

ARK HOUSING ASSOCIATION LIMITED
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

Registered Housing Association No. HEP66

Financial Services Authority No. 1899R (S)

Charitable No. SC015694

ARK HOUSING ASSOCIATION LIMITED

PROFESSIONAL ADVISORS

31 MARCH 2012

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 2012**

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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 2012**

Board of Management - Serving in 2011-2012

Isla Ashcroft MA, LLB, Dip LP - joined 07/09/2011 *

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

Kate Douglas B.A, CQSW ⁺

Anne Kershaw BSc. FIA *

Ann Lyon - joined 29/02/2012*⁺

Maureen Munro BSc (Hons) AMCIM

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

John Brown FRICS, MRTPI, DipLE, FSA ⁺ - resigned 17/05/2011

Morag Donaldson * - resigned 07/09/2011

Misia Jack MA E Phil Dip Hsg MCIH +- resigned 23/11/2011

Sally Kinnear - resigned 29/09/2011 *

Alan Reid LL.B (Hons.), Dip. L.P., LL.M * - resigned 07/09/2011

* Audit sub committee member

⁺ Housing sub committee member

Executive Officers - current

Jane Gray BSc, MSc, MA - Chief Executive

Fiona Katz MCIPD - Director, Human Resources

Ron Watson MBA, FCMA - Director, Finance

ARK HOUSING ASSOCIATION LIMITED

REPORT OF BOARD OF MANAGEMENT 31 MARCH 2012

The Board of Management presents its report and audited financial statements for the year ended 31 March 2012.

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 three sub-committees (Resources, 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 has also in the past received support from Ark Housing Trust, a registered charity established to support the Association. On the 27th March 2012 the Trustees of Ark Housing Trust donated £300,000, the majority of the Trust's reserves, to ARK Housing Association towards a new development in Southhouse, Edinburgh. The strategy of the Trust will continue to be to canvas ARK Housing Association for initiatives to support with its remaining reserves and regularly meet to review potential developments.

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.

Financial Review

Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment. Major components (as noted in accounting policies h(i)) of our housing properties are identified and depreciated over specific economic life spans. Their replacement is then capitalised in fixed assets as they occur. The resulting prior period adjustment is shown in the relevant notes to the financial statements and detailed in note 31.

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 £17,141k, an increase of 11.1% on the previous year, which reflects an increase of 4.8% in the volume of supported living service user hours and an increase of 6.6% in rental income offset against a reduction of 7%, on average, in the rates paid by Local Authorities for supported living services. The group surplus for the financial year was £1,402k before the prior year adjustment for £3,995k was made which brought the total recognised surplus for the year to £5,397k. Before the prior year adjustment this was an increase of £805k on the previous year.

This was due, primarily, to a donation of £300k from Ark Housing Trust, a gain of £111k on the disposal of a property, savings generated by the restructuring that took place during the previous year and savings due to an unusually high level of vacant posts arising from the restructuring process.

Ark Services continues to receive rental income for four sites in Aberdeen City and generated a net surplus of £196k in the financial year.

ARK Group presents an improved balance sheet position with a closing cash balance of £4,932k (an increase of £248k) and net current assets of £3,203k (an increase of £887k).

Reserves

Total reserves increased by £1,282k during the financial year to £12,314k.

The General Revenue Reserve balance is held at a balance of at least an amount equivalent to two months salary costs (approximately £2,000k) which is considered sufficient to cover operational working capital requirements. Following the prior period adjustment (as detailed in note 31) the reserve is currently £7,960k above the minimum level.

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 £1,865k for planned major works that are additional to those major works covered by rents, expected to be spent in 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.

There are three restricted reserves, two that were transferred from Rymouth Housing Society and one that has been created with the donation towards Southhouse from Ark Housing Trust.

Treasury Management

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 and a 1 year high interest deposit account with the Bank of Scotland. Remaining cash funds are held in instant access and 7 and 30 day notice deposit accounts.

ARK HOUSING ASSOCIATION LIMITED

REPORT OF BOARD OF MANAGEMENT 31 MARCH 2012

Borrowings are secured based on a mix of fixed and variable rate finance. Approximately 62% of Group funds are secured on a fixed borrowing rate and 38% on a variable rate.

Fixed assets

Changes in fixed assets in the year are set out in notes 12 to 15 of the financial statements.

Business Review

Care Service Quality

ARK worked hard to ensure that whilst operating within externally imposed financial constraints, it could maintain the quality of its services. In 2010-11 ARK recorded 88% of its service grades by the Care Inspectorate at 4 (good) or above. This year, 66% of the Association's grades from the Care Inspectorate were 4 or above. The average score is slightly lower than last year's, which is due mainly to one of ARK's projects being given several Grade 3s and Grade 2s in 2011-12, during a period of unforeseen management transition. ARK takes seriously its commitment to quality and the new Service Manager in that Project is working hard with his team, with support from senior management, to ensure that any issues raised by the relevant reports are addressed, and that next year's grades are higher. Further, it is worth acknowledging that, across the organization, this year's Care Inspectorate grades were awarded against a backdrop of significant re-structure and change, and staff are to be commended for the dedication that they showed in these circumstances.

ARK's service user questionnaire confirmed that 94% of service users who responded described their support staff as 'kind' and 89% of respondents described themselves as 'happy' or 'very happy' with the support that they receive from ARK.

Participation

Last year ARK was able to make significant progress in relation to offering our tenants and service users the opportunity to participate at all levels within ARK. For the first time ARK has been able to offer equality of access to participation to all service users wherever their geographical location. This has been achieved through the creation of local service user 'speak out' groups, and through offering support workers the opportunity to become 'speak out workers', responsible for planning, running and following up on service user speak out meetings. At present speak out workers have been identified at 13 of 22 locations and excellent progress has been made towards establishing groups in these areas. Work continues in relation to establishing workers and groups in the remaining 9 areas, subject of course to local circumstances and demand.

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.

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 Health and Safety 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. Further, this year we have implemented Health and Safety policy summary sheets which are issued for use in team meetings, to assist in embedding relevant policies and procedures into practice. Health and Safety statistics are reported quarterly to the Senior Management Team, Executive Team and to the Audit Sub-Committee on behalf of the Board of Management.

