

ARK HOUSING ASSOCIATION LIMITED

GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

Registered Housing Association No. HEP66

Financial Services Authority No. 1899R (S)

Charitable No. SC015694

ARK HOUSING ASSOCIATION LIMITED

PROFESSIONAL ADVISORS
31 MARCH 2011

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 2011

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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

BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS
31 MARCH 2011

Board of Management - Serving in 2010-2011

John Brown FRICS, MRTPI, DipLE, FSA ⁺

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

Jillian Davey MA Dip Phil ⁺

Morag Donaldson *

Kate Douglas joined 29/09/10

William Duncan BSc, FCIPD *

Misia Jack MA E Phil Dip Hsg MCIH ⁺

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

Sally Kinnear joined 29/10/10

Maureen Munro joined 29/09/10

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

James Rigby FCMA (Chair) ⁺

Peter Slater B Eng, C Eng, MiMechE, MCIM ⁺

Alastair Wallace MA, BA, LLB ⁺

Charles Wilson CEng, FIMechE ⁺

Board of Management – resigned during period

Jillian Davey MA Dip Phil resigned 29/09/10

William Duncan BSc FCIPD resigned 29/09/10

* Audit sub committee member

⁺ Housing sub committee member

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 (Resigned 01/09/10)

Ron Watson MBA, FCMA - Director, Finance (Appointed 06/09/10)

The Board of Management presents its report and audited financial statements for the year ended 31 March 2011.

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 who require support, 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 page 4.

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. ARK is currently working with newly appointed members to update and deliver a comprehensive process for induction and learning & development. This will include providing learning and training as required initially and will also incorporate a process for continuous learning throughout the members' duration on the Board.

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 increased its support for Causeway Prospects by way of an annual grant to fund an increase in a part-time worker's hours, partially funded a disabled parking bay at Fraserburgh and considered how it will seek to increase donations from other parties to the Trust. The strategy of the Trust has been to canvas ARK Housing Association for initiatives to support and regularly meet to review potential developments.

REPORT OF BOARD OF MANAGEMENT
31 MARCH 2011

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.

Strategy, Objectives and Business Review

ARK continues on its course, set in June 2009, to promote 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.

Care Service Quality

ARK worked hard to ensure that whilst operating within externally imposed financial constraints it could continue to guarantee the quality of its services. In 2009-10 ARK recorded 96% of its service gradings by the Care Commission at 4 (good) or above with 62% at the top two grades 5 (very good) and 6 (excellent). This year, 88% of the Association's gradings from the newly formed SCSWIS were 4 and above with 78% at the top two grades 5 (very good) and 6 (excellent). The average score for grades of 4 or above is slightly lower than last year's, due mainly to one of ARK's projects being given 3 Grade 3s in 2010. Whilst it should be stressed that these grades are considered by SCSWIS to be adequate, ARK takes seriously its commitment to quality and has now put in place a new Service Manager in that Project who is working hard with his team to ensure that any issues raised by the relevant reports are addressed, and that next year's grades are higher.

ARK's service user questionnaire confirmed that over 98% of respondents describe themselves as 'happy' or 'very happy' with the support that they receive from ARK.

Participation

Work continues to enable our tenants and service users to participate at all levels within ARK. During a period of significant change, both external and internal, ARK has been able to maintain its tenant and service user groups across Scotland, and the aim is to grow these groups to encourage access to participation across all geographical areas in which the Association operates. Our tenants and service users continue to develop their contributions not only to ARK but also to their local communities, making a difference for example through active involvement in the National Involvement Network, an organisation helping people who use services to have more control over their lives, or, in the case of one of our service users, acting as Chairperson of the Learning Disability Alliance Scotland, a national information and campaigning organisation which won 'Campaign of the Year' in the Herald Society Awards 2010 for its Campaign for Choice in Edinburgh.'

Investment in staff training

The majority of ARK's staff are within the scope of the Scottish Social Services Council (SSSC) registration. Following the restructure and redundancy processes which took place during October 2010 to March 2011 an audit of the qualifications for all staff was carried out and ARK's internal SVQ team has adjusted its 4-year plan (currently in year 2) to ensure achievement of all required SVQ Level 2 and

REPORT OF BOARD OF MANAGEMENT
31 MARCH 2011

3 gradings in Health & Social Care within the required timescales. ARK is still on target to meet all SSSC timescales and criteria.

Following on from the success of our bespoke Management Development Programme, Community Networks Managers have been working towards achievement of their Management Award and/or their SVQ in Health & Social Care, Level 4. ARK is on target to meet the appropriate SSSC Registration timescales and criteria for all Community Networks Managers.

Priorities for the next tranche of Practice and Management qualifications have been identified and these will be completed during 2011/12.

All other Managers will be supported to achieve other relevant qualifications relevant to their job role if required. These initiatives are part of ARK's Learning and Development Strategy.

