

ARK HOUSING ASSOCIATION LIMITED
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

Registered Housing Association No. HEP66

Financial Conduct Authority No. 1899R (S)

Charitable No. SC015694

ARK HOUSING ASSOCIATION LIMITED

**PROFESSIONAL ADVISORS
31 MARCH 2014**

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

Chiene + Tait
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Internal Auditors

Alexander Sloan
1 Atholl Place
Edinburgh
EH3 8HP

ARK HOUSING ASSOCIATION LIMITED

**GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

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Registration Particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 (formerly 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 2014**

Board of Management - Serving in 2013-2014

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

Sue Broussine BSc, MA, PGCE *

Colin Cackette MB, ChB, FRCGP ⁺ elected 25th September 2013

Anne Kershaw BSc. FIA (Chair) ⁺#

Ann Lyon ⁺#

Maureen Munro BSc (Hons) AMCIM

James Rigby FCMA *#

Henry A Robson * elected 25th September 2013

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

Robert Taylor CQSW #

Callum Thomson ⁺ elected 25th September 2013

Alastair Wallace MA, BA, LLB *#

Board of Management – resigned during period

Charles Wilson CEng, FIMechE ⁺ resigned 25th September 2013

* Audit sub committee member

⁺ Housing sub committee member

Resources 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 2014.

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 has established twice yearly induction days and is creating additional learning days for Board members to ensure they maintain and enhance their contribution to Board Governance. Continuous learning requirements will be captured through a Board Effectiveness Survey.

ARK had two fully controlled subsidiaries in 2013-14, 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.

ARK and The Action Group entered into a constitutional partnership in October 2012 and the Action Group became a wholly owned subsidiary of ARK HA. 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.

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 play schemes.

Since entering into the constitutional partnership we have been working hard to combine the focus of two regulatory entities and have come to the conclusion and agreed that from the 1st April 2014 we should continue our working partnership as an informal rather than formal relationship. This will enable both organisations to pursue individual and common goals in a more flexible manner. It will not impact on any of our current tenants or service users, however the learning from our experiences of the last two years will be used to enhance how we deliver our services of the future.

The financial statements of Ark Services Ltd and The Action Group Ltd are consolidated in the ARK Group financial statements.

ARK has also in the past received support from Ark Housing Trust, a registered charity established to support the Association. The Trust was wound up in January 2014 and donated its remaining small balance of reserves to ARK.

ARK has in place a management service contract with Ark Services Ltd to provide management and professional services to this organisation.

Financial Review

This year ARK has managed funding and costs to ensure financial viability faced with continued funding cuts and increasing operating costs. Group turnover for the year was £27,265k, an increase of 27% on the previous year, primarily reflecting the inclusion of income of £8,050k from The Action Group for the full year (2012/13: £3,765k for the latter half of the year only after they joined the group on the 1st of October 2012). The volume of supported living service user hours increased by 7.6% (9.1% total less 1.5% due to the transfer from deregistered community house when residents services were converted into hours). These increases were offset against a reduction in the rates paid by Local Authorities for supported living services. Rents were increased by 5.6% during the year.

The group surplus for the financial year was £574k, lower than the previous year when there was an operating surplus of £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 reason for the decline is that the release of deferred Local Authority income (2012/13: £557k) was not repeated in 2013/14 but this was offset by improved surpluses across the Group in both Housing and Other Activities.

Ark Services continues to receive rental income for four sites in Aberdeen City and generated a surplus of £247k in the financial year before donating £665k to ARK Housing Association leaving a net deficit of £418k.

The ARK Group presents an improved balance sheet position with a closing cash balance of £4,374k, a decrease of £91k due to capital spend in the year, and net current assets of £1,971k, a decrease of £1,820k due to the reclassification of Ark Services Loans (note 33) and the capital spend in the year.

**REPORT OF BOARD OF MANAGEMENT
31 MARCH 2014**

Subsequent to the close of business at 31 March 2014 the group ceased its constitutional partnership with The Action Group. The net assets of the Action Group as at the 31 March 2014 amounted to £2,093k. Further details of this post balance sheet event are provided in note 33.

Reserves

Total reserves increased by £546k during the financial year to £15,453k.

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.

The Association created a designated reserve during the previous 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 seven restricted and one designated reserve transferred from The Action Group, details of these are set out in notes 9 and 10.

Treasury Management

The Board reviews the Association's treasury management arrangements bi-annually. The Association holds surplus working cash reserves in an investment portfolio with Brewin Dolphin. Remaining cash funds are held in instant access and 7 day notice deposit accounts.

Readily liquefiable assets are held at a balance of at least an amount equivalent to two months salary costs (approximately £3,032k) which is considered sufficient to cover operational working capital requirements.

Borrowings are secured based on a mix of fixed and variable rate finance. Approximately 37% of Group funds are secured on a fixed borrowing rate and 63% 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 Financial Statements.

Business Review

Care Service Quality

ARK was able to maintain and build on the high quality services provided in previous years. Its 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. Out of a total of 51 grades received, 53% (27 grades) were 4 (good), 33% (17 grades) were 5 (very good), and 10% (5 grades) were 6 (excellent).

ARK received one grade 3 (adequate) in relation to quality of management and leadership, in one of our Edinburgh services. The local management team is working on a remedial action plan to address the issues raised in the report, and ARK is confident that a higher grade will be achieved at the next inspection. ARK received one grade 2 (weak), in relation to the quality of the environment in a care home which is operated by ARK but is owned by another landlord. Immediately upon receipt of the inspection report ARK started working with the landlord to deliver an action plan to address the issues raised. Those issues were addressed, and, at a follow-up visit later in the year, the Care Inspectorate re-graded the quality of the environment in the care home with a 4 (good).

ARK's service user questionnaire confirmed that 96% of service users who responded described their support staff as 'kind', 93% agreed that ARK staff treat them with respect and 91% agreed that ARK staff support them to make decisions about their lives.

ARK's stakeholder survey, which captures feedback from third parties, such as family members and professionals involved in service users' lives, showed that 95% of respondents were satisfied that ARK respects the privacy, individuality and lifestyle of the person that they know and 94% were satisfied that ARK supports the person that they know to live safely and securely.

Participation

ARK was able to build on the work undertaken last year in developing and rolling out the ARK Charter, which outlines ARK's service promises to tenants and service users, by reviewing our service user and stakeholder surveys to ensure that the surveys can be used to measure performance against the Charter Statements.

