

ORIGINAL



ARK HOUSING ASSOCIATION LIMITED
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

Registered Housing Association No. HEP66

Financial Services Authority No. 1899R (S)

Charitable No. SC015694

ARK HOUSING ASSOCIATION LIMITED

PROFESSIONAL ADVISORS

31 MARCH 2010

Registered Office

The Priory
Canaan Lane
Edinburgh
EH10 4SG

Bankers

The Royal Bank of Scotland plc
Colinton Branch
64 Bridge Street
Edinburgh
EH13 0LQ

Solicitors

Shepherd and Wedderburn WS
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2ET

T C Young
Melrose House
69a George Street
Edinburgh
EH2 2JG

External Auditors

Baker Tilly UK Audit LLP
1st Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Internal Auditors

Alexander Sloan
1 Atholl Place
Edinburgh
EH3 8HP

ARK HOUSING ASSOCIATION LIMITED

GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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Registration Particulars:

Financial Services Authority	Industrial and Provident Societies Act 1965 Registered Number 1899R (S)
Scottish Housing Regulator	Housing (Scotland) Act 2001 Registered Number HEP66
Charity Number	SC015694

ARK HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS

31 MARCH 2010

Board of Management - current

John Brown FRICS, MRTPI, DipLE, FSA ⁺

Michael Brown PhD, MSc, PGCE, BSc (Hons), RN, FHEA *

Jillian Davey MA Dip Phil ⁺

Morag Donaldson *

William Duncan BSc, FCIPD *

Misia Jack MA E Phil Dip Hsg MCIH ⁺

Anne Kershaw BSc. FIA (joined 03/03/2010)*

Alan Reid LL.B (Hons.), Dip. L.P., LL.M *

James Rigby FCMA (Chair) ⁺

Peter Slater B Eng, C Eng, M/MechE, MCIM ⁺

Alastair Wallace MA, BA, LLB ⁺

Charles Wilson CEng, FIMechE ⁺

Board of Management – resigned during period

Donna O'Boyle RN, BSc, LLB, PGDip, M.Phil (Resigned 24/06/2009)

Dianne Haley MA, MBA * (Resigned 30/09/2009)

* Audit sub committee member

⁺ Housing sub committee member

ARK HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS

31 MARCH 2010

Executive Officers - current

Jane Gray BSc, MSc, MA - Chief Executive

Fiona Katz MCIPD - Director, Human Resources

Morag MacDonald BSc, Dip.MS, FCA - Director, Finance and Housing Services

The Board of Management presents its report and audited financial statements for the year ended 31 March 2010.

Overview of Business

The principal object of the Association is to provide quality homes and support for people with learning disabilities. The mission of the Association is to promote the rights and aspirations of people with learning difficulties, and others where support is required, to live independently, by providing socially inclusive and flexible opportunities for housing, support and other services, thereby advancing community living.

Structure, Governance and Management

ARK Housing Association Ltd (ARK) is incorporated under the Industrial and Provident Societies Act 1965 and is registered by the Financial Services Authority. ARK is a Registered Social Landlord and a registered charity and was established in 1977 under a Memorandum of Association which established the objects and powers of the Association.

The Association is governed by a voluntary Board of Management (the Board) and the management of the Association is delegated by this Board to the Executive Officers. Governance and management policies and procedures that set the parameters for those matters to be dealt with by the Board, and those which can be dealt with by the Executive Officers have been approved by the Board. Meetings of both parties are held on a regular basis throughout the year and are conducted in accordance with ARK's reporting procedures. The Board has established two sub-committees (Audit and Housing Services) each with specific terms of reference and functions delegated by the Board and with a member of the Board of Management as their Chair. The Board also established an Executive Committee with delegated authority for decision making in particular circumstances. The Board of Management and Executive Officers of the Association serving during the year are listed on pages 4 and 5.

Each member of the Board holds one fully paid share of £1 in the Association. The Executive Officers of the Association hold no interest in the Association's share capital, and although not having the legal status of directors, act as Executives within the authority delegated by the Board.

ARK has a documented policy for recruitment to the Board of Management and the recruitment process is structured in such a way as to ensure that those appointed to the Board have the required diversity of skills, interests and experience. Newly appointed members are provided with a comprehensive pack of induction materials and an experienced member of the Board is appointed to support, and where necessary mentor, the new member. Tailored training is provided to new and existing Board members as required.

ARK has a fully controlled subsidiary, Ark Services Ltd, which was set up to develop housing for those who are aged, infirm or disabled and in need of housing and associated amenities. Ark Services Ltd, a registered charity, was able to access Special Needs Capital Grant which was not available to Housing Associations. The accounts of Ark Services Ltd are consolidated in the ARK Group accounts.

ARK also receives support from ARK Housing Trust, a registered charity established to support the Association. During the year the Trust has supported ARK to fund the installation of French windows at the Southhouse project to give service users individual direct access to the new sensory garden which was created in 2009 (£22k).

ARK has in place a management service contract with both Ark Services Ltd and ARK Housing Trust to provide management and professional services to these organisations.

**REPORT OF BOARD OF MANAGEMENT
31 MARCH 2010**

Strategy, Objectives and Business Review

ARK set a course in June 2009 committed to promoting the development of socially, economically and environmentally sustainable inclusive communities through the provision of:

- Life long care and support for people with varied and enduring needs in local communities
- Specialist sustainable housing with support for people with complex needs
- Innovative design and delivery of specialised built environments for people with complex needs

ARK remains committed to these aims and details are provided below of how ARK has performed in delivering these aims.

ARK worked hard to ensure that whilst operating within externally imposed financial constraints it could continue to guarantee the quality of its services. ARK appointed a Quality and Compliance Manager in October 2009 with the responsibility for completing and managing the internal operational and compliance audits, reporting directly to the Audit sub committee and the Board of Management.

In 2008-09 ARK recorded 76% of its service gradings by the Care Commission at 4 (good) or above. This year, 96% of the Association's gradings were 4 and above with 62% at the top two grades 5 (very good) and 6 (excellent). ARK's service user questionnaire confirmed that over 95% of respondents felt that the service ARK is delivering meets their expectations and the standards the Association sets.

