

ARK HOUSING ASSOCIATION LIMITED

GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

Registered Housing Association No. HEP66

Financial Conduct Authority No. 1899R (S)

Charitable No. SC015694

ARK HOUSING ASSOCIATION LIMITED

PROFESSIONAL ADVISORS

31 MARCH 2013

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 2013**

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Registration Particulars:

Financial Conduct Authority	Industrial and Provident Societies Act 1965 Registered Number 1899R (S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number HEP66
Charity Number	SC015694

ARK HOUSING ASSOCIATION LIMITED

**BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS
31 MARCH 2013**

Board of Management - Serving in 2012-2013

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

Sue Broussine BSc, MA, PGCE– appointed 24/06/2012 *

Anne Kershaw BSc. FIA (Chair) ⁺

Douglas Logan FIH – appointed 26/09/2012 – resigned 05/12/2012

Ann Lyon ⁺

Maureen Munro BSc (Hons) AMCIM

James Rigby FCMA *

Henry A Robson - appointed 27/02/2013

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

Robert Taylor CQSW - appointed 26/09/2012

Alastair Wallace MA, BA, LLB *

Charles Wilson CEng, FIMechE ⁺

Board of Management – resigned during period

Isla Ashcroft – resigned 27/03/2013

Kate Douglas – resigned 05/12/2012

Pru Irvine – appointed 26/09/2012 – resigned 03/03/2013

* Audit sub committee member

⁺ Housing sub committee member

Executive Officers - current

Jane Gray BSc, MSc, MA - Chief Executive

Robert Farquharson MBA, MSc, FCMI - Deputy Chief Executive

Fiona Katz MCIPD - Director, Human Resources

Ron Watson MBA, FCMA - Director, Finance

The Board of Management presents its report and audited financial statements for the year ended 31 March 2013.

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 Conduct 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 two fully controlled subsidiaries, Ark Services Ltd and The Action Group Ltd.

Ark Services Ltd 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 Action Group Ltd joined ARK part way through the financial year. The purpose of the charity, stated in the Memorandum and Articles of association, is "To advance or assist in the advancement of education and to provide or assist in the provision of social welfare among persons of all ages requiring care in the community and among the families of such persons." Original beneficiaries were people with a learning disability and this has grown to include other support needs e.g. Asperger's Syndrome, autism, attention deficit hyperactivity disorder (ADHD) and acquired brain injury.

REPORT OF BOARD OF MANAGEMENT
31 MARCH 2013

The activities employed to achieve the objectives are:

- Advice Services, which covers welfare rights, money and debt;
- the Black and Ethnic Minorities Advice Service [BEMAS];
- Children and Young People Services, which provide one-to-one and group support;
- Real Jobs Services, which provides supported employment and work placements;
- Housing Support Services, which provides one-to-one support to people in their own tenancies, in small groups and in the family home;

Volunteers are active in fundraising, advice services and playschemes.

The accounts of Ark Services Ltd and The Action Group 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. In the previous financial year 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 Trust is in the process of being wound up and there will therefore be no potential for any future donations.

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. It will develop a similar arrangement with The Action Group in the next financial year.

Financial Review

Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association 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 adopted a new accounting policy during 2011/12, which resulted in a prior period adjustment in the previous years accounts. Major components (as noted in accounting policies h (i)) of our housing properties are now identified and depreciated over specific economic life spans. Their replacements are then capitalised in fixed assets as they occur.

This year ARK has continued to manage funding and costs to ensure financial viability against a backdrop of funding cuts, competitive tendering and increasing operating costs. Group turnover for the year was £21,504k, an increase of 25% on the previous year, primarily reflecting the inclusion of income (£3,765k) from The Action Group for the latter half of the year after they joined the group on the 1st October. The volume of supported living service user hours increased by 20%, however, this increase is distorted due to the deregistration of Community Houses when residents were assessed and their services were converted into hours. Rents were increased by 5.6% during the year. These increases were offset against a reduction in the rates paid by Local Authorities for supported living services.

The group surplus for the financial year was £838k before the gain of £1,940k for the constitutional partnership with The Action Group which brought the total surplus for the year to £2,718k.

The £838k represents a decrease of £566k (40%) on the comparable previous years figure (a group surplus of £1,402k). This was due, primarily, to a donation of £300K from Ark Housing Trust and a gain of £108k on the disposal of a property in the previous year.

Ark Services continues to receive rental income for four sites in Aberdeen City and generated a surplus of £236k in the financial year before donating £637k to ARK Housing Association leaving a net deficit of £401k.

ARK Group presents an improved balance sheet position with a closing cash balance of £4,465k (a decrease of £467k due to capital spend in the year) and net current assets of £3,791k (an increase of £588k).

Reserves

Total reserves increased by £2,464k during the financial year to £14,907k.

General funds are unrestricted funds which are available for use at the discretion of the directors in furtherance of the general objectives of the company which have not been designated for any other purposes.

In previous years a designated reserve was 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. This is no longer necessary as a depreciation charge is made through the accounts each year following the introduction of component accounting. The balance on this reserve at the year end has been released to reflect this.

The Association created a designated reserve during the year for the net present value of the pension scheme past service deficit repayments payable over the next 13½ years.

The Action Group has designated a contingency fund to provide for potential statutory, moral, and/or legal obligations and continuity of services.

At the year end there are two restricted reserves that were transferred from Rymouth Housing Society, and three restricted and one designated reserve transferred from The Action Group, details of these are set out in notes 9 and 10. The Southhouse restricted fund established with funds donated by Ark Trust for the development at Southhouse was fully utilised within the year.

Treasury Management

The Board reviews the Association's treasury management arrangements bi-annually. During the year the Association invested in a portfolio with Brewin Dolphin. Remaining cash funds are held in instant access and 7 and 30 day notice deposit accounts.

Readily liquefiable assets are held at a balance of at least an amount equivalent to two months salary costs (approximately £2,852k) which is considered sufficient to cover operational working capital requirements.

Borrowings are secured based on a mix of fixed and variable rate finance. Approximately 33% of Group funds are secured on a fixed borrowing rate and 67% on a variable rate.

Fixed assets

Changes in fixed assets in the year are set out in notes 13 to 16 of the financial statements.

Business Review

Scope of Review

This Review refers to ARK Housing Association only. Equivalent material for its two subsidiaries, The Action Group Ltd and ARK Services Ltd are included in their separate Annual Reports and Accounts.

Care Service Quality

As always ARK remains committed to maintaining high quality services, even whilst operating within externally imposed financial constraints. In 2012-13 ARK's average Care Inspectorate grade was 4 (good) or higher across all 4 inspections areas, quality of care and support, quality of staff, quality of management and leadership and environment.

