects for people with learning disabilities (continued)**

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable Company'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 Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*BDO LLP*

Julia Poulter (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom

Date: *19<sup>th</sup> October 2018*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**Statement of financial activities for the year ended 31 March 2018**

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Unrestricted Funds £	Restricted Funds £	Total 2017 £
<b>INCOME &amp; ENDOWMENTS FROM:</b>							
Donations and gifts		-	-	-	344,837	-	344,837
Income from investments		-	-	-	72	-	72
Income from charitable activities;		-	-	-	-	-	-
Income to deliver professional care		-	-	-	7,875,547	-	7,875,547
Other income		535,916	-	535,916	43,979	-	43,979
<b>Total income &amp; endowments</b>		<b>535,916</b>	<b>-</b>	<b>535,916</b>	<b>8,264,435</b>	<b>-</b>	<b>8,264,435</b>
<b>EXPENDITURE ON:</b>							
Raising Funds;		-	-	-	-	-	-
Costs of raising funds	2	-	-	-	61,162	-	61,162
Expenditure on Charitable Activities;		-	-	-	-	-	-
Delivering professional Care	2	535,916	-	535,916	10,379,071	-	10,379,071
<b>Total Expenditure</b>		<b>535,916</b>	<b>-</b>	<b>535,916</b>	<b>10,440,233</b>	<b>-</b>	<b>10,440,233</b>
<b>Net income/(expenditure)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,175,798)</b>	<b>-</b>	<b>(2,175,798)</b>
Transfer between funds		-	-	-	-	-	-
<b>Net movement in funds in the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,175,798)</b>	<b>-</b>	<b>(2,175,798)</b>
Opening fund balance		1,017,900	518,436	1,536,336	3,193,698	518,436	3,712,134
<b>Transfer of net assets to Livability</b>		<b>(1,017,900)</b>	<b>(518,436)</b>	<b>(1,536,336)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing Funds balance</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,017,900</b>	<b>518,436</b>	<b>1,536,336</b>

All income and expenditure arises from activities continuing in Livability from 31<sup>st</sup> March 2018. There were no other recognised gains and losses other than those reported in the statement of financial activities.

The trade, assets and liabilities of Prospects transferred to Livability on 31 March 2017 with the exception of the title to 4 property assets held as security for bank loans and the employment contracts of service managers. The notes on pages 15 to 27 form part of these financial statements

## Balance sheet as at 31 March 2018

Company Registration No. 3305658

	Notes	2018 £	2017 £
FIXED ASSETS			
<b>Tangible fixed assets</b>	6	-	2,175,030
CURRENT ASSETS			
<b>Debtors</b>	7	13,388	268,112
<b>CREDITORS: due within one year</b>	8	(13,388)	(906,806)
NET CURRENT ASSETS		-	(638,694)
TOTAL ASSETS LESS CURRENT LIABILITIES		-	<b>1,536,336</b>
 TOTAL NET ASSETS		 -	 <b>1,536,336</b>
Represented By:			
<b>Unrestricted Funds</b>	9	-	1,017,900
<b>Restricted Funds</b>	10	-	518,436
 TOTAL FUNDS	11	 -	 <b>1,536,336</b>

These financial statements were approved and authorised for issue by the Board on

18<sup>th</sup> October 2018 and signed on their behalf by:



Sally Chivers

Trustee

The notes on pages 15 to 27 form part of these financial statements

**Statement of cash flows for the year ended 31 March 2018**

<b>Statement of cash flows</b>			
For the year ended 31 March 2018			
	<b>Note</b>	<b>Charity 2018 £</b>	<b>2017 £</b>
<b>Cash flows from operating activities</b>			
Net cash used in operating activities	<b>C1</b>	(627,405)	(1,619,527)
<b>Cash flows from investing activities</b>			
Dividends, interest and rent from investments		—	72
Purchase of property, plant and equipment		—	(112,070)
Cash inflow from parent company		1,526,618	2,349,208
<b>Net cash provided by investing activities</b>		<b>1,526,618</b>	<b>2,237,210</b>
<b>Cash flows from financing activities</b>			
Interest payable		(5,046)	(47,045)
Repayments of borrowings		(894,167)	(576,667)
<b>Net cash used in financing activities</b>		<b>(899,213)</b>	<b>(623,712)</b>
Change in cash and cash equivalents in the period		—	(6,028)
Cash and cash equivalents at the start of the period		—	6,028
<b>Cash and cash equivalents at the end of the period</b>	<b>C2</b>	<b>—</b>	<b>—</b>