ARK continues to make progress in relation to offering service users and tenants the opportunity to participate at many levels within the organisation. ARK has built on the good work undertaken in previous years in relation to developing service user 'speak out' groups. As part of this, support workers have been offered the opportunity to become 'speak out workers' and become responsible for planning, running and following up on service user speak out meetings. To date, ARK has established 18 speak out groups, with 14 groups currently active and 4 groups in the process of identifying speak out workers to help take the groups forward. ARK is continuing to work with local staff teams to create speak out groups in areas where there is interest but, as yet, no group established.

As well as dealing with relevant issues within ARK, the speak out groups have been making connections with local communities with, for example, one group's Local MSP attending a group meeting to talk about the Scottish Independence debate and other issues of interest to the group. 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.

In terms of tenant participation, during 2013-14, our Participation and Housing Teams worked together to begin establishing tenant focus groups in all geographical areas where ARK has housing stock. The aim of the tenant focus groups is to support ARK tenants at a local level to identify and address issues in relation to their housing and in relation to ARK more generally which are relevant to them. The setting up of tenant focus groups will be concluded during 2014-15, and once these groups are established it is proposed that they will continue to meet on a regular basis to maintain good communication with our tenants.

Employee involvement and health and safety

ARK continued to encourage employee involvement at all levels in relation to meeting our Health and Safety responsibilities. As part of that commitment, ARK replaced a part-time Health and Safety Adviser post with a full-time post in order to support our local staff teams in all geographical locations with more regular Health and Safety visits and advice.

A quarterly Health and Safety newsletter was circulated to all staff and contains information on current documents for consultation, new policies and general updates on health and safety issues. Our Health and Safety Adviser also issued Health and Safety policy summary sheets, for use in team meetings to assist in embedding relevant policies and procedures into practice. Regular Managers' briefing sheets were issued to respond to issues and queries raised by individual Managers but which also had a wider learning impact.

Health and Safety statistics, updates and incidents to note were reported quarterly to the Senior Management Team, Executive Team and to the Audit Sub-Committee in order to maintain a focus on this important area.

Investment in staff training

ARK is committed to investing in all staff to provide the best support possible to the people who use its services. It is currently in year 2 of its 3-year L&D strategy. Key themes from the L&D strategy for this year include developing:

- Gain University accreditation for ARK's internal Leadership Development programme for Service Managers;
- Embedding ARK's competency framework;
- Measure the impact of L&D interventions on staff and service users;
- Implementing service registration plans required by the Scottish Social Services Council (SSSC);
- Assess and embed the new SVQ Health and Social Care Level 2 and 3 units;
- Implement a new E-Learning system for all staff

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 38% of its staff qualified, with a further 7% of staff undertaking their qualification. This investment in staff qualifications has 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.

Asset Management Strategy

ARK continued to implement its strategy in relation to asset management and continues to seek built environment outcomes which are positive for the service users, carers and the local authority.

The Scottish Housing Quality Standards will come into force in 2015 and, by the end of the financial year ARK had 96% of its properties meeting the standard. A major area of activity was the replacement, in 124 homes, of old and inefficient storage radiator systems with modern, fuel efficient systems which will, it is estimated, save ARK's tenants some 30% on their future heating bills. In addition, further investment took place in cavity wall insulation, roof space insulation, new windows and doors and new boilers. ARK has continued to invest in good quality, fuel efficient homes for its tenant and the housing stock in condition has never been better. The progress on preparing for SHQS implementation is very

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31 MARCH 2014

encouraging and the 30 year major repairs lifecycle costing has been amended to take into account the small amount of remaining SHQS work and the further investment required in order to maintain our housing stock at this level.

Whilst maintaining a focus on longer-term requirements, the Property team has not been deflected from achieving a continued high level of customer satisfaction in its responsiveness to tenants' repair requests.

During the year the Property team responded to repairs as follows:

- Emergency repairs
 - 455 reported with 96% completed within 12 hours target at an average of just 3.1 hours;
- Reactive repairs
 - 1,048 reported with 96% completed within 3 working day target and 95% completed right first time;
- Non-reactive repairs
 - 875 reported with 99% completed with 10 working day target.

Tenant satisfaction continues at a very high level, with the 2013/14 figures showing the following:

- 98.5 % of tenants expressing satisfaction with the quality of their homes; and
- 95.2 % of tenants expressing satisfaction with the quality of their repairs.

A key part of ARK's asset management strategy is to continue to invest in high quality, specialised homes for adults with complex and enduring needs, particularly in the areas of autism and dementia. In Edinburgh, a home for four adults with autism was opened in April 2013 to encouraging reviews by parents and local authority officials. In addition, during 2013/14 work progressed on the development of dementia facilities in St. Andrews and in Buckie.

Finally, ARK is developing plans for the de-registration of its remaining care homes, the development of a further dementia facility in Edinburgh and the use of a vacant site in Livingston for affordable housing.

Housing Services

The Housing Services team continued to spend considerable time on the implementation of the Scottish Social Housing Charter and measuring tenant satisfaction in relation to some of the new Charter indicators, whilst continuing to support tenants affected by the "under-occupation" rules. In addition we were successful in obtaining Scottish Legal Aid Board funding to secure 2 part time welfare advisers post and we carried out a comprehensive rent restructure which involved considerable tenant participation and Board of Management participation. The Tenants Handbook was finalised, printed and distributed.

The Housing & Property Services Committee met three times throughout the year with all these matters noted being considered by the Members.

ARK assessed and added 202 applicants to our housing list. During the year, there were 53 changes of tenancy:

- 10 to existing tenants
- 8 to applicants off the housing list
- 32 to supported tenancies via Social work Referrals; and
- 3 to mainstream properties, via Section 5 Referrals or nominations

The average re-let time for mainstream properties increased from 45 days to 57. This was due to 3 of the 12 mainstream properties taking more than 8 weeks to re-let. The remaining properties were supported properties and took an average of 80 days to re-let. The overall amount of rent loss arising from void properties stood at £38k (2012/13: £31k), slightly higher than our target for the year due to the longer period of time that the supported vacancies were empty. At the end of the financial year, only 7 properties were still to be let.

Rent arrears arising from current tenants were 3.0% (2012/13: 4.6%) of gross rental income due, with the technical arrears amounting to 2.32% (2012/13: 4.1%), and the non-technical arrears figure amounting to 0.7% (2012/13: 0.5%). ARK served four Notice of Proceedings in the year because of rent arrears, took one tenant to court but did not evict any tenants.

There was one abandoned property and, of the 70 tenancies started in 2012/13, all 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 ensure that ARK retains iIP Gold status over the next 12-18 months. The team consists of our 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.

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 balanced scorecard objectives.

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 will continue during 2014/15.