ARK's service user questionnaire confirmed that, in 2011-12, 94% of service users who responded described their support staff as 'kind' and that, in 2012-13, 98% of service users were of this view. Similarly, in 2011-12, 89% of service users described themselves as 'happy' or 'very happy' with the support that they received from ARK and, in 2012-13, this figure had risen to 92%.

ARK's stakeholder survey, which captures feedback from third parties such as family members and professionals involved in service users' lives, showed that 99% of respondents were either 'satisfied' or 'very satisfied' that ARK treats the person they know with respect and 97% of stakeholders were of the view that ARK staff are able to meet the support needs of the person they know.

One of the main reasons behind the high levels of survey satisfaction this year was that ARK's staff ensured that the majority of action plans that had been created based on last year's survey feedback were fully delivered. In fact, 93% of the survey action plans that were written this year were delivered, which demonstrates the commitment of ARK's staff to following up on the feedback that it was given.

The hard work that staff put in to ensuring quality by implementing and following up on satisfaction surveys made a significant contribution to ARK being externally accredited for the EFQM 'Committed to Excellence' quality kite mark.

Participation

This Year, through the hard work of several tenants and service users and the wider tenant and service users groups, a new ARK Charter was developed. The Charter includes the requirements of the Scottish Social Housing Charter and the spirit of the Scottish National Involvement Network Charter. This Charter sets out ARK's service promises to our tenants and service users and will form the basis of how ARK measures its performance to its customers in future.

ARK continues to make progress in relation to offering service users and tenants the opportunity to participate at all levels within ARK. We have built on the good work started in previous years in relation to developing service user 'speak out' groups through offering support workers the opportunity to become 'speak out workers', responsible for planning, running and following up on service user speak out meetings. ARK has now identified 16 speak out workers, and work continues to create speak out groups in areas where there is interest but, as yet, no group.

As well as dealing with relevant issues within ARK, the speak out groups have been making connections with local communities with, for example, community police officers attending group meetings to discuss personal safety. ARK tenants and service users are also actively involved in the National Involvement Network, an organisation helping people who use services to have more control over their lives. One of our service users also acts 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 have the opportunity to discuss the strategic objectives. A quarterly Health and Safety newsletter is circulated to all staff and contains information on current documents for

consultation, new policies and general updates on health and safety issues. Also, this year ARK introduced two new information briefings. The first of these was the Health and Safety policy summary sheet, which is issued for use in team meetings to assist in embedding relevant policies and procedures into practice. The second of these was the Managers' briefing sheet, which responds to relevant issues and queries raised by Managers, but which could have a wider learning impact. 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

ARK has successfully recruited a new Learning and Development (L&D) Manager in June 2012 to develop the L&D function and put in place a three-year L&D strategy. Key themes from the L&D strategy include developing:

- staff induction process for all levels of staff;
- a competency framework;
- a L&D evaluation model;
- service registration plans required by the Scottish Social Services Council (SSSC);
- a methodology to map ARK's training and learning to the National Occupational Standards;
- new L&D IT system capability.

The majority of ARK's staff is within the scope of the SSSC registration. ARK is currently working towards published registration timescales and currently has 33% of its staff qualified, with a further 8% of staff undertaking their qualification. This had been greatly aided by the continued support from the Voluntary Sector Development Fund.

ARK is working with West Lothian College to support Service Managers to complete their SVQ Level 4 qualifications in Health and Social Care and Management. The College is also supporting Team Leaders through their Professional Development Award to enable them to register with SSSC as Supervisors.

ARK is committed to investing in all staff to provide the best support possible to the people who use its services.

Asset Management Strategy

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

During the previous year ARK commissioned surveys of 100% of its property portfolio in order to monitor its position with regard to the Scottish Housing Quality Standards that will come into force in 2015. The results were encouraging and the 30 year major repairs lifecycle costing has been amended to take in to account the remaining work and investment required in order to meet the standards ahead of time. Whilst maintaining a focus on longer-term requirements, the Property team has achieved the highest level of responsiveness to tenants' repair requests by delivered 100% of emergency, urgent and routine repairs within target response targets.

The results of the 2013 Tenant Satisfaction Survey show that ARK is also working in partnership with Local Authorities to develop alternative models of built environment for people with lifelong complex needs. This partnership working is particularly important in the current climate of non-availability of Housing Association Grant funding for this type of development. ARK continues to seek outcomes which are positive for the service users, carers and the local authority.

Housing Services

The Housing Services team has spent considerable time on the introduction of the Scottish Social Housing Charter, developing the revised Scottish Housing Regulators Performance Indicators, consulting on the annual rent increase and assessing the potential impact of welfare reforms. The Tenant Participation Strategy included issuing 4 tenant newsletters throughout the year and following up on the results of the Tenant Satisfaction Survey. In addition, the Tenants Handbook was reviewed and revised.

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 150 applicants to our housing list. During the year, there were 70 changes of tenancy:

- 2 followed on from the purchase of a property and the re-configuration of a respite room;
- 35 were the result of care homes deregistering and becoming a Housing Support Service;
- 26 were supported tenancies via Social work Referrals; and
- 7 were lets to mainstream properties, via Section 5 Referrals/nominations or transfer of tenancies.

The average re-let time for mainstream properties increased to 45 days (2011/12: 28 days). This was due to the large number of vacancies within the Aberdeenshire area (turnover of 14.5% compared to the average of 5.8% for all properties), where considerable work was needed to the properties. The remaining 60 properties were supported properties and took an average of 15 days (2011/12: 93 days) to re-let but the figure was skewed because of the properties de-registering. The overall amount of rent loss arising from void properties stood at £31k (2011/12: £19k), some 1.54%, and outwith our target of 1%. This was due to both the increased time to re-let the properties in the Aberdeenshire area and the longer period of time that the supported vacancies were empty. At 31st March 2013 only 4 properties were still to be let.

Rent arrears arising from current tenants were 4.64% (2011/12: 2.13%) of gross rental income due, in the main, to an increase in the technical arrears to 4.11% (2011/12: 1.67%). Importantly, the non-technical arrears figure was slightly lower at 0.46% (2011/12: 0.53%). ARK served three Notice of Proceedings in the year because of rent arrears, but only took one tenant to court. An eviction decree was secured against this tenant but shortly afterwards the tenant filed for sequestration. This was the second filing for sequestration in the year and, in total, a bad debt provision of £2,738 was made. During the year, we collected 52.6% of the former tenant arrears and finished the year with only £4k of arrears still due by former tenants (0.21% of rental income).

There were no abandoned properties and of the 19 tenancies started in 2011/12, 90% of them sustained their tenancies throughout the year.

Investors in People

ARK is delighted to have achieved Investors in People Gold standard as part of its 3-year review started in 2012. To ensure that ARK learns from the experience, it has established a continuous improvement team that are committed to using the Full Framework of Investors in People to achieve what needs to be achieved over the next two years. The team consists of our newly appointed Learning & Development Manager, the Human Resources Manager and the Quality & Compliance Manager.