Work has continued, to ensure that our tenants and service users are enabled to participate at all levels within ARK. ARK has developed, through the work of the Tenant and Service User Participation Group and through various staff focus groups, its Tenant and Service User Participation Strategies. Various tenant and service user groups have been established in different areas, and the aim is to establish further groups in order to enable full access to participation across all geographical localities in which the Association operates. ARK's Board has recently established a working group which will consider how to improve the Board's understanding of tenants' and service users' experience of services. The establishment of the working group signals the Board's commitment to fostering meaningful participation at every level. Our tenants and service users continue to develop their contributions to their local communities, making a difference through, for example, the Scottish Parliamentary Cross Party Working Group for Learning Difficulties and being part of community planning in Alloa and in the Borders, where the Tweedale Safety Group campaigned for safer road crossings. ARK is building on the work done in recent years, to promote a truly inclusive and person-centred service, which promotes and fosters an understanding of citizenship and what it means to be an active citizen.

Approximately 85% of ARK's staff are within the scope of the Scottish Social Services Council (SSSC) registration. We have completed a comprehensive audit of all staff and are considerably ahead of target for the statutory timescales. 64% of ARK staff have already achieved the relevant qualification for registration. ARK's internal SVQ team has completed a 4 year plan to achieve all required SVQ Level 2 and 3's within the required timescales. In March and April 2010 bespoke Management Development Programmes were completed by all Managers within ARK. This will support ARK managers to achieve their SVQ Level 4 qualification in Management, and 7 managers are currently undertaking this. These initiatives are part of ARK's Learning and Development Strategy approved by the Board in November 2008.

ARK continued to implement the plans set out in its Asset Management Strategy. Of particular note was ARK's success in obtaining grant funding from the Knowledge Transfer Partnership (KTP) programme, a Government backed grant awarding body, to complete a body of research work into the impact of the built environment on service provision. ARK has broad experience demonstrating the positive impact

ARK HOUSING ASSOCIATION LIMITED

REPORT OF BOARD OF MANAGEMENT 31 MARCH 2010

that the build environment can have from both the service user and staff perspective. In partnership with Heriot-Watt University and its partner school of architecture at Edinburgh College of Art, ARK has developed a two year research programme that will culminate in an internationally benchmarked body of research work which will inform and improve ARK's building design brief and will ultimately provide a methodology that will not only improve service quality but will bring financial rewards as well.

ARK has completed its programme of detailed stock condition surveys of all properties, the results of which continue to inform the Asset Management Strategy and form the basis of the major repairs 30 year lifecycle costing. ARK is also working in partnership with Local Authorities to develop alternative models of built environment for people with complex needs.

In Housing Services, the average time to re-let supported properties was 44 days (08-09, 62 days). The average time to re-let for General Needs properties was 14 days (08-09, 29 days). Rent arrears were 5.28% of gross rental income (08-09, 3.28%), the increase being due to the timing and absolute value of technical arrears. Non technical arrears fell from 1.17% at the beginning of the year, to 0.55% as at 31 March 2010.

This has been an exciting and challenging year for ARK and the organisation starts the 2010/11 financial year in a strong financial position.

Plans for the Future

The revised business plan was agreed by the Board of Management in March 2010. ARK intends to capitalise on its current position by marketing its success in the delivery of complex, specialised and cost effective services and its ability to develop specialised person centred living environments. The Association will continue to review the remaining group living services to ensure that they deliver the best services and environments possible. ARK will invest in areas of service and the built environment where there is a clear indication that this will promote sustained benefit and growth.

The social care commissioning and procurement landscape is currently moving in favour of market management negotiations and higher thresholds for tendering new services. ARK will enhance its ability to respond to these changes whilst being aware that in the coming years the market will also be shaped by the new social care eligibility criteria, the financial models that will support the personalisation agenda and the shift towards delivering more primary health care services in the home. The Association will build on its current success in the delivery of these services and ensure that staff continue to develop the expertise required to deliver an increase in such services to a high standard. ARK is also increasing its presence among families and carers of children and young adults with specialised needs as they make their choices about how their needs can be met within the eligibility and funding constraints.

ARK's business plan for 2011 – 2013 has been set on the basis of individual Local Authority strategic responses to the cuts in social care and housing investment budgets, the use of procurement in social care and the priorities they have agreed to meet the year on year increase in need for service provision for those with complex and enduring needs.

Financial Review

This year ARK has continued to manage funding and costs to ensure financial viability against a backdrop of funding cuts and competitive tendering. Group turnover for the year was £14,931k, an increase of 3.6% on the previous year with significant growth (12.5%) in our care and support services hours of provision, offset by funding cuts. The group surplus for the financial year was £978k, an increase of £331k on the previous year. The 2009/10 surplus includes a gain on disposal of fixed assets of £504k.

Ark Services continues to receive rental income for four sites in Aberdeen City and generated an operating surplus of £171k in the financial year.

ARK Group presents an improved balance sheet position with a closing cash balance of £4,530k (an increase of £751k) and net current assets of £2,160k (an increase of £699k).

Reserves

Total reserves increased by £978k during the financial year to £6,303k. The General Revenue Reserve balance is held at a balance of at least an amount equivalent to two months salary costs (approximately £2,200k) which is considered sufficient to cover operational working capital requirements.

A designated reserve is maintained to finance future maintenance works on supported and mainstream accommodation that is not covered by the annual rental income, and for the investment in new properties or improvement to existing projects. The current level of reserve equates to approximately £800k for planned major works that are additional to those major works covered by rents for the next five years. A further £500k is ear-marked for the reconfiguration of existing properties and £600k is ear-marked for investment in new properties. Reserves are backed by a mixture of cash and fixed asset investments. Transfers to the designated reserve reflect the Association's estimate of required future levels of expenditure of this type.

The restricted reserves held the balance of grants received from the Big Lottery Fund used to provide support for the promotion of active citizenship. The period of grant funding for the project is now complete and therefore there is a nil balance on the restricted reserves in the current financial year.

Treasury Management

The Association, as a matter of policy, does not invest in transactions of a speculative nature. The Board reviews the Association's treasury management arrangements bi-annually. During the year the Association invested in Charity bonds with the Royal Bank of Scotland, a high interest fund specifically provided for charities. Remaining cash funds are held in instant access deposit accounts.

Borrowings are secured based on a mix of fixed and variable rate finance. Approximately 77% of Group funds are secured on a fixed borrowing rate and 23% on a variable rate.

Fixed assets

Changes in fixed assets in the year are set out in notes 12 to 14 of the financial statements.

Risk Management

The services provided by ARK, in particular to those with learning difficulties, are inherently risky. ARK has in place policies, procedures, and guidelines to manage these risks. Risk assessments are carried out for each service user and reviewed as appropriate and at least annually. A system of exception reporting to the Executive Officers and the Board, that includes remedial risk assessment and action reports, ensures that learning and improvement from RIDDOR and serious incidents is picked up and acted upon. Other risks including financial risk are monitored and reported on via the Association's risk register.

