



ARK HOUSING ASSOCIATION LIMITED
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

Registered Housing Association No. HEP66

Financial Conduct Authority No. 1899R (S)

Charitable No. SC015694

ARK HOUSING ASSOCIATION LIMITED

PROFESSIONAL ADVISORS

31 MARCH 2015

Registered Office

The Priory
Canaan Lane
Edinburgh
EH10 4SG

Bankers

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

Solicitors

Shepherd and Wedderburn WS
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Edinburgh
EH1 2ET

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

External Auditors

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

Internal Auditors

TIAA Ltd
Business Support Centre
53-55 Gosport Business Centre
Aerodrome Road
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Hampshire
PO13 0FQ

ARK HOUSING ASSOCIATION LIMITED

**GROUP FINANCIAL STATEMENTS
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Registration Particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 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 2015**

Board of Management - Serving in 2014-2015

Sue Broussine BSc, MA, PGCE *

Ken Brown elected 24 September 2014 *

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

Colin Cackette MB, ChB, FRCGP ⁺

Anne Kershaw BSc. FIA (Chair) ⁺#

Ann Lyon ⁺#

Tammy McLellan elected 24 September 2014

Maureen Munro BSc (Hons) AMCIM

James Rigby FCMA *#

Henry A Robson *

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

Caroline Tough elected 24 September 2014

Alastair Wallace MA, BA, LLB *#

Board of Management – resigned during period

Robert Taylor CQSW # resigned 26 March 2014

Callum Thomson ⁺ resigned 24 October 2014

* Audit sub committee member

⁺ Housing sub committee member

Resources sub committee member

Executive Officers - current

Jane Gray BSc, MSc, MA - Chief Executive

Bobby Duffy MBA, DSSL, RMN - Director, Care and Support

Victoria Knox MCIPD - Director, Human Resources

Ron Watson MBA, FCMA - Director, Finance

ARK HOUSING ASSOCIATION LIMITED

REPORT OF BOARD OF MANAGEMENT 31 MARCH 2015

The Board of Management presents its report and audited financial statements for the year ended 31 March 2015.

Overview of Business

The principal object of the ARK Housing Association (ARK) is to provide quality homes and support for people with learning disabilities. The mission of ARK is 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 and to build life-long and life-enhancing relationships, whilst promoting the right of people to have a life free from poverty and discrimination.

Structure, Governance and Management

ARK is incorporated under the Co-operative and Community Benefit Societies Act 2014 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.

ARK is governed by a voluntary Board of Management (the Board) and the management of ARK is delegated by this Board to the Executive Officers. Governance, 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 as their Chair. The Board also established an Executive Committee with delegated authority for decision-making in particular circumstances. The Board and Executive Officers of ARK serving during the year are listed on page 4.

Each member of the Board holds one fully paid share of £1 in ARK. The Executive Officers of ARK hold no interest in ARK'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 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 one fully controlled subsidiary in 2014-15, being Ark Services Ltd. Previously, The Action Group Ltd. was also a subsidiary of ARK. However, it was agreed that from 1 April 2014 that ARK should continue its working partnership with The Action Group in an informal rather than a formal relationship and The Action Group ceased to be a subsidiary of ARK.

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. As a registered charity, it was able to access Special Needs Capital Grant funding which was not available to Housing Associations.

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

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

ARK HOUSING ASSOCIATION LIMITED

REPORT OF BOARD OF MANAGEMENT

31 MARCH 2015

Financial Review

Group turnover for the year was £19.2m (2014: £27.2m), a reduction of 29% on the previous year, primarily reflecting the fact that The Action Group Ltd left the group at the start of the financial year. Prior year income for The Action Group was £8.1m). The Care and Support division of ARK had a difficult year due to capacity utilisation issues within some of its services. In particular, planned levels of utilisation of the new dementia units in Fife and Moray did not happen due to negotiations with the local authorities taking longer than planned. In addition, planned new services in Stornoway did not materialise to the extent planned.

The group surplus for the financial year was £185k, lower than the previous year when there was an operating surplus of £574k. The reason for part of the decline is that during the year £168k was written off in relation to component accounting for boundaries and fences due to a change in the accounting treatment thereon.

Ark Services continues to receive rental income for four sites in Aberdeen City and generated a surplus of £247k in the financial year (2014: deficit £418k). However, no donation was made to ARK in 2015 (2014: £665k).

The ARK Group presents a reduced balance sheet position on 2014 with a closing cash balance of £2.5m, a decrease of £1.8m due to capital spend in the year, and transfer of £1m to The Action Group upon leaving the group.

Reserves

Total reserves decreased by £1.9m during the financial year to £13.6m.

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

ARK 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 12½ years.

At the year end there are two restricted reserves that were transferred from Rymonth Housing Society. In the prior year there were also 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 ARK's treasury management arrangements bi-annually. ARK 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 £3,104k) 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.

Annual Review

Over the past two years ARK has been developing its thinking in relation to the main drivers for change in how housing, health and social care will be delivered in Scotland. ARK was anticipating three key drivers for change from 2014/15: the increased real term cuts to local government funding in Scotland over the next 4 years; the significant increase in demand for services for older people and people with complex needs and the expectations of the two key policy shifts, the Public Bodies (Joint Working) (Scotland) Act 2014 integrating health and social care and the Social Care (Self-directed Support) (Scotland) Act 2013.

This year, ARK has intensified our efforts to influence key areas of national policy and practice development and in so doing highlighting the national challenges in the recruitment and retention of social care staff. ARK's aims are threefold:

- to influence the development of Local Authority integrated plans in relation to people with complex and enduring needs and their families and create understanding and space for the housing, care and support services that ARK can offer;
- to test collaboration in the development and delivery of choice based services to a demographic of people of all ages in a geographical locality;
- to address the specific needs of people with complex needs coded by Health Boards as delayed discharge and developing solutions and pathways for prevention.

As a Board member of the Coalition of Care and Support Providers in Scotland (CCPS) ARK is helping shape the social care procurement, commissioning and fiscal policy landscape. ARK is also a member of the Delayed Discharge National Taskforce, where it has sought to highlight that issue as it relates to people with complex needs and, in particular, those who have been inappropriately placed in a hospital setting for more than a year. ARK has brought a solution focused approach to these issues and, over the past two years, has been leading work with a group of Registered Social Landlords (RSLs) and the Joint Improvement Team established by the Scottish Government to present housing care and support options for people with complex needs who are long term delayed in hospital. In another strand of that work, ARK is developing its thinking about how housing and social care solutions can be developed within the strategic plans of the new integrated authorities. This is being developed in Edinburgh through the creation of the Health and Social Care sub group of the Edinburgh Affordable Housing Partnership.