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 was implemented for all staff during 2013/14. The competency framework is linked directly to pay and reward and staff will be recruited and developed using this tool. Pay and reward for competence and qualification will take effect from 1st April 2014.

Funds held as Custodian Trustee on Behalf of Others

During the year ARK held 81 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 regulations) 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 regularly by the Audit Sub-Committee on behalf of the Board. In respect of Health and Safety, the checklist is supported by ARK's Health and Safety checks and audit system.

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

To provide the best regarded care, housing and support services in Scotland for families, children and adults of all ages who require support to have a good life. We will build life long and life enhancing relationships and promote the right of people to have a life free from poverty and discrimination.

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
- Personal and organisational accountability
- Caring for the environment
- Enjoyment

Vision

ARK will play a significant part in improving Scottish society and living environments. We will change lives for the better and will encourage communities to be available and welcoming to people who require support in life.

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 bring focus, alignment and accountability to all of ARK's activities. It utilises SMART (Specific, Measurable, Attainable, Relevant and Time-bounded) objectives, grouped

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into five perspectives of Customer, Learning and Innovation (People), Learning and Innovation (Organisation), Internal Processes and Financial. This transforms ARK's strategic plan into an operational plan with objectives, targets, initiatives and tasks for staff at all levels of the organisation to 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 fully 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 re-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)

Date: 24th September 2014

STATEMENT OF BOARD RESPONSIBILITIES
31 MARCH 2014

The Industrial and Provident Societies Acts (now the Co-operative and Community Benefit Societies Act 2014) 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 Association and the Group and of its income and expenditure 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 Association 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 Association and the Group and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, The Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. The Board also has general responsibility for taking reasonable steps to safeguard the assets of the Association and the Group and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 take 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: 24th September 2014

ARK HOUSING ASSOCIATION LIMITED

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 12 of this document.

The Board of Management has reviewed the system of internal financial control in the Group during the year ended 31 March 2014 and up to the approval date of the financial statements. 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: 24th September 2014

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARK HOUSING
ASSOCIATION LIMITED
31 MARCH 2014**

We have audited the group and parent association financial statements of ARK Housing Association Limited for the year ended 31 March 2014 which comprise the group and parent Income and Expenditure Account, the group and parent Balance Sheet, the group and parent Cash Flow Statement and the related notes. 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 7 of the Co-operative and Community Benefit Societies Act 2014. 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 the auditor

As explained more fully in the Board's Responsibilities Statement set out on page 14, the board is responsible for the preparation of financial statements which 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Board of Management to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2014 and of the income and expenditure of the Group and of the Association for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of 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 Co-operative and Community Benefit Societies Act 2014, require 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; or
- We have not received all the information and explanations we need for our audit.

CHIENE + TAIT
Chartered Accountants and Statutory Auditors
61 Dublin Street
Edinburgh
EH3 6NL



30 September 2014

ARK HOUSING ASSOCIATION LIMITED

**GROUP INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2014**

	<i>Notes</i>	2014 £'000	2013 £'000
Turnover - continuing activities	2	19,215	17,740
- discontinued activities		8,050	3,764
		<u>27,265</u>	<u>21,504</u>
Less: Operating costs	2	(26,302)	(21,016)
Exceptional Items	8	(202)	350
Operating surplus due to continuing activities		582	870
Operating surplus / (deficit) due to discontinued activities		179	(32)
Total operating surplus		761	838
(Loss) on disposal of fixed assets	23	(115)	(1)
Gain on constitutional partnership	31	-	1,940
Interest receivable and similar income		68	85
Interest payable and similar charges	6	(140)	(144)
Surplus for the financial year		<u><u>574</u></u>	<u><u>2,718</u></u>

**GROUP STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2014**

	<i>Notes</i>	2014 £'000	2013 £'000
Surplus for the year		574	2,718
Unrealised (loss) / gain on investments	17	(28)	46
Total recognised surpluses and deficits recognised since last reporting date	12	<u><u>546</u></u>	<u><u>2,764</u></u>

The results for the year contain discontinued activities in respect of the results of The Action Group. Please see note 33 for further details.

ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2014**

	<i>Notes</i>	2014	2013
		£'000	£'000
Turnover	2	19,339	17,895
Less: Operating costs	2	(18,240)	(17,056)
Exceptional Items	8	(202)	350
Operating surplus		<u>897</u>	<u>1,189</u>
(Loss) on disposal of fixed assets	23	(115)	(1)
Interest receivable and similar income		61	60
Interest payable and similar charges	6	(36)	(38)
Surplus for the financial year		<u><u>807</u></u>	<u><u>1,210</u></u>

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2014**

	<i>Notes</i>	2014	2013
		£'000	£'000
Surplus for the year		807	1,210
Unrealised (loss) / gain on investments	17	(28)	46
Total surpluses recognised since the last reporting period	12	<u><u>779</u></u>	<u><u>1,256</u></u>

The results for the year relate wholly to continuing activities.


ARK HOUSING ASSOCIATION LIMITED

GROUP BALANCE SHEET
AS AT 31 MARCH 2014

	Notes	2014 £'000	2013 £'000
Tangible fixed assets			
Housing properties, furniture and equipment			
- cost less depreciation	13	32,879	32,173
Less: Housing Association Grant	13	(16,500)	(16,339)
Other Grants	13	(3,841)	(3,842)
		<u>12,538</u>	<u>11,992</u>
Other tangible fixed assets	15	1,012	1,035
Investments	17	1,058	1,048
		<u>14,608</u>	<u>14,075</u>
Current assets			
Debtors	18	2,761	2,588
Cash at bank and in hand	25	4,374	4,465
		<u>7,135</u>	<u>7,053</u>
Creditors: amounts falling due within one year	19	(5,164)	(3,262)
Net current assets		<u>1,971</u>	<u>3,791</u>
Total assets less current liabilities		16,579	17,866
Creditors: amounts falling due after more than one year	20	(1,126)	(2,959)
Net assets		<u>15,453</u>	<u>14,907</u>
Capital and reserves			
Share capital	24	-	-
Restricted reserves	9	231	186
Designated reserves	10	14,556	14,390
Revaluation reserve	11	18	46
General Revenue reserves	12	648	285
		<u>15,453</u>	<u>14,907</u>

These financial statements were approved by the Board of Management and authorised for issue on 24th September 2014 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 2014**