ARK intends to use the Full Framework in three ways: Measuring our Business Performance; Assessing the Impact of Reductions in Income; and the Introduction of the Personalisation Agenda and Self Directed Support.

**REPORT OF BOARD OF MANAGEMENT
31 MARCH 2013**

ARK strives to ensure that the continuous improvement plan will build on and improve our current good practices and the Full Framework will align with our business strategy and group balanced scorecards objectives in the next 24 months.

Employee Involvement and Consultation

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

ARK has been working with Unite the Union towards the implementation of a pay and reward mechanism which recognises individual competence and qualifications in the job role. The competency framework has been agreed by the Union and will be implemented for all staff during 2013/14 following a period of learning for all line managers. The competency framework is not yet linked to pay and reward and consultations will continue with Unite the Union and staff during the year.

Funds held as Custodian Trustee on Behalf of Others

During the year ARK held 68 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 Inspectorate 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 is 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 program is agreed with the Audit-Sub Committee and deals with areas of risk across the organisation, including within Community Networks.

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 (reporting of injuries, diseases and dangerous occurrences regulation) and serious incidents is picked up and acted upon. Furthermore, ARK has implemented Strategic and Operational Risk Registers to ensure that once they are identified, risks are monitored, managed and reported.

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.

Values

The beliefs and behaviours that determine the culture of ARK and which are the foundations for the delivery of quality services and the nature of individual and corporate its 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 ensure that all of ARK's activities are linked to the achievement of the vision and the strategy.

The balanced scorecard tool helps to brings focus, alignment and accountability to all of ARK's activities. It introduces truly SMART (Specific, Measurable, Attainable, Relevant and Time-bounded) objectives, grouped into the five 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

A resolution to appoint Chiene + Tait as auditors for the ensuing year will be proposed at the annual general meeting.

By order of the Board of Management
The Priory
Canaan Lane
Edinburgh
EH10 4SG

Anne Kershaw (Chair) *Anne Kershaw* Date: *25 September 2013*

STATEMENT OF BOARD RESPONSIBILITIES
31 MARCH 2013

The Industrial and Provident Societies Acts and registered social housing legislation require the board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the RSL and of the surplus or deficit for that period. In preparing these financial statements, the board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 inappropriate to presume that the RSL will continue in business.

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the RSL and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. It has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.

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



Anne Kershaw (Chair)

Date: 25 SEPTEMBER 2013

BOARD OF MANAGEMENT'S STATEMENT OF INTERNAL FINANCIAL CONTROLS
31 MARCH 2013

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.
- Significant risks are identified, evaluated and managed as previously outlined on page 11 of this document.

The Board of Management has reviewed the system of internal financial control in the Group during the year ended 31 March 2013. 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



Anne Kershaw (Chair)

Date: 25 SEPTEMBER 2013

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARK HOUSING
ASSOCIATION LIMITED
31 MARCH 2013**

We have audited the group and parent association financial statements of Ark Housing Association Limited for the year ended 31 March 2013 (the "financial statements") on pages 16 to 54. 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 13 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 [http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx).

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 2013 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, part 6 to the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements April 2012.

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 *25 September 2013*

ARK HOUSING ASSOCIATION LIMITED

**GROUP INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2013**

	<i>Notes</i>	2013	2012
		£'000	£'000
Turnover	2	21,504	17,141
Less: Operating costs	2	(21,016)	(15,546)
Exceptional Items	8	350	(191)
Operating surplus		<u>838</u>	<u>1,404</u>
(Loss) / Gain on disposal of fixed assets	23	(1)	108
Gain on constitutional partnership	31	1,940	-
Interest receivable and similar income		85	43
Interest payable and similar charges	6	(144)	(153)
Surplus for the financial year		<u><u>2,718</u></u>	<u><u>1,402</u></u>

**GROUP STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2013**

	<i>Notes</i>	2013	2012
		£'000	£'000
Surplus for the year		2,718	1,402
Unrealised gain on investments	17	46	-
Total recognised surpluses and deficits recognised since last reporting date	12	<u><u>2,764</u></u>	<u><u>1,402</u></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 2013**

	<i>Notes</i>	2013	2012
		£'000	£'000
Turnover	2	17,895	16,668
Less: Operating costs	2	(17,056)	(15,491)
Exceptional Items	8	350	(191)
Operating surplus		<u>1,189</u>	<u>986</u>
(Loss)/Gain on disposal of fixed assets	23	(1)	111
Interest receivable and similar income		60	31
Interest payable and similar charges	6	(38)	(42)
Surplus for the financial year		<u><u>1,210</u></u>	<u><u>1,086</u></u>

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2013**

	<i>Notes</i>	2013	2012
		£'000	£'000
Surplus for the year		1,210	1,086
Unrealised gain on investments	17	46	-
Total surpluses and deficits recognised since the last reporting period	12	<u><u>1,256</u></u>	<u><u>1,086</u></u>

The results for the year relate wholly to continuing activities.


ARK HOUSING ASSOCIATION LIMITED


**GROUP BALANCE SHEET
AS AT 31 MARCH 2013**

	<i>Notes</i>	2013 £'000	2012 £'000
Tangible fixed assets			
Housing properties, furniture and equipment			
- cost less depreciation	13	32,173	31,242
Less: Housing Association Grant	13	(16,339)	(16,351)
Other Grants	13	(3,842)	(3,382)
		11,992	11,509
Other tangible fixed assets	15	1,035	805
Investments	17	1,048	-
		14,075	12,314
 Current assets			
Debtors	18	2,588	1,472
Cash at bank and in hand	25	4,465	4,932
		7,053	6,404
Creditors: amounts falling due within one year	19	(3,262)	(3,201)
		3,791	3,203
Net current assets			
		17,866	15,517
Total assets less current liabilities			
		(2,959)	(3,075)
Creditors: amounts falling due after more than one year	20		
		14,907	12,442
Net assets			
 Capital and reserves			
Share capital	24	-	-
Restricted reserves	9	186	312
Designated reserves	10	14,390	2,170
Revaluation reserve	11	46	-
General Revenue reserves	12	285	9,960
		14,907	12,442

These financial statements were approved by the Board of Management and authorised for issue on ~~25 September~~ 2013 and signed on its behalf by:

Anne Kershaw (Chair) 

James Rigby (Member) 

Alastair Wallace (Member) 


ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION BALANCE SHEET
AS AT 31 MARCH 2013**