The policy landscape is shifting in ways that both challenge and give opportunity to ARK's vision of the future. The challenges are resource based and, despite our best efforts, many of the long-term answers rely on the need for an increase in the financial resourcing of health and social care. The opportunity lies in the return to service delivery firmly based in a local community using the assets of that community to provide the base for good lives. It is an opportunity to re-engage with O'Brien's 5 principles of leading a full life and put them at the heart of everything that is done.

Business Review

Scope of Review

This Review refers to ARK Housing Association only. Equivalent material for its subsidiary, ARK Services Ltd, is included in its separate Annual Report and Financial Statements.

Business Review

Care and Support Service Quality

ARK was able to build on the high quality services provided in previous years. Its average Care Inspectorate grade was 4 (good) or higher across all inspection areas of quality (care and support, staff, management and leadership and environment). Out of a total of 56 grades received, 12.5% (7 grades) were 6 (excellent), 39.3% (22 grades) were 5 (very good) and 42.9% (24 grades) were 4 (good). During this year ARK was able to increase the average number of very good and excellent grades, as a proportion of the whole, from 33% to 39% and 10% to 12.5% respectively.

During this period ARK received 3 grade 3s (adequate) from the Care Inspectorate.

ARK's Western Isles service received a grade 3 in relation to quality of staffing. This grade was achieved against a backdrop of a relatively new service being set up and local geographical challenges in recruiting and maintaining a full staff team. Support has been put in place for the local management team to meet these issues and to achieve a higher grade at next inspection. Separately during this period ARK received two grade 3s at one of our ARK North services. Following on from the relevant inspection report, ARK opened up dialogue with the Care Inspectorate to begin working towards meeting identified issues and developing the service. Further, ARK has re-directed management resources to support the local team to make the improvements that the Care Inspectorate wishes to see and, thereby, improve the service's performance. ARK is confident that the measures that have been put in place will address the issues raised by these inspections.

ARK's service user questionnaire confirmed that 97% of those service users who responded to the survey described themselves as happy with their support staff, and 98% advised they are supported to do the things that they want, which represents an increase from last year of 2% and 9% respectively in these areas.

ARK's stakeholder surveys, which capture feedback from third parties such as family members, carers and professionals showed that 94% of family members and carers were happy with the service provided by ARK to the person they know. In addition, 96% agreed that the person they know is supported to do the things that they want to do.

ARK is very pleased to note that 100% of those professional stakeholders who responded to our professional stakeholders' survey advised that they were satisfied with the service provided by ARK to the person they know.

Participation

ARK was able to build on the work undertaken in previous years to offer ARK service users and tenants a variety of ways to participate at many levels within the organisation and to offer it feedback on our service.

ARK's service user review group meets regularly in Edinburgh and offers a growing number of service users from different geographical locations a chance to participate in a forum which discusses issues that are relevant to ARK's work and also issues that are relevant to the wider community. For example, during 2014-15 a Member of the Scottish Parliament came to talk to the group about Human Rights. The group is also regularly attended by members of ARK's Executive Team and the Board and offers an excellent opportunity for service users to engage with ARK.

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 take responsibility for planning, running and following-up on service user speak out

meetings. To date, ARK has established 17 speak out groups and 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.

ARK service users continue to make connections with local communities and external groups and agencies. ARK tenants and service users are 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 acts as Chairperson of the Learning Disability Alliance Scotland, a national information and campaigning organisation, and ARK service users also attend meetings of the Scottish Parliament Cross-Party Group for Disability.

In terms of tenant participation, during 2014-15, ARK continued the work begun in the previous year to establish tenant focus groups in all geographical areas where ARK has housing stock. The group meetings have provided useful feedback and discussion of both local and organisational issues and it is proposed that these will continue to meet on a regular basis.

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's full-time Health and Safety Adviser continued to support our local staff teams in all geographical locations with regular Health and Safety visits and advice.

A quarterly Health and Safety newsletter was circulated to all staff, which contains information on current documents for consultation, new policies and general updates on health and safety issues. 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 our services. It is currently in the final year of its three-year Learning and Development (L&D) strategy and is working with Care and Support on the development of the strategy to further enhance what learning is delivered across ARK and how it is delivered. ARK will also continue to focus on the following:

- to review and embed ARK's competency framework;
- to measure the impact of L&D interventions on staff and service users;
- to implement service registration plans required by the SSSC;
- to embed the new Scottish Vocational Qualification (SVQ) in Health and Social Care Level 2 and 3 units;
- to implement a new E-Learning system for all staff.

The majority of ARK's staff are within the scope of the SSSC registration. ARK is currently working towards registration timescales and currently has 45% of its staff qualified, with a further 8.5% 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 continuing to work 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 maintained progress in a considerable number of areas and continues to improve the built environment with positive outcomes for service users, mainstream tenants and staff.

At the end of March 2015 deadline, ARK had fully met its requirements as set out in the Scottish Housing Quality Standards (SHQS), thereby ensuring energy efficiency and well maintained homes for all our tenants.

ARK did apply for some abeyances in circumstances where the required work could not be carried out at any cost or work could not be carried out because of tenant objections. ARK expects that the latter categories can be addressed when the existing tenancy comes to an end.

In order that ARK has a focus on the longer-term asset management planning, and following the Stock Condition survey carried out in 2012, ARK maintains a 30-year asset management plan which relates to life cycle replacement costs for the future-proofing of the components of the housing stock.

ARK's performance in relation to repairs and maintenance has been excellent in 2014-15 and has achieved the following results;

- Emergency Repairs: 400 reported with 96% completed within the 12 hours target time;
- Urgent Repairs: 1,064 reported with 93% completed within 3 working days target;
- Routine Repairs: 716 reported with 98% completed within 10 working days target.

Where 100% has not been achieved this has been due to either the tenant not being at home at the appointment time or where parts had to be ordered.

From the monitoring of the repairs, ARK looks at the responses from tenants with regard to satisfaction surveys with the repairs and performance by contractors. The following result was achieved:

- Of the 2,180 surveys being issued, 502 responses were received with the satisfaction levels being 96%.