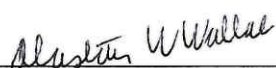
	<i>Notes</i>	2014	2013
		£'000	£'000
Tangible fixed assets			
Housing properties, furniture and equipment			
- cost less depreciation	<i>14</i>	28,647	27,883
Less: Housing Association Grant	<i>14</i>	(16,500)	(16,339)
Other Grants	<i>14</i>	(1,956)	(1,958)
		10,191	9,586
Other tangible fixed assets	<i>16</i>	816	811
Investments	<i>17</i>	1,058	1,048
		12,065	11,445
Current assets			
Debtors	<i>18</i>	1,794	1,610
Cash at bank and in hand	<i>26</i>	2,958	2,759
		4,752	4,369
Creditors: amounts falling due within one year	<i>19</i>	(3,009)	(2,718)
Net current assets		1,743	1,651
Total assets less current liabilities		13,808	13,096
Creditors: amounts falling due after more than one year	<i>20</i>	(1,126)	(1,193)
Net assets		12,682	11,903
Capital and reserves			
Share capital	<i>24</i>	-	-
Restricted reserves	<i>9</i>	39	12
Designated reserves	<i>10</i>	12,483	11,845
Revaluation reserve	<i>11</i>	18	46
General Revenue reserves	<i>12</i>	142	-
		12,682	11,903

These financial statements were approved by the Board of Management and authorised for issue 24th September 2014 and signed on its behalf by:

Anne Kershaw (Chair) 

James Rigby (Member) 

Alastair Wallace (Member)



ARK HOUSING ASSOCIATION LIMITED

**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

	<i>Notes</i>	2014	2013
		£'000	£'000
Net cash inflow from operating activities	25	1,466	1,148
Returns on investment and servicing of finance			
Interest received		43	85
Interest paid	6	(140)	(144)
Net cash outflow from returns on investment and servicing of finance		(97)	(59)
Capital expenditure and Financial Investment			
Purchase of housing properties	13	(1,417)	(1,549)
Purchase of other tangible fixed assets	15	(105)	(88)
Purchase of investments	17	(60)	(1,000)
Disposal of investments	17	33	-
Reinvested dividends	17	20	-
Housing Association Grants received	13	302	45
Housing Association Grants repaid	16	-	-
Transferred from The Action Group		-	988
Movement in reserves (Restricted to other grants)		-	(300)
Other movements (including grants received)	13	(122)	461
Net cash (outflow) from capital expenditure and financial investment		(1,349)	(1,443)
Net cash inflow/(outflow) before financing		20	(354)
Financing			
Receipt of housing loans		-	-
Repayment of housing loans		(111)	(113)
Net cash outflow from financing	25	(111)	(113)
(Decrease) in cash in year	25	(91)	(467)

Further details are given in note 25.

ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

	<i>Notes</i>	2014 £'000	2013 £'000
Net cash inflow from operating activities	<i>26</i>	<u>1,604</u>	<u>1,367</u>
Returns on investment and servicing of finance			
Interest received		35	60
Interest paid	<i>6</i>	<u>(36)</u>	<u>(38)</u>
Net cash (outflow)/inflow from returns on investment and servicing of finance		<u>(1)</u>	<u>22</u>
Capital expenditure and Financial Investment			
Sale of housing properties		-	(1)
Purchase of housing properties	<i>14</i>	(1,412)	(1,546)
Purchase of other tangible fixed assets	<i>15</i>	(105)	(88)
Purchase of investments	<i>17</i>	(60)	(1,000)
Disposal of investments	<i>17</i>	33	-
Reinvested dividends	<i>17</i>	20	-
Housing Association Grants received	<i>14</i>	302	45
Housing Association Grants repaid	<i>16</i>	-	-
Movement in reserves (Restricted to other grants)		-	(300)
Other movements (including grants received)	<i>14</i>	<u>(116)</u>	<u>461</u>
Net cash (outflow) from capital expenditure and financial investment		<u>(1,338)</u>	<u>(2,429)</u>
Net cash inflow / (outflow) before financing		<u>265</u>	<u>(1,040)</u>
Financing			
Receipt of housing loans		-	-
Repayment of housing loans		<u>(66)</u>	<u>(66)</u>
Net cash outflow from financing	<i>26</i>	<u>(66)</u>	<u>(66)</u>
Increase / (Decrease) in cash in year	<i>26</i>	<u><u>199</u></u>	<u><u>(1,106)</u></u>

Further details are given in note 26.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2014

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 (formerly the Industrial and Provident Societies Acts 1965 to 2002) 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 now treated as deemed cost, 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 (t) 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 financial statements are prepared in accordance with applicable accounting standards and Statement of Recommended Practice "Accounting by Registered Social Landlords" 2010.

(c) **Going Concern**

The financial statements have been prepared on a going concern basis. The Board in preparing these financial statements is mindful of ongoing pricing pressures, the short term nature of contract income and increasing pension costs. The ongoing process of care contract renewal, margin monitoring and securing future funding is actively managed ensuring the needs of all stakeholders are taken into account. The Board has assessed the Association's and Group's ability to continue as a going concern and have prepared financial forecasts based on assumptions considered reasonable and prudent by the Board of Management. Based on these projections the Board has a reasonable expectation that the Association and Group has adequate resources for the foreseeable future and thus continue to prepare the financial statements on a going concern basis.

(d) **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.

NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)

(e) **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.

(f) **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.

(g) **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.

(h) **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.

(i) **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 2014 (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.

(j) Fair value of assets transferred

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

(k) 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 2014
(Continued)

(l) **Deferred Income**

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

(m) **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.

(n) **Restricted Reserves**

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

(o) **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 was released in the prior 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.

(p) **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.

(q) **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 2014
(Continued)**

(r) Operating Leases

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

(s) 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.

(t) 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 2014
(Continued)**

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

Group:

	Notes	Turnover	Operating Costs	2014 Operating Surplus	2013 Operating Surplus
		£'000	£'000	£'000	£'000
Social Lettings	3	3,095	(2,424)	671	557
Other Activities	4	24,170	(23,878)	292	(69)
Sub-Total		27,265	(26,302)	963	488
Exceptional Item (Other Activities)	8	-	(202)	(202)	350
2014 Total		27,265	(26,504)	761	838
2013 Total		22,061	(21,223)	838	

Housing Association:

	Notes	Turnover	Operating Costs	2014 Operating Surplus	2013 Operating Surplus
		£'000	£'000	£'000	£'000
Social Lettings	3	2,186	(1,961)	225	143
Other activities	4	17,153	(16,279)	874	696
Sub-Total		19,339	(18,240)	1,099	839
Exceptional Income (Other Activities)	8	-	(202)	(202)	350
2014 Total		19,339	(18,442)	897	1,189
2013 Total		18,452	(17,263)	1,189	

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)