Investment in staff training

The majority of ARK's staff are within the scope of the Scottish Social Services Council (SSSC) registration. ARK's new Team Leader role took time to embed during 2011/12 and their learning & development was supported by our interim Transitions Team. All Team Leaders who require SSSC registration for Community Houses have been registered and ARK are completing the remaining SVQ Level 3 practice qualifications.

ARK is also working with West Lothian College to support Team Leaders to complete the Professional Development Award to enable them to register with SSSC as Supervisors.

ARK's internal SVQ team has adjusted its 4-year plan to ensure achievement of all required SVQ Level 2 and 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 new Services 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.

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.

ARK is committed to investing in all staff to enable ARK to achieve its objective of recruiting and retaining a competent, confident and qualified workforce.

Asset Management Strategy

ARK continued to implement the plans set out in its Asset Management Strategy.

The Knowledge Transfer Partnership (KTP) has now completed its two-year research programme into the impact of the built environment on service provision. ARK made 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 delivered an internationally benchmarked body of research work which will inform and improve ARK's building design briefs and will, ultimately, provide a methodology that will not only improve service quality but will bring financial rewards as well.

During the year ARK commissioned detailed property surveys to determine whether its properties met the Scottish Housing Quality Standards (SHQS) that will come into force in 2015. The results will be compiled during the 2012/13 financial year and will amend the 30 year major repairs lifecycle costing and determine the work and investment required over the next two financial years. 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 100% of emergency, urgent and routine repairs within response targets.

The results of the 2012 Tenant Satisfaction Survey show that 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

The Housing Services Department has had another busy year with considerable time spent dealing with key areas of consultation around the introduction of the Scottish Social Housing Charter, the Scottish Housing Regulators proposed Regulatory Framework, proposed Welfare Reform and proposed changes to the way properties can be allocated. A number of key policies and associated procedures were reviewed including the Service Charges Policy, Voids Properties Policy, Leases & Protocols and Tenant Participation and Consultation and a new policy, Sustaining Tenancies, was introduced. ARK achieved all but one of its objectives as contained in its Tenant Participation Strategy including issuing 4 tenant newsletters throughout the year and carrying out a comprehensive Tenant Satisfaction Survey. A further objective relating to the review of the Tenants Handbook will be undertaken in 2012/13.

The annual rent increase consultation with all tenants was completed in December/January 2012. The Housing & Property Services Committee met three times throughout the year with all these matters noted being considered by the Members.

ARK has assessed and added 140 applicants to our housing list. It reviewed the advertising process within the areas classed as "low demand" and in doing so added applicants to the housing list for the Macduff area, thus allowing it to be removed from this classification. At the end of the year this facilitated a reduction in the number of properties classed as "low demand" from 29 to nil. During the year, we allocated 19 properties. 5 of these, all mainstream properties, were re-let within 28 days compared to 31 days in 2010-11. The remaining 14 properties were supported properties and took an average of 93 days to re-let rather than 182 days in 2010-11. This was reflected in the overall amount of rent loss arising from void properties standing at £18k, £2K more than in 2010-11, but still within the budget of £20k.

Rent arrears due by current tenants increased from 1.57% of gross rental income at the end of 2011 to 2.13% at 31st March 2012 and was due to an increase in the non technical arrears from 0.37% at the beginning of the year to 0.46% as at 31 March 2012 and an increase in the technical arrears from 1.20% at 31st March 2011 to 1.67% at 31st March 2012. The slight increase in non-technical arrears was due in particular to two cases where we have taken court action but both of which have been sisted to allow Money Advisors to become involved.

With regards to tenancy and estate management issues, the Housing team received and investigated 22 cases of anti-social behaviour or neighbour nuisance. There were no abandoned properties and of the 27 tenancies started in 2010-11 all of them were sustained throughout the year.

Investors in People

Following the successful retention of Investors in People status in December 2008, ARK is currently under going its three yearly review and we have been informed that we have successfully retained our Investors in People status. ARK has been developing a number of key areas including Business Planning, Learning Strategy, Diversity, Leadership & Management Development, Leadership & Management Effectiveness, Recognition of Contribution, Involvement, and Learning Delivery. ARK continues to work with Investors in People 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.

Over the past year ARK has been working with Unite the Union towards implementation of a pay and reward mechanism which recognises individual competence.

Funds held as Custodian Trustee on Behalf of Others

During the year ARK held 44 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.

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 regularly reviewed. Within Community Networks a regular system of audits is in place, which audits are carried out at various management levels to ensure that risks to service users and ARK employees are properly managed, and to support best practice. ARK also benefits from the expertise of its Internal and External Auditors. The internal audit programme is agreed with the Senior Management Team and with the Audit-Sub Committee, and deals with areas of risk across the organisation.

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. Further ARK has implemented Strategic and Operational Risk Registers to ensure that once identified, risks are monitored, managed and reported upon.

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.

Mission, Values, Vision, Objectives and Plans for the Future

Mission

We will support children, adults and carers, focusing on the person and wrapping around them their self defined requirements. We want to make a difference in their lives and create a sense of love and care: supporting them to keep healthy and safe; maximise their income; build their self esteem; empower through access to work, early advice and support; provide a good home that responds to changing needs and is theirs for as long as they want it. We want people to be present in their communities through exploiting the spaces ARK owns already; creating new spaces for communities; supporting others to share in people's lives; inspiring local communities; creating better citizens in our younger generation. We want to unlock other funds and ensure that we lever everything in to be able to make that difference.

ARK HOUSING ASSOCIATION LIMITED

REPORT OF BOARD OF MANAGEMENT 31 MARCH 2012

Values

The beliefs and behaviours that are important to ARK, that set the culture of the organisation and are the foundations of the quality of our services and the nature of our relationships are as follows;

- The worth of each person;
- Trusting relationships;
- Understanding difference;
- Enjoyment;
- Challenging oppression;
- Personal and organisational accountability;
- Caring for our physical environment.

Vision

ARK will be embedded in communities. It will offer a whole life experience that can include care support and housing needs and that will include having a caring oversight: supporting families and brokering requirements when needed.