There is no difference between cash and cash equivalents reported in the cash flow statements and the cash at bank and in hand reported on the balance sheet

The notes on pages 15 to 27 form part of these financial statements

## Statement of cash flows for the year ended 31 March 2018

Notes to the statement of cash flows	Charity	
	2018	2017
	£	£
<b>C1. Reconciliation of net expenditure) to net cash flow used in operations</b>		
Net expenditure for the year as stated in the Statement of Financial Activities	-	(2,175,798)
<i>Adjustments for:</i>		
Depreciation charges	6,243	198,992
Dividends, interest and rent from investments	-	(72)
Interest payable	5,046	47,045
Decrease in stocks	-	5,660
Decrease in debtors	254,724	1,110,990
Decrease in creditors	(893,418)	(806,344)
<b>Net cash flow used in operations</b>	<b>(627,405)</b>	<b>(1,619,527)</b>

### C2. Reconciliation of net cash flow to movement in net funds

	At 1 April	Cash flow	At 31 March
	2017		2018
	£	£	£
Bank loans	(894,167)	894,167	-
<b>Net funds</b>	<b>(894,167)</b>	<b>894,167</b>	<b>-</b>

The notes on pages 15 to 27 form part of these financial statements

## **Notes to the financial statements for the year ended 31 March 2018**

### **1. Accounting Policies**

The policies below set out the bases of recognition and measurement used by Prospects and companies for material items in the financial statements.

#### **A. Basis of preparation**

The financial statements have been prepared on a going concern basis, in accordance with applicable accounting standards, under the historical cost convention. They have also been prepared in accordance with Reporting for Charities: Statement of Recommended Practice (SORP 2015) and in accordance with the Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland (FRS102), effective 1 January 2015 and the Companies Act 2006 as applied to charitable companies.

The financial statements include the income, expenditure, assets, liabilities and funds of Prospects.

As a wholly owned subsidiary of Livability, Prospects is exempt from the obligation to prepare group accounts.

#### **B. Going concern**

The financial statements have been prepared on a going concern basis. The charity is supported by the parent charity, Livability and on 31 March 2017 the trade and the main elements of net assets were transferred to Livability. This was following the fulfilment of the terms and conditions of the merger agreement and has no impact on the valuation of the charity as a going concern. The activities of Prospects will continue as Livability and this entity will be made dormant following completion of the transfer of four property assets and the registration of its services.

#### **C. Funds**

##### **i. Unrestricted funds**

Unrestricted funds arise from income donated to or earned by the charity in pursuit of its charitable objects and may be applied in any way that meets those charitable objects.

##### **ii. General Fund**

The charity's General Fund is the balance of unrestricted funds after setting aside the designated funds identified above.

## **Notes to the financial statements for the year ended 31 March 2018 (continued)**

### **1. Accounting Policies (continued)**

#### **iii. Restricted funds**

Restricted funds are those funds that are available for specific, restricted purposes within the overarching charitable objects of Prospect. Restricted funds arise from conditions attached to them by the donor or the activity generating the funds, by deliberate requests for such funds by the charity.

#### **D. Income**

##### **Donations, legacies and grants**

Income from donations, legacies and grants is recorded in the financial statements when entitlement to the income is established, it is more likely than not that the income will be received and the amount to be received can be reliably estimated and any conditions required to receive the funds have been met or are within the control of the charity. In practice, most donations income is recognised when received.

Legacies are recognised following the principles of income recognition used for other donated income. Entitlement is taken to be confirmed by grant of probate over the estate of the donor; probability of receipt is judged on a combination of the granting of probate and knowledge of the valuation of the net estate; the amount to be received is assessed based on probate and the valuation of the estate. Where a life interest in an estate exists, no income is recognised other than from distributions from that estate to Prospects.

##### **Income from charitable activities**

Where Prospects provides services or goods in return for payment, the income from these items is recognised when Prospects completes its part of the agreement by delivering the services or goods.

