

ARK HOUSING ASSOCIATION LIMITED
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

Registered Housing Association No. HEP66

Financial Conduct Authority No. 1899R (S)

Charitable No. SC015694

ARK HOUSING ASSOCIATION LIMITED

PROFESSIONAL ADVISORS

31 MARCH 2018

Registered Office

The Priory
Canaan Lane
Edinburgh
EH10 4SG

Bankers

The Royal Bank of Scotland plc
Corstorphine Branch
239 St Johns Road
Edinburgh
EH12 7XA

Solicitors

Shepherd and Wedderburn WS
1 Exchange Crescent
Conference Square
Edinburgh
EH3 8UL

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
FOR THE YEAR ENDED 31 MARCH 2018**

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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

**REPORT OF BOARD OF MANAGEMENT
31 MARCH 2018**

**BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS
31 MARCH 2018**

Board of Management - Serving in 2017-2018

Marilyn Barrett MSc*

Ken Brown #

Shona Dunsmore CMCIPD #

Ann Lyon (Chair) #

Graham Mitchell BSc, MRICS, MIRPM, ACI Arb #

David Proudfoot *

Lucy Robertson MSc, PGDIP.Hg, BSc (ECON), MCIH *

Henry A Robson *

Caroline Tough *

Board of Management – resigned during period

Michael Brown PhD, MSc, PGCE, BSc (Hons), RN, FHEA – Resigned 22 June 2017

Colin Cackette MB, ChB, FRCGP *# - Resigned 10 December 2017

Anne Kershaw BSc. FIA # - Resigned – Resigned 7 March 2018

* Audit sub committee member

Finance sub committee member

Executive Officers - current

Jane Gray BSc, MSc, MA

Bobby Duffy MBA, DSSL, RMN

Victoria Knox MCIPD

Ron Watson MBA, FCMA, CGMA

- Chief Executive

- Director, Care and Support

- Director, Human Resources

- Director, Finance

REPORT OF BOARD OF MANAGEMENT
31 MARCH 2018

The Board of Management presents its report and audited financial statements for the year ended 31 March 2018.

Overview of Business

The principal objects of ARK Housing Association (ARK) are to provide quality homes for rent to anyone in the community and to provide care and support for those with learning disabilities.

Mission, Values, Vision, Objectives

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.

Mission

Our mission 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.

Values

Our values are 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. They guide the spirit in which we will operate.

We believe in:

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

Objectives

ARK has in place a 5-year Business Plan and develops its strategic objectives using the Balanced Scorecard approach.

This transforms ARK's Business Plan into a detailed operational plan with objectives, targets, initiatives and tasks for staff at all levels of the organisation. It provides a framework that not only provides performance measurements but helps ARK identify what should be done and what should be measured, including the identification of business critical issues and activities, through regular review. As a result, it enables ARK's Executive Team to fully execute ARK's strategy.

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, a Registered Social Landlord and a registered charity, 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 two sub-committees (Finance and Audit) 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 has two fully controlled subsidiaries in Ark Services Limited and Ark Commercial Investment Limited.

Ark Services Limited 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.

Ark Commercial Investment Limited was set up as a vehicle to provide student accommodation in a former care home. As a commercial entity it leased the building from ARK and established a management contract to ensure high levels of occupancy throughout the academic year and a high level of take-up during holiday periods.

ARK has in place a management service contract with Ark Services Ltd and Ark Commercial Investment Limited to provide management and professional services to these organisations.

The financial statements of Ark Services Limited and Ark Commercial Investment Limited are consolidated in the ARK Group financial statements.

Financial Review

Group turnover for the year was £21.4m (2017: £20.2m), an increase of 5.9% on the previous year. The Care and Support business reported above budget performance mainly as a result of backdated increases in Local Authority rates to accommodate the payment of Scottish Living Wage to staff but also the financial benefits are now coming to fruition following the restructure of Care and Support last year. In addition, the Housing business again exceeded the budgeted surplus for the year, due, in the main, to savings in employee costs.

The group surplus for the financial year was £2.3m, compared to £7.6m in 2017. The surplus in the previous year includes £7.0m in relation to the amendment to the pension recovery plan.

**REPORT OF BOARD OF MANAGEMENT
31 MARCH 2018**

Ark Services continues to receive rental income for four sites in Aberdeen City and generated a surplus of £320k in the financial year (2017: £293k).

Ark Commercial Investment Ltd showed a surplus at the year end of £3.9k compared to a break even position in 2017.

The ARK Group presents an increased balance sheet position of £10.9m (2017: £8.6m) predominately as a result of the re-measurement of the pension scheme deficit. The closing cash balance was £5.3m, an increase of £1.5m in the year.

Reserves

Total reserves increased by £2.2m on 2017 reserves. £422k of this relates to movement in Local Authority creditors.

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

At the year end there are two restricted reserves that were transferred from Rymouth Housing Society and also a third restricted fund that relates to monies raised on behalf of the West Adam Street project. Discussions on how these funds should be spent has commenced post year end. During the year a legacy of £2,000 was received for the benefit of staff at Southhouse and the funds ring fenced in a restricted reserve. Details of these are set out in note 8.