Asset Management Strategy

ARK continued to implement the plans set out in its Asset Management Strategy. The Knowledge Transfer Partnership (KTP) continues to make progress in its research work into the impact of the built environment on service provision and is now in the final year of its two-year research programme. ARK continues to make a significant contribution to the KTP through its broad experience of demonstrating the positive impacts that the built 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, the project 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.

Last year, ARK 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. Whilst maintaining a focus on longer-term requirements, the Property team has maintained a high level of responsiveness to tenants' repair requests and has delivered around 98% of emergency, urgent and routine repairs within response targets.

ARK is also working in partnership with Local Authorities to develop alternative models of built environment for people with complex needs. This partnership working is particularly important in the current climate on the availability of Housing Association Grant funding and ARK continues to seek outcomes which are positive for the service users, ARK and the local authority.

Housing Services

In Housing Services, the team has worked hard to achieve a high level of service. As part of this, the Allocations Policy was reviewed and a new application form and guidance booklet produced. In addition, 66 applicants were assessed and added to our housing list and ARK joined "Key to Choice" in Edinburgh, which enables applicants to bid for our advertised empty properties within Edinburgh. These measures facilitated a reduction in the number of properties classed as "low demand" from 80 to just 29. Of these, we allocated 27 properties, 24 of which were re-let within 31 days, compared to an average of 44 days in 2009-10. This initiative was reflected in the overall amount of rent loss arising from void properties falling from £32k in 2009-10 to £16k in 2010-11.

We introduced two new rent payment options (direct debits and telephone payments directly to staff with a debit card) and a new rent payment monitoring system. This has resulted in rent arrears due by current tenants falling from 5.28% at the end of 2010 to 1.57% of gross rental income at the end of 2011, whilst the non technical arrears fell from 0.55% at the beginning of the year to 0.37% as at 31

**REPORT OF BOARD OF MANAGEMENT
31 MARCH 2011**

March 2011. There were no abandoned properties and only 1 of the 20 tenancies started in 2009-10, ended in the year.

The Housing team also dealt with 11 cases of anti-social behavior or neighbour nuisance, issued 2 newsletters to our tenants, increased our levels of tenant consultation and participation and facilitated a group of tenants to form a neighbourhood watch scheme within one of the estates.

This has been an exciting and challenging year for ARK and the organisation starts the 2011/12 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 continue 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 continues to review the remaining group living services to ensure that they deliver the best services and environments possible and 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 frameworks, higher thresholds for tendering new services and the introduction of self directed support. ARK continues to 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 local government funding levels, 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. ARK 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 has been set on the basis of individual Local Authority strategic responses to the cuts in social care and housing investment budgets, their 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.

To ensure ARK's ability to deliver care services with more limited resources in anticipation of cuts in funding in the coming financial year, it will complete in summer 2011 a restructuring of the organisation. This involved a fundamental review of the management structures within both Head Office and Community Networks, with a clear aim of retaining the frontline staff and the services they deliver. This objective has been achieved and future years will benefit from a more streamlined management structure, reduced central overheads and the continued delivery of high quality services through trained, experienced and qualified personnel.

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 £15,417k, an increase of 3.3% on the previous year, which reflects the additional income gained from the merger with Rymonth Housing Society offset against a reduction of 0.5% in our care and support services hours of provision and reductions in our funding rates. The group surplus for the financial year was £742k which was a decrease of £236k on the previous year. This was due, primarily, to the exceptional restructuring cost of £1,046k being offset

REPORT OF BOARD OF MANAGEMENT
31 MARCH 2011

against the exceptional gain on transfer generated from the merger with Rymouth Housing Society during the year and the gain on disposal of fixed assets.

Ark Services continues to receive rental income for four sites in Aberdeen City and generated an operating surplus of £95k in the financial year.

ARK Group presents an improved balance sheet position with a closing cash balance of £4,684k (an increase of £154k) and net current assets of £2,316k (an increase of £156k).

Reserves

Total reserves increased by £742k during the financial year to £7,045k. The General Revenue Reserve balance is held at a balance of at least an amount equivalent to two months salary costs (approximately £2,100k) 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 £2,017k for planned major works that are additional to those major works covered by rents for the next five years. 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.

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 and 30 day notice deposit accounts.

Borrowings are secured based on a mix of fixed and variable rate finance. Approximately 71% of Group funds are secured on a fixed borrowing rate and 29% 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 checks and audit system implemented throughout ARK in 2009.

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.

Given the restructure and redundancy processes undertaken during October 2010 to March 2011, extensive staff consultation took place this year. This included arranging meetings with all key staff across all geographic areas and with Unite the Union.

Funds held as Custodian Trustee on Behalf of Others

During the year ARK held 26 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.