Grants related to performance of contractual obligations are recognised when Prospects has entitlement to the income, it is probable that income will be received and the amount of income can be measured reliably.

#### **E. Expenditure**

All expenditure is accounted for on an accruals basis and has been listed in such a way as to accumulate all the charity's costs of employees, goods and services relating to a particular activity of the charity under that activity heading. Direct costs, including attributable salaries and associated costs, are allocated on an actual basis to the key areas of activities. Indirect costs (support costs), primarily comprising staff costs of employees based at the charity's National Office in London, are allocated to each activity heading using a number of identified cost drivers, including expenditure and staff numbers.

## **Notes to the financial statements for the year ended 31 March 2018 (continued)**

### **1.Accounting Policies (continued)**

#### **F. Tangible fixed assets**

Tangible fixed assets are significant physical items of property, plant and equipment held for continuing use by the charity in delivering its charitable objectives.

#### **Recognition**

A tangible fixed asset is recorded in the accounts at cost including irrecoverable VAT when the cost of the asset can be measured reliably and it will be of benefit in delivering charitable objectives. Freehold land buildings were revalued at 31<sup>st</sup> March 31 2015 as part of a 5 yearly revaluation cycle. No subsequent valuations have been carried out.

Assets are capitalised when the cost exceeds £5,000.

#### **Separate components**

The charity holds freehold buildings with significant components that have materially different useful lives from the rest of the building. These components are depreciated separately over their individual lives at the following rates:

Main Fabric	- 100 years
Pitched Roof	- 70
Flat Roof	- 40
Windows and Doors	- 40
Boilers and Heaters	- 15
Mechanical systems	- 30
Bathrooms	- 30
Kitchens	- 20
Lifts	- 25
Electrics	- 40
Alarm and Security	- 15

Freehold land and assets in the course of construction are not depreciated.

## **Notes to the financial statements for the year ended 31 March 2018 (continued)**

### **1.Accounting Policies (continued)**

#### **F.Tangible fixed assets (continued)**

##### **Other Fixed Assets**

Assets are depreciated evenly to their estimated residual values over their estimated useful lives as follows:-

Equipment, fittings and furniture	over 5 years
Plant and machinery	over 20 years

The residual value of all assets is assumed to be zero.

#### **G. Financial Instruments**

Financial instruments are contracts that give rise to a financial asset for one party to the contract and a financial liability or equity instrument for the other party.

##### **Basic Financial Instruments**

Prospects and its group entities have basic financial instruments that are recognised when the provisions of the contract are met and for which the accounting policies are as follows:

##### **Trade debtors and other amounts receivable**

Trade debtors and other amounts receivable are recognised at the value defined by the contract, agreement or legislation giving rise to the amount receivable. Impairment of receivable amounts is recognised as expenditure in the SOFA.

##### **Trade creditors and other amounts payable**

Trade creditors and other amounts payable are recognised at the value defined by the contract, agreement or legislation giving rise to the liability.

##### **Bank loans**

Bank loans are recognised at the present value of the cash flows under the loan agreement, discounted at the effective interest rate for each bank loan.

#### **H. Impairment of assets**

At each accounts date, the recoverable amounts of assets are assessed to determine whether they have fallen below their carrying values. When the recoverable amount of an asset falls below its carrying amount, the value of the asset is said to be impaired. The carrying amount is reduced to the recoverable amount with the loss in value reported in income and expenditure.

The recoverable amount of an asset is the higher of the amount that can be generated by using the asset. When assessing the recoverable amount of purchased goodwill, the cash flows arising from the group of assets that make up the cash-generating unit in an entity combination are used to assess the amount generated by using the assets. The amount attributable to goodwill is taken to be the excess of the recoverable amount of the cash-generating unit over the fair values of the individual assets in the cash-generating unit.

## **Notes to the financial statements for the year ended 31 March 2018 (continued)**

### **1.Accounting Policies (continued)**

#### **I. Leases**

##### **Operating leases**

Where Prospects acts as the lessee, the cost of operating leases is recognised by spreading the total payments under the lease, including lease premiums paid, evenly over the lease term. Lease incentives that reduce the rent payable under the lease are taken as part of the total payments.