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

Group:	General	Supported	2014	2013
	Needs	Housing	Total	Total
	£'000	Accommodation	£'000	£'000
Rent receivable	2,402	423	2,825	2,432
Service charges	307	-	307	271
Gross income from rents and service charges	2,709	423	3,132	2,703
Less Voids	(37)	-	(37)	(31)
Net income from rents and service charges	2,672	423	3,095	2,672
Grants from Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	-
Total turnover from social letting activities	2,672	423	3,095	2,672
Management and maintenance administration costs	604	127	731	616
Service costs	274	54	328	275
Planned and cyclical maintenance including major repairs costs	428	132	560	428
Reactive maintenance costs	239	13	252	219
Bad debts – rent and service charges	(35)	-	(35)	1
Depreciation of social housing	545	43	588	576
Operating costs for social letting activities	2,055	369	2,424	2,115
2014 Operating surplus for social letting activities	617	54	671	557
2013 Operating surplus for social letting activities	498	59	557	

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)**

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

Association:	General Needs £'000	Supported Housing Accommodation £'000	2014 Total £'000	2013 Total £'000
Rent receivable	1,866	103	1,969	1,758
Service charges	254	-	254	217
Gross income from rents and service charges	2,120	103	2,223	1,975
Less Voids	(37)	-	(37)	(31)
Net income from rents and service charges	2,083	103	2,186	1,944
Grants from Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	-
Total turnover from social letting activities	2,083	103	2,186	1,944
Management and maintenance administration costs	586	29	615	574
Service costs	229	-	229	197
Planned and cyclical maintenance including major repairs costs	410	20	430	334
Reactive maintenance costs	204	10	214	197
Bad debts – rent and service charges	(35)	-	(35)	1
Depreciation of social housing	484	24	508	498
Operating costs for social letting activities	1,878	83	1,961	1,801
2014 Operating surplus for social letting activities	205	20	225	143
2013 Operating surplus for social letting activities	117	26	143	

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014 (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	2014 Operating Surplus/ (Deficit)	2013 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	-	12,980	6,976	409	20,365	-	(19,536)	829	465
Care activities	-	2,389	-	221	2,610	-	(2,477)	133	126
Agency management services – RSLs	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities	-	858	-	337	1,195	-	(1,865)	(670)	(660)
Total from other activities - 2014	-	16,227	6,976	967	24,170	-	(23,878)	292	(69)
Total from other activities - 2013	-	9,382	6,931	2,519	18,832	-	(18,901)	(69)	-

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014 (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	2014 Operating Surplus/ (Deficit)	2013 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	-	6,186	6,947	404	13,537	-	(12,847)	690	532
Care activities	-	2,389	-	221	2,610	-	(2,477)	133	126
Agency management services – RSLs	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	1,006	1,006	-	(955)	51	38
Total from other activities - 2014	-	8,575	6,947	1,631	17,153	-	(16,279)	874	696
Total from other activities - 2013	-	7,489	6,914	1,548	15,951	-	(15,255)	696	-

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)**

5. The number of units in management at 31 March 2014 was as follows:

	Owned	Not Owned	2014 Total	2013 Total
	No	No	No	No
General Needs	184	1	185	184
Supported accommodation	384	33	417	412
	568	34	602	596

Management of Association stock by other bodies	2014 No	2013 No
Properties leased to other organisations		
West Lothian Council	6	6
Community Integrated Care Ltd	6	6
Choices Community Care Ltd	-	-
Aberdeen City Council	1	12
Leonard Cheshire Foundation	1	1
Aberdeenshire Council	-	-
Real Life Options	11	13
Fife Council	6	6
Clackmannanshire	3	3
	34	47
Properties managed by other organisations: These are now de registered and are Ark's tenants so this is not applicable		
Aspire	-	9
Leonard Cheshire	-	8
SHARE	-	5
	-	22
Total properties	34	69

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)**

6. Interest payable	Group		Housing Association	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Loans	<u>140</u>	<u>144</u>	<u>36</u>	<u>38</u>

7. Taxation

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

The Group is registered for VAT (VAT Registration No. 166492774).

8. Exceptional Items – Group and Housing Association

	2014 £'000	2013 £'000
Transfer to deferred income	(202)	(207)
Release of deferred income	-	557
	<u>(202)</u>	<u>350</u>

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.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
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9. Restricted Reserves	Group		Housing Association	
	2014	2013	2014	2013
Rotary Rymonth Hobbies Fund - Restricted	£'000	£'000	£'000	£'000
At 1 April 2013	7	7	7	7
At 31 March 2014	<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.

Rymonth Donations - Restricted	£'000	£'000	£'000	£'000
At 1 April 2013	5	5	5	5
Transfer from Revenue Reserve	20	-	20	-
At 31 March 2014	<u>25</u>	<u>5</u>	<u>25</u>	<u>5</u>

The Rymonth Donations was created out of donations received by Rymonth Housing Society and by ARK for the residents of Rymonth.

Southhouse - Restricted	£'000	£'000	£'000	£'000
At 1 April 2013	-	300	-	300
Transfer from Revenue Reserve	-	-	-	-
Transfer to other grants	-	(300)	-	(300)
At 31 March 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Southside / West Adam Street	£'000	£'000	£'000	£'000
At 1 April 2013	-	-	-	-
Transfer from Revenue Reserve	7	-	7	-
At 31 March 2014	<u>7</u>	<u>-</u>	<u>7</u>	<u>-</u>

The Southside / West Adam Street restricted Fund relates to monies raised on behalf of the West Adam Street Project. These had been held by the Ark Housing Trust and were transferred over when it was closed. The intention is that the funds will be used on behalf of the project, for example, spending on supporting one-off purchases such as furniture, or one-off activities such as trips.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)**

9. Restricted Reserves (continued)	Group		Housing Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Welfare Rights Project (Bailey Thomas Charitable Fund & Henry Smith Charity) - Restricted				
At 1 April 2013	9	-	-	-
Transfer from Revenue Reserve	2	9	-	-
At 31 March 2014	<u>11</u>	<u>9</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.

Paul Hamlyn Fund - Restricted	£'000	£'000	£'000	£'000
At 1 April 2013	37	-	-	-
Transfer to Revenue Reserve	(32)	37	-	-
At 31 March 2014	<u>5</u>	<u>37</u>	<u>-</u>	<u>-</u>

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

Big Lottery Advice Project - Restricted	£'000	£'000	£'000	£'000
At 1 April 2013	19	-	-	-
Transfer to Revenue Reserve	(6)	19	-	-
At 31 March 2014	<u>13</u>	<u>19</u>	<u>-</u>	<u>-</u>

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

Young Start - Restricted	£'000	£'000	£'000	£'000
At 1 April 2013	-	-	-	-
Transfer from Revenue Reserve	13	-	-	-
At 31 March 2014	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Young Start restricted fund represents grants received for a Real Jobs project.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)**

9. Restricted Reserves (continued)	Group		Housing Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Fairer East Lothian Fund - Restricted				
At 1 April 2013	-	-	-	-
Transfer from Revenue Reserve	7	-	-	-
	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2014	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Fairer East Lothian restricted fund represents grants received for an advice service.