Treasury Management

The Board reviews ARK's treasury management arrangements bi-annually. ARK holds surplus working cash reserves in an investment portfolio with Brewin Dolphin with the remaining cash funds being 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 £3.1m), 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 9 to 12 of the financial statements.

Pension contributions

ARK is a member of the Scottish Housing Associations' Pension Scheme (SHAPS), administered by The Pensions Trust. It is a multi-employer scheme 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.

The 2015 valuation exercise showed a marked decrease in the scheme deficit to some £198 million (from £304 million) as a result of increased contributions, improved asset performance and amendment of key factors such as covenant strength, mortality rates and average salary increases to reflect the nature of Scottish housing association employers and employees.

As a result of the reduced level of deficit, the SHAPS Committee chose to maintain contributions and reduce the recovery plan period. As a result, if all influencing factors remained the same, ARK's end date will be some 6-7 years from now.

The next valuation exercise will be performed in September 2018.

Annual Review

Over the past year ARK has been focusing on creating the foundations for the future through the local business plans for Care and Support services integrated with a developing asset management strategy. Maintaining staffing structures in Care and Support and attending to retention as well as recruitment has been key and despite a challenging financial environment we were able to pay the increased Scottish Living Wage (SLW) of £8.45 from 1st May 2017. Throughout the year we continued to forensically analyse our income, costs and staff deployment in preparation for a proposed new ICT system that will support efficiency and smarter working.

We initiated the work on Self Directed Support (SDS) with a full time project manager to support the re shaping of the business model and good progress has been made. We continue to work towards the Energy Efficiency Standard for Social Housing (EESSH) requirements and whilst we can demonstrate high levels of tenant satisfaction in many areas there are some areas where we will be engaging further with our tenants to understand what we can do better. The tenant and service user governance scrutiny group, the HUB group has had its first full year of operation and has proved an invaluable source of feedback and scrutiny on tenant and care service issues. This year the Board of Management undertook its first detailed self assessment of governance and is implementing the subsequent improvement plan in the coming year.

We continued to maintain high standards of care services in the majority of our services and where we fell below our own stated standards we quickly initiated thorough service reviews resulting in increased grades. Our organisational development strategy continues to deliver high quality leadership management and other mandatory training and development to our staff and once again our report from the Scottish Qualifications Authority was excellent. We are on track for meeting the requirement for staff Scottish Social Services Council (SSSC) registration.

Finally, in preparation for the General Data Protection Regulation (GDPR), we undertook a gap analysis and every department is now prepared for the new regulatory expectations.

Business Review

Scope of Review

This review refers to ARK Housing Association only. Equivalent material for its subsidiaries, Ark Services Ltd and Ark Commercial Investment Ltd, is included in their separate Annual Reports and Financial Statements.

Asset Management and Housing Services

Asset Management

Following on from the Scottish Housing Regulator's (SHR) previous Scottish Housing Quality Standards compliance date of March 2015, ARK has continued to upgrade the quality of its housing stock through improving the built environment for service users, mainstream tenants and staff. ARK seeks, as a minimum, to maintain compliance with the quality standards through regular stock condition survey updates and the development, and implementation, of a 30-year repairs and maintenance plan.

ARK's next quality challenge from the SHR is the EESSH standards. The SHR monitors and reports on Registered Social Landlords' (RSL) progress towards compliance with EESSH on an annual basis and aims to encourage RSLs to improve the energy efficiency of social housing in Scotland.

The EESSH regulations set a single minimum energy efficiency rating for landlords to achieve, which can vary as a result of the property type and the fuel used to heat it. RSLs must ensure that they achieve the relevant minimum energy efficiency rating by the first milestone of 31st December 2020.

The range of energy efficiency measures which ARK will consider includes the following:

- Loft insulation / top up floor insulation;
- Double / secondary glazing;
- External wall insulation;
- Heating controls;
- Replacement storage heating;
- Energy-saving lighting; and
- Boiler replacement with modern, efficient condensing boilers.

An annual update is given to the SHR on ARK's progress on implementing its EESSH plans. Therefore, ARK is well aware of its compliance levels, and will have taken appropriate actions significantly before the deadline.

ARK's performance on meeting performance standards in repairs and maintenance in 2017-18 has been as follows:

- | | |
|--|-----------|
| • Average number of reactive repairs completed per property | 3.54 |
| • Average time to complete emergency repairs (standard of 12 hours) | 4.26 Hrs |
| • Average time to complete non-emergency repairs (standard of 10 days) | 5.57 days |
| • Percentage of reactive repairs completed right first time | 97.54% |
| • Percentage of tenants satisfied with repairs and maintenance service | 94.28% |

Through almost £1 million of investment, ARK has progressed with its repairs and maintenance programme through, for example, installing new kitchens, bathrooms and boilers at a number of locations across the country, ensuring fire, electrical and gas safety as well as dealing with routine maintenance requests.

Housing Services

Despite Scottish Legal Aid Board funding for welfare advisors posts being withdrawn at the 31st March 2017, ARK continued to support tenants during a time of ongoing Welfare Reform with the roll out of Universal Credit, "Live System", in 9 of the 13 Local Authorities in which ARK operates. The other 4 remaining areas (Perth & Kinross, The Moray Council, Aberdeen City Council and the City of Edinburgh Council) will transfer over to the "Live System" between April 2018 and October 2018.