By order of the Board of Management

Member



The Priory
Canaan Lane
Edinburgh
EH10 4SG

Date: 31.8.11

STATEMENT OF BOARD RESPONSIBILITIES

31 MARCH 2011

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:

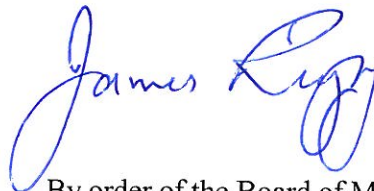
- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements and
- Prepare 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 Group 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:

BOARD OF MANAGEMENT'S STATEMENT OF INTERNAL FINANCIAL CONTROLS
31 MARCH 2011

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 Regulator'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 2011. 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

James Rigney

Date: *31 Aug 2011*

INDEPENDENT AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS
31 MARCH 2011

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
Statutory Auditors
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date *12 September* 2011

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARK HOUSING
ASSOCIATION LIMITED
31 MARCH 2011**

We have audited the group and parent association financial statements of Ark Housing Association Limited for the year ended 31 March 2011 (the "financial statements") on pages 15 to 50. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board and auditor

As explained more fully in the Board's Responsibilities Statement set out on page 11 the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2011 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, Schedule 7 to the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- A satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP

Statutory Auditor

First Floor, Quay 2

139 Fountainbridge

Edinburgh

EH3 9QG

Date *12 September 2011*

ARK HOUSING ASSOCIATION LIMITED

GROUP INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2011

	<i>Notes</i>	2011 £'000	2010 £'000
Turnover	2	15,417	14,931
Less: Operating costs	2	(15,279)	(14,647)
Exceptional Items	8	<u>(307)</u>	<u>305</u>
Operating (loss)/ surplus		(169)	589
Gain on disposal of fixed assets		384	504
Gain on transfer of engagement	28	651	-
Interest receivable and similar income		30	41
Interest payable and similar charges	6	<u>(154)</u>	<u>(156)</u>
Surplus for the financial year	11	<u><u>742</u></u>	<u><u>978</u></u>

The results for the year relate wholly to continuing activities.

There were no recognised gains or losses in 2011 or 2010 other than the surplus for the year.

**HOUSING ASSOCIATION INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2011**

	<i>Notes</i>	2011 £'000	2010 £'000
Turnover	2	14,941	14,491
Less: Operating costs	2	(15,003)	(14,488)
Exceptional Items	8	<u>(307)</u>	<u>305</u>
Operating (loss)/ surplus		(369)	308
Gain on disposal of fixed assets		384	504
Gain on transfer of engagement	28	651	-
Interest receivable and similar income		23	35
Interest payable and similar charges	6	<u>(40)</u>	<u>(40)</u>
Surplus for the financial year	<i>11</i>	<u><u>649</u></u>	<u><u>807</u></u>

The results for the year relate wholly to continuing activities.

There were no recognised gains and losses in 2011 or 2010 other than the surplus for the year.

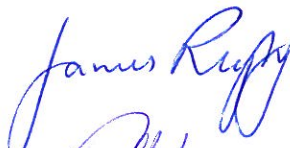
ARK HOUSING ASSOCIATION LIMITED

GROUP BALANCE SHEET
AS AT 31 MARCH 2011

	<i>Notes</i>	2011 £'000	2010 £'000
Tangible fixed assets			
Housing properties, furniture and equipment			
- cost less depreciation	12	28,594	27,066
Less: Housing Association Grant	12	(17,985)	(17,620)
Other Grants	12	(3,320)	(2,855)
		<u>7,289</u>	<u>6,591</u>
Other	14	638	587
		<u>7,927</u>	<u>7,178</u>
Current assets			
Stock and Work in Progress	15	-	182
Debtors	16	852	655
Cash at bank and in hand	22	4,684	4,530
		<u>5,536</u>	<u>5,367</u>
Creditors: amounts falling due within one year	17	(3,220)	(3,207)
Net current assets		<u>2,316</u>	<u>2,160</u>
Total assets less current liabilities		10,243	9,338
Creditors: amounts falling due after more than one year	18	(3,198)	(3,035)
Net assets		<u><u>7,045</u></u>	<u><u>6,303</u></u>
Capital and reserves			
Share capital	21	-	-
Restricted reserves	9	23	-
Designated reserves	10	2,017	2,295
General Revenue reserves	11	5,005	4,008
		<u>7,045</u>	<u>6,303</u>

These financial statements were approved by the Board of Management and authorised for issue on ...31.03.2011 and signed on its behalf by:

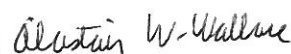
James Rigby (Chairman)



Peter Slater (Member)



Alastair Wallace (Member)