SLAB - Restricted	£'000	£'000	£'000	£'000
At 1 April 2013	-	-	-	-
Transfer from Revenue Reserve	38	-	-	-
	<u>38</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2014	<u>38</u>	<u>-</u>	<u>-</u>	<u>-</u>

The SLAB 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.

Capital Fund - Restricted	£'000	£'000	£'000	£'000
At 1 April 2013	109	-	-	-
Transfer to Revenue Reserve	(4)	109	-	-
	<u>105</u>	<u>109</u>	<u>-</u>	<u>-</u>
At 31 March 2014	<u>105</u>	<u>109</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>231</u>	<u>186</u>	<u>39</u>	<u>12</u>
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ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)**

10. Designated Reserves	Group		Housing Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Mainstream – Future Major Works				
At 1 April 2013	-	2,170	-	1,865
Transfer (to)/from Revenue Reserves	-	(2,170)	-	(1,865)
At 31 March 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Contingency Fund	 £'000	 £'000	 £'000	 £'000
At 1 April 2013	1,706	-	-	-
Transfer from Revenue Reserves	166	1,706	-	-
At 31 March 2014	<u>1,872</u>	<u>1,706</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 2013	12,684	-	11,845	-
Transfer from Revenue Reserves	-	12,684	638	11,845
At 31 March 2014	<u>12,684</u>	<u>12,684</u>	<u>12,483</u>	<u>11,845</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 30 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>14,556</u>	<u>14,390</u>	<u>12,483</u>	<u>11,845</u>
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ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)**

11. Revaluation Reserve	Group		Housing Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Investment Revaluation Reserve				
At 1 April 2013	46	-	46	-
Transfer to Revenue Reserves	(28)	46	(28)	46
At 31 March 2014	<u>18</u>	<u>46</u>	<u>18</u>	<u>46</u>

12. Revenue reserve	Group		Housing Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
At 1 April 2013	285	9,960	-	8,770
Accumulated surplus for the year	546	2,764	779	1,256
Transfer (to)/ from Restricted Reserve (note 9)	(45)	(173)	(27)	-
Transfer to Designated Reserve (contingency fund) (note 10)	(166)	(1,706)	-	-
Transfer to Designated Reserve (pension deficit) (note 10)	-	(12,684)	(638)	(11,845)
Transfer from Designated Reserve (future major works) (note 10)	-	2,170	-	1,865
Transfer from Revaluation Reserve (note 11)	28	(46)	28	(46)
At 31 March 2014	<u>648</u>	<u>285</u>	<u>142</u>	<u>-</u>

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)

13. Tangible Fixed Assets – Group

Heritable property for letting

	Assets completed	Assets under construction	Total Heritable property for letting £'000
Cost			
As at 1 April 2013	35,400	272	35,672
Additions	1,289	128	1,417
Completed	272	(272)	-
Disposals	(371)	-	(371)
As at 31 March 2014	36,590	128	36,718
Depreciation			
As at 1 April 2013	3,499	-	3,499
Charge for Year	447	-	447
Disposals	(107)	-	(107)
As at 31 March 2014	3,839	-	3,839
Net Cost less Depreciation	32,751	128	32,879
Housing Association Grant			
As at 1 April 2013	16,339	-	16,339
Additions	302	-	302
Disposals	(141)	-	(141)
As at 31 March 2014	16,500	-	16,500
Other Capital Grants			
As at 1 April 2013	3,842	-	3,842
Additions	(1)	-	(1)
Disposals	-	-	-
As at 31 March 2014	3,841	-	3,841
Net Book Value			
As at 31 March 2014	12,410	128	12,538
As at 31 March 2013	11,720	272	11,992

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

Major Repairs costs amounted to £773k (2013 £472k) of which £554k (2013 £290k) was capitalised in the year.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)**

**14. Tangible Fixed Assets
Housing Association**

	Assets Completed	Assets Under Construction	Total Heritable property for letting £'000
Cost			
As at 1 April 2013	30,686	272	30,958
Additions	1,284	128	1,412
Completed	272	(272)	-
Disposals	(368)	-	(368)
As at 31 March 2014	31,874	128	32,002
Depreciation			
As at 1 April 2013	3,075	-	3,075
Charge for Year	387	-	387
Disposal	(107)	-	(107)
As at 31 March 2014	3,355	-	3,355
Net Cost less Depreciation	28,519	128	28,647
Housing Association Grant			
As at 1 April 2013	16,339	-	16,339
Additions	302	-	302
Disposals	(141)	-	(141)
As at 31 March 2014	16,500	-	16,500
Other Capital Grants			
As at 1 April 2013	1,958	-	1,958
Additions	(2)	-	(2)
As at 31 March 2014	1,956	-	1,956
Net Book Value			
As at 31 March 2014	10,063	128	10,191
As at 1 April 2013	9,314	272	9,586

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

Major Repairs costs amounted to £764k (2013 £436k) of which £551k (2013 £285k) was capitalised in the year.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)**

**15. Other Fixed Assets –
Group**

	Heritable Buildings £'000	Land £'000	Computer Equipment £'000	Static Caravan	Office Equipment £'000	Total £'000
Cost						
As at 1 April 2013	1,085	37	713	23	73	1,931
Additions during year	24	-	81	-	-	105
Disposals during the year	(3)	-	(45)	-	(8)	(56)
At 31 March 2014	<u>1,106</u>	<u>37</u>	<u>749</u>	<u>23</u>	<u>65</u>	<u>1,980</u>
Depreciation						
As at 1 April 2013	319	-	512	14	51	896
Charges for the year	22	-	86	5	15	128
Transferred from The Action Group (Note 31)	-	-	26	-	-	26
Disposals	(1)	-	(24)	-	(57)	(82)
At 31 March 2014	<u>340</u>	<u>-</u>	<u>600</u>	<u>19</u>	<u>9</u>	<u>968</u>
Net Book Value						
At 31 March 2014	<u>766</u>	<u>37</u>	<u>149</u>	<u>4</u>	<u>56</u>	<u>1,012</u>
As at 31 March 2013	<u>766</u>	<u>37</u>	<u>201</u>	<u>9</u>	<u>22</u>	<u>1,035</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 as deemed cost in the financial statements.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)**