Objectives

In order to turn its strategy into a business plan ARK has developed its strategic planning approach by using a strategic planning tool known as the Balanced Scorecard, which seeks to align ARK's activities to the vision and the strategy.

The balanced scorecard tool helps to bring focus, alignment and accountability to all of ARK's activities. It introduces 25 truly SMART (Specific, Measurable, Attainable, Relevant and Time-bounded) objectives, grouped into the 5 perspectives of Customer, Learning and Innovation (People), Learning and Innovation (Organisation), Internal Processes and Financial. This transforms ARK's strategic plan from an attractive but passive document into the objectives, targets, initiatives and tasks for the organisation on a daily basis. It provides a framework that not only provides performance measurements, but helps ARK identify what should be done and what should be measured.

As a result, it enables ARK's Executive Team to truly execute ARK's strategy.

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.

Auditors

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

The Priory
Canaan Lane
Edinburgh
EH10 4SG

Date: 29/08/12

By order of the Board of Management



Member

ARK HOUSING ASSOCIATION LIMITED

STATEMENT OF BOARD RESPONSIBILITIES

31 MARCH 2012

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:

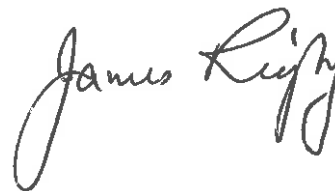
- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements and
- Prepare 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 enable it 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: 29/08/12

ARK HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S STATEMENT OF INTERNAL FINANCIAL CONTROLS 31 MARCH 2012

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).

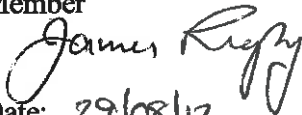
It is the Board of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material mis-statement or loss. The key elements of the Group's systems of internal financial control are set out 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 10 of this document.

The Board of Management has reviewed the system of internal financial control in the Group during the year ended 31 March 2012. 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: 29/08/12

ARK HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS
31 MARCH 2012

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Board of Management's statement on page 13 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 2009/4 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 13 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.....*5 September* 2012

ARK HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARK HOUSING ASSOCIATION LIMITED 31 MARCH 2012

We have audited the group and parent association financial statements of Ark Housing Association Limited for the year ended 31 March 2012 (the "financial statements") on pages 16 to 55. 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 12 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 2012 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 *5 September 2012*

ARK HOUSING ASSOCIATION LIMITED

**GROUP INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012**

	<i>Notes</i>	2012 £'000	(Restated) 2011 £'000
Turnover	2	17,141	15,417
Less: Operating costs	2	(15,546)	(15,398)
Exceptional Items	8	<u>(191)</u>	<u>(307)</u>
Operating surplus/(loss)		1,404	(288)
Gain on disposal of fixed assets	22	108	358
Gain on transfer of engagement		-	651
Interest receivable and similar income		43	30
Interest payable and similar charges	6	<u>(153)</u>	<u>(154)</u>
Surplus for the financial year	11	<u>1,402</u>	<u>597</u>

**GROUP STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2012**

	<i>Notes</i>	2012 £'000	2011 £'000
Surplus for the year		<u>1,402</u>	<u>597</u>
Total recognised surpluses and deficits for the year		1,402	<u>597</u>
Prior period adjustment	31	<u>3,995</u>	
Total surpluses and deficits recognised since the last reporting period		<u>5,397</u>	

The results for the year relate wholly to continuing activities.

ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012**

	<i>Notes</i>	2012 £'000	(Restated) 2011 £'000
Turnover	2	16,668	14,941
Less: Operating costs	2	(15,491)	(15,109)
Exceptional Items	8	<u>(191)</u>	<u>(307)</u>
Operating surplus/(loss)		986	(475)
Gain on disposal of fixed assets	22	111	358
Gain on transfer of engagement		-	651
Interest receivable and similar income		31	23
Interest payable and similar charges	6	<u>(42)</u>	<u>(40)</u>
Surplus for the financial year	11	<u>1,086</u>	<u>517</u>

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2012**

	<i>Notes</i>	2012 £'000	2011 £'000
Surplus for the year		<u>1,086</u>	<u>517</u>
Total recognised surpluses and deficits for the year		<u>1,086</u>	<u>517</u>
Prior period adjustment	31	<u>3,712</u>	
Total surpluses and deficits recognised since the last reporting period		<u>4,798</u>	

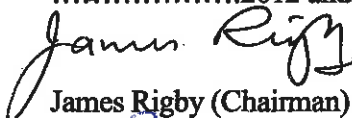
The results for the year relate wholly to continuing activities.

ARK HOUSING ASSOCIATION LIMITED

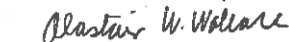
**GROUP BALANCE SHEET
AS AT 31 MARCH 2012**

	<i>Notes</i>	2012 £'000	(Restated) 2011 £'000
Tangible fixed assets			
Housing properties, furniture and equipment			
- cost less depreciation	12	31,242	30,663
Less: Housing Association Grant	12	(16,351)	(16,332)
Other Grants	12	(3,382)	(3,176)
		<u>11,509</u>	<u>11,155</u>
Other	14	805	767
		<u>12,314</u>	<u>11,922</u>
Current assets			
Stock and Work in Progress	16	-	-
Debtors	17	1,472	852
Cash at bank and in hand	24	4,932	4,684
		<u>6,404</u>	<u>5,536</u>
Creditors: amounts falling due within one year	18	(3,201)	(3,220)
Net current assets		<u>3,203</u>	<u>2,316</u>
Total assets less current liabilities		15,517	14,238
Creditors: amounts falling due after more than one year	19	(3,075)	(3,198)
Net assets		<u>12,442</u>	<u>11,040</u>
Capital and reserves			
Share capital	23	-	-
Restricted reserves	9	312	23
Designated reserves	10	2,170	2,017
General Revenue reserves	11	9,960	9,000
		<u>12,442</u>	<u>11,040</u>

These financial statements were approved by the Board of Management and authorised for issue on ~~29/06/12~~ 2012 and signed on its behalf by:


James Rigby (Chairman)


Peter Slater (Member)