	<i>Notes</i>	2013	2012
		£'000	£'000
Tangible fixed assets			
Housing properties, furniture and equipment			
- cost less depreciation	14	27,883	26,892
Less: Housing Association Grant	14	(16,339)	(16,351)
Other Grants	14	(1,958)	(1,497)
		<hr/>	<hr/>
		9,586	9,044
Other tangible fixed assets	16	811	805
Investments	17	1,048	-
		<hr/>	<hr/>
		11,445	9,849
 Current assets			
Debtors	18	1,610	1,470
Cash at bank and in hand	26	2,759	3,865
		<hr/>	<hr/>
		4,369	5,335
Creditors: amounts falling due within one year	19	(2,718)	(2,977)
Net current assets		<hr/>	<hr/>
		1,651	2,358
 Total assets less current liabilities		 13,096	 12,207
 Creditors: amounts falling due after more than one year	20	(1,193)	(1,260)
 Net assets		<hr/>	<hr/>
		11,903	10,947
 Capital and reserves			
Share capital	24	-	-
Restricted reserves	9	12	312
Designated reserves	10	11,845	1,865
Revaluation reserve	11	46	-
General Revenue reserves	12	-	8,770
		<hr/>	<hr/>
		11,903	10,947
		<hr/>	<hr/>

These financial statements were approved by the Board of Management and authorised for issue on 25th September 2013 and signed on its behalf by:

Anne Kershaw (Chair) 

James Rigby (Member) 

Alastair Wallace (Member)



ARK HOUSING ASSOCIATION LIMITED

**GROUP CASH FLOW STATEMENT
AS AT 31 MARCH 2013**

	<i>Notes</i>	2013 £'000	2012 £'000
Net cash inflow from operating activities	<i>25</i>	<u>1,148</u>	<u>1,237</u>
Returns on investment and servicing of finance			
Interest received		85	43
Interest paid	<i>6</i>	<u>(144)</u>	<u>(153)</u>
Net cash (outflow) from returns on investment and servicing of finance		<u>(59)</u>	<u>(110)</u>
Capital expenditure			
Sale of housing properties		-	266
Purchase of housing properties	<i>13</i>	(1,549)	(1,051)
Purchase of other tangible fixed assets	<i>15</i>	(88)	(98)
Purchase of investments	<i>17</i>	(1,000)	-
Housing Association Grants received	<i>13</i>	45	39
Housing Association Grants repaid		-	(141)
Transferred from The Action Group		988	-
Movement in reserves (Restricted to other grants)		(300)	-
Other grants received	<i>13</i>	<u>461</u>	<u>208</u>
Net cash (outflow) for capital expenditure		<u>(1,443)</u>	<u>(777)</u>
Net cash (outflow)/inflow before financing		<u>(354)</u>	<u>350</u>
Financing			
Repayment of housing loans		<u>(113)</u>	<u>(102)</u>
Net cash (outflow) from financing	<i>25</i>	<u>(113)</u>	<u>(102)</u>
(Decrease)/Increase in cash in year	<i>25</i>	<u>(467)</u>	<u>248</u>

Further details are given in note 25.

ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION CASH FLOW STATEMENT
AS AT 31 MARCH 2013**

	<i>Notes</i>	2013 £'000	2012 £'000
Net cash inflow from operating activities	<i>26</i>	<u>1,367</u>	<u>784</u>
Returns on investment and servicing of finance			
Interest received		60	31
Interest paid	<i>6</i>	<u>(38)</u>	<u>(42)</u>
Net cash inflow/(outflow) from returns on investment and servicing of finance		<u>22</u>	<u>(11)</u>
Capital expenditure			
Sale of housing properties		(1)	268
Purchase of housing properties	<i>14</i>	(1,546)	(1,037)
Purchase of other tangible fixed assets	<i>15</i>	(88)	(98)
Purchase of investments	<i>17</i>	(1,000)	-
Housing Association Grants received	<i>14</i>	45	39
Housing Association Grants repaid		-	(141)
Movement in reserves (Restricted to other grants)		(300)	-
Other Grants	<i>14</i>	<u>461</u>	<u>328</u>
Net cash (outflow) for capital expenditure		<u>(2,429)</u>	<u>(641)</u>
Net cash (outflow)/inflow before financing		<u>(1,040)</u>	<u>132</u>
Financing			
Repayment of housing loans		(66)	(64)
Net cash (outflow) from financing	<i>26</i>	<u>(66)</u>	<u>(64)</u>
(Decrease)/Increase in cash in year	<i>26</i>	<u><u>(1,106)</u></u>	<u><u>68</u></u>

Further details are given in note 26.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2013

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by The Financial Conduct 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 Determination of Accounting Requirements (Scotland) (April 2012) 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 (s) below.

(a) Basis of Consolidation

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.

The Action Group 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 will normally be restricted to a maximum of net proceeds of sale.

(d) Turnover

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

NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2013
(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.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (Continued)

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
- Sprinkler Systems	- 15 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.

(i) **Fair value of assets transferred**

The fair value of assets transferred at the 1st October 2012 has been treated as acquisition accounting.

(j) **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.

NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2013
(Continued)

(k) **Deferred Income**

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

(l) **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.

(m) **Restricted Reserves**

This reflects revenue grants received for restricted purposes/projects and related expenditure in these projects.

(n) **Designated Reserves**

Future Major Works

These reserves reflected the Association's liability to finance future major repairs works on both its supported and mainstream accommodation. Expenditure of this type was charged through the Income and Expenditure Account and subsequently a transfer from this reserve was made to the general revenue reserve. However due to the implementation of the Statement of Recommended Practice 2010 Components are now capitalised so this reserve is no longer required and has been released during the year.

Contingency Fund

This fund has been designated by The Action Group to provide for potential, moral, and/or legal obligations and continuity of service.

Pension Past Service Deficit

As disclosed in note 30 the Association was informed in June 2013 of the amounts it is estimated to pay for past service deficit over the next 13 ½ years. The Association has designated funds to meet the Net Present Value of these payments over the required period.

(o) **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 that transferred from Rymouth 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. More information can be found in note 30.

(p) **Credit Payment Policy**

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

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2013
(Continued)**

(q) Operating Leases

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

(r) 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.