**16. Other Fixed Assets –
Housing Association**

	Heritable Buildings £'000	Land £'000	Computer Equipment £'000	Office Equipment £'000	Total £'000
Cost					
As at 1 April 2013	913	37	568	73	1,591
Additions during year	24	-	81	-	105
Disposals during the year	(3)	-	(45)	(8)	(56)
At 31 March 2014	<u>934</u>	<u>37</u>	<u>604</u>	<u>65</u>	<u>1,640</u>
Depreciation					
As at 1 April 2013	257	-	472	51	780
Charges for the year	22	-	57	15	94
Disposals	(1)	-	(45)	(4)	(50)
At 31 March 2014	<u>278</u>	<u>-</u>	<u>484</u>	<u>62</u>	<u>824</u>
Net Book Value					
At 31 March 2014	<u>656</u>	<u>37</u>	<u>120</u>	<u>3</u>	<u>816</u>
As at 31 March 2013	<u>656</u>	<u>37</u>	<u>96</u>	<u>22</u>	<u>811</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 as deemed cost in the financial statements.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)**

17 Investments

	Group		Housing Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Opening value	1,048	-	1,048	-
Additions	60	1,000	60	1,000
Disposals	(33)	-	(33)	-
Reinvested dividends	20	6	20	6
Investment management fees	(9)	(4)	(9)	(4)
Closing book value	1,086	1,002	1,086	1,002
Unrealised gain / (loss)	(28)	46	(28)	46
Closing market value	1,058	1,048	1,058	1,048

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

Standard Life Investments Global IDX LKD BD	6.47%
Invesco Fund Managers High Income	5.80%
Standard Life Investments Global ABS RETURN	5.10%

18 Debtors: Amount falling due within one year

	Group		Housing Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Rent Arrears	113	124	98	107
Less: Provision for bad debts	(7)	(12)	(7)	(12)
	106	112	91	95
Other Debtors	538	704	84	111
Ark Services Debtor	-	-	157	63
The Action Group Debtor	-	-	7	1
Less: Provision for bad debts	(11)	(20)	(11)	(20)
Local Authorities	1,741	1,636	1,251	1,231
Prepayments and accrued income	387	156	215	129
	2,761	2,588	1,794	1,610

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)**

19 Creditors: Amount falling due within one year

	Group		Housing Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trade Creditors	203	342	179	295
Contractors for specified work and retentions unpaid	86	85	86	85
Local Authorities	614	387	614	387
Other Creditors	542	293	547	355
Ark Services Creditor	-	-	25	-
The Action Group Creditor	-	-	62	5
Other taxes and social security	497	522	394	351
Accruals	722	883	541	737
Deferred Income	114	104	109	57
Service equipment replacement account	551	533	385	380
Housing Loans (Note 20)	1,835	113	67	66
	<u>5,164</u>	<u>3,262</u>	<u>3,009</u>	<u>2,718</u>

20 Creditors due outwith one year

	Group		Housing Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Housing Loans	<u>1,126</u>	<u>2,959</u>	<u>1,126</u>	<u>1,193</u>

Loans are secured by specific charges on the Group's properties. Loans are repayable at current rates of interest ranging from 1.10 % to 7.02 % (2012: 1.10% to 7.02 %) in instalments due as follows:

	Group		Housing Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
In one year or less (Note 19)	1,835	113	67	66
In one to two years	68	117	68	67
Between two to five years	212	376	212	209
In five years or more	846	2,466	846	917
	<u>2,961</u>	<u>3,072</u>	<u>1,193</u>	<u>1,259</u>

Housing loans will be fully repaid between 2025 and 2039. As described further in note 33 there was a technical breach on a certain loan covenant within ARK Services during the year which has resulted in these loans being reclassified as being payable within one year.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)**

21. Employees

	Group		Housing Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Staff Costs during year				
Wages & Salaries	19,365	18,345	13,042	12,238
Social Security Costs	1,366	1,326	934	895
Other Pension Costs	721	633	605	528
	<u>21,452</u>	<u>20,304</u>	<u>14,581</u>	<u>13,661</u>

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

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

	Group		Housing Association	
	2014	2013	2014	2013
	No	No	No	No
Housing Staff	10	8	8	8
Support Staff	51	64	35	27
Direct Services Staff	903	829	572	531
	<u>964</u>	<u>901</u>	<u>615</u>	<u>566</u>

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

	Group		Housing Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Aggregate Emoluments payable to Executive Officers (including pension contributions and benefits in kind)	<u>281</u>	<u>221</u>	<u>214</u>	<u>221</u>
Emoluments payable to Highest Paid Executive Officer (excluding pension contributions)	<u>80</u>	<u>80</u>	<u>80</u>	<u>80</u>

No emoluments were paid to Board of Management members.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (Continued)

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 (2013: £3,274).

	2014	2013
Total Expenses reimbursed insofar as not chargeable	£	£
to UK Income Tax		
Chief Executive	289	588
Board of Management	192	102

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

	2014	2013
	No	No
£60,000 to £70,000	3	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.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

22. Operating Surplus

	Group		Housing Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
This is stated after charging the following:				
External Auditors remuneration	29	34	20	23
Remuneration paid to related parties of External Auditors	-	2	-	2
Internal Auditors remuneration	4	10	4	10
Depreciation	698	534	600	457
Other operating lease rentals				
- land & buildings	316	260	204	148
- plant & machinery	62	38	26	33

23. (Loss) / Gain on disposal of fixed assets

	Group		Housing Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Proceeds	1	1	1	1
Net book value disposed	(5)	(2)	(5)	(2)
HAG Recycled	(111)	-	(111)	-
HAG repayable	-	-	-	-
	<u>(115)</u>	<u>(1)</u>	<u>(115)</u>	<u>(1)</u>

24. Share Capital -

Group & Housing Association

	2014	2013
Shares of £1 fully paid and issued at beginning of year	49	44
Shares Issued during year	1	8
Shares Cancelled during year	(3)	(3)
	<u>47</u>	<u>49</u>

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

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)**

25 Net cash inflow from operating activities

	2014	2013
Group	£'000	£'000
Operating Surplus	761	838
Depreciation	698	649
(Increase) in Debtors	(173)	(131)
Increase / (Decrease) in Creditors	180	(208)
Net cash inflow from operating activities	<u>1,466</u>	<u>1,148</u>