Where Prospects acts as the lessor, income is recognised by spreading the total receipts under the lease evenly over the lease term. Lease incentives paid and premiums received are treated as part of the total receipts. Costs of arranging the lease of an asset are added to the cost of the leased asset and recognised over the lease term in the same way as the lease income.

#### **J. Short-term employee benefits**

The liability to pay short-term employee benefits, which are mainly salary, the entitlement to paid leave and related employment taxes, is recognised as the employees earn entitlement to pay and paid leave under the terms of their employment contract, with a corresponding expense recognised in expenditure. Amounts paid are deducted from the liability when paid.

#### **K. Redundancy and termination payments**

Redundancy and termination payments are recognised in the Statement of Financial Activities when they become due for payment as a result of notice given to staff or agreement between the charity and the employee.

#### **L. Pensions**

##### **Defined contribution pension schemes**

Contributions to defined contribution pension schemes are recognised in the Statement of Financial Activities when entitlement to the contributions has been earned by the member of staff. The cost is allocated to the activity within which the staff member has worked and the fund that is resourcing the activity.

#### **M.Taxation Status**

The company is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly the company is potentially exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. No tax charge arose in the period

#### **N.Critical Estimates and areas of Significant Judgement**

Refer to section G of the accounting policies for details of the estimates of useful life made regarding tangible fixed assets.

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 2. Total Expenditure

	Staff Costs	Depreciation	Other Costs	Total 2018	Total 2017
	£	£	£	£	£
<b>Costs of generating funds</b>					
Fundraising & Publicity Costs	—	—	—	—	61,162
<b>Charitable expenditure</b>					
Delivering Professional Care	524,627	—	11,289	535,916	10,379,071
	<b>524,627</b>	<b>—</b>	<b>11,289</b>	<b>535,916</b>	<b>10,440,233</b>

### 3. Included in Total Resources

	2018	2017
	£	£
are the following expenses: -		
Audit Fee	-	22,000
Depreciation - Tangible Assets	6,243	198,992

Audit fee for the year 2017-18 is borne by the parent charity Livability

### 4. Interest Payable

	2018	2017
	£	£
Bethany House loan	3,851	12,524
ERP loan	1,195	3,743
Bridging loan	-	30,301
Overdraft	-	477
	<b>5,046</b>	<b>47,045</b>

## Notes to the financial statements for the year ended 31 March 2018 (continued)

5. Staff and Staff Costs	2018	2017
	£	£
The average number of staff employed during the year was:	10	444
Wages & Salaries	469,356	5,799,643
Employer's National Insurance	50,323	412,679
Pensions	4,948	39,841
Redundancies	-	116,264
	<hr/> 524,627	<hr/> 6,368,427

No employees received remuneration above £60,000 during the year (2017: none).

### Remuneration of key management personnel

There were no key members of staff in 2017-18. All management are now employees of Livability and paid by the parent.

Key members of staff in 2016-17, received salaries of £248,797 and pensions of £27,273.

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 6. Tangible Fixed Assets

	Freehold land and Building £	Short Leasehold Property £	Motor Vehicles £	Fixtures and Fittings £	Total £
Cost brought forward	2,200,000	-	-	-	2,200,000
Additions	-	-	-	-	-
Transfer to Livability	(2,200,000)	-	-	-	(2,200,000)
<b>Cost carried forward</b>	-	-	-	-	-
Depreciation brought forward	24,970	-	-	-	24,970
Charge for the year	6,243	-	-	-	6,243
Transfer to Livability	(31,213)	-	-	-	(31,213)
<b>Depreciation carried forward</b>	-	-	-	-	-
<b>Net Book value</b>					
<b>At 31 March 2018</b>	-	-	-	-	-
At 31 March 2017	<b>2,175,030</b>	-	-	-	<b>2,175,030</b>

All assets are held for charitable purposes and Prospects hold freehold property at Market value.

Properties assets were revalued to market value in 2014/15 as part of a 5 yearly revaluation cycle, no subsequent valuation have been carried out. There has been no material change in the market value during the year.

### 7. Debtors

	2018 £	2017 £
Owed by group companies	13,388	268,112
	<b>13,388</b>	<b>268,112</b>

## Notes to the financial statements for the year ended 31 March 2018 (continued)

8. Creditors – due within one year	2018	2017
	£	£
Bank Loans	-	894,167
Taxation and social security	13,388	12,639
	<u>13,388</u>	<u>906,806</u>

The Prospects bank loans were repaid on 30<sup>th</sup> June 2017 by Livability as part of a refinancing of Livability's external debt.