In the delivery of statutory maintenance, in particular the area of gas safety, ARK has significantly increased the percentage of its properties which are certificated prior to the annual target date. Last year, ARK was 93% compliant and now has achieved 100% compliance. This is mainly due to improvements in the monitoring process and a change of supplier in the delivery of ARK's gas services maintenance contract.

In continuing with our development programme, ARK completed the reconfiguration of the facility for our dementia service provision in Edinburgh and extending the headquarters.

Housing Services

ARK continued to support tenants during a time of ongoing Welfare Reform and drew heavily on the services of the Welfare Advice Manager and Welfare Adviser to support tenants to maximise their income and sustain their tenancies. ARK was successful in getting extended funding for these two posts up to September 2016.

Rent arrears arising from current tenants were 2.9% (2014: 3.0%) of gross rental income due, with the technical arrears amounting to 2.2% (2014: 2.3%), and the non-technical arrears figure amounting to 0.7% (2014: 0.7%). ARK served 6 Notice of Proceedings in the year because of rent arrears and took

one tenant to court. However, ARK did not evict any tenants. There were no abandoned properties in the year and, of the tenancies started in 2013/14, all of them remained in their tenancies throughout the year.

ARK undertook the 3-year large-scale tenant satisfaction survey in relation to some of the new Charter indicators and a report and action plan has been completed to address areas of concern. Some 82% (2012: 92%) of tenants were satisfied with the overall service provided by ARK as landlord. Around 81% of tenants feel that ARK is good at keeping them informed about its services.

ARK assessed and added 153 applicants to its housing list. During the year, there were 40 changes of tenancy:

- 6 to existing tenants;
- 1 to applicants off the housing list;
- 28 to supported tenancies via Social Work Referrals; and
- 5 to mainstream properties, via Section 5 Referrals or nominations.

The average re-let time for properties, both mainstream and supported decreased slightly from 75 days to 73 days. Some 72% (2014: 90%) of tenants were satisfied with the condition of their home when moving in, whilst 84% (2012: 98%) of tenants were satisfied with the quality of their home. Although the level of satisfaction seems to have significantly decreased this has been influenced by the overall number of responders being very low and, therefore, a small change in the quantum has reflected a big change in the percentages.

The overall amount of rent loss arising from void properties stood at £47k (2014: £37k), 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.

Investors in People

ARK was 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 established a continuous improvement team that is committed to using the Full Framework of Investors in People to ensure that ARK retains iIP Gold status. The team has spent time interviewing staff and mapping their findings against the full framework. This is as part of the re-assessment process, which aims to achieve Gold standard for a further 3 years. The outcome of this process will give ARK a continuous improvement plan to enable a clear focus on workforce issues and improve our current good practices. 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 2015/16. Following on from 2014/15 and the implementation of a pay and reward mechanism which recognises individual competence and qualifications in the job role, ARK committed to work with Unite to apply a consolidated pay award to all staff. Successful agreement was reached and a salary increase was applied to all staff from 1st January 2015, the first consolidated increase for five years.

ARK truly values the relationship with Unite the Union and will continue to engage with the workforce through Unite to support the delivery of organisational strategic objectives.

Funds held as Custodian Trustee on Behalf of Others

During the year ARK held 102 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. However, ARK has in place policies, procedures, and guidelines to manage these risks. Risk assessments are carried out for each service user and are regularly reviewed. Also, within Care and Support 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 Care and Support.

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 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations and serious incidents is identified 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 checklist that is reviewed each month by 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 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, compliance with relevant statutory regulations, compliance with ARK's 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 relationships are as follows;

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

ARK HOUSING ASSOCIATION LIMITED

REPORT OF BOARD OF MANAGEMENT 31 MARCH 2015

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 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.

ARK has also introduced a Programme and Project management methodology to ensure that a multi-disciplinary approach is taken to the delivery of the corporate objectives.

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 ARK 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 LLP 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 2015



ARK HOUSING ASSOCIATION LIMITED

STATEMENT OF BOARD RESPONSIBILITIES 31 MARCH 2015

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and 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 at the balance sheet date, and of its income and expenditure for the year ended on that date.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business; and
- prepare a Statement on Internal Financial Control.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Association 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 - April 2012. The Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board 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 has confirmed that they have taken all the steps 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 2015

ARK HOUSING ASSOCIATION LIMITED
STATEMENT ON INTERNAL FINANCIAL CONTROLS
31 MARCH 2015

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 2015 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 2015

ARK HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARK HOUSING ASSOCIATION LIMITED

31 MARCH 2015

We have audited the group financial statements of ARK Housing Association Limited for the year ended 31 March 2015 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 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 Statement of Board's Responsibilities 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 Association's and the group's affairs as at 31 March 2015 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of 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.

ARK HOUSING ASSOCIATION LIMITED

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, requires us to report to you if, in our opinion:

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

Chiene + Tait LLP

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

29 September 2015

ARK HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MEMBERS OF ARK HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Group Financial Statements, we have reviewed your statement on page 15 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 15 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Group Financial Statements.

Through enquiry of certain members of the Board of Management and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Control appropriately reflects the association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



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

29 September 2015

ARK HOUSING ASSOCIATION LIMITED

**GROUP INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2015**

	<i>Notes</i>	2015 £'000	2014 £'000
Turnover - continuing activities	2	19,179	19,215
- discontinued activities		-	8,050
		<hr/>	<hr/>
		19,179	27,265
Less: Operating costs	2	(18,867)	(26,302)
Local Authority Creditor movement	8	99	(202)
		<hr/>	<hr/>
Operating surplus due to continuing activities		411	582
Operating surplus due to discontinued activities		-	179
		<hr/>	<hr/>
Total operating surplus		411	761
(Loss) on disposal of fixed assets	23	-	(115)
Write off Component – Boundary & Fences		(168)	-
Interest receivable and similar income		60	68
Interest payable and similar charges	6	(118)	(140)
		<hr/>	<hr/>
Surplus for the financial year		185	574
		<hr/> <hr/>	<hr/> <hr/>

**GROUP STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2015**

	<i>Notes</i>	2015 £'000	2014 £'000
Surplus for the year		185	574
Unrealised gain/(loss) on investments	17	34	(28)
		<hr/>	<hr/>
Total recognised surpluses recognised since last reporting date	12	219	546
		<hr/> <hr/>	<hr/> <hr/>

ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2015**

	<i>Notes</i>	2015	2014
		£'000	£'000
Turnover	2	18,625	19,339
Less: Operating costs	2	(18,681)	(18,240)
Local Authority Creditor movement	8	99	(202)
Operating surplus		<u>43</u>	<u>897</u>
(Loss) on disposal of fixed assets	23	-	(115)
Write Off Component - Boundary & Fences		(155)	-
Interest receivable and similar income		58	61
Interest payable and similar charges	6	(34)	(36)
(Deficit)/surplus for the financial year		<u><u>(88)</u></u>	<u><u>807</u></u>

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2015**

	<i>Notes</i>	2015	2014
		£'000	£'000
(Deficit)/surplus for the year		(88)	807
Unrealised gain/(loss) on investments	17	34	(28)
Total (deficit)/surplus recognised since the last reporting period	12	<u><u>(54)</u></u>	<u><u>779</u></u>

The results for the year relate wholly to continuing activities.

ARK HOUSING ASSOCIATION LIMITED

**GROUP BALANCE SHEET
AS AT 31 MARCH 2015**

	<i>Notes</i>	2015	2014
		£'000	£'000
Tangible fixed assets			
Housing properties, furniture and equipment			
- cost less depreciation	13	32,375	32,879
Less: Housing Association Grant	13	(16,548)	(16,500)
Other Grants	13	(3,824)	(3,841)
		<u>12,003</u>	<u>12,538</u>
Other tangible fixed assets	15	1,406	1,012
Assets Held for Sale	13	78	-
Investments	17	1,135	1,058
		<u>14,622</u>	<u>14,608</u>
Current assets			
Debtors	18	1,873	2,761
Cash at bank and in hand	25	2,530	4,374
		<u>4,403</u>	<u>7,135</u>
Creditors: amounts falling due within one year	19	(2,733)	(5,164)
Net current assets		<u>1,670</u>	<u>1,971</u>
Total assets less current liabilities		16,292	16,579
Creditors: amounts falling due after more than one year	20	(2,715)	(1,126)
Net assets		<u>13,577</u>	<u>15,453</u>
Capital and reserves			
Share capital	24	-	-
Restricted reserves	9	39	231
Designated reserves	10	12,684	14,556
Revaluation reserve	11	52	18
General Revenue reserves	12	802	648
		<u>13,577</u>	<u>15,453</u>

These financial statements were approved by the Board of Management and authorised for issue on 24 September 2015 and signed on its behalf by:

Anne Kershaw (Chair)

Anne Kershaw

Alastair Wallace (Member)

Alastair W Wallace

Bobby Duffy (Interim Company Secretary)

Bobby Duffy

ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION BALANCE SHEET
AS AT 31 MARCH 2015**

	<i>Notes</i>	2015	2014
		£'000	£'000
Tangible fixed assets			
Housing properties, furniture and equipment			
- cost less depreciation	14	28,152	28,647
Less: Housing Association Grant	14	(16,548)	(16,500)
Other Grants	14	(1,950)	(1,956)
		<u>9,654</u>	<u>10,191</u>
Other tangible fixed assets	16	1,406	816
Assets Held for Sale	14	78	-
Investments	17	1,135	1,058
		<u>12,273</u>	<u>12,065</u>
Current assets			
Debtors	18	1,861	1,794
Cash at bank and in hand	26	1,994	2,958
		<u>3,855</u>	<u>4,752</u>
Creditors: amounts falling due within one year	19	<u>(2,442)</u>	<u>(3,009)</u>
Net current assets		<u>1,413</u>	<u>1,743</u>
Total assets less current liabilities		13,686	13,808
Creditors: amounts falling due after more than one year	20	<u>(1,058)</u>	<u>(1,126)</u>
Net assets		<u>12,628</u>	<u>12,682</u>
Capital and reserves			
Share capital	24	-	-
Restricted reserves	9	39	39
Designated reserves	10	12,483	12,483
Revaluation reserve	11	52	18
General Revenue reserves	12	54	142
		<u>12,628</u>	<u>12,682</u>

These financial statements were approved by the Board of Management and authorised for issue 24 September 2015 and signed on its behalf by:

Anne Kershaw (Chair) 

Alastair Wallace (Member) 

Bobby Duffy (Interim Company Secretary) 

ARK HOUSING ASSOCIATION LIMITED

**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015**

	<i>Notes</i>	2015 £'000	2014 £'000
Net cash inflow from operating activities	<i>25</i>	<u>321</u>	<u>1,466</u>
Returns on investment and servicing of finance			
Interest received		31	43
Interest paid	<i>6</i>	<u>(118)</u>	<u>(140)</u>
Net cash outflow from returns on investment and servicing of finance		<u>(87)</u>	<u>(97)</u>
Capital expenditure and Financial Investment			
Purchase of housing properties	<i>13</i>	(284)	(1,417)
Purchase of other tangible fixed assets	<i>15</i>	(696)	(105)
Purchase of investments	<i>17</i>	(120)	(60)
Disposal of investments	<i>17</i>	86	33
Reinvested dividends	<i>17</i>	18	20
Housing Association Grants received	<i>13</i>	53	302
Transferred to The Action Group		(1,016)	-
Other movements (including grants received)	<i>13</i>	<u>-</u>	<u>(122)</u>
Net cash (outflow) from capital expenditure and financial investment		<u>(1,959)</u>	<u>(1,349)</u>
Net cash (outflow)/inflow before financing		<u>(1,725)</u>	<u>20</u>
Financing			
Receipt of housing loans		-	-
Repayment of housing loans		(119)	(111)
Net cash outflow from financing	<i>25</i>	<u>(119)</u>	<u>(111)</u>
(Decrease) in cash in year	<i>25</i>	<u>(1,844)</u>	<u>(91)</u>

Further details are given in note 25.

ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015**

	<i>Notes</i>	2015 £'000	2014 £'000
Net cash (outflow)/inflow from operating activities	26	<u>(34)</u>	<u>1,604</u>
Returns on investment and servicing of finance			
Interest received		34	35
Interest paid	6	<u>(34)</u>	<u>(36)</u>
Net cash (outflow) from returns on investment and servicing of finance		<u>-</u>	<u>(1)</u>
Capital expenditure and Financial Investment			
Purchase of housing properties	14	(204)	(1,412)
Purchase of other tangible fixed assets	15	(696)	(105)
Purchase of investments	17	(120)	(60)
Disposal of investments	17	86	33
Reinvested dividends	17	18	20
Housing Association Grants received	14	53	302
Other movements (including grants received)	14	-	(116)
Net cash (outflow) from capital expenditure and financial investment		<u>(863)</u>	<u>(1,338)</u>
Net cash (outflow)/inflow before financing		<u>(897)</u>	<u>265</u>
Financing			
Receipt of housing loans		-	-
Repayment of housing loans		<u>(67)</u>	<u>(66)</u>
Net cash outflow from financing	26	<u>(67)</u>	<u>(66)</u>
(Decrease)/Increase in cash in year	26	<u><u>(964)</u></u>	<u><u>199</u></u>

Further details are given in note 26.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2015

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered by The Financial Conduct Authority. The financial statements 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.

(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.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2015 (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 2015 (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
- 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) and (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.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2015
(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

Contingency Fund

This fund was previously designated by The Action Group to provide for potential, moral, and/or legal obligations and continuity of service and has been transferred to the Revenue Reserve during the year.

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 12 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 Rymonth Housing Society Limited. The contribution rates are 2.4% of pensionable salary for employees and 6% for the employer. This is a defined contribution scheme. 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 2015 (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 2015
(Continued)**

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

Group:				2015	2014
	Notes	Turnover	Operating Costs	Operating Surplus/ (Deficit)	Operating Surplus
		£'000	£'000	£'000	£'000
Social Lettings	3	2,955	(2,126)	829	671
Other Activities	4	16,224	(16,741)	(517)	292
Sub-Total		19,179	(18,867)	312	963
Local Authority Creditor Movement	8	99	-	99	(202)
2015 Total		19,278	(18,867)	411	761
2014 Total		27,265	(26,504)	761	

Housing Association:

Housing Association:				2015	2014
	Notes	Turnover	Operating Costs	Operating Surplus/ (Deficit)	Operating Surplus
		£'000	£'000	£'000	£'000
Social Lettings	3	2,339	(1,940)	399	225
Other activities	4	16,286	(16,741)	(455)	874
Sub-Total		18,625	(18,681)	(56)	1,099
Local Authority Creditor Movement	8	99	-	99	(202)
2015 Total		18,724	(18,681)	43	897
2014 Total		19,339	(18,442)	897	

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2015
(Continued)**

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

Group:	Supported		2015 Total £'000	2014 Total £'000
	General Needs £'000	Housing Accommodation £'000		
Rent receivable	2,577	100	2,677	2,825
Service charges	325	-	325	307
Gross income from rents and service charges	2,902	100	3,002	3,132
Less Voids	(47)	-	(47)	(37)
Net income from rents and service charges	2,855	100	2,955	3,095
Grants from Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	-
Total turnover from social letting activities	2,855	100	2,955	3,095
Management and maintenance administration costs	674	29	703	731
Service costs	294	-	294	328
Planned and cyclical maintenance including major repairs costs	351	15	366	560
Reactive maintenance costs	241	10	251	252
Bad debts – rent and service charges	(9)	-	(9)	(35)
Depreciation of social housing	501	20	521	588
Operating costs for social letting activities	2,052	74	2,126	2,424
2015 Operating surplus for social letting activities	803	26	829	671
2014 Operating surplus for social letting activities	617	54	671	

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2015

(Continued)

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

Association:			Supported	
	General	Housing	2015	2014
	Needs	Accommodation	Total	Total
	£'000	£'000	£'000	£'000
Rent receivable	2,020	100	2,120	1,969
Service charges	266	-	266	254
Gross income from rents and service charges	2,286	100	2,386	2,223
Less Voids	(47)	-	(47)	(37)
Net income from rents and service charges	2,239	100	2,339	2,186
 Grants from Scottish Ministers	 -	 -	 -	 -
 Other revenue grants	 -	 -	 -	 -
Total turnover from social letting activities	2,239	100	2,339	2,186
 Management and maintenance administration costs	 658	 29	 687	 615
Service costs	240	-	240	229
Planned and cyclical maintenance including major repairs costs	328	15	343	430
Reactive maintenance costs	216	10	226	214
Bad debts – rent and service charges	(11)	-	(11)	(35)
Depreciation of social housing	435	20	455	508
Operating costs for social letting activities	1,866	74	1,940	1,961
 2015 Operating surplus for social letting activities	 373	 26	 399	 225
2014 Operating surplus for social letting activities	205	20	225	225

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2015 (Continued)

Group:	Other revenue grants	Supporting people income	Other income	Total turnover	Other operating costs	2015 Operating (Deficit)	2014 Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Support activities	6,017	7,474	368	13,859	(14,247)	(388)	829
Care activities	1,920	-	178	2,098	(2,156)	(58)	133
Other activities	-	-	267	267	(338)	(71)	(670)
Total from other activities – 2015	7,937	7,474	813	16,224	(16,741)	(517)	292
Total from other activities - 2014	16,227	6,976	967	24,170	(23,878)	292	

Association:	Other revenue grants	Supporting people income	Other income	Total turnover	Other operating costs	2015 Operating (Deficit)	2014 Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Support activities	6,017	7,474	368	13,859	(14,247)	(388)	690
Care activities	1,920	-	178	2,098	(2,156)	(58)	133
Other activities	-	-	329	329	(338)	(9)	51
Total from other activities – 2015	7,937	7,474	875	16,286	(16,741)	(455)	874
Total from other activities - 2014	8,575	6,947	1,631	17,153	(16,279)	874	

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2015
(Continued)**

5. The number of units in management at 31 March 2015 was as follows:

	Owned	Not Owned	2015 Total	2014 Total
	No	No	No	No
General Needs	179	1	180	185
Supported accommodation	382	41	423	417
	561	42	603	602

Management of Association stock by other bodies

	2015 No	2014 No
Properties leased to other organisations		
West Lothian Council	6	6
Community Integrated Care Ltd	6	6
Aberdeen City Council	1	1
Leonard Cheshire Foundation	1	1
Real Life Options	11	11
Fife Council	6	6
Clackmannanshire	3	3
Total properties	34	34

6. Interest payable

	Group		Housing Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Loans	118	140	34	36

7. Taxation

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

8. Local Authority Creditor Movement

	2015 £'000	2014 £'000
Transfer to deferred income	(194)	(202)
Release of deferred income	293	-
	99	(202)

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 2015
(Continued)**

9. Restricted Reserves	Group		Housing Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Rotary Rymonth Hobbies Fund - Restricted				
At 1 April 2014	7	7	7	7
At 31 March 2015	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>

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

	£'000	£'000	£'000	£'000
Rymonth Donations - Restricted				
At 1 April 2014	25	5	25	5
Transfer from Revenue Reserve	-	20	-	20
At 31 March 2015	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>

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

	£'000	£'000	£'000	£'000
Southside / West Adam Street				
At 1 April 2014	7	-	7	-
Transfer from Revenue Reserve	-	7	-	7
At 31 March 2015	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</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.