ARK HOUSING ASSOCIATION LIMITED

HOUSING ASSOCIATION BALANCE SHEET
AS AT 31 MARCH 2011

	<i>Notes</i>	2011 £'000	2010 £'000
Tangible fixed assets			
Housing properties, furniture and equipment			
- cost less depreciation	13	24,334	22,770
Less: Housing Association Grant	13	(17,985)	(17,620)
Other Grants	13	(1,169)	(704)
		5,180	4,446
Other	14	638	587
		5,818	5,033
Current assets			
Stock and Work in Progress	15	-	182
Debtors	16	888	727
Cash at bank and in hand	23	3,797	3,737
		4,685	4,646
Creditors: amounts falling due within one year	17	(3,013)	(3,040)
Net current assets		1,671	1,606
Total assets less current liabilities		7,490	6,639
Creditors: amounts falling due after more than one year	18	(1,341)	(1,139)
Net assets		6,149	5,500
Capital and reserves			
Share capital	21	-	-
Restricted reserves	9	23	-
Designated reserves	10	1,724	1,900
General Revenue reserves	11	4,402	3,600
		6,149	5,500

These financial statements were approved by the Board of Management and authorised for issue on ...31 Aug... 2011 and signed on its behalf by:

James Rigby (Chairman)

Peter Slater (Member)

Alastair Wallace (Member)

**GROUP CASH FLOW STATEMENT
AS AT 31 MARCH 2011**

	<i>Notes</i>	2011 £'000	2010 £'000
Net cash (outflow)/inflow from operating activities	22	(209)	887
Returns on investment and servicing of finance			
Interest received		30	41
Interest paid	6	(154)	(156)
Net cash (outflow) from returns on investment and servicing of finance		(124)	(115)
Capital expenditure			
Sale of housing properties		576	565
Purchase of housing properties	12	(714)	(551)
Purchase of other tangible fixed assets	14	(45)	(32)
Housing Association Grants received	12	26	45
Other grants received	12	465	27
Net cash inflow for capital expenditure		308	54
Net cash (outflow)/ inflow before financing		(25)	826
Financing			
Receipt of housing loans		797	-
Repayment of housing loans		(618)	(75)
Net cash inflow/(outflow) from financing		179	(75)
Increase in cash in year	22	154	751

Further details are given in note 22.

HOUSING ASSOCIATION CASH FLOW STATEMENT
AS AT 31 MARCH 2011

	<i>Notes</i>	2011 £'000	2010 £'000
Net cash (outflow)/inflow from operating activities	23	(441)	486
Returns on investment and servicing of finance			
Interest received		23	35
Interest paid	6	(40)	(40)
Net cash (outflow) from returns on investment and servicing of finance		(17)	(5)
Capital expenditure			
Sale of housing properties		576	565
Purchase of housing properties	13	(714)	(551)
Purchase of other tangible fixed assets	14	(45)	(32)
Housing Association Grants received	13	26	45
Other Grants	13	465	27
Net cash inflow for capital expenditure		308	54
Net cash (outflow)/inflow before financing		(150)	535
Financing			
Receipt of housing loans		797	-
Repayment of housing loans		(587)	(40)
Net cash inflow/(outflow) from financing	23	210	(40)
Increase in cash in year	23	60	495

Further details are given in note 23.

NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2011

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2011
(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.

NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2011
(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 for restricted purposes/projects and related expenditure in these projects.

(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.

Since October 2010 ARK has been contributing to a Standard Life scheme for 8 staff who transferred from Rymouth Housing Society Limited. The contribution rates are 2.4% of pensionable salary for employees and 6% for the employer.

NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2011
(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 and a Registered Charity, the Association is exempt from payment of corporation tax on its social letting and other charitable activities.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2011
(Continued)

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

Group	Notes	Turnover £'000	Operating Costs £'000	2011	2010
				Operating Surplus/(Deficit) £'000	Operating Surplus/(Deficit) £'000
Social Lettings	3	2,234	(1,887)	347	437
Other Activities	4	13,183	(13,392)	(209)	(153)
Sub-Total		15,417	(15,279)	138	284
Exceptional Income (Other Activities)	8	739	-	739	305
2011 Total		16,156	(15,279)	877	589
2010 Total		15,236	(14,647)	589	

Housing Association	Notes	Turnover £'000	Operating Costs £'000	2011	2010
				Operating Surplus £'000	Operating Surplus £'000
Social Lettings	3	1,694	(1,548)	146	156
Other activities	4	13,247	(13,455)	(208)	(153)
Sub-Total		14,941	(15,003)	(62)	3
Exceptional Income (Other Activities)	8	739	-	739	305
2011 Total		15,680	(15,003)	677	308
2010 Total		14,796	(14,488)	308	

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2011
(Continued)