(s) Investments

Investment income is brought into account when due and receivable. Investments are stated at market value. Unrealised gains or losses on valuation are reflected through the Statement of Total Recognised Surpluses and Deficits and disclosed in the Revaluation Reserve in the Balance Sheet. Realised gains or losses are recognised through the Income & Expenditure Account as they occur.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2013
(Continued)**

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

Group				2013	2012
	Notes	Turnover	Operating Costs	Operating Surplus/ (Deficit)	Operating Surplus/ (Deficit)
		£'000	£'000	£'000	£'000
Social Lettings	3	2,672	(2,115)	557	695
Other Activities	4	18,832	(18,901)	(69)	900
Sub-Total		21,504	(21,016)	488	1,595
Exceptional Income (Other Activities)	8	557	(207)	350	(191)
2013 Total		22,061	(21,223)	838	1,404
2012 Total		17,687	(16,283)	1,404	

Housing Association

				2013	2012
	Notes	Turnover	Operating Costs	Operating Surplus	Operating Surplus/ (Deficit)
		£'000	£'000	£'000	£'000
Social Lettings	3	1,944	(1,801)	143	277
Other activities	4	15,951	(15,255)	696	900
Sub-Total		17,895	(17,056)	839	1,177
Exceptional Income (Other Activities)	8	557	(207)	350	(191)
2013 Total		18,452	(17,263)	1,189	986
2012 Total		17,214	(16,228)	986	

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2013
(Continued)**

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

Group:	General Needs £'000	Supported Housing Accommodation £'000	2013 Total £'000	2012 Total £'000
Rent receivable	2,127	305	2,432	2,105
Service charges	271	-	271	245
Gross income from rents and service charges	2,398	305	2,703	2,350
Less Voids	(31)	-	(31)	(18)
Net income from rents and service charges	2,367	305	2,672	2,332
Grants from Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	-
Total turnover from social letting activities	2,367	305	2,672	2,332
Management and maintenance administration costs	548	68	616	595
Service costs	246	29	275	223
Planned and cyclical maintenance including major repairs costs	355	73	428	163
Reactive maintenance costs	199	20	219	223
Bad debts – rent and service charges	1	-	1	1
Depreciation of social housing	520	56	576	432
Operating costs for social letting activities	1,869	246	2,115	1,637
2013 Operating surplus for social letting activities	498	59	557	695
2012 Operating surplus for social letting activities	652	43	695	

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2013
(Continued)

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

Association:	Supported		2013 Total £'000	2012 Total £'000
	General Needs £'000	Housing Accommodation £'000		
Rent receivable	1,609	149	1,758	1,624
Service charges	217	-	217	190
Gross income from rents and service charges	1,826	149	1,975	1,814
Less Voids	(31)	-	(31)	(18)
Net income from rents and service charges	1,795	149	1,944	1,796
Grants from Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	-
Total turnover from social letting activities	1,795	149	1,944	1,796
Management and maintenance administration costs	530	44	574	508
Service costs	197	-	197	173
Planned and cyclical maintenance including major repairs costs	308	26	334	264
Reactive maintenance costs	182	15	197	200
Bad debts – rent and service charges	1	-	1	1
Depreciation of social housing	460	38	498	373
Operating costs for social letting activities	1,678	123	1,801	1,519
2013 Operating surplus for social letting activities	117	26	143	277
2012 Operating surplus for social letting activities	234	43	277	

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2013 (Continued)

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

Group:	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	2013 Operating Surplus/ (Deficit)	2012 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	-	6,374	6,931	2,082	15,387	-	(14,922)	465	424
Care activities	-	2,607	-	281	2,888	-	(2,762)	126	172
Agency management services – RSLs	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities	-	401	-	156	557	-	(1,217)	(660)	304
Total from other activities - 2013	-	9,382	6,931	2,519	18,832	-	(18,901)	(69)	900
Total from other activities - 2012	-	7,614	6,090	1,105	14,809	-	(13,909)	900	-

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2013 (Continued)

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

Association:	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Operating Surplus/ (Deficit)	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	-	4,882	6,914	393	12,189	-	(11,657)	532	424
Care activities	-	2,607	-	281	2,888	-	(2,762)	126	172
Agency management services – RSLs	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	874	874	-	(836)	38	304
Total from other activities - 2013	-	7,489	6,914	1,548	15,951	-	(15,255)	696	900
Total from other activities - 2012	-	7,614	6,090	1,168	14,872	-	(13,972)	900	-

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2013
(Continued)

The number of units in management at 31 March 2013 was as follows:

	Owned	Not Owned	2013	2012
	No	No	Total	Total
	No	No	No	No
General Needs	183	1	184	185
Supported accommodation	384	28	412	395
	567	29	596	580

Management of Association stock by other bodies	2013	2012
	No	No
Properties leased to other organisations		
West Lothian Council	6	6
Community Integrated Care Ltd	6	6
Choices Community Care Ltd	-	-
Aberdeen City Council	12	12
Leonard Cheshire Foundation	1	9
Aberdeenshire Council	-	-
Real Life Options	13	13
Fife Council	6	6
Clackmannanshire	3	3
	47	55
Properties managed by other organisations:		
Aspire	9	9
Leonard Cheshire	8	-
SHARE	5	5
	22	20
Total properties	69	75

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2013
(Continued)

6. Interest payable	Group		Housing Association	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Loans	144	153	38	42

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

	2013	2012
	£'000	£'000
Transfer to deferred income	(207)	(667)
Release of deferred income	557	546
Restructuring costs	-	(70)
	350	(191)

The Association has a prudent policy of only recognising the income on contracts which matches to service costs incurred and carrying forward any balance as deferred income for any Local Authority that has in the past requested surpluses to be refunded. Such income is discussed with Local Authorities and only recognised after two years if no further claim has been made by the Local Authority. The 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 2012/13 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 2013
(Continued)

9. Restricted Reserves

	Group		Housing Association	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Rotary Rymonth Hobbies Fund - Restricted				
At 1 April 2012	7	7	7	7
At 31 March 2013	<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 2012	5	16	5	16
Spent during year	-	(11)	-	(11)
At 31 March 2013	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</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 2012	300	-	300	-
Transfer from Revenue Reserve	-	300	-	300
Transfer to other grants	(300)	-	(300)	-
At 31 March 2013	<u>-</u>	<u>300</u>	<u>-</u>	<u>300</u>

The Southhouse restricted Fund was created out of a donation received by Ark Housing Trust towards the development at Southhouse. The funds were fully utilised within the 2012/13 financial year as another grant for the development (note 13 & 14).

	£'000	£'000	£'000	£'000
Welfare Rights Project (Bailey Thomas Charitable Fund & Henry Smith Charity) - Restricted				
At 1 April 2012	-	-	-	-
Transfer from Revenue Reserve	9	-	-	-
At 31 March 2013	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Welfare Rights Project restricted fund represents grants received by The Action Group towards the costs of employing a worker to maximise benefit income. This will be spent in the next financial year.

	£'000	£'000	£'000	£'000
Paul Hamlyn Fund - Restricted				
At 1 April 2012	-	-	-	-
Transfer from Revenue Reserve	37	-	-	-
At 31 March 2013	<u>37</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Paul Hamlyn restricted fund represents grants received by The Action Group for the BEMAS advice service.

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(Continued)

Big Lottery Advice Project - Restricted	£'000	£'000	£'000	£'000
At 1 April 2012	-	-	-	-
Transfer from Revenue Reserve	19	-	-	-
At 31 March 2013	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Big Lottery Advice Project restricted fund represents grants received for a welfare rights and financial inclusion advice service.