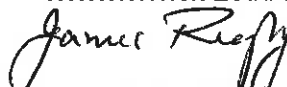
Alastair Wallace (Member)


ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION BALANCE SHEET
AS AT 31 MARCH 2012**

		2012	(Restated) 2011
	<i>Notes</i>	£'000	£'000
Tangible fixed assets			
Housing properties, furniture and equipment			
- cost less depreciation	13	26,892	26,649
Less: Housing Association Grant	13	(16,351)	(16,717)
Other Grants	13	(1,497)	(1,169)
		<u>9,044</u>	<u>8,763</u>
Other	15	805	767
		<u>9,849</u>	<u>9,530</u>
Current assets			
Stock and Work in Progress	16	-	-
Debtors	17	1,470	888
Cash at bank and in hand	25	3,865	3,797
		<u>5,335</u>	<u>4,685</u>
Creditors: amounts falling due within one year	18	<u>(2,977)</u>	<u>(3,013)</u>
Net current assets		<u>2,358</u>	<u>1,672</u>
Total assets less current liabilities		12,207	11,202
Creditors: amounts falling due after more than one year	19	<u>(1,260)</u>	<u>(1,341)</u>
Net assets		<u><u>10,947</u></u>	<u><u>9,861</u></u>
Capital and reserves			
Share capital	23	-	-
Restricted reserves	9	312	23
Designated reserves	10	1,865	1,724
General Revenue reserves	11	8,770	8,114
		<u>10,947</u>	<u>9,861</u>

These financial statements were approved by the Board of Management and authorised for issue on ...29/03/12... 2012 and signed on its behalf by:


James Rigby (Chairman)


Peter Slater (Member)


Alastair Wallace (Member)

ARK HOUSING ASSOCIATION LIMITED

**GROUP CASH FLOW STATEMENT
AS AT 31 MARCH 2012**

		2012	(Restated) 2011
	<i>Notes</i>	£'000	£'000
Net cash inflow/(outflow) from operating activities	24	1,237	(13)
Returns on investment and servicing of finance			
Interest received		43	30
Interest paid	6	(153)	(154)
Net cash outflow from returns on investment and servicing of finance		(110)	(124)
Capital expenditure			
Sale of housing properties		266	585
Purchase of housing properties	12	(1,051)	(915)
Purchase of other tangible fixed assets	14	(98)	(45)
Housing Association Grants received	12	39	26
Housing Association Grants repaid	16	(141)	-
Other Grants	12	208	465
Net cash inflow/(outflow) for capital expenditure		(777)	116
Net cash inflow/(outflow) before financing		350	(21)
Financing			
Receipt of housing loans			797
Repayment of housing loans		(102)	(622)
Net cash (outflow)/inflow from financing	24	(102)	175
Increase in cash in year	24	248	154

Further details are given in note 24.

ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION CASH FLOW STATEMENT
AS AT 31 MARCH 2012**

	<i>Notes</i>	2012 £'000	(Restated) 2011 £'000
Net cash inflow/(outflow) from operating activities	25	<u>784</u>	<u>(260)</u>
Returns on investment and servicing of finance			
Interest received		31	23
Interest paid	6	<u>(42)</u>	<u>(40)</u>
Net cash outflow from returns on investment and servicing of finance		<u>(11)</u>	<u>(17)</u>
Capital expenditure			
Sale of housing properties		268	582
Purchase of housing properties	13	(1,037)	(903)
Purchase of other tangible fixed assets	15	(98)	(45)
Housing Association Grants received	13	39	26
Housing Association Grants repaid	16	(141)	-
Other Grants	13	<u>328</u>	<u>465</u>
Net cash inflow/ (outflow) for capital expenditure		<u>(641)</u>	<u>125</u>
Net cash inflow/(outflow) before financing		<u>132</u>	<u>(152)</u>
Financing			
Receipt of housing loans		-	797
Repayment of housing loans		<u>(64)</u>	<u>(585)</u>
Net cash (outflow)/inflow from financing	25	<u>(64)</u>	<u>212</u>
Increase in cash in year	25	<u><u>68</u></u>	<u><u>60</u></u>

Further details are given in note 25.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2012

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 2010".

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" 2010.

(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 for capital grants 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 2012 (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. Works to existing properties will generally be capitalised under the following circumstances:

- Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
- Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account.

The adoption of component accounting represents a change in accounting policy. Previously the major components of the Association's housing properties were deemed to

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2012 (Continued)

be land and buildings. The major components are now detailed in the list below. Each component has a substantially different economic life and is depreciated over this individual life. The new accounting policy is compliant with the SORP 2010.

Depreciation is charged on a straight-line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

- Floors	- 30 Years
- Boilers	- 15 Years
- Heating systems	- 20 Years
- Kitchens	- 12 Years
- Bathrooms	- 15 Years
- Windows	- 30 Years
- Doors	- 30 Years
- Boundary & Fences	- 20 Years
- Driveway & Paths	- 30 Years
- Gutters & Downpipes	- 30 Years
- Roof	- 80 Years
- Walls	- 30 Years
- Ceiling	- 30 Years
- Electrics	- 30 Years
- Woodwork	- 30 Years
- Lifts	- 30 Years
- Building	- 80 Years
- Assistive Technology	- 5 Years

No depreciation is charged on land.

(ii) Other fixed assets

Expenditure incurred on the Association's office buildings has been split into components and depreciated at the rates detailed in (h)(i) .

Office furniture and equipment is written off straight line over 5 years.

Computer equipment is written off straight line over 3 years.

Motor vehicles are written off straight line over 5 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 2012
(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.