Some 96% of the tenants affected by under-occupancy charge continue to get Discretionary Housing Payments to mitigate the effects and, in addition, we supported 1 tenant to make a Welfare Fund application, which was awarded. One Housing Services Officer made a successful referral to a Local Authority Welfare Rights team for a terminally ill tenant and the outcome of this was a positive one for the tenant.

A 2% increase to rents was applied at 1/4/2017 and throughout the year 97% of the rental income due for the year was collected. Total rent arrears decreased slightly to 2.64%, (2017 2.69%) of gross rental income. For current tenants the amount due by tenants amounted to 0.5%, whilst the arrears due to housing benefit accounted for 1.76%, (2017 1.9%).

We served five Notice of Proceedings for recovery of possession due to rent arrears. However, none of these cases were taken to court during the year. Former tenant arrears at 31st March 2018 amounted to £15,451 because of these cases but only £4,658 of this debt was written off. We will continue to pursue the former tenants for payment throughout 2018-19. There were no abandonments in the year and

tenancy sustainment levels remaining high with more than 94.44% of tenants remaining in the tenancy for more than one year.

We are part of the Common Housing Register (Edindex) within Edinburgh, which also holds a housing list for the other areas where we have housing. This year, 96 applications were assessed and added to the housing list and 27 were cancelled for a variety of legitimate reasons. At the end of the year ARK had a total of 276 people requesting to be rehoused by ARK in areas outwith Edinburgh. Within Edinburgh, there were 21,130 applicants on the Housing Register at 31st March 2018.

Our stock turnover rate in the year was 9.63% and we allocated 28 self contained properties and 9 rooms within shared properties. The average number of days to re-let decreased from 40 days to 28.6 days and 100% of these tenants were very satisfied or satisfied with the condition of the property when moving in.

At the end of the year there were no self-contained voids waiting to be re-let and the total rental loss to voids was £46,634 or 1.65 % of the rental income. This is a substantial improvement on the previous year when £69,807 was lost in rent (2.62% of the total rental income).

During the year, the three-yearly Tenant Satisfaction Survey was undertaken by an external consultant. Overall tenant satisfaction remained the same with 81% of tenants saying that they were very satisfied or satisfied with the overall service provided by us. However, within this figure some ups and down could be seen. For example, satisfaction with being kept informed fell from 80% to 70%, satisfaction with repairs fell from 94% to 77%, quality of their home rose from 83% to 86% and value for money rose from 62% to 72%. The results of this survey have led to the development of a detailed Tenant Service Improvement Plan involving both the Housing Services and Property Management Departments.

Care and Support Service Quality

ARK was able to maintain the high quality services provided in previous years with its average Care Inspectorate grade during the year increasing from 4 to 4.3 (good) across all of its services.

Out of a total of 40 Care Inspectorate grades awarded or held during this period, 4 grades were 6 (excellent), 16 grades were 5 (very good), and 8 grades were 4 (good). Whilst there was a slight reduction in the number of grades of 4 awarded during this period, this was offset by an increase in the number of grades of 5 awarded.

During this period ARK received 11 grades of 3 (adequate) across its services, and 1 grade of 2 (weak) in its Borders East service. Whilst there was a slight increase in the number of grades of 3 that ARK was awarded, and ARK considers grades of less than 4 to be unacceptable, it was nevertheless positive to note that there was a drop from the previous year in the number of grades of 2 which were awarded, which supports the improving picture across all services.

In ARK services where a lower grade than 4 has been received, as well as a detailed action plan being put in place to support improvement, a service review is conducted, in accordance with ARK's corporate objectives. These reviews involve a detailed audit by a manager from another area, with results being reported to senior management within ARK. Further, within the Borders East Service, specific pieces of work are being undertaken both with the local authority, and with the staff team, to support improvement in relation to the issues identified by the Care Inspectorate, which are unique to that service.

ARK is confident that the measures which have been put in place to address grades of less than 4 will support continued improvement in relation to both service delivery and Care Inspectorate performance.

During this period ARK's service user questionnaire was reviewed and simplified to take account of the new Health and Social Care Standards, which set out what we should expect when using health, social care or social work services in Scotland. This year's survey confirmed that 98% of those people who responded, who use ARK care and support services, either agreed or strongly agreed that they are happy with their care and support.

ARK's stakeholder surveys, which capture feedback from third parties such as family members, carers and professionals, showed that 85% of family members, and 94% of professional stakeholders either agreed or strongly agreed that the person using the service was happy with the service provided by ARK.

Participation

Whilst during this year there were changes in personnel within the Participation Team, ARK continued to offer a range of opportunities for our service users and tenants to get involved in managing, monitoring and shaping the services that ARK provides.