Capital Fund - Restricted	£'000	£'000	£'000	£'000
At 1 April 2012	-	-	-	-
Transfer from Revenue Reserve	109	-	-	-
At 31 March 2013	<u>109</u>	<u>-</u>	<u>-</u>	<u>-</u>

The capital restricted fund represents grants received by The Action Group for the purchase of heritable property less accumulated depreciation.

Total Restricted Reserves	<u>186</u>	<u>312</u>	<u>12</u>	<u>312</u>
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10. Designated Reserves

	Group		Housing Association	
	2013	2012	2013	2012
Mainstream – Future Major Works	£'000	£'000	£'000	£'000
At 1 April 2012	2,170	2,017	1,865	1,724
Transfer (to)/from Revenue Reserves	(2,170)	153	(1,865)	141
At 31 March 2013	<u>-</u>	<u>2,170</u>	<u>-</u>	<u>1,865</u>

Contingency Fund	£'000	£'000	£'000	£'000
At 1 April 2012	-	-	-	-
Transfer from Revenue Reserves	1,706	-	-	-
At 31 March 2013	<u>1,706</u>	<u>-</u>	<u>-</u>	<u>-</u>

This fund has been designated by The Action Group to provide for potential statutory, moral, and/or legal obligations and continuity of services.

Pension Past Service Deficit	£'000	£'000	£'000	£'000
At 1 April 2012	-	-	-	-
Transfer from Revenue Reserves	12,684	-	11,845	-
At 31 March 2013	<u>12,684</u>	<u>-</u>	<u>11,845</u>	<u>-</u>

The total NPV required is £12,684k but there are insufficient reserves in the Housing Association to designate the full estimate. The Board are content that the current value of properties is sufficiently higher than the reported book value to cover any deficit as it falls due. As detailed in note 29 the Association has been informed of the past service deficit contributions estimated to be payable over the next 13 1/2 years. It has designated funds to meet the Net Present Value (NPV) of these future payments.

Total Designated Reserves	<u>14,390</u>	<u>2,170</u>	<u>11,845</u>	<u>1,865</u>
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ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2013
(Continued)

11. Revaluation Reserve	Group		Housing Association	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Investment Revaluation Reserve				
At 1 April 2012	-	-	-	-
Transfer from Revenue Reserves	46	-	46	-
At 31 March 2013	<u>46</u>	<u>-</u>	<u>46</u>	<u>-</u>

12. Revenue reserve	Group		Housing Association	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
At 1 April 2012	9,960	9,000	8,770	8,114
Accumulated surplus for the year	2,764	1,402	1,256	1,086
Transfer to Restricted Reserve (note 9)	(173)	(300)	-	(300)
Transfer from Restricted Reserve (note 9)	-	11	-	11
Transfer to Designated Reserve (contingency fund) (note 10)	(1,706)	-	-	-
Transfer to Designated Reserve (pension deficit) (note 10)	(12,684)	-	(11,845)	-
Transfer from Designated Reserve (future major works) (note 10)	2,170	(153)	1,865	(141)
Transfer (to) Revaluation Reserve (note 11)	(46)	-	(46)	-
At 31 March 2013	<u>285</u>	<u>9,960</u>	<u>-</u>	<u>8,770</u>

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2013
(Continued)

13. Tangible Fixed Assets – Group

	Heritable property for letting		Total Heritable property for letting	Furniture and equipment	Total
	Assets completed	Assets under construction	£'000	£'000	£'000
Cost					
As at 1 April 2012	34,416	-	34,416	60	34,476
Additions	1,277	272	1,549	-	1,549
Disposals	(293)	-	(293)	(60)	(353)
As at 31 March 2013	35,400	272	35,672	-	35,672
Depreciation					
As at 1 April 2012	3,174	-	3,174	60	3,234
Charge for Year	439	-	439	-	439
Disposals	(114)	-	(114)	(60)	(174)
As at 31 March 2013	3,499	-	3,499	-	3,499
Net Cost less Depreciation	31,901	272	32,173	-	32,173
Housing Association Grant					
As at 1 April 2012	16,351	-	16,351	-	16,351
Additions	45	-	45	-	45
Disposals	(57)	-	(57)	-	(57)
As at 31 March 2013	16,339	-	16,339	-	16,339
Other Capital Grants					
As at 1 April 2012	3,382	-	3,382	-	3,382
Additions	461	-	461	-	461
Disposals	(1)	-	(1)	-	(1)
As at 31 March 2013	3,842	-	3,842	-	3,842
Net Book Value					
As at 31 March 2013	11,720	272	11,992	-	11,992
As at 31 March 2012	11,509	-	11,509	-	11,509

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

Major Repairs costs amounted to £472k (2012 £299k) of which £290k (2012 £212k) was capitalised in the year.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2013
(Continued)

14. Tangible Fixed Assets
Housing Association

	Assets Completed	Assets Under Construction	Total Heritable property for letting £'000
Cost			
As at 1 April 2012	29,702	-	29,702
Additions	1,274	272	1,546
Disposals	(290)	-	(290)
As at 31 March 2013	30,686	272	30,958
Depreciation			
As at 1 April 2012	2,810	-	2,810
Charge for Year	378	-	378
Disposal	(113)	-	(113)
As at 31 March 2013	3,075	-	3,075
Net Cost less Depreciation	27,611	272	27,883
Housing Association Grant			
As at 1 April 2012	16,351	-	16,351
Additions	45	-	45
Disposals	(57)	-	(57)
As at 31 March 2013	16,339	-	16,339
Other Capital Grants			
As at 1 April 2012	1,497	-	1,497
Additions	461	-	461
As at 31 March 2013	1,958	-	1,958
Net Book Value			
As at 31 March 2013	9,314	272	9,586
As at 31 March 2012	9,044	-	9,044

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

Major Repairs costs amounted to £436k (2012 £279k) of which £285k (2012 £198k) was capitalised in the year.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2013
(Continued)

**15. Other Fixed Assets –
Group**

	Heritable Buildings £'000	Land £'000	Computer Equipment £'000	Motor Vehicles £'000	Static Caravan	Office Equipment £'000	Total £'000
Cost or valuation							
As at 1 April 2012	917	37	507	4	-	128	1,593
Additions during year	1	-	85	-	-	2	88
Transferred from The Action Group (Note 31)	172	-	148	-	23	-	343
Disposals during the year	(5)	-	(27)	(4)	-	(57)	(93)
At 31 March 2013	<u>1,085</u>	<u>37</u>	<u>713</u>	<u>-</u>	<u>23</u>	<u>73</u>	<u>1,931</u>
Depreciation							
As at 1 April 2012	241	-	440	1	-	106	788
Charges for the year	21	-	70	-	2	2	95
Transferred from The Action Group (Note 31)	62	-	26	-	12	-	100
Disposals	(5)	-	(24)	(1)	-	(57)	(87)
At 31 March 2013	<u>319</u>	<u>-</u>	<u>512</u>	<u>-</u>	<u>14</u>	<u>51</u>	<u>896</u>
Net Book Value							
At 31 March 2013	<u>766</u>	<u>37</u>	<u>201</u>	<u>-</u>	<u>9</u>	<u>22</u>	<u>1,035</u>
As at 31 March 2012	676	37	67	3	-	22	805