9. Unrestricted Funds	2018	2017
	£	£
Income	535,916	8,264,435
Expenditure	(535,916)	(10,440,233)
	<u>-</u>	<u>(2,175,798)</u>
Transfer of net assets to Livability	(1,017,900)	-
	<u>-</u>	<u>(2,175,798)</u>
Balance brought forward	1,017,900	3,193,698
Balance carried forward	<u>-</u>	<u>1,017,900</u>

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 10. Restricted Funds

	Balance at 1 April 2017	Income	Expenditure	Transfer to Livability	Balance at 31 March 2018
	£	£	£	£	£
LPSS	26,473	-	-	(26,473)	-
Ministry	155,875	-	-	(155,875)	-
Overseas Partnership	10,874	-	-	(10,874)	-
Awareness Raising	5,120	-	-	(5,120)	-
Regional Director NI	14,090	-	-	(14,090)	-
Loans	1,500	-	-	(1,500)	-
Letter of Intent	5,001	-	-	(5,001)	-
Services	299,503	-	-	(299,503)	-
Total 2018	518,436	-	-	(518,436)	-

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 10. Restricted Funds (continued)

	Balance at 1 April 2016	Income	Expenditure	Transfer between funds	Balance at 31 March 2017
	£	£	£	£	£
LPSS	26,473	-	-	-	26,473
Ministry	155,875	-	-	-	155,875
Overseas Partnership	10,874	-	-	-	10,874
Awareness Raising	5,120	-	-	-	5,120
Regional Director NI	14,090	-	-	-	14,090
Loans	1,500	-	-	-	1,500
Letter of Intent	5,001	-	-	-	5,001
Services	299,503	-	-	-	299,503
Total 2017	518,436	-	-	-	518,436

Restricted funds are normally used during the period in which they are received. Any unused balance is carried forward to set against the relevant expenditure as it is incurred. Funds are held for staff costs, training, resident personal needs and fixed assets and will be used for those purposes.

Restricted fund balances were transferred to Livability during the year and will continue to be held for the purposes of the restriction within the Prospects services.

### 11 .Analysis of net assets between funds

	Restricted 2018 £	Unrestricted 2018 £	Total 2018 £	Restricted 2017 £	Unrestricted 2017 £	Total 2017 £
Tangible fixed assets	-	-	-	-	2,175,030	2,175,030
Net current assets	-	-	-	518,436	(1,157,130)	(638,694)
Total funds	-	-	-	518,436	1,017,900	1,536,336

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 12 Contingent Liabilities

At 31 March 2018, there were no contingent liabilities

### 13 Operating Leases

As at 31 March 2018 the charity had no commitments under leases expiring in the following years:

	2018	2017
Land & Buildings	Total	Total
	£	£
Within one year	-	15,068
Within two to five years	-	-
Outside five years	-	-
	<hr/>	<hr/>
	-	15,068

### 14 Capital Commitments

At 31 March 2018 the Charity had no capital commitments (2017: None)

### 15 Related party transactions

#### Trustees

No Trustees or persons connected with them received any remuneration or other financial benefits for the year directly or indirectly from the Charity (2017: £nil).

No Trustees received expenses during the year (2017: £nil).

# Notes to the financial statements for the year ended 31 March 2018 (continued)

## 16. Loans

During the year the Charity had bank loans from Lloyds Bank Plc, secured by first legal charges over the properties known as Bethany in Newport and York House in Shrewsbury. The loans total 39% of the value of the security held and were repayable over the length of the loan with interest rates and final repayments as shown. The three loans were repaid on 30 June 2017 by Livability as part of a wider refinancing of the Livability group's external debt.

	Balance at 31 March 2018 £	Balance at 31 March 2017 £	Interest Rate Over LIBOR	Final Repayment
Bethany, Newport ERP	-	240,000	3%	30 June 2017
Bridging Loan	-	154,167		30 June 2017
	-	500,000		30 June 2017
	-	<b>894,167</b>		

(All loans in 2017 were due for repayment within one year)