ARK's service user Voices Group met 4 times at the office in Edinburgh and offered a number of service users from different geographical locations a chance to participate in an open forum which discusses issues that are relevant to ARK's work and that are relevant to the wider community. For example, the group talked about the 2016 Survey Report and gave their feedback about ways to improve the surveys in future, which feedback was used to develop ARK's surveys in line with the new Health and Social Care Standards. The Voices Group also participated in the launch of ARK's 40th birthday DVD which had been created with support from ARK service users and tenants. It also worked with external facilitators from the National Involvement Network (NIN), to evaluate how ARK is putting the NIN Charter for Involvement into practice. The group is regularly attended by members of ARK's Executive Team and Board, and offers an excellent opportunity for service users to engage with ARK's leadership and staff.

The service users and tenants involved in ARK's Working Group met 6 times during the year. Members of the Working Group look at how ARK does its business, review ARK policies such as 'Managing Money' and the 'Risk and Vulnerability Assessment' and work on reports such as the annual report on the Scottish Social Housing Charter. The Working Group continued to be particularly involved in the review of ARK's Recruitment Policy and involving service users in interviewing new staff. One of ARK's Area Managers regularly attends this group in order to create a link with senior management.

ARK has built on the good work undertaken in previous years in relation to developing service user Speak Out groups. As part of this, certain support workers act as Speak Out Workers and take responsibility for planning, running and following up on service user speak out meetings. These groups provide ARK with direct information about what is working or not in the services and the real needs of service users. To date there are 12 active speak out groups and over 150 service users involved in Speak Out activities. ARK's Tenant and Service User Participation Officer continues to engage with local staff teams to create speak out groups in areas where there is interest, but no Speak Out Worker.

During 2017-18, ARK's tenant and service user scrutiny group (the Hub Group) continued to meet regularly to review how ARK operates. The Hub Group is independently facilitated and, therefore, operates independently from ARK. The group enjoys autonomy to decide which areas of ARK's business and operations it wishes to review. The group worked to establish links with other ARK service user and tenant groups, reviewed Care Inspectorate reports, considered aspects of certain ARK policies and liaised with members of ARK's Senior Leadership Team and Board as necessary in relation to its work.

ARK service users continue to make connections with local communities and external groups and agencies. ARK tenants and service users are actively engaged in the National Involvement Network and with Learning Disability Alliance Scotland, which are organisations that help people who use services to have more control over their lives.

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 in year two of a new three-year Organisational Development Strategy and is currently focusing on the following:

- to gain accreditation of our internal management development programme accredited by Napier University, by the SSSC as a recognised management award for SSSC Registration;
- to implement service registration plans required by the SSSC;
- to embed the SVQ e-portfolio system;
- to further develop ARK's E-Learning system for all staff;
- to develop training and work based training that meets service user outcomes;
- to measure the impact of L&D interventions;
- to increase leadership and management capability across ARK;
- To continue developing Resource Link, which is ARK's HR, Learning & Development and Payroll system.

The majority of ARK's staff is within the scope of the SSSC registration. ARK is working towards registration timescales and currently has 43% of its staff qualified. 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 Managers to complete their SVQ Level 4 qualifications in Health and Social Care and Management.

Employee Involvement and Consultation

ARK continues to recognise Unite the Union and has a longstanding Recognition Agreement in place. Consultation with staff representatives and a full-time Union Official takes place on a regular basis and this year Unite continues to work, with ARK's support, to improve its membership/staff representative committee. ARK's full time official has visited a number of services to recruit new members and this has been a success. We have also improved our Employee Representative numbers that sit on the Committee and are delighted that we now have a much more representative view of the staff across ARK. This year we will welcome a new full time official to work with ARK and carry on the excellent relationship we have enjoyed over the years.

Investors in People

ARK is in the final year of the IIP Gold Award and we will be undertaking work in the coming months to prepare for reassessment under the new release of IIP. As part of this review we will consider ARK's overall quality and continuous improvement framework to ensure that IIP compliments our approach.

Healthy Working Lives

During this year ARK continued its participation in the Healthy Working Lives Award Programme. This involved an employee-led working group rolling out a programme of activities and information campaigns on issues which could affect employees' health and wellbeing. The efforts of the Group, and those ARK employees who participated in campaigns, were recognised by the independent body which oversees the awards programme, the Scottish Centre for Healthy Working Lives, which confirmed that ARK had successfully maintained the Healthy Working Lives Bronze Award.

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, containing information on current documents for consultation, new policies and general updates on health and safety issues. Regular Managers' briefing sheets and alerts 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 Leadership Team, Executive Team, and to the Audit Sub-Committee, in order to maintain a focus on this important area.

Funds held as Custodian Trustee on Behalf of Others

During the year ARK held 131 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 reviews 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 programme is agreed with the Audit Sub-Committee on behalf of the Board, 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. ARK implements a Strategic Risk Register to ensure that once they are identified, risks are monitored, managed and reported.

The key risks to the organisation and the appropriate mitigations against these risks are as follows:

- Risk – that ARK does not operate within the standards required and guidelines defined by its regulators and legislation, leading to resultant harm or abuse of tenants or service users, staff or members of the public and/or punitive consequences for the organisation and /or staff.