During the year ARK has also been contributing to a Standard Life scheme for 4 staff who transferred from Rymonth Housing Society Limited. The contribution rates are 2.4% of pensionable salary for employees and 6% for the employer. This is a defined contribution scheme.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(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 2012
(Continued)**

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

Group	<i>Notes</i>	Turnover	Operating Costs	(Restated)	
				2012	2011
				Operating Surplus/ (Deficit)	Operating Surplus/ (Deficit)
		£'000	£'000	£'000	£'000
Social Lettings	3	2,332	(1,637)	695	228
Other Activities	4	14,809	(13,909)	900	(209)
Sub-Total		17,141	(15,546)	1,595	19
Exceptional Income (Other Activities)	8	546	(737)	(191)	(307)
2012 Total		17,687	(16,283)	1,404	(288)
2011 Total (Restated)		16,156	(16,444)	(288)	

Housing Association	<i>Notes</i>	Turnover	Operating Costs	(Restated)	
				2012	2011
				Operating Surplus/ (Deficit)	Operating Surplus/ (Deficit)
		£'000	£'000	£'000	£'000
Social Lettings	3	1,796	(1,519)	277	40
Other activities	4	14,872	(13,972)	900	(208)
Sub-Total		16,668	(15,491)	1,177	(168)
Exceptional Income (Other Activities)	8	546	(737)	(191)	(307)
2012 Total		17,214	(16,228)	986	(475)
2011 Total (Restated)		15,680	(16,155)	(475)	

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)**

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

Group:	General Needs £'000	Supported Housing Accommodation £'000	(Restated)	
			2012 Total £'000	2011 Total £'000
Rent receivable	1,929	176	2,105	2,027
Service charges	245	-	245	223
Gross income from rents and service charges	2,174	176	2,350	2,250
Less Voids	(18)	-	(18)	(16)
Net income from rents and service charges	2,156	176	2,332	2,234
Grants from Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	-
Total turnover from social letting activities	2,156	176	2,332	2,234
Management and maintenance administration costs	545	50	595	723
Service costs	223	-	223	201
Planned and cyclical maintenance including major repairs costs	137	26	163	395
Reactive maintenance costs	203	20	223	233
Bad debts – rent and service charges	1	-	1	26
Depreciation of social housing	395	37	432	428
Operating costs for social letting activities	1,504	133	1,637	2,006
Operating surplus for social letting activities	652	43	695	228

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)**

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

Association:	General Needs £'000	Supported Housing Accommodation £'000	2012 Total £'000	2011 Total £'000
Rent receivable	1,448	176	1,624	1,539
Service charges	190	-	190	171
Gross income from rents and service charges	1,638	176	1,814	1,710
Less Voids	(18)	-	(18)	(16)
Net income from rents and service charges	1,620	176	1,796	1,694
Grants from Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	-
Total turnover from social letting activities	1,620	176	1,796	1,694
Management and maintenance administration costs	458	50	508	525
Service costs	173	-	173	154
Planned and cyclical maintenance including major repairs costs	238	26	264	371
Reactive maintenance costs	180	20	200	208
Bad debts – rent and service charges	1	-	1	26
Depreciation of social housing	336	37	373	370
Operating costs for social letting activities	1,386	133	1,519	1,654
Operating surplus for social letting activities	234	43	277	40

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS

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	2012 Operating Surplus/ (Deficit)	2011 Operating Surplus/ (Deficit)
	£'000	£'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	-	3,789	6,090	406	10,285	-	(9,861)	424	(138)
Care activities	-	3,825	-	365	4,190	-	(4,018)	172	(68)
Agency management services – RSLs	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	334	334	-	(30)	304	(3)
Total from other activities - 2012	-	7,614	6,090	1,105	14,809	-	(13,909)	900	-
Total from other activities - 2011	-	6,369	6,038	776	13,183	-	(13,392)	(209)	-

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012 (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	2012 Operating Surplus/ (Deficit)	2011 Operatin g Surplus/ (Deficit)
	£'000	£'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	-	3,789	6,090	406	10,285	-	(9,861)	424	(138)
Care activities	-	3,825	-	365	4,190	-	(4,018)	172	(68)
Agency management services – RSLs	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	397	397	-	(93)	304	(2)
Total from other activities - 2012	-	7,614	6,090	1,168	14,872	-	(13,972)	900	-
Total from other activities - 2011	-	6,369	6,038	840	13,247	-	(13,455)	(208)	-

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

5 Housing Stock
Group & Housing Association

The number of units in management at 31 March 2012 was as follows:

	Owned	Managed	2012 Total	2011 Total
	No	No	No	No
General Needs	184	1	185	186
Supported accommodation	366	29	395	372
	550	30	580	558

Management of Association stock by other bodies

	2012 No	2011 No
Properties leased to other organisations		
West Lothian Council	6	6
Community Integrated Care Ltd	6	6
Choices Community Care Ltd	-	11
Aberdeen City Council	12	12
Leonard Cheshire Foundation	9	9
Real Life Options	13	2
Fife Council	6	6
Clackmannanshire	3	3
	55	55
Properties managed by other organisations:		
Aspire	9	9
The Action Group	6	6
SHARE	5	5
	20	20
Total properties	75	75

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012

(Continued)

6. Interest payable	Group		Housing Association	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Loans	<u>153</u>	<u>154</u>	<u>42</u>	<u>40</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

	2012	2011
	£'000	£'000
Transfer to deferred income	(667)	-
Release of deferred income	546	739
Restructuring costs	<u>(70)</u>	<u>(1,046)</u>
	<u>(191)</u>	<u>(307)</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 2011/12 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 completed 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. The majority of the costs of the restructure were incurred in 2011, the balance in 2012 being the final cost of a "transitions" team.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

9. Restricted Reserves

	Group		Housing Association	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Rotary Rymonth Hobbies Fund - Restricted				
At 1 April	7	-	7	-
Transferred from Rymonth Housing Society	-	7	-	7
At 31 March	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</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.

	£'000	£'000	£'000	£'000
Appletree Trust Fund - Restricted				
At 1 April	16	-	16	-
Transferred from Rymonth Housing Society	-	16	-	16
Transfer to Revenue Reserve	(11)	-	(11)	-
At 31 March	<u>5</u>	<u>16</u>	<u>5</u>	<u>16</u>

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

	£'000	£'000	£'000	£'000
Southhouse - Restricted				
At 1 April	-	-	-	-
Transfer from Revenue Reserve	300	-	300	-
At 31 March	<u>300</u>	<u>-</u>	<u>300</u>	<u>-</u>

The Southhouse restricted Fund was created out of a donation received by Ark Housing Trust towards the development at Southhouse. The funds will be fully utilised within the 2012/13 and 2013/14 financial years.