ARK operates an organisational regulatory check list that is reviewed each month by the Executive Officers and quarterly by the Board. In respect of Health and Safety, the checklist is supported by the Health and Safety check and audit system implemented throughout ARK in the previous year. During this financial year ARK undertook an external audit from specialist contractors, acting on behalf of Employers in Voluntary Housing, of the Health and Safety Management System which concluded that the system is being well managed and meets requirements.

ARK HOUSING ASSOCIATION LIMITED

REPORT OF BOARD OF MANAGEMENT

31 MARCH 2010

The Audit Sub Committee advises the Board of Management on issues of risk, control and governance and has a remit from the Board to monitor and review in five key areas namely the internal and external audit functions, ARK's compliance with relevant statutory regulations, ARK's compliance with its own policies and procedures and health and safety management.

Going Concern

The Board of Management has reviewed the results for this year and has also reviewed the projections for the next five years. The Board, therefore, has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

Employee involvement and Health and Safety

ARK Housing Association encourages employee involvement in all major initiatives and holds review days throughout the year where staff are given the opportunity to discuss and agree strategic objectives. A quarterly newsletter is produced and circulated to all staff containing information on current documents for consultation, new policies and general updates on health and safety issues. Health and safety statistics are reported quarterly to the Board of Management.

Investors in People

Following the successful retention of Investors in People status in December 2008, ARK has continued to develop in the areas identified of Business Planning, Learning Strategy, Diversity, Leadership & Management Development, Leadership & Management Effectiveness, Recognition of Contribution, Involvement, and Learning Delivery. ARK continues to work with IiP to develop a continuous improvement plan which will build on the current status and support the organisation in achieving higher levels of recognition within the Single Framework.

Employee Involvement and Consultation

The Association recognises Unite the Union and has a Recognition Agreement in place. Consultation with staff and a full time Union Official takes place on a regular basis and successful negotiation on terms and conditions of employment continues.

Funds held as Custodian Trustee on Behalf of Others

During the year ARK held nineteen bank accounts in trust on behalf of service users. These accounts are kept separate from funds held by the Association and controls monitored by the Care Commission are in place to ensure the safe custody of said funds.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

The Priory
Canaan Lane
Edinburgh
EH10 4SG

By order of the Board of Management



Member

Date: - 1 SEP 2010

The Board of Management is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Group for that period. In preparing those financial statements the Board of Management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements and
- Prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Group will continue in business.

The Board of Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group, and to ensure that the financial statements comply with the Industrial and Provident Acts 1965 to 2002, the Housing (Scotland) Act 2001, and The Registered Social Landlords Accounting Requirements (Scotland) Order 2007. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

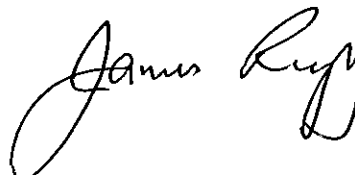
The Board has a formal risk management process to assess business risks and improve risk management strategies. This includes a risk register which is monitored monthly by the Executive Officers and quarterly by the Board.

Information for the Auditors

The Board members have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Board members have confirmed that they have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

By order of the Board of Management

Date: - 1 SEP 2010



ARK HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S STATEMENT OF INTERNAL FINANCIAL CONTROLS 31 MARCH 2010

The Board of Management acknowledges its ultimate responsibility for ensuring that the Group 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 Group or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets (against unauthorised use or disposition).

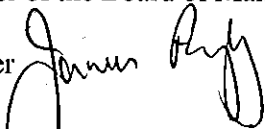
It is the Board of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material mis-statement or loss. The key elements of the Group's systems of internal financial control are set out below:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- Experienced and suitably qualified staff take responsibility for important business functions.
- Forecasts and budgets are prepared regularly which allow the Board and staff to monitor the key business risks and financial objectives as well as the progress towards the financial plans set for the year and the medium term.
- Management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures.
- The Board reviews reports from management and from both internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed. The Group has a rolling programme of internal audit reviews which cover the key activities of the Group. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports. These arrangements are considered appropriate to the scale and range of the Association's activities and comply with the requirements contained in the Scottish Housing Regulators's Guidance and the SFHA's publication "Raising Standards in Housing".
- Significant risks are identified, evaluated and managed as previously outlined on page 9 of this document.

The Board of Management has reviewed the system of internal financial control in the Group during the year ended 31 March 2010. 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 auditor's report on the financial statements.

By order of the Board of Management

Member



Date:

1 SEP 2010

INDEPENDENT AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Board of Management's statement on page 12 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to the Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non compliance.

Opinion

In our opinion the statement on internal financial control on page 12 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Baker Tilly UK Audit LLP

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

Date *3 September*2010

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ARK HOUSING ASSOCIATION LIMITED
31 MARCH 2010**

We have audited the financial statements on pages 16 to 49 which have been prepared under the accounting policies set out on pages 22 to 25.

This report is made solely to the Association's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept 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 opinion we have formed.

Respective responsibilities of Board of Management and auditors

The Board of Management's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Management Board's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Board of Management's Report is not consistent with the financial statements, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Association is not disclosed.

We read the Board of Management's Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ARK HOUSING ASSOCIATION LIMITED
31 MARCH 2010**

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Group's and the Association's affairs as at 31 March 2010 and of the Group's surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Registered Auditors
Chartered Accountants
First Floor, Quay 2
Edinburgh
EH3 9QG

Date *3 September* 2010

**ARK HOUSING ASSOCIATION LIMITED
GROUP INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010**

	<i>Notes</i>	2010 £'000	2009 £'000
Turnover	2	14,931	14,416
Less: Operating costs	2	(14,647)	(13,947)
Exceptional Items	8	<u>305</u>	<u>227</u>
Operating surplus		589	696
Gain on disposal of fixed assets		504	-
Interest receivable and similar income		41	139
Interest payable and similar charges	6	<u>(156)</u>	<u>(188)</u>
Surplus for the financial year	<i>11</i>	<u>978</u>	<u>647</u>

The results for the year relate wholly to continuing activities.

There were no recognised gains or losses in 2010 or 2009 other than the surplus for the year.

**ARK HOUSING ASSOCIATION LIMITED
INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010**

	<i>Notes</i>	2010 £'000	2009 £'000
Turnover	2	14,491	13,805
Less: Operating costs	2	(14,488)	(13,725)
Exceptional Items	8	305	227
Operating surplus		308	307
Gain on disposal of fixed assets		504	-
Interest receivable and similar income		35	121
Interest payable and similar charges	6	(40)	(65)
Surplus for the financial year	11	807	363

The results for the year relate wholly to continuing activities.

There were no recognised gains and losses in 2010 or 2009 other than the surplus for the year.