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 2013
(Continued)

**16 Other Fixed Assets –
Housing Association**

	Heritable Buildings £'000	Land £'000	Computer Equipment £'000	Motor Vehicles £'000	Office Equipment £'000	Total £'000
Cost or valuation						
As at 1 April 2012	917	37	507	4	71	1,536
Additions during year	1	-	85	-	2	88
Disposals during the year	(5)	-	(24)	(4)	-	(33)
At 31 March 2013	<u>913</u>	<u>37</u>	<u>568</u>	<u>-</u>	<u>73</u>	<u>1,591</u>
Depreciation						
As at 1 April 2012	241	-	440	1	49	731
Charges for the year	21	-	56	-	2	79
Disposals	(5)	-	(24)	(1)	-	(30)
At 31 March 2013	<u>257</u>	<u>-</u>	<u>472</u>	<u>-</u>	<u>51</u>	<u>780</u>
Net Book Value						
At 31 March 2013	<u>656</u>	<u>37</u>	<u>96</u>	<u>-</u>	<u>22</u>	<u>811</u>
As at 31 March 2012	<u>676</u>	<u>37</u>	<u>67</u>	<u>3</u>	<u>22</u>	<u>805</u>

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

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

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2013
(Continued)

17 Investments

	Group		Housing Association	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Opening value	-	-	-	-
Additions	1,000	-	1,000	-
Realised gain	2	-	2	-
Closing book value	1,002	-	1,002	-
Unrealised gain	46	-	46	-
Closing market value	<u>1,048</u>	-	<u>1,048</u>	-

Investment holdings over 5% of the portfolio total are as follows:

Standard Life Investments Global	6.96%
Invesco Fund Managers High Income	5.36%

18 Debtors: Amount falling due within one year

	Group		Housing Association	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Rent Arrears	124	49	107	49
Less: Provision for bad debts	(12)	(10)	(12)	(10)
	<u>112</u>	<u>39</u>	<u>95</u>	<u>39</u>
Other Debtors	704	422	175	422
Less: Provision for bad debts	(20)	(9)	(20)	(9)
Local Authorities	1,636	815	1,231	815
Division of the Scottish Government	-	6	-	6
Prepayments and accrued income	156	199	129	197
	<u>2,588</u>	<u>1,472</u>	<u>1,610</u>	<u>1,470</u>

19 Creditors: Amount falling due within one year

	Group		Housing Association	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Trade Creditors	342	44	295	34
Contractors for specified work and retentions unpaid	85	57	85	57
Local Authorities	387	775	387	775
Other Creditors	293	491	360	493
Other taxes and social security	522	273	351	273
Accruals	883	875	737	846
Deferred Income	104	43	57	43
Service equipment replacement account	533	535	380	391
Housing Loans (Note 20)	113	110	66	65
	<u>3,262</u>	<u>3,203</u>	<u>2,718</u>	<u>2,977</u>

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

20 Creditors due outwith one year

	Group		Housing Association	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Housing Loans	<u>2,959</u>	<u>3,075</u>	<u>1,193</u>	<u>1,260</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 6.52 % (2012: 1.10% to 7.02 %) in instalments due as follows:

	Group		Housing Association	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
In one year or less (Note 19)	113	110	66	65
In one to two years	117	181	67	134
Between two to five years	376	367	209	209
In five years or more	<u>2,466</u>	<u>2,527</u>	<u>917</u>	<u>917</u>
	<u>3,072</u>	<u>3,186</u>	<u>1,259</u>	<u>1,325</u>

Housing loans will be fully repaid between 2025 and 2039.

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

21 Employees

	Group		Housing Association	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Staff Costs during year				
Wages & Salaries	18,345	11,250	12,238	11,250
Social Security Costs	1,326	865	895	865
Other Pension Costs	633	494	528	494
	<u>20,304</u>	<u>12,609</u>	<u>13,661</u>	<u>12,609</u>

The above figures include The Action Group staff from 1st October 2012.

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

	Group		Housing Association	
	2013	2012	2013	2012
	No	No	No	No
Housing Staff	8	8	8	8
Support Staff	64	26	27	26
Direct Services Staff	829	461	531	461
	<u>901</u>	<u>495</u>	<u>566</u>	<u>495</u>

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

	Group		Housing Association	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Aggregate Emoluments payable to Executive Officers (including pension contributions and benefits in kind)	<u>221</u>	<u>198</u>	<u>221</u>	<u>198</u>
Emoluments payable to Highest Paid Executive Officer (excluding pension contributions)	<u>80</u>	<u>71</u>	<u>80</u>	<u>71</u>

No emoluments were paid to Board of management members.

ARK HOUSING ASSOCIATION LIMITED
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21 Employees (continued)

The Chief Executive is an ordinary member of the Association's pension scheme described in note 30. 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 (2012 £3,274).

	2013	2012
	£	£
Total Expenses reimbursed insofar as not chargeable to UK Income Tax		
Chief Executive	588	600
Board of Management	102	767

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

	2013	2012
	No	No
£60,000 to £70,000	2	-
£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.

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NOTES TO THE GROUP FINANCIAL STATEMENTS
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22 Operating Surplus

	Group		Housing Association	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
This is stated after charging the following:				
External Auditors remuneration	34	24	23	20
Remuneration paid to related parties of External Auditors	2	4	2	4
Internal Auditors remuneration	10	10	10	10
Depreciation	534	431	457	374
Other operating lease rentals				
- land & buildings	260	140	148	140
- plant & machinery	38	37	33	37

23 (Loss) / Gain on disposal of fixed assets

	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Proceeds	1	268	1	268
Net book value disposed	(2)	(19)	(2)	(16)
HAG repayable	-	(141)	-	(141)
	<u>(1)</u>	<u>108</u>	<u>(1)</u>	<u>111</u>

24 Share Capital -

Group & Housing Association	2013	2012
Shares of £1 fully paid and issued at beginning of year	44	57
Shares Issued during year	8	2
Shares Cancelled during year	(3)	(15)
	<u>49</u>	<u>44</u>

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

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25 Net cash inflow from operating activities