To mitigate against this risk ARK is engaged as follows:

- ARK reviews the strategic and operational returns checklist monthly and has included in the audit function reporting on Care Inspectorate requirements;
- ARK's Audit Sub-Committee regularly scrutinises and reviews the risk process. The risks are reviewed monthly by the SLT and ET and short-term business critical risks identified and addressed;
- ARK regularly audits personal risk assessments in support plans;
- ARK has a policy and procedure review timetable that is reviewed monthly by the Senior Leadership Team;

**REPORT OF BOARD OF MANAGEMENT
31 MARCH 2018**

- ARK's Audit Sub-Committee that regularly scrutinises and reviews the action plans on Exceptions' requirements. The actions are reviewed quarterly by the SLT and ET;
- ARK implements the best practice guidelines from the SHR and the Care Inspectorate and has developed a highly visible audit trail of complaints and exceptions that is reviewed by the Board, Hub Group and senior leadership. ARK operates a whistle blowing policy and actively promotes a culture of learning from complaints and trends.
- Risk – that ARK fails to remain a going concern and that ARK expenditure exceeds income as a result of Care and Support services not operating within financially sustainable models.

To mitigate against this risk ARK is engaged as follows:

- negotiating with each Local Authority to secure sufficient funding to cover the impact of payment of the Scottish Living Wage for both direct care hours and sleepover hours;
- ARK is actively supporting Coalition of Care and Support Providers in Scotland (CCPS) negotiations with the Scottish Government on the Scottish Living Wage issue;
- ARK is also reviewing all costs within Care & Support with a focus on agency, participation, training costs and central overhead costs;
- Risk – that ARK delivers poor quality care and support to its service users and that ARK does not deliver agreed outcomes in Care & Support Good Life plans.

To mitigate against this risk ARK is engaged as follows:

- undertaken a full review of the recruitment process and review of exit interviews, resulting in change of approach;
- local people plans are in place to ensure that the Care & Support staff has the required SVQ qualification by the required date, that inductions are fully implemented within planned timescales and are reviewed regularly;
- ARK's Management Development Plan is in place;
- the Scottish Living Wage has been implemented;
- the outcomes framework is being implemented for all service users;
- the updated Care and Support staffing structure was fully implemented by March 2017;
- regular surveys of service users are undertaken;
- policy and procedures for complaint handling are in place and reviewed regularly;
- an annual training plan is in place, which is monitored and updated for service level changes; and
- a Scottish Social Services Council policy and procedure has been developed.

ARK also 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 on issues of risk, control and governance and has a remit from the Board to monitor and review in the five key areas of internal and external audit functions, compliance with relevant statutory regulations, compliance with ARK's policies and procedures and health and safety management.

**REPORT OF BOARD OF MANAGEMENT
31 MARCH 2018**

Plans for the Future

ARK continues to focus on delivering good quality homes for all and care and support services for people with complex needs. Through adopting and developing the SDS model within the timeframe of the new business plan, those who use ARK care and support services can expect to have much more control over their lives. We wish to further enhance our tenant and customer engagement and this year we will be undertaking a review of everything that we do in that area.

ARK will focus on keeping rents at an affordable level and continuing to invest in our property portfolio to ensure that all regulatory standards of energy efficiency and quality are met. We intend to pursue two housing development projects in the Lothians.

We will finalise the local business plans early this year and that will ensure that all our development, resource allocation and services are locally focused and responsive.

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.

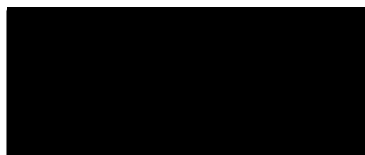
Auditors

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

Ann Lyon (Chair)

Date: 20 September 2018



**STATEMENT OF BOARD RESPONSIBILITIES
31 MARCH 2018**

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.

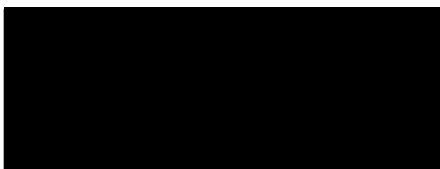
The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014. 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



Ann Lyon (Chair)

Date: 20 September 2018

ARK HOUSING ASSOCIATION LIMITED
STATEMENT ON INTERNAL FINANCIAL CONTROLS
31 MARCH 2018

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:-

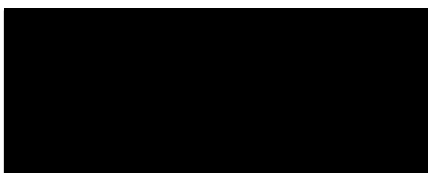
- The reliability of financial information used within the Group or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets (against unauthorised use or disposition).

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 the Audit Sub-Committee, which scrutinises reports from both internal and external auditors, to obtain 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 pages 13 to 14 of this document.