ARK HOUSING ASSOCIATION LIMITED
GROUP BALANCE SHEET
AS AT 31 MARCH 2010

	<i>Notes</i>	2010	2009
		£'000	£'000
Tangible fixed assets			
Housing properties, furniture and equipment - cost less depreciation	12	27,066	27,090
Less: Housing Association Grant		(17,620)	(17,883)
Other Grants		<u>(2,855)</u>	<u>(2,828)</u>
Other	14	6,591 <u>587</u>	6,379 <u>602</u>
		<u>7,178</u>	<u>6,981</u>
Current assets			
Stock and Work in Progress	15	182	74
Debtors	16	655	703
Cash at bank and in hand		<u>4,530</u>	<u>3,779</u>
		5,367	4,556
Creditors: amounts falling due within one year	17	<u>(3,207)</u>	<u>(3,095)</u>
Net current assets		<u>2,160</u>	<u>1,461</u>
Total assets less current liabilities		9,338	8,442
Creditors: amounts falling due after more than one year	18	<u>(3,035)</u>	<u>(3,117)</u>
Net assets		<u>6,303</u>	<u>5,325</u>
Capital and reserves			
Share capital	21	-	-
Restricted reserves	9	-	10
Designated reserves	10	2,295	2,668
General Revenue reserves	11	<u>4,008</u>	<u>2,647</u>
		<u>6,303</u>	<u>5,325</u>

These financial statements were approved by the Board of Management and authorised for issue on2010 and signed on its behalf by:

- 1 SEP 2010

Chairperson

Member

Member

ARK HOUSING ASSOCIATION LIMITED
BALANCE SHEET
AS AT 31 MARCH 2010

	<i>Notes</i>	2010 £'000	2009 £'000
Tangible fixed assets			
Housing properties, furniture and equipment - cost less depreciation	13	22,770	22,763
Less: Housing Association Grant		(17,620)	(17,883)
Other Grants		(704)	(677)
		<u>4,446</u>	<u>4,203</u>
Other	14	587	602
		<u>5,033</u>	<u>4,805</u>
Current assets			
Stock and Work in Progress	15	182	74
Debtors	16	727	723
Cash at bank and in hand		3,737	3,242
		<u>4,646</u>	<u>4,039</u>
Creditors: amounts falling due within one year	17	<u>(3,040)</u>	<u>(2,967)</u>
Net current assets		<u>1,606</u>	<u>1,072</u>
Total assets less current liabilities		6,639	5,877
Creditors: amounts falling due after more than one year	18	<u>(1,139)</u>	<u>(1,184)</u>
Net assets		<u>5,500</u>	<u>4,693</u>
Capital and reserves			
Share capital	21	-	-
Restricted reserves	9	-	10
Designated reserves	10	1,900	2,360
General Revenue reserves	11	3,600	2,323
		<u>5,500</u>	<u>4,693</u>

These financial statements were approved by the Board of Management and authorised for issue on 11 SEP 2010 and signed on its behalf by:

Chairperson 
Member 
Member 

ARK HOUSING ASSOCIATION LIMITED
GROUP CASH FLOW STATEMENT
AS AT 31 MARCH 2010

	<i>Notes</i>	2010 £'000	2009 £'000
Net cash inflow from operating activities	<i>22</i>	<u>887</u>	<u>719</u>
Returns on investment and servicing of finance			
Interest received		41	139
Interest paid		<u>(156)</u>	<u>(188)</u>
Net cash outflow from returns on investment and servicing of finance		<u>(115)</u>	<u>(49)</u>
Capital expenditure			
Sale of housing properties		565	-
Purchase of housing properties	<i>12</i>	(551)	(37)
Purchase of other tangible fixed assets	<i>14</i>	(32)	(22)
Housing Association Grants received	<i>12</i>	45	31
Other grants received	<i>12</i>	<u>27</u>	<u>-</u>
Net cash inflow/(outflow) for capital expenditure		<u>54</u>	<u>(28)</u>
Net cash inflow before financing		<u>826</u>	<u>642</u>
Financing			
Repayment of housing loans		<u>(75)</u>	<u>(134)</u>
Net cash outflow from financing	<i>22</i>	<u>(75)</u>	<u>(134)</u>
Increase in cash in year	<i>22</i>	<u><u>751</u></u>	<u><u>508</u></u>

Further details are given in note 22.

ARK HOUSING ASSOCIATION LIMITED
CASH FLOW STATEMENT
AS AT 31 MARCH 2010

	<i>Notes</i>	2010 £'000	2009 £'000
Net cash inflow from operating activities	23	486	359
Returns on investment and servicing of finance			
Interest received		35	121
Interest paid		(40)	(65)
Net cash inflow/(outflow) from returns on investment and servicing of finance		(5)	56
Capital expenditure			
Sale of housing properties		565	-
Purchase of housing properties	13	(551)	(37)
Purchase of other tangible fixed assets	14	(32)	(22)
Housing Association Grants received	13	45	31
Other Grants	13	27	-
Net cash inflow/(outflow) for capital expenditure		54	(28)
Net cash inflow before financing		535	387
Financing			
Repayment of housing loans		(40)	(19)
Net cash outflow from financing	23	(40)	(19)
Increase in cash in year		495	368

Further details are given in note 23.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2010

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by The Financial Services Authority. The accounts have been prepared under the historical cost convention, modified to include the revaluation of heritable office property, and in compliance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Landlords 2008".

1. Accounting Policies

The principal accounting policies of the Association are set out in paragraphs (a) to (q) below.

(a) Subsidiary

Ark Services Limited is incorporated as a company limited by guarantee. It is a registered charity and per its articles it is to be treated as a subsidiary of the Housing Association. Consolidation has been carried out using the equity method.

(b) Basis of Accounting

The accounts are prepared in accordance with applicable accounting standards and Statement of Recommended Practice "Accounting by Registered Social Landlords" 2008.

(c) Housing Association Grants

Housing Association Grant (HAG) is paid directly to the Association as required to meet its liabilities during the development process. The grants are made by the Housing and Investment Division of the Scottish Government and are utilised to reduce the capital costs of an approved scheme to an amount of required loan finance which it is estimated can be serviced by the net rental income of the scheme. The amount of HAG is calculated on qualifying costs of the scheme in accordance with instructions issued from time to time by the Housing and Investment Division of the Scottish Government.

Other grants are received from Local Authorities and other organisations. Non HAG grants of a capital nature are credited to a deferred account and released over the expected useful life of the relevant asset at the same rate as the depreciation of the asset. Grants of a revenue nature are credited to income in the period to which they relate.