	2013	2012
Group	£'000	£'000
Operating Surplus	838	1,404
Depreciation	649	491
(Increase) in Debtors	(131)	(620)
(Decrease) in Creditors	(208)	(38)
Net cash inflow from operating activities	<u>1,148</u>	<u>1,237</u>

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

	2013	2012
Group	£'000	£'000
(Decrease) / Increase in cash in the period	(467)	248
Cash inflow from movement in debt	113	102
	<u>(354)</u>	<u>350</u>
Net funds at 1 April	1,747	1,397
Net funds at 31 March	<u>1,393</u>	<u>1,747</u>

Analysis of changes in net funds

	At	Cash	At
	31-Mar-12	Flows	31-Mar-13
	£'000	£'000	£'000
Cash in bank and in hand	4,932	(467)	4,465
Debt due within 1 year	(110)	(3)	(113)
Debt due after 1 year	(3,075)	116	(2,959)
Net funds	<u>1,747</u>	<u>(354)</u>	<u>1,393</u>

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NOTES TO THE GROUP FINANCIAL STATEMENTS
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(Continued)

26 Net cash inflow from operating activities

	2013	2012
Housing Association	£'000	£'000
Operating Surplus	1,189	986
Depreciation	577	434
(Increase) in Debtors	(140)	(581)
(Decrease) in Creditors	(259)	(55)
Net cash inflow from operating activities	1,367	784

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

	2013	2012
Housing Association	£'000	£'000
(Decrease) / Increase in cash in the period	(1,106)	68
Cash inflow from movement in debt	66	64
	(1,040)	132
Net funds at 1 April	2,540	2,408
Net funds at 31 March	1,500	2,540

Analysis of changes in net funds

	At	Cash	At
	31-Mar-12	Flows	31-Mar-13
	£'000	£'000	£'000
Cash in bank and in hand	3,865	(1,106)	2,759
Debt due within 1 year	(65)	(1)	(66)
Debt due after 1 year	(1,260)	67	(1,193)
Net funds	2,540	(1,040)	1,500

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

27 Commitments
Group and Housing Association

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

	Group		Housing Association	
	2013	2012	2013	2012
Equipment	£'000	£'000	£'000	£'000
Operating leases which expire:				
Less than one year	29	31	22	31
In two to five years inclusive	30	50	30	50
	<u>59</u>	<u>81</u>	<u>52</u>	<u>81</u>
	2013	2012	2013	2012
Land and buildings	£'000	£'000	£'000	£'000
Operating leases which expire:				
Less than one year	163	39	64	39
	<u>163</u>	<u>39</u>	<u>64</u>	<u>39</u>

28 Capital Commitments

	Group		Housing	
	2013	2012	2013	2012
Housing land and buildings	£'000	£'000	£'000	£'000
Commitment of property purchase	<u>478</u>	<u>373</u>	<u>478</u>	<u>373</u>

29 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 2013 ARK Housing Association had a debtor of £nil (2012 £300,043) due from ARK Housing Trust. In the year ARK Housing Association provided ARK Trust with £3,469 of management services.

At March 2013 ARK Housing Association had a debtor of £813 (2012 £nil) due from The Action Group and had a creditor of £5,434 due to The Action Group. In the year The Action Group provided ARK Housing Association with £25,925 of management services.

During the year ARK Housing Association held 68 bank accounts (2012 44) 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 2013 was £288,030 (2012 £178,104).

ARK HOUSING ASSOCIATION LIMITED
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30. Pension Commitments
General

ARK Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the "Scheme"). The scheme is funded and is contracted out of the State Pension 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 2013/14 is £390,592. 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 13+1/2 years. The amount payable annually is anticipated to increase by 3% per annum. It has designated funds (note 10) to meet the Net Present Value (NPV) of these future payments

The Scheme offered three benefit structures to employees in the year to 31st March 2013, 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.

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30. 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 185 active members of the Scheme employed by ARK Housing Association. The annual pensionable payroll in respect of these members was £3,254,399.

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 (SIPA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement	
Pensioners	SAPS (SIPA) 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.

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30. 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 2012. As of this date the estimated employer debt for ARK Housing Association was £27,026,141.

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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30. Pension Commitments (continued)

As at the balance sheet date there was 1 active member of the Plan employed by ARK. ARK has closed its plan to new entrants.

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 2011 were completed in 2012 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 £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%.

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

	% pa
- Rate of return pre retirement	4.9
- Rate of return post retirement	
Active and deferred members	4.2
Pensioners	4.2
- Bonuses on accrued benefits	0.0
- Inflation : Retail Price Index (RPI)	2.9
- Inflation : Consumer Price Index (CPI)	2.4

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

The Scheme Actuary has prepared a funding position update as at 30 September 2012. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) was £984 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%.

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 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as is required by legislation.

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. (Our recent correspondence to all employers refers.) The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

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30. Pension Commitments (continued)

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.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the Growth Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the most likely interpretation is that Series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.

Owing to this situation, we have included 2 figures/calculations, namely:

- The cost of withdrawal if we include Series 3 liabilities in the calculation
- The cost of withdrawal if we exclude Series 3 liabilities from the calculation

If an employer withdraws from the Growth Plan prior to the implementation of the regulations, the debt will be calculated on both bases and we would request payment of the higher amount with any adjustment being made when the regulations are implemented.

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 2012. As of this date the estimated employer debt for ARK was:

- £32,397 if we include Series 3 liabilities in the calculation
- £40,621 if we exclude Series 3 liabilities in the calculation (30 September 2011 £27,811)

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 2013 for 10 years is £2,237.

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Other Pension Schemes

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

The Action Group operates two money purchase (defined contribution) schemes. The assets of the schemes are held separately from those of the charity in independently administered funds. The pension contributions payable by the charity amounted to £104,744 in the year.

31. Gain on Constitutional Partnership

Discussions that commenced in 2011 with The Action Group concluded in June 2012 with an agreement that The Action Group join the ARK Group as a wholly owned subsidiary from the 1st October 2012. The transfer of all assets, liabilities and activities to the ARK Group took place on 30 September 2012 for nil consideration giving a gain on constitutional partnership of £1,940K in 2012/13 which has been recognised as income in line with SORP 2010.

Fixed assets	243
Cash & Bank	969
Debtors	995
Creditors	(267)
Total gain on constitutional partnership	1,940

32. Contingent Liability

Pensions

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 2012. As of this date the estimated employer debt for ARK Housing Association was £27,026,141 (30 September 2011 £26,438,320).

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 2012. As of this date the estimated employer debt for ARK was:

- £32,397 if we include Series 3 liabilities in the calculation
- £40,621 if we exclude Series 3 liabilities in the calculation (30 September 2011 £27,811)

Housing Association Grant

Housing Association Grant allocated to components (as detailed in note 1) that have subsequently been replaced by the Association are recognised 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 to 31 March 2013 was £1,877k (31 March 2012: £1,819k)