The Board of Management has reviewed the system of internal financial control in the Group during the year ended 31 March 2018 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



Ann Lyon (Chair)

Date: 20 September 2018

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

31 MARCH 2018

Opinion

We have audited the financial statements of ARK Housing Association Limited (the 'association') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Financial Position, Group Statement of Changes in Reserves, the Group and Association Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 2018 and of the Association's and the Group's 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 – December 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

31 MARCH 2018

Other information

The Board is responsible for the other information. The other information comprises the information included in the Operating and Financial Review and Board of Management Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

Responsibilities of the Board

As explained more fully in the Statement of the Board's Responsibilities set out on page 16, the Board members (who are also the Trustees of the association for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the group's and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

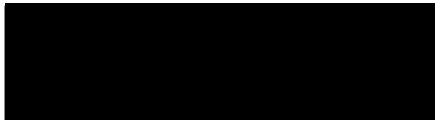
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARK HOUSING
ASSOCIATION LIMITED**

31 MARCH 2018

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



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



2018

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 17 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 17 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

 2018

ARK HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	<i>Notes</i>	2018	2017
		£'000	£'000
Turnover	<i>2</i>	21,424	20,177
Less: Operating costs	<i>2</i>	(19,789)	(19,216)
Operating surplus		<u>1,635</u>	<u>961</u>
Gain on disposal of fixed assets	<i>19</i>	10	-
Restructuring costs		(9)	(392)
Interest receivable and similar income		32	37
Interest payable and similar charges	<i>6</i>	(68)	(716)
Surplus/(deficit) for the financial year		<u>1,600</u>	<u>(110)</u>
Unrealised (loss)/gain on investments	<i>13</i>	(38)	77
Actuarial gain on investments	<i>26</i>	727	706
Amendment to pension recovery plan	<i>26</i>	-	6,950
Total comprehensive income for the financial year		<u><u>2,289</u></u>	<u><u>7,623</u></u>

All amounts relate to continuing operations.

ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	<i>Notes</i>	2018	2017
		£'000	£'000
Turnover	<i>2</i>	20,703	19,528
Less: Operating costs	<i>2</i>	(19,463)	(18,931)
Operating surplus		1,240	597
Gain on disposal of fixed assets	<i>19</i>	10	-
Restructuring costs		(9)	(392)
Interest receivable and similar income		32	36
Interest payable and similar charges	<i>6</i>	1	(644)
Surplus/(deficit) for the financial year		1,274	(403)
Unrealised (loss)/gain on investments	<i>13</i>	(38)	77
Actuarial gain on investments	<i>26</i>	727	706
Amendment to pension contribution scheme	<i>26</i>	-	6,950
Total comprehensive income for the financial year		1,963	7,330

All amounts relate to continuing operations.

ARK HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

	Group		Association					
	Income & expenditure reserve	Revaluation reserve	Restricted reserve	Total 2018	Income & expenditure reserve	Revaluation reserve	Restricted reserve	Total 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	8,519	112	40	8,671	7,111	112	40	7,263
Surplus from statement of comprehensive income	1,562	-	-	1,562	1,236	-	-	1,236
Transfer (to)/from revaluation reserve	38	(38)	3	3	38	(38)	3	3
Actuarial gain on investments	727	-	-	727	727	-	-	727
Amendment to pension recovery plan	-	-	-	-	-	-	-	-
Balance at 31 March 2018	10,846	74	43	10,963	9,112	74	43	9,229

All amounts relate to continuing operations.

ARK HOUSING ASSOCIATION LIMITED

**GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	<i>Notes</i>	2018	2017
		£'000	£'000
Tangible fixed assets			
Housing properties, furniture and equipment	9	23,568	24,091
Other tangible fixed assets	11	2,603	2,636
Assets held for sale		-	88
Investment property	13	475	475
Investments	13	1,213	1,232
		27,859	28,522
Current assets			
Debtors	14	1,855	1,821
Cash at bank and in hand	21	5,343	3,773
		7,198	5,594
Creditors: amounts falling due within one year	15	(3,001)	(3,210)
Net current assets		4,197	2,384
Total assets less current liabilities		32,056	30,906
Creditors: amounts falling due after more than one year	16	(15,443)	(15,829)
Provisions for liabilities			
Pension liability	26	(5,650)	(6,406)
Total net assets		10,963	8,671
Capital and reserves			
Share capital	20	-	-
Restricted reserves	8	43	40
Revaluation reserve		74	112
Revenue reserve		10,846	8,519
Total Reserves		10,963	8,671

These financial statements were approved by the Board of Management and authorised for issue on 20 September 2018 and signed on its behalf by:

Anne Lyon (Chair) 

Jane Gray (Company Secretary)

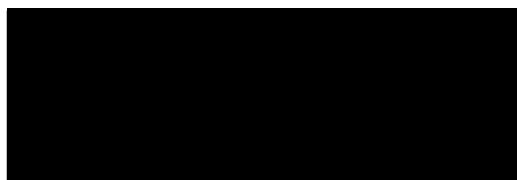
ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	<i>Notes</i>	2018	2017
		£'000	£'000
Tangible fixed assets			
Housing properties, furniture and equipment	<i>10</i>	19,923	20,351
Other tangible fixed assets	<i>12</i>	2,553	2,585
Assets Held for Sale		88	88
Investment property	<i>13</i>	475	475
Investments	<i>13</i>	1,213	1,232
		24,164	24,731
 Current assets			
Debtors	<i>14</i>	1,851	1,817
Cash at bank and in hand	<i>22</i>	3,957	2,742
		5,808	4,559
Creditors: amounts falling due within one year	<i>15</i>	(2,632)	(2,864)
Net current assets		3,176	1,695
 Total assets less current liabilities		27,340	26,426
 Creditors: amounts falling due after more than one year	<i>16</i>	(12,461)	(12,757)
 Provisions for liabilities			
Pension liability	<i>26</i>	(5,650)	(6,406)
Total net liabilities		9,229	7,263
 Capital and reserves			
Share capital	<i>20</i>	-	-
Restricted reserves	<i>8</i>	43	40
Revaluation reserve		74	112
Revenue reserve		9,112	7,111
Total Reserves		9,229	7,263