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

Group:	General Needs	Supported Housing Accommodation	2011 Total	2010 Total
	£'000	£'000	£'000	£'000
Rent receivable	1,890	137	2,027	1,926
Service charges	223	-	223	219
Gross income from rents and service charges	2,113	137	2,250	2,145
Less Voids	(16)	-	(16)	(32)
Net income from rents and service charges	2,097	137	2,234	2,113
Grants from Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	-
Total turnover from social letting activities	2,097	137	2,234	2,113
Management and maintenance administration costs	664	59	723	587
Service costs	201	-	201	197
Planned and cyclical maintenance including major repairs costs	548	48	596	557
Reactive maintenance costs	214	19	233	232
Bad debts – rent and service charges	26	-	26	-
Depreciation of social housing	99	9	108	103
Impairment of social housing	-	-	-	-
Operating costs for social letting activities	1,752	135	1,887	1,676
Operating surplus for social letting activities	345	2	347	437

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2011
(Continued)

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

Association:	General Needs	Supported Housing Accommodation	2011 Total	2010 Total
	£'000	£'000	£'000	£'000
Rent receivable	1,402	137	1,539	1,474
Service charges	171	-	171	168
Gross income from rents and service charges	1,573	137	1,710	1,642
Less Voids	(16)	-	(16)	(32)
Net income from rents and service charges	1,557	137	1,694	1,610
Grants from Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	-
Total turnover from social letting activities	1,557	137	1,694	1,610
Management and maintenance administration costs	483	42	525	500
Service costs	154	-	154	151
Planned and cyclical maintenance including major repairs costs	515	45	560	521
Reactive maintenance costs	192	16	208	209
Bad debts – rent and service charges	26	-	26	-
Depreciation of social housing	69	6	75	73
Impairment of social housing	-	-	-	-
Operating costs for social letting activities	1,439	109	1,548	1,454
Operating surplus for social letting activities	118	28	146	156

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2011 (Continued)

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

Group:	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Wider role activities	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-
Support activities	-	2,317	6,038	457	8,812	-	(8,950)	(138)
Care activities	-	4,052	-	282	4,334	-	(4,402)	(68)
Agency management services – RSLs	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-
Other activities	-	-	-	37	37	-	(40)	(3)
Total from other activities - 2011	-	6,369	6,038	776	13,183	-	(13,392)	(209)
Total from other activities - 2010	-	6,348	6,026	749	13,123	-	(12,971)	152

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2011 (Continued)

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

Association:	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Wider role activities	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-
Support activities	-	2,317	6,038	457	8,812	-	(8,950)	(138)
Care activities	-	4,052	-	282	4,334	-	(4,402)	(68)
Agency management services – RSLs	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-
Other activities	-	-	-	101	101	-	(103)	(2)
Total from other activities - 2011	-	6,369	6,038	840	13,247	-	(13,455)	(208)
Total from other activities - 2010	-	6,348	6,026	812	13,186	-	(13,034)	152

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2011
(Continued)

5 Housing Stock
Group & Housing Association

The number of units in management at 31 March 2011 was as follows:

	Owned	Not Owned	2011 Total	2010 Total
	No	No	No	No
General Needs	185	1	186	220
Supported accommodation	340	32	372	300
	525	33	558	520

Management of Association stock by other bodies	2011 No	2010 No
--	--------------------	--------------------

Properties leased to other organisations

Share Housing Association	-	5
West Lothian Council	6	6
Community Integrated Care Ltd	6	6
Choices Community Care Ltd	11	11
Aberdeen City Council	12	12
Leonard Cheshire Foundation	9	9
Aberdeenshire Council	0	2
Real Life Options	2	2
Fife Council	6	6
Clackmannanshire	3	-
	55	59

Properties managed by other organisations:

Aspire	9	9
The Action Group	6	7
SHARE	5	-
	20	16

Total properties	75	75
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ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2011
(Continued)

6. Interest payable	Group		Housing Association	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Loans	154	156	40	40

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

	2011 £'000	2010 £'000
Release of deferred income	739	305
Restructuring costs	(1,046)	-
	(307)	305

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 2010/11 rather than as a prior year adjustment.

To ensure ARK's ability to deliver care services with more limited resources in anticipation of cuts in funding in the coming financial year, it will complete in summer 2011 a restructuring of the organisation. This involved a fundamental review of the management structures within both Head Office and Community Networks, with a clear aim of retaining the frontline staff and the services they deliver. This objective has been achieved and future years will benefit from a more streamlined management structure, reduced central overheads and the continued delivery of high quality services through trained, experienced and qualified personnel.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2011

(Continued)

9. Restricted Reserves

	Group		Housing Association	
	2011	2010	2011	2010
The Big Lottery Funding - Restricted	£'000	£'000	£'000	£'000
At 1 April	-	10	-	10
Transfer from Revenue Reserve	-	-	-	-
Transfer to Revenue Reserve	-	(10)	-	(10)
At 31 March	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Big Lottery funding was provided to support a three year programme for the promotion of active citizenship which concluded during 2010/11. 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.