	£'000	£'000	£'000	£'000
Welfare Rights Project (Bailey Thomas Charitable Fund & Henry Smith Charity) - Restricted				
At 1 April 2014	11	9	-	-
Transfer (to)/from Revenue Reserve	(11)	2	-	-
At 31 March 2015	<u>-</u>	<u>11</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.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2015
(Continued)**

9. Restricted Reserves (continued)	Group		Housing Association	
	2015	2014	2015	2014
Paul Hamlyn Fund - Restricted	£'000	£'000	£'000	£'000
At 1 April 2014	5	37	-	-
Transfer (to) Revenue Reserve	(5)	(32)	-	-
At 31 March 2015	<u>-</u>	<u>5</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 2014	13	19	-	-
Transfer to Revenue Reserve	(13)	(6)	-	-
At 31 March 2015	<u>-</u>	<u>13</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 2014	13	-	-	-
Transfer (to)/from Revenue Reserve	(13)	13	-	-
At 31 March 2015	<u>-</u>	<u>13</u>	<u>-</u>	<u>-</u>

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

Fairer East Lothian Fund - Restricted	£'000	£'000	£'000	£'000
At 1 April 2014	7	-	-	-
Transfer (to)/from Revenue Reserve	(7)	7	-	-
At 31 March 2015	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>

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

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2015
(Continued)**

9. Restricted Reserves (continued)	Group		Housing Association	
	2015	2014	2015	2014
SLAB - Restricted	£'000	£'000	£'000	£'000
At 1 April 2014	38	-	-	-
Transfer (to)/from Revenue Reserve	(38)	38	-	-
At 31 March 2015	-	38	-	-

The SLAB restricted fund represents grants received by The Action Group towards the costs of employing a worker to maximise benefit income.

Capital Fund - Restricted	£'000	£'000	£'000	£'000
At 1 April 2014	105	109	-	-
Transfer to Revenue Reserve	(105)	(4)	-	-
At 31 March 2015	-	105	-	-

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

Total Restricted Reserves	39	231	39	39
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10. Designated Reserves	Group		Housing Association	
	2015	2014	2015	2014
Contingency Fund	£'000	£'000	£'000	£'000
At 1 April 2014	1,872	1,706	-	-
Transfer (to)/ from Revenue Reserves	(1,872)	166	-	-
At 31 March 2015	-	1,872	-	-

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

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2015
(Continued)**

10. Designated Reserves (continued)

Pension Past Service Deficit	£'000	£'000	£'000	£'000
At 1 April 2014	12,684	12,684	12,483	11,845
Transfer from Revenue Reserves	-	-	-	638
At 31 March 2015	<u>12,684</u>	<u>12,684</u>	<u>12,483</u>	<u>12,483</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 12 1/2 years. It has designated funds to meet the Net Present Value (NPV) of these future payments.

Total Designated Reserves	<u>12,684</u>	<u>14,556</u>	<u>12,483</u>	<u>12,483</u>
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11. Revaluation Reserve

	Group		Housing Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Investment Revaluation Reserve				
At 1 April 2014	18	46	18	46
Transfer from/(to) Revenue Reserves	34	(28)	34	(28)
At 31 March 2015	<u>52</u>	<u>18</u>	<u>52</u>	<u>18</u>

12. Revenue reserve

	Group		Housing Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
At 1 April 2014	648	285	142	-
Accumulated surplus/(deficit) for the year	219	546	(54)	779
Transfer to Restricted Reserve (note 9)	-	(45)	-	(27)
Transfer to Designated Reserve (contingency fund) (note 10)	-	(166)	-	-
Transfer back to Action Group unrestricted reserves	(31)	-	-	-
Transfer to Designated Reserve (pension deficit) (note 10)	-	-	-	(638)
Transfer (to)/from Revaluation Reserve (note 11)	(34)	28	(34)	28
At 31 March 2015	<u>802</u>	<u>648</u>	<u>54</u>	<u>142</u>

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2015
(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 2014	36,590	128	36,718
Additions	284	-	284
Completed	128	(128)	-
Disposals	(329)	-	(329)
Transferred for Sale	(87)	-	(87)
As at 31 March 2015	36,586	-	36,586
Depreciation			
As at 1 April 2014	3,839	-	3,839
Charge for Year	476	-	476
Disposals	(95)	-	(95)
Transferred for Sale	(9)	-	(9)
As at 31 March 2015	4,211	-	4,211
Net Cost less Depreciation	32,375	-	32,375
Housing Association Grant			
As at 1 April 2014	16,500	-	16,500
Additions	53	-	53
Disposals	(5)	-	(5)
As at 31 March 2015	16,548	-	16,548
Other Capital Grants			
As at 1 April 2014	3,841	-	3,841
Additions	-	-	-
Disposals	(17)	-	(17)
As at 31 March 2015	3,824	-	3,824
Net Book Value			
As at 31 March 2015	12,003	-	12,003
As at 31 March 2014	12,410	128	12,538

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

Major Repairs costs amounted to £448k (2014: £773k) of which £284k (2014: £554k) was capitalised in the year.