These financial statements were approved by the Board of Management and authorised for issue 20 September 2018 and signed on its behalf by:

Anne Lyon (Chair)



Jane Gray (Company Secretary)

ARK HOUSING ASSOCIATION LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS - GROUP
FOR THE YEAR ENDED 31 MARCH 2018**

	<i>Notes</i>	2018	2017
		£'000	£'000
Net cash generated from operating activities	<i>21</i>	<u>2,007</u>	<u>2,044</u>
Cash flow from investing activities			
Housing association grants received	<i>15</i>	-	-
Interest received		32	32
Sale of housing property		98	-
Purchase of housing property	<i>9</i>	(302)	(390)
Purchase of other tangible fixed assets	<i>11</i>	(63)	(186)
Purchase of investments	<i>13</i>	(199)	(30)
Cash flow from financing activities			
Interest paid	<i>6</i>	(97)	(102)
Disposal of investments	<i>13</i>	204	15
Reinvested dividends	<i>13</i>	35	15
Exceptional payments Restructuring costs		(9)	(392)
Repayment of housing loans		<u>(137)</u>	<u>(132)</u>
Net Change in cash & cash equivalents		1,569	874
Cash & cash equivalents at 1 April		3,774	2,900
Cash & cash equivalents at 31 March		5,343	3,774

ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	<i>Notes</i>	2018	2017
		£'000	£'000
Net cash generated from operating activities	22	<u>1,511</u>	<u>1,580</u>
Cash flow from investing activities			
Housing association grant received	15	-	-
Interest received		32	31
Sale of housing properties		98	-
Purchase of housing properties	10	(295)	(299)
Purchase of other tangible fixed assets	12	(63)	(186)
Purchase of investments	13	(199)	(30)
Cash flow from financing activities			
Interest paid	6	(28)	(30)
Disposal of investments	13	204	15
Reinvested dividends	13	35	15
Exceptional payments Restructuring costs		(9)	(392)
Repayment of housing loans		(71)	(71)
Net change in cash & cash equivalents		<u>1,215</u>	<u>633</u>
Cash & cash equivalents at 1 April		2,742	2,109
Cash & cash equivalents at 31 March		3,957	2,742

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2018

The Association is registered under the Co-operative and Community Benefit Societies Act 2014, is registered by The Financial Conduct Authority and is a registered housing provider. The Association is a Public Benefit Entity.

1. Accounting Policies

The principal accounting policies of the Association are set out in paragraphs (a) to (u) 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. Ark Commercial Investment Limited is incorporated as a company limited by share capital and is also 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 under the historical cost accounting rules. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 (“SORP 2014”), Financial Reporting Standard 102 (FRS 102) and the Scottish Housing Regulator’s Determination of Accounting Requirements (2014).

(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 and contributes to the costs of housing properties. 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.

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, which are held at cost, the grant is recognised in turnover over the expected useful life of the housing property structure. Grants received specifically for components of a housing property are included in turnover over the expected useful life of the component under the accruals model.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)**

Other grants from non-government sources are recognised using the performance model in accordance with the SORP.

The grants are repayable under certain circumstances, but will normally be restricted to a maximum of net proceeds of sale.

(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. Turnover is recognised when amounts fall due and when income has been earned.

(f) Fixed Assets – Housing Land and Buildings

Social Housing 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) Fixed Assets – Investment Properties

Investment properties are held at fair value with revaluation movements recorded in the income statement for the period.

(h) 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.

(i) 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.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)

(j) Fixed assets and Depreciation

(i) Housing land and buildings

In accordance with SORP 2014, the Association operates a full component accounting policy in relation to capitalisation and depreciation of its completed housing stock.

Housing properties are stated at cost 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.

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	- 15 Years
-	Building	- 80 Years
-	Assistive Technology	- 5 Years
-	Sprinkler Systems	- 15 Years

No depreciation is charged on land.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)**

(ii) Other fixed assets

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

(k) Fair value of assets transferred

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

(l) 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.

(m) Deferred Income

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

(n) 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.

(o) Restricted Reserves

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

(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.

As disclosed in note 26 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.

In accordance with FRS 102, the Association's share of the scheme assets and liabilities have been separately identified and are included in the Association's Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Association's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the statement of comprehensive income as actuarial gain or loss on pension schemes.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

(Continued)

During the year ARK has also been contributing to a Standard Life scheme for 1 staff member 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. The individual transferred out of the scheme and into the Pension Trust scheme on 1 December 2017. More information can be found in note 26.

(q) Credit Payment Policy

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

(r) Operating Leases

Rentals paid in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

(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 Comprehensive Income and disclosed in the Revaluation Reserve in the Balance Sheet. Realised gains or losses are recognised through the Statement of Comprehensive Income as they occur.