Total Restricted Reserves	<u>312</u>	<u>23</u>	<u>312</u>	<u>23</u>
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ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

10. Designated Reserves	Group		Housing Association	
	2012	2011	2012	2011
Mainstream – Future Major Works	£'000	£'000	£'000	£'000
At 1 April	2,017	2,295	1,724	1,900
Transfer from Revenue Reserves	1,185	188	1,173	188
Transfer to Revenue Reserves	(1,032)	(466)	(1,032)	(364)
At 31 March	<u>2,170</u>	<u>2,017</u>	<u>1,865</u>	<u>1,724</u>

11. Revenue reserve	Group		Housing Association	
	2012	(Restated) 2011	2012	(Restated) 2011
	£'000	£'000	£'000	£'000
At 1 April as originally reported	5,005	8,148	4,402	7,444
Prior period adjustment (note 31)	3,995	-	3,712	-
At 1 April as restated	<u>9,000</u>	<u>8,148</u>	<u>8,114</u>	<u>7,444</u>
Accumulated surplus for the year	1,402	597	1,086	517
Transfer to Restricted Reserve	(300)	(23)	(300)	(23)
Transfer from Restricted Reserve	11	-	11	-
Transfer to Designated Reserve	(1,185)	(188)	(1,173)	(188)
Transfer from Designated Reserve	1,032	466	1,032	364
At 31 March	<u>9,960</u>	<u>9,000</u>	<u>8,770</u>	<u>8,114</u>

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

12. Tangible Fixed Assets – Group

	Heritable property for letting £'000	Furniture and equipment £'000	Total £'000
Cost			
As at 1 April 2011	29,421	60	29,481
Prior period adjustment	4,000	-	4,000
As at 1 April 2011 (restated)	33,421	60	33,481
Additions	1,051	-	1,051
Disposals	(56)	-	(56)
As at 31 March 2012	34,416	60	34,476
Depreciation			
As at 1 April 2011	827	60	887
Prior period adjustment	1,931	-	1,931
As at 1 April 2011 (restated)	2,758	60	2,818
Charge for Year	431	-	431
Disposals	(15)	-	(15)
As at 31 March 2012	3,174	60	3,234
Net Cost less Depreciation	31,242	-	31,242
Housing Association Grant			
As at 1 April 2011	17,985	-	17,985
Prior period adjustment	(1,653)	-	(1,653)
As at 1 April 2011 (restated)	16,332	-	16,332
Additions	39	-	39
Disposals	(20)	-	(20)
As at 31 March 2012	16,351	-	16,351
Other Capital Grants			
As at 1 April 2011	3,320	-	3,320
Prior period adjustment	(144)	-	(144)
As at 1 April 2011 (restated)	3,176	-	3,176
Additions	208	-	208
Disposals	(2)	-	(2)
As at 31 March 2012	3,382	-	3,382
Net Book Value			
As at 31 March 2012	11,509	-	11,509
As at 31 March 2011 (restated)	11,155	-	11,155

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

12. Tangible Fixed Assets – Group (continued)

Development administration costs capitalised amounted to £nil (2011 £nil).

Interest of £nil (2011 £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 £517k (2011 £596k) of which £234k (2011 £201k) was capitalised in the year.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

13. Tangible Fixed Assets
Housing Association

	Heritable property for letting £'000
Cost	
As at 1 April 2011	24,956
Prior period adjustment	3,759
As at 1 April 2011 (restated)	28,715
Additions	1,037
Disposals	(50)
As at 31 March 2012	29,702
 Depreciation	
As at 1 April 2011	622
Prior period adjustment	1,829
As at 1 April 2011 (restated)	2,451
Charge for Year	374
Disposal	(15)
As at 31 March 2012	2,810
 Net Cost less Depreciation	26,892
 Housing Association Grant	
As at 1 April 2011	17,985
Prior period adjustment	(1,653)
As at 1 April 2011 (restated)	16,332
Additions	39
Disposals	(20)
As at 31 March 2012	16,351
 Other Capital Grants	
As at 1 April 2011	1,169
Prior period adjustment	-
As at 1 April 2011 (restated)	1,169
Additions	328
As at 31 March 2012	1,497
 Net Book Value	
As at 31 March 2012	9,044
 As at 31 March 2011 (restated)	8,763

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

13. Tangible Fixed Assets (continued)

Development administration costs capitalised amounted to £nil (2011 £nil).

Interest of £nil (2011 £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 £484k (2010: £560k) of which £220k (2011 £189k) was capitalised in the year.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

**14. Other Fixed Assets –
Group**

	Heritable		Computer	Motor	Office	Total
	Buildings	Land	Equipment	Vehicles	Equipment	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
As at 1 April 2011	763	37	484	4	126	1414
Prior period adjustment	120	-	-	-	-	120
As at 1 April 2011 (restated)	883	37	484	4	126	1,534
Additions during year	34	-	62	-	2	98
Disposals during the year	-	-	(39)	-	-	(39)
At 31 March 2012	917	37	507	4	128	1,593
Depreciation						
As at 1 April 2011	231	-	440	-	105	776
Prior period adjustment	(9)	-	-	-	-	(9)
As at 1 April 2011 (restated)	222	-	440	-	105	767
Charges for the year	19	-	39	1	1	60
Disposals	-	-	(39)	-	-	(39)
At 31 March 2012	241	-	440	1	106	788
Net Book Value						
At 31 March 2012	676	37	67	3	22	805
As at 31 March 2011 (restated)	661	37	44	4	21	767

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

**15 Other Fixed Assets –
Housing Association**

	Heritable		Computer	Motor	Office	
	Buildings	Land	Equipment	Vehicles	Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
As at 1 April 2011	763	37	484	4	69	1357
Prior period adjustment	120	-	-	-	-	120
As at 1 April 2011 (restated)	883	37	484	4	69	1,477
Additions during year	34	-	62	-	2	98
Disposals during the year	-	-	(39)	-	-	(39)
At 31 March 2012	917	37	507	4	71	1,536
Depreciation						
As at 1 April 2011	231	-	440	-	48	719
Prior period adjustment	(9)	-	-	-	-	(9)
As at 1 April 2011 (restated)	222	-	440	-	48	710
Charges for the year	19	-	39	1	1	60
Disposals	-	-	(39)	-	-	(39)
At 31 March 2012	241	-	440	1	49	731
Net Book Value						
At 31 March 2012	676	37	67	3	22	805
As at 31 March 2011 (restated)	661	37	44	4	21	767