A property was subsequently disposed of post year end and therefore it has been shown above and on the balance sheet as an asset held for sale.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2015
(Continued)**

**14. Tangible Fixed Assets
Housing Association**

	Assets Completed	Assets Under Construction	Total Heritable property for letting £'000
Cost			
As at 1 April 2014	31,874	128	32,002
Additions	204	-	204
Completed	128	(128)	-
Disposals	(278)	-	(278)
Transferred for Sale	(87)	-	(87)
As at 31 March 2015	31,841	-	31,841
Depreciation			
As at 1 April 2014	3,355	-	3,355
Charge for Year	420	-	420
Disposal	(77)	-	(77)
Transferred for Sale	(9)	-	(9)
As at 31 March 2015	3,689	-	3,689
Net Cost less Depreciation	28,152	-	28,152
Housing Association Grant			
As at 1 April 2014	16,500	-	16,500
Additions	53	-	53
Disposals	(5)	-	(5)
As at 31 March 2015	16,548	-	16,548
Other Capital Grants			
As at 1 April 2014	1,956	-	1,956
Additions	-	-	-
Disposals	(6)	-	(6)
As at 31 March 2015	1,950	-	1,950
Net Book Value			
As at 31 March 2015	9,654	-	9,654
As at 1 April 2014	10,063	128	10,191

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2015
(Continued)**

**15. Other Fixed Assets –
Group**

	Heritable Buildings £'000	Land £'000	Computer Equipment £'000	Static Caravan £'000	Office Equipment £'000	Total £'000
Cost						
As at 1 April 2014	1,106	37	749	23	65	1,980
Additions during year	638	-	56	-	3	697
Transfer back to TAG	(172)	-	(146)	(23)	-	(341)
Disposals during the year	(13)	-	(38)	-	-	(51)
At 31 March 2015	<u>1,559</u>	<u>37</u>	<u>621</u>	<u>-</u>	<u>68</u>	<u>2,285</u>
Depreciation						
As at 1 April 2014	340	-	600	19	9	968
Charges for the year	22	-	76	-	1	99
Transferred back to The Action Group	(67)	-	(69)	(19)	-	(155)
Disposals	(6)	-	(38)	-	-	(44)
Adjustment*	5	-	(47)	-	53	11
At 31 March 2015	<u>294</u>	<u>-</u>	<u>522</u>	<u>-</u>	<u>63</u>	<u>879</u>
Net Book Value						
At 31 March 2015	<u>1,265</u>	<u>37</u>	<u>99</u>	<u>-</u>	<u>5</u>	<u>1,406</u>
As at 31 March 2014	<u>766</u>	<u>37</u>	<u>149</u>	<u>4</u>	<u>56</u>	<u>1,012</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.

*An adjustment has been made to group depreciation to align the net book value of the assets to that of the Association as shown in note 14.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2015
(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 2014	934	37	604	65	1,640
Additions during year	638	-	55	3	696
Disposals during the year	(13)	-	(38)	-	(51)
At 31 March 2015	<u>1,559</u>	<u>37</u>	<u>621</u>	<u>68</u>	<u>2,285</u>
Depreciation					
As at 1 April 2014	278	-	484	62	824
Charges for the year	22	-	76	1	99
Disposals	(6)	-	(38)	-	(44)
At 31 March 2015	<u>294</u>	<u>-</u>	<u>522</u>	<u>63</u>	<u>879</u>
Net Book Value					
At 31 March 2015	<u>1,265</u>	<u>37</u>	<u>99</u>	<u>5</u>	<u>1,406</u>
As at 31 March 2014	<u>656</u>	<u>37</u>	<u>120</u>	<u>3</u>	<u>816</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 2015
(Continued)**

17. Investments

	Group		Housing Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Opening value	1,058	1,048	1,058	1,048
Additions	120	60	120	60
Disposals	(86)	(33)	(86)	(33)
Reinvested dividends	18	20	18	20
Investment management fees	(9)	(9)	(9)	(9)
Closing book value	1,101	1,086	1,101	1,086
Unrealised gain / (loss)	34	(28)	34	(28)
Closing market value	1,135	1,058	1,135	1,058

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

Standard Life Investments Global IDX LKD BD	6.53%
Invesco Fund Managers High Income	6.02%
Standard Life Investments Global ABS RETURN	5.24%

18. Debtors: Amount falling due within one year

	Group		Housing Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Rent Arrears	87	113	76	98
Less: Provision for bad debts	(7)	(7)	(5)	(7)
	80	106	71	91
Other Debtors	106	538	103	84
Ark Services Debtor	-	-	-	157
The Action Group Debtor	-	-	-	7
Less: Provision for bad debts	(13)	(11)	(13)	(11)
Local Authorities	1,446	1,741	1,446	1,251
Prepayments and accrued income	254	387	254	215
	1,873	2,761	1,861	1,794

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
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(Continued)**

19. Creditors: Amount falling due within one year

	Group		Housing Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Trade Creditors	109	203	77	179
Contractors for specified work and retentions unpaid	252	86	252	86
Local Authorities	515	614	515	614
Other Creditors	193	542	193	547
Ark Services Creditor	-	-	-	25
The Action Group Creditor	2	-	2	62
Other taxes and social security	320	497	320	394
Accruals	585	722	559	541
Deferred Income	80	114	80	109
Service equipment replacement account	550	551	376	385
Housing Loans (Note 20)	127	1,835	68	67
	<u>2,733</u>	<u>5,164</u>	<u>2,442</u>	<u>3,009</u>

20. Creditors due outwith one year

	Group		Housing Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Housing Loans	2,715	1,126	1,058	1,126

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	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
In one year or less (Note 19)	127	1,835	68	67
In one to two years	131	68	70	68
Between two to five years	414	212	216	212
In five years or more	2,170	846	772	846
	<u>2,842</u>	<u>2,961</u>	<u>1,126</u>	<u>1,193</u>

Housing loans will be fully repaid between 2025 and 2039.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2015
(Continued)**

21. Employees

	Group		Housing Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Staff Costs during year				
Wages & Salaries	12,936	19,365	12,936	13,042
Social Security Costs	878	1,366	878	934
Other Pension Costs	1,082	721	1,082	605
	<u>14,896</u>	<u>21,452</u>	<u>14,896</u>	<u>14,581</u>

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

	Group		Housing Association	
	2015	2014	2015	2014
	No	No	No	No
Housing Staff	8	10	8	8
Support Staff	43	51	43	35
Direct Services Staff	562	903	562	572
	<u>613</u>	<u>964</u>	<u>613</u>	<u>615</u>

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

	Group		Housing Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Aggregate Emoluments payable to Executive Officers (including pension contributions and benefits in kind)	<u>242</u>	<u>281</u>	<u>242</u>	<u>214</u>
Emoluments payable to Highest Paid Executive Officer (excluding pension contributions)	<u>76</u>	<u>80</u>	<u>76</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 2015 (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 £2,536 (2014: £3,274).