Rotary Rymonth Hobbies Fund - Restricted	£'000	£'000	£'000	£'000
At 1 April	-	-	-	-
Transferred from Rymonth Housing Society	7	-	7	-
Transfer from Revenue Reserve	-	-	-	-
Transfer to Revenue Reserve	-	-	-	-
At 31 March	<u>7</u>	<u>-</u>	<u>7</u>	<u>-</u>

The Rotary Rymonth Hobbies Fund was created out of a donation received by Rymonth Housing Society from St Andrews Rotary Club for the purpose of promoting the leisure activities of the residents of Rymonth, including the provision of equipment and materials for the said purpose. Interest shall be credited annually and any expenditure exceeding £250 shall be notified to the Rotary Club in advance.

Appletree Trust Fund - Restricted	£'000	£'000	£'000	£'000
At 1 April	-	-	-	-
Transferred from Rymonth Housing Society	16	-	16	-
Transfer from Revenue Reserve	-	-	-	-
Transfer to Revenue Reserve	-	-	-	-
At 31 March	<u>16</u>	<u>-</u>	<u>16</u>	<u>-</u>

The Appletree Trust Fund was created out of a donation received by Rymonth Housing Society from Appletree Trust for the residents of Rymonth.

Total Restricted Reserves	<u>23</u>	<u>-</u>	<u>23</u>	<u>-</u>
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ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2011
(Continued)

10. Designated Reserves	Group		Housing Association	
	2011	2010	2011	2010
Mainstream – Future Major Works	£'000	£'000	£'000	£'000
At 1 April	2,295	2,668	1,900	2,360
Transfer from Revenue Reserves	188	92	188	-
Transfer to Revenue Reserves	(466)	(465)	(364)	(460)
At 31 March	<u>2,017</u>	<u>2,295</u>	<u>1,724</u>	<u>1,900</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 – planned major repair works in addition to that covered by rental income.

11. Revenue reserve	Group		Housing Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
At 1 April	4,008	2,647	3,600	2,323
Accumulated surplus for the year	742	978	649	807
Transfer to Restricted Reserve	(23)	-	(23)	-
Transfer from Restricted Reserve	-	10	-	10
Transfer to Designated Reserve	(188)	(92)	(188)	-
Transfer from Designated Reserve	466	465	364	460
At 31 March	<u>5,005</u>	<u>4,008</u>	<u>4,402</u>	<u>3,600</u>

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2011
(Continued)

12. Tangible Fixed Assets – Group

	Heritable property for letting £'000	Furniture and equipment £'000	Total £'000
Cost			
As at 1 April 2010	27,773	60	27,833
Additions	714	-	714
Transferred from Rymouth Housing Society	512	-	512
Disposals	(441)	-	(441)
Transfer from Current Assets	863	-	863
As at 31 March 2011	29,421	60	29,481
Depreciation			
As at 1 April 2010	707	60	767
Charge for Year	108	-	108
Disposals	(23)	-	(23)
Transfer from Current Assets	35	-	35
As at 31 March 2011	827	60	887
Net Cost less Depreciation	28,594	-	28,594
Housing Association Grant			
As at 1 April 2010	17,620	-	17,620
Additions	26	-	26
Disposals	(308)	-	(308)
Transfer from Current Assets	647	-	647
As at 31 March 2011	17,985	-	17,985
Other Capital Grants			
As at 1 April 2009	2,855	-	2,855
Additions	465	-	465
As at 31 March 2011	3,320	-	3,320
Net Book Value			
At 31 March 2011	7,289	-	7,289
At 31 March 2010	6,591	-	6,591

Development administration costs capitalised amounted to £nil (2010 £nil).

Interest of £nil (2010 £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 £389k (2010 £377k) of which £nil (2010 £nil) was capitalised in the year.

Other Capital Grants includes £115,000 funded by Ark Services Limited.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2011
(Continued)

13. Tangible Fixed Assets
Housing Association

	Heritable property for letting £'000
Cost	
As at 1 April 2010	23,306
Additions	714
Transferred from Rymouth Housing Society	512
Transfer from current asset	424
As at 31 March 2011	24,956
 Depreciation	
As at 1 April 2010	536
Charge for Year	75
Transfer from current asset	11
As at 31 March 2011	622
 Net Cost less Depreciation	24,334
 Housing Association Grant	
As at 1 April 2010	17,620
Additions	26
Transfer from current asset	339
As at 31 March 2011	17,985
 Other Capital Grants	
As at 1 April 2010	704
Additions	465
As at 31 March 2011	1,169
 Net Book Value	
At 31 March 2011	5,180
 At 31 March 2010	4,446

Development administration costs capitalised amounted to £nil (2010 £nil).