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

	2014	2013
Group	£'000	£'000
Decrease in cash in the period	(91)	(467)
Cash inflow from movement in debt	111	113
	<u>20</u>	<u>(354)</u>
Net funds at 1 April	1,393	1,747
Net funds at 31 March	<u>1,413</u>	<u>1,393</u>

Analysis of changes in net funds

	At	Cash	At
	31-Mar-13	Flows	31-Mar-14
	£'000	£'000	£'000
Cash in bank and in hand	4,465	(91)	4,374
Debt due within 1 year	(113)	(4)	(117)
Debt due after 1 year	(2,959)	115	(2,844)
Net funds	<u>1,393</u>	<u>20</u>	<u>1,413</u>

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

26 Net cash inflow from operating activities

	2014	2013
	£'000	£'000
Housing Association		
Operating Surplus	897	1,189
Depreciation	600	577
(Increase) in Debtors	(184)	(140)
Increase / (Decrease) in Creditors	291	(259)
Net cash inflow from operating activities	1,604	1,367

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

	2013	2013
	£'000	£'000
Housing Association		
Increase / (Decrease) in cash in the period	199	(1,106)
Cash inflow from movement in debt	66	66
	265	(1,040)
Net funds at 1 April	1,500	2,540
Net funds at 31 March	1,765	1,500

Analysis of changes in net funds

	At	Cash	At
	31-Mar-13	Flows	31-Mar-14
	£'000	£'000	£'000
Cash in bank and in hand	2,759	199	2,958
Debt due within 1 year	(66)	(1)	(67)
Debt due after 1 year	(1,193)	67	(1,126)
Net funds	1,500	265	1,765

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(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	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Equipment				
Operating leases which expire:				
Less than one year	60	29	24	22
In two to five years inclusive	37	30	37	30
	<u>97</u>	<u>59</u>	<u>61</u>	<u>52</u>
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Land and buildings				
Operating leases which expire less than one year	204	163	91	64
	<u>204</u>	<u>163</u>	<u>91</u>	<u>64</u>

28 Capital Commitments

	Group		Housing	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Housing land and buildings				
Commitment of property purchase	-	478	-	478

29 Related Party Transactions

ARK Services and The Action Group are wholly owned subsidiaries of ARK Housing Association.

During the year The Action Group charged ARK £10,268 for housing benefit, £6,882 for project costs, £39,892 for group staff salaries and costs. ARK charged The Action Group office costs of £5,907. The balance due by ARK to The Action Group at 31 March 2014 was £55,758 (2013: £4,622).

During the year ARK charged ARK Services £62,550 for professional and administrative support (2013: £62,550) and £13,861 (2013: £13,457) for insurance. At 31 March 2014 there was a total balance of £157,237 (2013: £63,087) owed to ARK Housing Association and a balance of £24,847 (2013: £497) due from ARK Housing Association in respect of rental and other income received on behalf of Ark Services Limited. In addition Ark Services donated £665,000 (2013: £637,000) to ARK Housing Association during the year.

At 31st March 2014 ARK Housing Association had a debtor of £nil (2013 £nil) due from ARK Housing Trust. In the year ARK Housing Association provided ARK Trust with £3,471 of management services. The Trust was wound up in January 2014 and donated its remaining balance of reserves (£10,247) to ARK.

During the year ARK Housing Association held 81 bank accounts (2013: 68) 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 2014 was £362,666 (2013 £288,030).

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

30. Pension Commitments

General

ARK Housing Association Limited participates in the Scottish Housing Associations' 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 as at 30 September 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

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

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (Continued)

30. Pension Commitments (continued)

ARK Housing Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2013. As of this date the estimated employer debt for ARK Housing Association was £24,178,633.

ARK Housing Association has elected to operate the 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, (from 1 April 2011) and DC option benefit option for active members as at 31st March 2014 and the DC option benefit option for new entrants from the 1st April 2014.

During the accounting period ARK Housing Association paid contributions at the rate of 3.45% to 4.7% of pensionable salaries. Member contributions varied between 3% and 4.7%.

As at the balance sheet date there were 520 active members of the Scheme employed by ARK Housing Association. The annual pensionable payroll in respect of these members was £7,792,439.

ARK Housing Association continues to offer defined contribution membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2012 Valuation Assumptions	% p.a.
Investment return pre retirement	5.3
Investment return post retirement - Non-pensioners	3.4
Investment return post retirement - Pensioners	3.4
Rate of salary increases	4.1
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.0
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6

Mortality Tables	
Non-pensioners	44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for Females
Pensioners	90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term rate of improvement of 1.50% p.a. for males and 1.25% p.a. for females

Contribution Rates for Future Service (payable from 1 April 2014)	%
Final salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

30. Pension Commitments (continued)

Additional deficit contributions are payable from 1 April 2014 and will increase by 3% per annum each 1 April thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions.

The Association has been notified by The Pensions Trust that the amount to be paid in 2014/15 is £1,009,000. This amount is payable annually for the next 13 ½ years and 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.

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.

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.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

30. Pension Commitments (continued)

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 2013 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 2013. 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 2013, 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.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)

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 2013. 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 2014 for 10 years is £2,237.

Other Pension Schemes

During the year ARK has been contributing to a defined contribution Standard Life scheme for 4 staff that transferred from Rymonth 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 £116,248 in the year.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2014

(Continued)

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 was 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 2013. As of this date the estimated employer debt for ARK Housing Association was £24,178,632. 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 2013. 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 cumulative recycled grant recognized in the Income and Expenditure account to 31 March 2014 was £2,018k (31 March 2013: £1,877k)

Health and Safety Fees

ARK has been notified by the Health and Safety Executive that a contravention of health and safety law has occurred and constitutes, in their opinion, material breaches for which a fee will be payable. At the date of approval of the financial statements the Board is unable to reliably quantify the contingent liability.

33. Post Balance Sheet Event

ARK and The Action Group entered into a constitutional partnership in October 2012 and the Action Group became a wholly owned subsidiary of ARK HA. Since entering into the constitutional partnership we have been working hard to combine the focus of two regulatory entities and have come to the conclusion and agreed that from the 1st April 2014 we should continue our working partnership as an informal rather than formal relationship. This will enable both organisations to pursue individual and common goals in a more flexible manner. It will not impact on any of our current tenants or service users, however the learning from our experiences of the last two years will be used to enhance how we deliver our services of the future. The net assets of the Action Group as at 31 March 2014 amounted to £2,093k

As a result of a technical breach in Ark Services on a certain bank covenant during the year, the loans at the year-end in Ark Services have been reclassified as being payable within one year. Subsequent to the year end the directors have received confirmation from the company's bankers that this covenant has now been waived and thus there is no longer a breach.