	2015	2014
Total Expenses reimbursed insofar as not chargeable	£	£
to UK Income Tax		
Chief Executive	455	289
Board of Management	-	192

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

	2015	2014
	No	No
£60,000 to £70,000	1	3
£70,000 to £80,000	1	1

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

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

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
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(Continued)**

22. Operating Surplus

	Group		Housing Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
This is stated after charging the following:				
External Auditors remuneration	14	29	14	20
Internal Auditors remuneration	6	4	6	4
Depreciation	627	698	561	600
Other operating lease rentals				
- land & buildings	251	316	251	204
- plant & machinery	24	62	24	26

23. Loss on disposal of fixed assets

	Group		Housing Association	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Proceeds	-	1	-	1
Net book value disposed	-	(5)	-	(5)
HAG Recycled	-	(111)	-	(111)
HAG repayable	-	-	-	-
	<u>-</u>	<u>(115)</u>	<u>-</u>	<u>(115)</u>

24. Share Capital -

Group & Housing Association

	2015	2014
Shares of £1 fully paid and issued at beginning of year	47	49
Shares Issued during year	3	1
Shares Cancelled during year	(3)	(3)
	<u>47</u>	<u>47</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 2015**

(Continued)

25. Net cash inflow from operating activities

	2015	2014
Group	£'000	£'000
Operating Surplus	411	761
Depreciation	627	698
(Increase) in Debtors	(228)	(173)
(Decrease)/increase in Creditors	(489)	180
Net cash inflow from operating activities	321	1,466

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

	2015	2014
Group	£'000	£'000
Decrease in cash in the period	(1,844)	(91)
Cash inflow from movement in debt	119	111
	(1,725)	20
Net funds at 1 April	1,413	1,393
Net funds at 31 March	(312)	1,413

Analysis of changes in net funds

	At	Cash	At
	31-Mar-14	Flows	31-Mar-15
	£'000	£'000	£'000
Cash in bank and in hand	4,374	(1,844)	2,530
Debt due within 1 year	(1,835)	1,708	(127)
Debt due after 1 year	(1,126)	(1,589)	(2,715)
Net funds	1,413	(1,725)	(312)

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2015**

(Continued)

26. Net cash (outflow)/inflow from operating activities

	2015	2014
Housing Association	£'000	£'000
Operating Surplus	43	897
Depreciation	561	600
(Increase) in Debtors	(67)	(184)
(Decrease)/increase in Creditors	(571)	291
Net cash (outflow)/ inflow from operating activities	(34)	1,604

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

	2015	2014
Housing Association	£'000	£'000
(Decrease)/Increase in cash in the period	(964)	199
Cash inflow from movement in debt	67	66
	(897)	265
Net funds at 1 April	1,765	1,500
Net funds at 31 March	868	1,765

Analysis of changes in net funds

	At	Cash		At
	31-Mar-14	Flows		31-Mar-15
	£'000	£'000		£'000
Cash in bank and in hand	2,958	(964)		1,994
Debt due within 1 year	(67)	(1)		(68)
Debt due after 1 year	(1,126)	68		(1,058)
Net funds	1,765	(897)		868

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2015
(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	
	2015	2014	2015	2014
Equipment	£'000	£'000	£'000	£'000
Operating leases which expire:				
Less than one year	24	60	24	24
In two to five years inclusive	37	37	37	37
	<u>61</u>	<u>97</u>	<u>61</u>	<u>61</u>
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Land and buildings				
Operating leases which expire less than one year	79	204	79	91
	<u>79</u>	<u>204</u>	<u>79</u>	<u>91</u>

28. Capital Commitments

	Group		Housing	
	2015	2014	2015	2014
Housing land and buildings	£'000	£'000	£'000	£'000
Commitment of Priory works	194	-	194	-

29. Related Party Transactions

Ark Services is a wholly owned subsidiary of ARK Housing Association.

During the year ARK charged Ark Services £62,550 for professional and administrative support (2014: £62,550) and £14,277 (2014: £13,861) for insurance. At 31 March 2015 there was a total balance of Nil (2014: £157,237) owed to ARK Housing Association and a balance of £Nil (2014: £24,847) due from ARK Housing Association in respect of rental and other income received on behalf of Ark Services Limited.

During the year ARK Housing Association held 102 bank accounts (2014: 81) 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 2015 was £401,258 (2014 £362,666).

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2015 (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 2014. 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 £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

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 2015 (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 2014. As of this date the estimated employer debt for ARK Housing Association was £30,819,807.

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 31 March 2015 and the DC option benefit option for new entrants from the 1 April 2014.

During the accounting period ARK Housing Association paid contributions at the rate of 3.47% of pensionable salaries. Member contributions were 3%.

As at the balance sheet date there were 574 active members of the Scheme employed by ARK Housing Association. The annual pensionable payroll in respect of these members was £7,778,143

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.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2015 (Continued)

30. Pension Commitments (continued)

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

Additional deficit contributions are payable from 1 April 2014. 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 £700,000. Subject to certain conditions, this amount is payable annually and is anticipated to increase by 3% per annum. A further review of the recovery plan will take place after the triennial valuation undertaken in September 2015. 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.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2015 (Continued)

30. Pension Commitments (continued)

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

ARK Housing Association offers the Growth Plan as an AVC investment option for members of the 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.

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 2011 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 is currently finalising the 2014 valuation and results will be communicated in due course. At 30 September 2013, the market value of the Plan's assets was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) was £927 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to a funding level of 83%.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2015 (Continued)

30. Pension Commitments (continued)

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

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as is required by legislation.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. (Our recent correspondence to all employers refers.) The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

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.

The Growth Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Growth Plan.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2015 (Continued)

30. Pension Commitments (continued)

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 2014. As of this date the estimated employer debt, including Series 3 liabilities for ARK was £33,308.

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 Rymouth Housing Society Limited. The contribution rates are 2.4% of pensionable salary for employees and 6% for the employer.

31. 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 2014. As of this date the estimated employer debt for ARK Housing Association was £30,819,807. 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 2014. As of this date the estimated employer debt for ARK was £33,308 (2014: £32,397) including Series 3 liabilities in the calculation.

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 2015 was £2,046k (31 March 2014: £2,018k)

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.