The grants are repayable under certain circumstances, but will normally be restricted to a maximum of net proceeds of sale.

(d) Turnover

Turnover represents rents, service charges, revenue grants from the Housing and Investment Division of the Scottish Government and funding from Local Authorities less amounts carried forward as deferred income.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

(e) Fixed Assets – Housing Land and Buildings

Housing properties, all of which are heritable properties, are stated at cost. The development cost of housing properties includes the following:

- (i) Cost of acquiring land and buildings
- (ii) Development expenditure
- (iii) Interest charged on the mortgage loans raised to finance the scheme to date of completion.

Expenditure on schemes which are subsequently aborted is written off in the period in which it is recognised that the schemes will not be developed to completion.

(f) 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.

(g) Development costs and allowances and accrued income

Development allowances are intended to finance certain administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Notional development allowances become available in instalments according to the progress of work on the scheme and are treated as deferred allowances while actual development costs are added to housing properties.

(h) Fixed assets and Depreciation

(i) Housing land and buildings

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic useful lives of the properties (60 to 80 years). No depreciation is charged on land.

(ii) Other fixed assets

Expenditure incurred on the Association's office buildings is written off over 80 years.
Office furniture and equipment is written off straight line over 5 years.
Computer equipment is written off straight line over 3 years.
Depreciation is charged on these assets on a monthly basis from the date of acquisition.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

(i) Impairment of fixed assets

Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use at the date an impairment loss is recognised. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets is recognised in the Income and Expenditure account.

(j) Deferred Income

Income and grants received in advance of the period to which the service is provided are recognised as deferred income.

(k) Service Equipment Replacement Creditor

The service equipment replacement creditor represents the Association's liability to replace service equipment for mainstream properties in accordance with a planned programme of work.

(l) Restricted Reserves

This reflects revenue grants received from The Big Lottery funding and related expenditure.

(m) Designated Reserves - Future Major Works

These reserves reflect the Association's liability to finance future major repairs works on both its supported and mainstream accommodation.

Expenditure of this type is charged through the Income and Expenditure Account and subsequently a transfer from this reserve is made to the general revenue reserve.

Transfers to the designated reserve reflect the Association's estimate of required future levels of expenditure of this type over and above expenditure which will be covered by annual rental income over a period of five years.

(n) Pensions

The Association participates in a Defined Benefit Pension Scheme, the cost of which is met on an accruals basis. The assets of the Scheme are held separately from those of the Association in an independently administered fund.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

(o) Credit Payment Policy

Purchases are paid within 30 days of invoice or in accordance with creditor payment terms.

(p) Operating Leases

Rentals paid in respect of operating leases are charged to the Income and Expenditure account as incurred.

(q) Taxation

As a registered Social Landlord, the Association is exempt from payment of corporation tax on its social letting activities.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

2. Particulars of turnover, operating surplus and surplus for the financial year by class of business

Group:

	Turnover	Operating Costs	2010 Operating Surplus	2009 Operating Surplus
	£'000	£'000	£'000	£'000
Social Lettings	2,113	(1,676)	437	456
Other Activities	12,818	(12,971)	(153)	13
Sub-Total	<u>14,931</u>	<u>(14,647)</u>	<u>284</u>	<u>469</u>
Exceptional Income (Other Activities)	305	-	305	227
2010 Total	<u>15,236</u>	<u>(14,647)</u>	<u>589</u>	<u>696</u>
2009 Total	<u>14,643</u>	<u>(13,947)</u>	<u>696</u>	

Particulars of turnover, operating surplus and surplus for the financial year by class of business

Housing Association:

	Turnover	Operating Costs	2010 Operating Surplus	2009 Operating Surplus
	£'000	£'000	£'000	£'000
Social Lettings	1,610	(1,454)	156	67
Other activities	12,881	(13,034)	(153)	13
Sub-Total	<u>14,491</u>	<u>(14,488)</u>	<u>3</u>	<u>80</u>
Exceptional Income (Other Activities)	305	-	305	227
2010 Total	<u>14,796</u>	<u>(14,488)</u>	<u>308</u>	<u>307</u>
2009 Total	<u>14,032</u>	<u>(13,725)</u>	<u>307</u>	

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

3. Particulars of turnover, operating costs and operating surplus from social letting activities

Group:			2010	2009
	General Needs £000	Supported Housing Accommodation £000	Total £000	Total £000
Rent receivable	1,789	137	1,926	2,057
Service charges	219	-	219	235
Gross income from rents and service charges	2,008	137	2,145	2,292
Less Voids	(32)	-	(32)	(51)
Net income from rents and service charges	1,976	137	2,113	2,241
Grants from Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	-
Total turnover from social letting activities	1,976	137	2,113	2,241
Management and maintenance administration costs	544	43	587	526
Service costs	197	-	197	209
Planned and cyclical maintenance including major repairs costs	504	53	557	581
Reactive maintenance costs	220	12	232	278
Bad debts – rent and service charges	-	-	-	76
Depreciation of social housing	96	7	103	115
Impairment of social housing	-	-	-	-
Operating costs for social letting activities	1,561	115	1,676	1,785
Operating surplus for social letting activities	415	22	437	456

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

3. Particulars of turnover, operating costs and operating surplus from social letting activities

Association:			2010	2009
	General Needs £000	Supported Housing Accommodation £000	Total £000	Total £000
Rent receivable	1,337	137	1,474	1,447
Service charges	168	-	168	178
Gross income from rents and service charges	1,505	137	1,642	1,625
Less Voids	(32)	-	(32)	(49)
Net income from rents and service charges	1,473	137	1,610	1,576
Grants from Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	-
Total turnover from social letting activities	1,473	137	1,610	1,576
Management and maintenance administration costs	457	43	500	458
Service costs	151	-	151	158
Planned and cyclical maintenance including major repairs costs	468	53	521	550
Reactive maintenance costs	197	12	209	251
Bad debts – rent and service charges	-	-	-	19
Depreciation of social housing	66	7	73	73
Impairment of social housing	-	-	-	-
Operating costs for social letting activities	1,339	115	1,454	1,509
Operating surplus for social letting activities	134	22	156	67

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

4. Particulars of turnover, operating costs and operating surplus or deficit from other activities

Group:	Grants from Scottish Ministers £000	Other revenue grants £000	Supporting people income £000	Other income £000	Total turnover £000	Operating costs – bad debts £000	Other operating costs £000	Operating Surplus/ (Deficit) £000
Wider role activities	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-
Support activities	-	2,586	6,026	396	9,008	-	(8,873)	135
Care activities	-	3,762	-	261	4,023	-	(3,962)	61
Agency management services – RSLs	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-
Other activities	-	-	-	92	92	-	(136)	(44)
Total from other activities - 2010	-	6,348	6,026	749	13,123	-	(12,971)	152
Total from other activities - 2009	-	5,462	6,119	821	12,402	-	(12,162)	240