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 2012
(Continued)

16. Stock and Work in Progress

	Group		Housing Association	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Assets Held for Disposal	-	141	-	141
HAG Held for Disposal	-	(141)	-	(141)
	-	-	-	-

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

Debtors: Amount falling due within one

17. year

	Group		Housing Association	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Rent Arrears	50	40	49	40
Less: Provision for bad debts	(11)	(13)	(10)	(13)
	39	27	39	27
Other Debtors	422	163	422	235
Less: Provision for bad debts	(9)	-	(9)	-
Local Authorities	815	523	815	523
Division of the Scottish Government	6	-	6	-
Prepayments and accrued income	199	139	197	103
	1,472	852	1,470	888

18. Creditors: Amount falling due within one year

	Group		Housing Association	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade Creditors	44	83	34	80
Contractors for specified work and retentions unpaid	57	40	57	40
Local Authorities	775	1,020	775	1,020
Other Creditors	491	391	493	398
Other taxes and social security	273	423	273	421
Accruals	875	619	846	577
Deferred Income	43	50	43	50
Service equipment replacement account	535	505	391	379
Housing Loans (Note 19)	110	89	65	48
	3,201	3,220	2,977	3,013

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

19 Creditors due outwith one year

	Group		Housing Association	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Housing Loans	<u>3,075</u>	<u>3,198</u>	<u>1,260</u>	<u>1,341</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 % (2011: 1.10% to 7.02 %) in instalments due as follows:

	Group		Housing Association	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
In one year or less (Note18)	110	89	65	48
In one to two years	181	92	134	48
Between two to five years	367	299	209	152
In five years or more	<u>2,527</u>	<u>2,807</u>	<u>917</u>	<u>1,141</u>
	<u>3,186</u>	<u>3,287</u>	<u>1,326</u>	<u>1,389</u>

Housing loans will be fully repaid between 2025 and 2039.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

20 Employees

Group & Housing Association	2012	2011
Staff Costs during year	£'000	£'000
Wages & Salaries	11,250	10,944
Social Security Costs	865	834
Other Pension Costs	494	479
	<u>12,609</u>	<u>12,257</u>

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

	No	No
Housing Staff	8	7
Support Staff	26	26
Direct Services Staff	461	443
	<u>495</u>	<u>476</u>

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

	2012	2011
	£'000	£'000
Aggregate Emoluments payable to Executive Officers (including pension contributions and benefits in kind)	<u>198</u>	<u>227</u>
Emoluments payable to Highest Paid Executive Officer (excluding pension contributions)	<u>71</u>	<u>81</u>

No emoluments were paid to Board of Management members.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

20 Employees (continued)

The Chief Executive is an ordinary member of the Association's pension scheme described in note 29. 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 £3,274 (2011 £11,429).

	2012	2011
	£	£
Total Expenses reimbursed insofar as not chargeable to UK Income Tax		
Chief Executive	600	767
Board of Management	767	878

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

	2012	2011
	No	No
£60,000 to £70,000	-	-
£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
AS AT 31 MARCH 2012
(Continued)

21 Operating Surplus

	Group		Housing Association	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
This is stated after charging the following:				
External Auditors remuneration	24	20	20	17
Remuneration paid to related parties of External Auditors	4	-	4	-
Internal Auditors remuneration	10	11	10	11
Depreciation	431	428	374	370
Other operating lease rentals				
- land & buildings	140	174	140	174
- plant & machinery	37	29	37	29

22 Gain on disposal of fixed assets

	Group		Housing Association	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Proceeds	268	576	268	576
Cost of disposal	-	-	-	-
Written off	(19)	-	(16)	-
HAG repayable	(141)	(218)	(141)	(218)
	<u>108</u>	<u>358</u>	<u>111</u>	<u>358</u>

**23 Share Capital -
Group & Housing Association**

	2012	2011
Shares of £1 fully paid and issued at beginning of year	57	41
Shares Issued during year	2	20
Shares Cancelled during year	(15)	(4)
	<u>44</u>	<u>57</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.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

24. Net cash inflow from operating activities		(Restated)
	2012	2011
Group	£'000	£'000
Operating Surplus	1,404	(288)
Depreciation	491	471
Increase in Debtors	(620)	(197)
(Increase)/Decrease in Creditors	(38)	1
Net cash inflow/(outflow) from operating activities	<u>1,237</u>	<u>(13)</u>

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

	2012	2011
Group	£'000	£'000
Increase in cash in the period	248	154
Cash inflow/(outflow) from movement in debt	102	(175)
	<u>350</u>	<u>(21)</u>
Net funds at 1 April	<u>1,397</u>	<u>1,418</u>
Net funds at 31 March	<u>1,747</u>	<u>1,397</u>

Analysis of changes in net funds

	At	Cash	At
	31-Mar-11	Flows	31-Mar-12
	£'000	£'000	£'000
Cash in bank and in hand	4,684	248	4,932
Debt due within 1 year	(89)	(21)	(110)
Debt due after 1 year	(3,198)	123	(3,075)
Net funds	<u>1,397</u>	<u>350</u>	<u>1,747</u>

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

25. Net cash inflow from operating activities		(Restated)
	2012	2011
	£'000	£'000
Housing Association		
Operating Surplus	986	(475)
Depreciation	434	413
Increase in Debtors	(581)	(161)
Decrease in Creditors	(55)	(37)
Net cash inflow/(outflow) from operating activities	<u>784</u>	<u>(260)</u>

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

	2012	2011
	£'000	£'000
Housing Association		
Increase in cash in the period	68	60
Cash inflow/(outflow) from movement in debt	64	(212)
	<u>132</u>	<u>(152)</u>
Net funds at 1 April	<u>2,408</u>	<u>2,560</u>
Net funds at 31 March	<u>2,540</u>	<u>2,408</u>

Analysis of changes in net funds

	At	Cash	At
	31-Mar-11	Flows	31-Mar-12
	£'000	£'000	£'000
Cash in bank and in hand	3,797	68	3,865
Debt due within 1 year	(48)	(17)	(65)
Debt due after 1 year	(1,341)	81	(1,260)
Net funds	<u>2,408</u>	<u>132</u>	<u>2,540</u>

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

26. Commitments
Group and Housing Association

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

	2012	2011
	£'000	£'000
Equipment		
Operating leases which expire:		
Less than one year	31	2
In two to five years inclusive	50	100
	81	102

	2012	2011
	£'000	£'000
Land and buildings		
Leases which expire:		
Less than one year	39	50
	39	50

27. Capital Commitments

	Group		Housing	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Housing land and buildings				
Commitment of property purchase	373	-	373	-
This will be funded from cash reserves.				