Interest of £nil (2010 £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 £364k (2010: £372k) of which £nil (2010 £nil) was capitalised in the year.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2011
(Continued)

14. Other Fixed Assets –
Group and Housing Association

	Heritable Buildings £'000	Land £'000	Computer Equipment £'000	Motor Vehicles £'000	Office Equipment £'000	Total £'000
Cost or valuation						
At 1 April 2010	763	-	439	-	61	1,263
Additions during year	-	-	45	-	-	45
Transferred from Rymouth Housing Society	-	37	-	4	8	49
At 31 March 2011	763	37	484	4	69	1,357
Depreciation						
At 1 April 2010	222	-	414	-	40	676
Charges for the year	9	-	26	-	8	43
At 31 March 2011	231	-	440	-	48	719
Net Book Value						
At 31 March 2011	532	37	44	4	21	638
At 31 March 2010	541	-	25	-	21	587

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 2011
(Continued)

15. Stock and Work in Progress

	Group		Housing Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Assets Held for Disposal	-	182	-	182
Assets held for disposal represented properties identified for disposal during the next financial year.				

16 Debtors

	Group		Housing Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Rent Arrears	40	127	40	123
Less: Provision for bad debts	(13)	(38)	(13)	(38)
	<u>27</u>	<u>89</u>	<u>27</u>	<u>85</u>
Other Debtors	163	38	235	114
Local Authorities	523	460	523	460
Division of the Scottish Government	-	1	-	1
Prepayments and accrued income	139	67	103	67
	<u>852</u>	<u>655</u>	<u>888</u>	<u>727</u>

17 Creditors: Amount falling due within one year

	Group		Housing Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Trade Creditors	83	170	80	168
Contractors for specified work and retentions unpaid	40	26	40	26
Local Authorities	1,020	1,503	1,020	1,503
Other Creditors	391	95	398	111
Other taxes and social security	423	363	421	363
Accruals	619	472	577	437
Deferred Income	50	46	50	46
Service equipment replacement account	505	455	379	348
Housing Loans (Note 18)	89	77	48	38
	<u>3,220</u>	<u>3,207</u>	<u>3,013</u>	<u>3,040</u>

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
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18 Creditors due outwith one year

	Group		Housing Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Housing Loans	3,198	3,035	1,341	1,139

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 % (2010: 5.11% to 7.02 %) in instalments due as follows:

	Group		Housing Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
In one year or less (Note 17)	89	77	48	38
In one to two years	92	79	48	38
Between two to five years	299	261	152	122
In five years or more	2,807	2,695	1,141	979
	3,287	3,112	1,389	1,177

Housing loans will be fully repaid between 2025 and 2039.

ARK HOUSING ASSOCIATION LIMITED
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19. Employees

Group & Housing Association	2011	2010
Staff Costs during year (excluding restructuring costs)	£'000	£'000
Wages & Salaries	10,944	10,449
Social Security Costs	834	769
Other Pension Costs	479	467
	<u>12,257</u>	<u>11,685</u>

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

	No	No
Housing Staff	7	7
Support Staff	26	26
Direct Services Staff	443	420
	<u>476</u>	<u>453</u>

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

	2011	2010
	£'000	£'000
Aggregate Emoluments payable to Executive Officers (including pension contributions and benefits in kind)	227	219
Emoluments payable to Highest Paid Executive Officer (excluding pension contributions)	81	79

No emoluments were paid to Board of Management members.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
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19 Employees (continued)

The Chief Executive is an ordinary member of the Association's pension scheme described in note 27. 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 £11,429 (2010 £11,468).

	2011	2010
	£	£
Total Expenses reimbursed insofar as not chargeable to UK Income Tax		
Chief Executive	767	639
Board of Management	878	407

	2011	2010
	No	No
The number of Executive Officers whose emoluments, excluding pension contributions and benefits in kind, were over £60,000 was as follows:		
£60,000 to £70,000	-	1
£70,000 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.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
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20 Auditors' Remuneration

	Group		Housing Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
The remuneration of the auditors (Including expenses and VAT for the year)	<u>20</u>	<u>20</u>	<u>17</u>	<u>17</u>

21 Share Capital

Group & Housing Association	2011	2010
Shares of £1 fully paid and issued at beginning of year	41	85
Shares Issued during year	20	1
Shares Cancelled during year	(4)	(45)
	<u>57</u>	<u>41</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	2011 £'000	2010 £'000
Operating (Deficit)/ Surplus	(169)	589
Depreciation	151	139
(Increase)/Decrease in Debtors	(110)	48
(Decrease)/Increase in Creditors	(81)	111
Net cash (outflow)/inflow from operating activities	(209)	887

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

Group	2011 £'000	2010 £'000
Increase in cash in the period	154	751
Cash (outflow)/inflow from movement in debt	(175)	75
	(21)	826
Net debt at 1 April 2010	1,418	592
Net funds at 31 March 2011	1,397	1,418