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

4. Particulars of turnover, operating costs and operating surplus or deficit from other activities

Association:	Grants from Scottish Ministers £000	Other revenue grants £000	Supporting people income £000	Other income £000	Total turnover £000	Operating costs – bad debts £000	Other operating costs £000	Operating Surplus/ (Deficit) £000
Wider role activities	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-
Support activities	-	2,586	6,026	396	9,008	-	(8,873)	135
Care activities	-	3,762	-	261	4,023	-	(3,962)	61
Agency management services – RSLs	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-
Other activities	-	-	-	155	155	-	(199)	(44)
Total from other activities - 2010	-	6,348	6,026	812	13,186	-	(13,034)	152
Total from other activities - 2009	-	5,462	6,119	875	12,456	-	(12,216)	240

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

5. Housing Stock
Group and Housing Association

The number of units in management at 31st March 2010 was as follows:

	Owned	Not Owned	2010 Total	2009 Total
	No	No	No	No
General Needs	365	17	382	386
Supported accommodation	122	16	138	144
	<u>487</u>	<u>33</u>	<u>520</u>	<u>530</u>

Management of Association stock by other bodies

	2010 No	2009 No
Properties leased to other organisations		
Share Housing Association	5	4
West Lothian Council	6	4
Community Integrated Care	6	9
Choices Community Care Ltd	11	8
Aberdeen City Council	12	8
Leonard Cheshire Foundation	9	8
Aberdeenshire Council	2	2
Real Life Options	2	3
Fife Council	6	6
The Action Group	-	2
	<u>59</u>	<u>54</u>
Properties managed by other organisations:		
City of Edinburgh City Council	-	5
Aspire	9	9
The Action Group	7	7
	<u>16</u>	<u>21</u>
Total properties	<u>75</u>	<u>75</u>

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

6. Interest payable	Group		Housing Association	
	2010	2009	2010	2009
	£000	£000	£000	£000
Loans	<u>156</u>	<u>188</u>	<u>40</u>	<u>65</u>

7. Taxation

The Group has charitable status with HM Revenues & Customs (Charity Number SC015694) and is eligible for exemptions from tax.

8. Exceptional Items – Group and Housing Association

	2010	2009
	£000	£000
Release of deferred income	<u>305</u>	<u>227</u>

The Association has a prudent policy of only recognising income on contracts which matches to service costs incurred and carrying forward any balance as deferred income. Such income is discussed with Local Authorities and only recognised after two years if no further claim has been made by the Local Authority. This income released therefore relates to previous years, but as no formal contracts existed at that time indicating period of entitlement, the income has been treated as exceptional income in 2009/10 rather than as a prior year adjustment.

9. Restricted Reserves	Group		Housing Association	
	2010	2009	2010	2009
	£000	£000	£000	£000
The Big Lottery Funding - Restricted				
At 1 April 2008	10	17	10	17
Transfer from Revenue Reserve	-	24	-	24
Transfer to Revenue Reserve	(10)	(31)	(10)	(31)
At 31 March 2009	<u>-</u>	<u>10</u>	<u>-</u>	<u>10</u>

The Big Lottery funding was provided to support a three year programme for the promotion of active citizenship which concluded during 2009/10. The project focused on the involvement of individuals with learning disabilities in their communities, improving social networks and improving opportunities for training and employment. Transfers from the Revenue Reserve in the year represent money received while transfers to the Revenue Reserve represent expenditure on the project.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

10. Designated Reserves	Group		Housing Association	
	2010 £000	2009 £000	2010 £000	2009 £000
Mainstream – Future Major Works				
At 1 April 2009	2,668	2,587	2,360	2,360
Transfer from Revenue Reserves	92	500	-	412
Transfer to Revenue Reserves	(465)	(419)	(460)	(412)
At 31 March 2010	<u>2,295</u>	<u>2,668</u>	<u>1,900</u>	<u>2,360</u>

The Designated Reserves represent the anticipated expenditure on properties over the next five years. No restrictions are placed upon these reserves, but the Board has designated their use for specific purposes – purchase and reconfiguration of properties £1.1m, planned major repair works in addition to that covered by rental income £0.8m.

11. Revenue reserve	Group		Housing Association	
	2010 £000	2009 £000	2010 £000	2009 £000
At 1 April 2009	2,647	2,073	2,323	1,952
Accumulated surplus for the year	978	647	807	363
Transfer to Restricted Reserve	-	(24)	-	(24)
Transfer from Restricted Reserve	10	32	10	32
Transfer to Designated Reserve	(92)	(500)	-	(412)
Transfer from Designated Reserve	465	419	460	412
At 31 March 2009	<u>4,008</u>	<u>2,647</u>	<u>3,600</u>	<u>2,323</u>

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

12. Tangible Fixed Assets – Group

Cost	Heritable property for letting £000	Furniture and equipment £000	Total £000
At 1 April 2009	27,725	60	27,785
Additions during year	551	-	551
Disposals during year	(62)	-	(62)
Transfers to current assets	(441)	-	(441)
At 31 March 2010	<u>27,773</u>	<u>60</u>	<u>27,833</u>
Depreciation			
At 1 April 2009	635	60	695
Charge for the year	103	-	103
Disposals during year	(7)	-	(7)
Transfers to current assets	(24)	-	(24)
At 31 March 2010	<u>707</u>	<u>60</u>	<u>767</u>
Housing Association Grant			
At 1 April 2009	17,883	-	17,883
Additions during year	45	-	45
Transfers to current assets	(308)	-	(308)
At 31 March 2010	<u>17,620</u>	<u>-</u>	<u>17,620</u>
Other Capital Grants			
At 1 April 2009	2,828	-	2,828
Additions during year	27	-	27
At 31 March 2010	<u>2,855</u>	<u>-</u>	<u>2,855</u>
Net Book Value			
At 31 March 2010	<u>6,591</u>	<u>-</u>	<u>6,591</u>
At 31 March 2009	<u>6,379</u>	<u>-</u>	<u>6,379</u>

Development administration costs capitalised amounted to £nil (2009 £nil).

Interest of £nil (2009 £nil) has been included in the cost of housing properties.

All land and property is owned by the Group. None is held under a lease.