28. 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 2012 ARK Housing Association had a debtor of £300,043 (2011 £5,130) due from ARK Housing Trust. On the 27th March 2012 the Trustees of Ark Housing Trust donated £300,000, the majority of the Trust's reserves, to ARK Housing Association, this donation has been treated as exceptional income and is to be held as a restricted reserve to be used towards the development at Southhouse during 2012/13. In the year ARK Housing Association provided ARK Trust with £3,469 of management services.

During the year ARK Housing Association held forty four bank accounts (2011 eighteen) 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 2012 was £178,104 (2011 £130,081).

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

29. Pension Commitments
General

ARK Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the "Scheme").

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

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

The last formal valuation of the Scheme was performed 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 2011. 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 £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

The Association has been notified by The Pensions Trust that the amount to be paid in 2012/13 is £373,772. The Association has also been notified that they will be required to pay additional contributions in relation to the past service deficit for the next 10 years. The amount payable annually is anticipated to increase by 3% per annum.

The Scheme offered three benefit structures to employees in the year to 31st March 2012, 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 1/120th accrual rate, contracted in.

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 and a career average revalued earnings with a 1/120th accrual rate, contracted in from 1 April 2011.

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

29. Pension Commitments (continued)

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, contributions at a rate of 13.3% for new members between 1 April 2009 and 31 March 2011 and contributions at a rate of 4.7% for new members from 1 April 2012. Member contributions varied between 4.7% and 7.7% of annual pensionable salary.

As at the balance sheet date there were 177 active members of the Scheme employed by ARK Housing Association. The annual pensionable payroll in respect of these members was £3,052,554.

ARK Housing Association continues to offer membership of the Scheme to its employees based on an accrual rate of 120ths of career average revalued earnings (not contracted out of the State scheme).

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	

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

(*Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

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

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the 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.

ARK HOUSING ASSOCIATION LIMITED
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(Continued)

29. Pension Commitments (continued)

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 2011. As of this date the estimated employer debt for ARK Housing Association was £26,438,320 (30 September 2010 £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.

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 SHA Pension Scheme. The members pay contributions at a rate of their choice. ARK Housing Association does not pay any contributions to the Growth Plan.

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29. Pension Commitments (continued)

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 preliminary triennial valuation results as at 30 September 2011 were received in March 2012 but, as the valuation will not be finalized until later this year, this disclosure must still refer to the 2008 valuation results as the last completed valuation.

The Scheme Actuary's preliminary results for 30 September 2011 show that the Plan's assets at that date were £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

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.

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.

ARK HOUSING ASSOCIATION LIMITED
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29. Pension Commitments (continued)

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 and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due on 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 plan (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 liability attributable to employment with the leaving employer compared to the total amount of the Plan'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 Plan liabilities, Plan 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 Growth Plan based on the financial position of the Plan as at 30 September 2011. As of this date the estimated employer debt for ARK was £27,811 (30 September 2010 £29,060).

In relation to the Growth Fund, The Association has also been notified by The Pensions Trust of the amount to be paid for the past service deficit commencing 1 April 2012 for 10 years is £2,237.

Other Pension Schemes

During the year ARK has been contributing to a Standard Life scheme for 4 staff who transferred from Rymonth Housing Society Limited. The contribution rates are 2.4% of pensionable salary for employees and 6% for the employer.

30. 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 in 2010/11.

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31. Prior Period Adjustment

The principle of component accounting is to account separately for each major component of a property asset with substantially different useful economic lives, and to depreciate them over their individual useful economic life. This change in accounting policy has resulted in major works expenditure written off in prior years being capitalised, and an additional depreciation charge now being recognised.

The effect of this change in accounting policy on the 31 March 2011 financial statements is shown below. 31 March 2011 opening reserves have been increased by £4,140k Group, £3,844k Housing Association of which £1,602k Group, £1,525k Housing Association related to increased depreciation, £3,945k Group, £3,716k Housing Association relates to major repairs previously written off to the Income and Expenditure Account now capitalised as components and £1,797k Group, £1,653k Housing Association related to HAG now allocated across components.

The effect of this change on the comparative year's figures of 2011 has been to:

	Group	Housing Association
	£'000	£'000
Increase depreciation charge	(320)	(295)
Decrease major works charges against income	201	189
Decrease HAG now allocated to components	-	-
Loss on disposal of components	(26)	(26)
Decrease the surplus for the year	<u>(145)</u>	<u>(132)</u>
The effect upon the balance sheet at 31 st March 2011 has been to :		
Increase fixed asset cost	4,120	3,879
Increase fixed asset depreciation	(1,922)	(1,820)
Decrease in HAG	1,797	1,653
Net movement in the balance sheet	<u>3,995</u>	<u>3,712</u>

The effect of this change in accounting policy on the 31 March 2012 results has been to decrease the surplus by £96k for the Group and £86k for the Housing Association.

32. 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 2011. As of this date the estimated employer debt for ARK Housing Association was £26,438,320 (30 September 2010 £22,809,519).

ARK has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan based on the financial position of the Plan as at 30 September 2011. As of this date the estimated employer debt for ARK was £27,811 (30 September 2010 £29,060).

Housing Association Grant allocated to components (as detailed in note 1) that have subsequently been replaced by the Association are recognized in the Income and Expenditure account, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognized in the Income and Expenditure account at 31 March 2012 was £1,819k (31 March 2011: £1,797k)