Analysis of changes in net funds

	At 1Apr 10 £'000	Cash Flows £'000	At 31 Mar 11 £'000
Cash in bank and in hand	4,530	154	4,684
Debt due within 1 year	(77)	(12)	(89)
Debt due after 1 year	(3,035)	(163)	(3,198)
Net funds	1,418	(21)	1,397

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

23. Net cash inflow from operating activities

	2011	2010
Housing Association	£'000	£'000
Operating (Deficit)/ Surplus	(369)	308
Depreciation	118	109
(Increase) in Debtors	(71)	(4)
(Decrease)/Increase in Creditors	(119)	73
Net cash (outflow)/inflow from operating activities	(441)	486

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

	2011	2010
Housing Association	£'000	£'000
Increase in cash in the period	60	495
Cash (outflow)/inflow from movement in debt	(212)	40
	<u>(152)</u>	<u>535</u>
Net funds at 1 April 2010	2,560	2,025
Net funds at 31 March 2011	<u>2,408</u>	<u>2,560</u>

Analysis of changes in net funds

	At	Cash	At
	1 Apr 10	Flows	31 Mar 11
	£'000	£'000	£'000
Cash in bank and in hand	3,737	60	3,797
Debt due within 1 year	(38)	(10)	(48)
Debt due after 1 year	(1,139)	(202)	(1,341)
Net funds	<u>2,560</u>	<u>(152)</u>	<u>2,408</u>

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:

	2011	2010
	£'000	£'000
Operating leases which expire:		
Less than one year	2	11
In two to five years inclusive	100	19
	<u>102</u>	<u>30</u>

25. Capital Commitments

	Group		Housing	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Housing land and buildings				
Housing land and buildings	-	215	-	215

26. 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 2011 ARK Housing Association had a debtor of £5,130 (2010 £36) due from ARK Housing Trust. In the year ARK Housing Association provided ARK Trust with £3,559 of management services.

During the year ARK Housing Association held eighteen bank accounts (2010 nineteen) 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 2011 was £130,081 (2010 £82,197).

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

27. 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 offered two benefit structures to employees in the year to 31st March 2011, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th 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 who were in service as at 31 March 2008, 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 2009 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 181 active members of the Scheme employed by ARK Housing Association. ARK Housing Association continues to offer membership of the Scheme to its employees, albeit on a reduced benefit level based on an accrual rate of 120ths of career average revalued earnings (not contracted out of the State scheme) with effect from 1 April 2011.

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

2009 Valuation Assumptions		% p.a.
Discount rate pre retirement		7.4
Discount rate post retirement – Non-pensioners		4.6
Discount rate post retirement – Pensioners		4.8
Rate of salary increases		4.5
Rate of pension increases		
- Pension accrued pre 6 April 2005 in excess of GMP		2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%p.a.)		2.2
Rate of price inflation		3.0
Mortality Tables		
Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement	
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement	

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NOTES TO THE GROUP FINANCIAL STATEMENTS
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27. Pension Commitments (continued)

Contribution Rates for Future Service (payable from 1 April 2011)	%
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions	10.4
Members fully participate in the State scheme with effect from 1 st April 2011	

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 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared to liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update of the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

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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27. 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) calculated on the buy-out basis. 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.

Contingent Liability

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 2010. As of this date the estimated employer debt for ARK Housing Association was £22,809,519.

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 Trustee 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.

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27. 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 were completed in 2009 and have been formalised. 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 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
- Discount rate pre retirement	7.6
- Discount rate post retirement	
Active and deferred members	5.1
Pensioners	5.6
- Bonuses on accrued benefits	0.0
- Rate of price inflation	3.2

In determining the discount rate 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 discount rate 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.

The Scheme Actuary has prepared a funding position update as at 30 September 2010. The market value of the Plan's assets at that date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £825 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £45 million, equivalent to a funding level of 95%.

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.

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NOTES TO THE GROUP FINANCIAL STATEMENTS
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27. 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).

The Pensions 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 Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009, as is required by legislation.

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.

Contingent Liability

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 2010. As of this date the estimated employer debt for ARK was £29,060.

Other Pension Schemes

Since October 2010 ARK has been contributing to a Standard Life scheme for 8 members of staff who transferred from Rymonth Housing Society Limited. The contribution rates are 2.4% of pensionable salary for employees and 6% for the employer.

ARK HOUSING ASSOCIATION LIMITED
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(Continued)

28. Gain on Transfer of Engagement

Discussions that commenced in 2009 with Rymonth Housing Society concluded in July 2010 with an agreement to merge. The transfer of all assets, liabilities and activities to ARK took place on 30 September 2010 for nil consideration giving a gain on transfer of engagement of £651,000.