Major Repairs costs amounted to £377k (2009 £356k) of which £nil (2009 £nil) was capitalised in the year.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

13. Tangible Fixed Assets		
Housing Association	Heritable property for letting	
		£000
Cost		
At 1 April 2009		23,257
Additions during year		551
Disposals during year		(61)
Transfers to current assets		(441)
At 31 March 2010		23,306
Depreciation		
At 1 April 2009		494
Charge for the year		73
Disposals during year		(7)
Transfers to current assets		(24)
At 31 March 2010		536
Housing Association Grant		
At 1 April 2009		17,883
Additions during year		45
Transfers to current assets		(308)
At 31 March 2010		17,620
Other Capital Grants		
At 1 April 2009		677
Additions during year		27
At 31 March 2010		704
Net Book Value		
At 31 March 2010		4,446
At 31 March 2009		4,203

Development administration costs capitalised amounted to £nil (2009 £nil).

Interest of £nil (2009 £nil) has been included in the cost of housing properties.

All land and property is owned by the Association. None is held under a lease.

Major Repairs costs amounted to £372k (2009 £349k) of which £nil (2009 £nil) was capitalised in the year.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

**14. Other Fixed Assets –
Group and Housing
Association**

	Heritable Buildings	Computer Equipment	Office Equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2009	763	509	61	1,333
Additions during year	-	32	-	32
Disposals during year	-	(102)	-	(102)
At 31 March 2010	<u>763</u>	<u>439</u>	<u>61</u>	<u>1,263</u>
Depreciation				
At 1 April 2009	214	485	32	731
Charges for the year	8	28	8	44
Disposals during year	-	(99)	-	(99)
At 31 March 2010	<u>222</u>	<u>414</u>	<u>40</u>	<u>676</u>
Net Book Value				
At 31 March 2010	<u>541</u>	<u>25</u>	<u>21</u>	<u>587</u>
At 31 March 2009	<u>549</u>	<u>24</u>	<u>29</u>	<u>602</u>

The original cost of the office premises at The Priory was £1,043,000. These premises were valued in June 1994 at open market value on an equivalent use basis at £750,000 by Maurice Elliot FRICS, FSVA at Kean Kennedy and Partners, independent chartered surveyors, in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the Royal Institute of Chartered Surveyors. The reduction in value was fully written off in the year ended 31 March 1994.

As allowed under FRS15 transitional rules, as the valuation was carried out prior to the introduction of the FRS, the Association has chosen to retain that valuation in the accounts.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

15. Stock and Work in Progress

	Group		Housing Association	
	2010	2009	2010	2009
	£000	£000	£000	£000
Assets held for disposal	<u>182</u>	<u>74</u>	<u>182</u>	<u>74</u>

Assets held for disposal represent properties identified for disposal during the next financial year.

16. Debtors

	Group		Housing Association	
	2010	2009	2010	2009
	£000	£000	£000	£000
Amounts falling due within one year:				
Rent in arrears	127	135	123	90
Less: provision for bad debts	<u>(38)</u>	<u>(39)</u>	<u>(38)</u>	<u>(36)</u>
	89	96	85	54
Other debtors	38	83	114	147
Local Authorities	460	434	460	434
HAG due from the Housing and Investment Division of the Scottish Government	1	5	1	5
Prepayments and accrued income	67	85	67	83
	<u>655</u>	<u>703</u>	<u>727</u>	<u>723</u>

17. Creditors: amounts falling due within one year

	Group		Housing Association	
	2010	2009	2010	2009
	£000	£000	£000	£000
Trade creditors	170	204	168	202
Contractors for specified work and retentions unpaid	26	27	26	27
Local Authorities	1,503	1,366	1,503	1,366
Other creditors	95	107	111	126
Other taxes and social security	363	318	363	318
Accruals	472	496	437	474
Deferred income	46	78	46	78
Service equipment replacement account	455	429	348	343
Housing loans (Note 18)	77	70	38	33
	<u>3,207</u>	<u>3,095</u>	<u>3,040</u>	<u>2,967</u>

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

18. Creditors due outwith one year Group and Housing Association	Group		Housing Association	
	2010	2009	2010	2009
	£000	£000	£000	£000
Housing Loans	<u>3,035</u>	<u>3,117</u>	<u>1,139</u>	<u>1,184</u>

Loans are secured by specific charges on the Group's properties. Loans are repayable at current rates of interest ranging from 1.10 % to 7.02 % (2009: 5.11% to 7.02 %) in instalments due as follows:

Group and Housing Association	Group		Housing Association	
	2010	2009	2010	2009
	£000	£000	£000	£000
In one year or less (Note 17)	77	70	38	33
In one to two years	79	73	38	34
Between two and five years	261	241	122	110
In five years or more	<u>2,695</u>	<u>2,803</u>	<u>979</u>	<u>1,040</u>
	<u>3,112</u>	<u>3,187</u>	<u>1,177</u>	<u>1,217</u>

Housing loans will be fully repaid between 2025 and 2037.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

19. Employees

Group and Housing Association	2010	2009
Staff costs during year	£000	£000
Wages and salaries	10,449	9,723
Social security costs	769	724
Other pension costs	467	469
	<u>11,685</u>	<u>10,916</u>

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

	No.	No.
Housing Staff	7	6
Support Staff	26	24
Direct Services Staff	420	406
	<u>453</u>	<u>436</u>

Details of the Executive Officers whose total emoluments exceed £60,000 per annum are detailed below.

	2010	2009
	£000	£000
Aggregate Emoluments payable to Executive Officers (including pension contributions and benefits in kind)	<u>219</u>	<u>265</u>
Emoluments payable to Highest Paid Executive Officer (excluding pension contributions)	<u>79</u>	<u>77</u>

No emoluments were paid to Board of Management members.

ARK HOUSING ASSOCIATION LIMITED
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19. Employees (continued)

The Chief Executive is an ordinary member of the Association's pension scheme described in note 28. No enhanced or special terms apply to membership and there are no other pension arrangements to which the Association contributes. The Association's contributions for the Chief Executive in the year amounted to £11,468 (2009 £11,155).

Total expenses reimbursed insofar as not chargeable to UK Income Tax	2010	2009
	£	£
- Chief Executive	639	1,296
- Board of Management	407	625

The number of Executive Officers whose emoluments, excluding pension contributions and benefits in kind, were over £60,000 was as follows:

	2010	2009
	No	No
£60,001 to £70,000	1	1
£70,001 to £80,000	1	1

No payments were made during the year to any member of the Association other than members who were also Board of Management members, or an officer or employee.

There were no loans to the Board members, officers or employees during the year.

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20. Auditors' Remuneration

	Group		Housing Association	
	2010 £000	2009 £000	2010 £000	2009 £000
The remuneration of the auditors (excluding expenses and VAT for the year)	<u>20</u>	<u>19</u>	<u>17</u>	<u>16</u>

**21. Share Capital –
Group and Housing Association**

	2010 £	2009 £
Shares of £1 fully paid and issued at beginning of year	85	84
Shares issued during year	1	4
Shares cancelled during year	<u>(45)</u>	<u>(3)</u>
Shares issued at end of year	<u>41</u>	<u>85</u>

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

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22. Net cash inflow from operating activities		
Group	2010	2009
	£000	£000
Operating Surplus	589	696
Depreciation	139	190
Decrease/(Increase) in Debtors	48	(237)
Increase in Creditors	111	70
Net cash inflow from operating activities	887	719

Reconciliation of net cash flow to movement in net funds/(debt)

Group	2010	2009
	£000	£000
Increase in cash in the period	751	508
Cash inflow from movement in debt	75	134
	826	642
Net debt at 1 April 2009	592	(50)
Net funds at 31 March 2010	1,418	592

Analysis of changes in net funds

	As at 1 April 2009 £000	Cash Flows £000	As at 31 March 2010 £000
Cash in bank and in hand	3,779	751	4,530
Debt due within 1 year	(70)	(7)	(77)
Debt due after 1 year	(3,117)	82	(3,035)
Net funds	592	826	1,418

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(Continued)

Housing Association

23. Net cash inflow from operating activities

	2010	2009
	£000	£000
Operating surplus	308	307
Depreciation	109	148
(Increase) in Debtors	(4)	(268)
Increase in creditors	73	172
	<u>486</u>	<u>359</u>
Net cash inflow from operating activities	486	359

Reconciliation of net cash flow to movement in net funds

Housing Association

Increase in cash in the period	495	368
Cash inflow from increase in debt	40	19
	<u>535</u>	<u>387</u>
Net funds at 1 April 2009	2,025	1,638
Net funds at 31 March 2010	2,560	2,025

Analysis of changes in net funds

	At	Cash	At
	1 April 2009	Flows	1 April 2010
	£'000	£'000	£'000
Cash in bank and in hand	3,242	495	3,737
Debt due within 1 year	(33)	(5)	(38)
Debt due after 1 year	(1,184)	45	(1,139)
	<u>2,025</u>	<u>535</u>	<u>2,560</u>
Net funds	2,025	535	2,560

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
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24. Commitments
Group and Housing Association

At the end of the financial year the Association had annual commitments under non-cancellable operating leases in respect of equipment as follows:

	2010	2009
	£000	£000
Operating leases which expire:		
Less than one year	11	3
In two to five years inclusive	19	44
	30	47

25. Capital Commitments

	Group		Housing Association	
	2010	2009	2010	2009
Housing land and buildings				
Commitment of property purchase	215	-	215	-

26. Post Balance Sheet Events

A proposal to pursue a merger with Rymonth Housing Society was approved by the Board of ARK Housing Association on 28th July 2010. This is due to take place during the 2010/11 financial year.

27. Related Party Transactions

As ARK Services is more than 90% controlled by ARK Housing Association the group is exempt from disclosing related party transactions between the two entities.

At March 2010 ARK Housing Association had a debtor of £36 (2009 £43,433) due from ARK Housing Trust. In the year ARK Housing Association provided ARK Trust with £3,410 of management services.

During the year ARK Housing Association held nineteen bank accounts in trust on behalf of service users. These accounts are kept separate from funds held by the Association and controls monitored by the Care Commission are in place to ensure the safe custody of said funds. The total amount held in these accounts as at 31 March 2010 was £82,197 (2009 £57,860).

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
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28. Pension Commitments

General

ARK Housing Association Limited participates in the SFHA Pension Scheme (the "Scheme"). The SFHA Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers three benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

ARK Housing Association has elected to continue to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2008 and a career average revalued earnings with a 1/60th accrual rate benefit structure for new members from 1 April 2008.

During the accounting period ARK Housing Association paid contributions at a rate of 15.4% of annual pensionable salary for existing members as at 31 March 2008 and contributions at a rate of 13.3% for new members from that date. Member contributions varied between 6.6% and 7.7% of annual pensionable salary.

As at the balance sheet date there were 188 active members of the Scheme employed by ARK Housing Association. ARK Housing Association continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the SFHA Pension Scheme are:

2006 Valuation Assumptions	% pa.
Investment return pre retirement	7.2
Investment return post retirement	4.9
Rate of salary increases	4.6
Rate of pension increases	
- Pension accrued pre 6 April 2005	2.6
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	2.6
Actively Liabilities	
Non-pensioners	PA92C2025 short
Pensioners	PA92C2013 short

ARK HOUSING ASSOCIATION LIMITED
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28. Pension Commitments (continued)

Contribution Rates for Future Service	%
Final salary 1/60ths	17.8
Career average revalued earnings 1/60ths	14.6
Career average revalued earnings 1/70ths	12.6
Additional rate for deficit contributions	5.3

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed at 30 September 2006 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared to liabilities of £54 million, equivalent to a past service funding level of 83.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update of the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in Autumn 2010. The provisional results of the triennial valuation reflect this showing a deficit of £160 million as at 30 September 2009. This means that the funding level of the liabilities represented by assets is 64.8%. Therefore, the total contribution rate must increase on average by 7% of pensionable earnings for all existing benefit options structures from April 2011.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

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28. Pension Commitments (continued)

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

ARK Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for ARK Housing Association was £22,172,999.99.

Growth Plan

ARK Housing Association participates in the Pensions Trust's Growth Plan (the Plan). The plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension Plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses and investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Growth Plan give the Trustees the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
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(Continued)

28. Pension Commitments (continued)

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

ARK Housing Association offers the Growth Plan as an AVC investment option for members of the SFHA Pension Scheme. The members pay contributions at a rate of their choice. ARK Housing Association does not pay any contributions to the Growth Plan.

As at the balance sheet date there was 1 active member of the Plan employed by ARK. ARK continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 have now been completed and will be formalized shortly. The valuation of the Plan was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of the liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% pa
- Investment return pre retirement	7.6
- Investment return post retirement	
Actives/deferreds	5.1
Pensioners	5.6
- Bonuses on accrued benefits	0.0
- Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
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(Continued)

28. Pension Commitments (continued)

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the scheme liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from the participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre retirement and 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post-retirement (pensioners).

A copy of the recovery plan must be sent to the Pension Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation will be forwarded to The Pensions Regulator in due course.

The next full actuarial valuation will be carried out as at 30 September 2011.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

ARK has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2008. As of this date the estimated employer debt for ARK was £27,433.01.