(u) Financial instruments (financial assets and financial liabilities)

The Association has only basic financial assets and liabilities comprising debtors, cash and cash equivalents and trade creditors and accruals. These assets and liabilities are initially recorded at cost and subsequently at the amounts expected to be received or paid.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)**

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

			2018	2017
	Notes	Turnover	Operating Costs	Operating Surplus
		£'000	£'000	£'000
Social Lettings	3	3,523	(2,473)	1,050
Other Activities	4	17,901	(17,316)	585
2018 Total		21,424	(19,789)	1,635
2017 Total		20,177	(19,216)	961

Association:

			2018	2017
	Notes	Turnover	Operating Costs	Operating Surplus
		£'000	£'000	£'000
Social Lettings	3	2,754	(2,147)	607
Other activities	4	17,949	(17,316)	633
2018 Total		20,703	(19,463)	1,240
2017 Total		19,528	(18,931)	597

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)**

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

Group:	Supported		2018 Total £'000	2017 Total £'000
	General Needs £'000	Housing Accommodation £'000		
Rent receivable	3,125	71	3,196	3,009
Service charges	373	-	373	375
Gross income from rents and service charges	3,498	71	3,569	3,384
Less Voids	(46)	-	(46)	(70)
Total turnover from social letting activities	3,452	71	3,523	3,314
Management and maintenance administration costs	829	21	850	797
Service costs	408	-	408	391
Planned and cyclical maintenance including major repairs costs	344	8	352	419
Reactive maintenance costs	254	6	260	251
Bad debts – rent and service charges	1	-	1	(14)
Depreciation of social housing	589	13	602	589
Operating costs for social letting activities	2,425	48	2,473	2,433
2018 Operating surplus for social letting activities	1,027	23	1,050	881
2017 Operating surplus for social letting activities	861	20	881	

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)

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

Association:	General Needs £'000	Supported Housing Accommodation		2018 Total £'000	2017 Total £'000
Rent receivable	2,417	71		2,488	2,360
Service charges	312	-		312	313
Gross income from rents and service charges	2,729	71		2,800	2,673
Less Voids	(46)	-		(46)	(70)
Total turnover from social letting activities	2,683	71		2,754	2,603
Management and maintenance administration costs	792	22		814	759
Service costs	282	-		282	283
Planned and cyclical maintenance including major repairs costs	307	8		315	386
Reactive maintenance costs	228	6		234	228
Bad debts – rent and service charges	1	-		1	(13)
Depreciation of social housing	488	13		501	506
Operating costs for social letting activities	2,098	49		2,147	2,149
2018 Operating surplus for social letting activities	585	22		607	454
2017 Operating surplus for social letting activities	434	20		454	

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018 (Continued)

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

Group:	Other revenue grants	Supporting people income	Other income	Total turnover	Other operating costs	2018 Operating Surplus / (Deficit)	2017 Operating Surplus / (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Support activities	7,373	8,229	319	15,921	(15,336)	585	157
Care activities	1,466	-	131	1,597	(1,560)	37	(12)
Other activities	-	-	383	383	(420)	(37)	(65)
Total from other activities – 2018	8,839	8,229	833	17,901	(17,316)	585	80
Total from other activities – 2017	8,020	8,165	678	16,863	(16,783)	80	

Association:

Association:	Other revenue grants	Supporting people income	Other income	Total turnover	Other operating costs	2018 Operating Surplus / (Deficit)	2017 Operating Surplus / (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Support activities	7,373	8,229	319	15,921	(15,366)	555	157
Care activities	1,466	-	131	1,597	(1,534)	63	(12)
Other activities	-	-	431	431	(416)	15	(2)
Total from other activities – 2018	8,839	8,229	881	17,949	(17,316)	633	143
Total from other activities – 2017	8,020	8,165	740	16,925	(16,782)	143	

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)**

5. The number of units in management at 31 March 2018 was as follows:

	Owned	Not Owned	2018 Total	2017 Total
	No.	No.	No.	No.
General Needs	194	1	195	199
Supported accommodation	360	49	409	405
	554	50	604	604

Management of Association stock by other bodies

	2018 No.	2017 No.
Properties leased to other organisations		
Midlothian Council	9	9
West Lothian Council	6	6
Community Integrated Care Ltd	6	6
Aberdeen City Council	1	1
Leonard Cheshire Foundation	1	1
Real Life Options	1	1
Fife Council	6	6
Clackmannanshire Council	3	3
Total properties	33	33

6. Interest payable

	Group		Housing Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loans	97	102	28	30
Net interest charges on pension liability	(29)	614	(29)	614
	68	716	(1)	644

7. Taxation

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

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)**

8. Restricted Reserves	Group		Housing Association	
	2018	2017	2018	2017
Rotary Rymonth Hobbies Fund – Restricted	£'000	£'000	£'000	£'000
At 1 April 2017	7	7	7	7
At 31 March 2018	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>

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

Rymonth Donations - Restricted	£'000	£'000	£'000	£'000
At 1 April 2017	26	25	26	25
Transfer from revenue reserve	1	1	1	1
At 31 March 2018	<u>27</u>	<u>26</u>	<u>27</u>	<u>26</u>

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

Southside / West Adam Street	£'000	£'000	£'000	£'000
At 1 April 2017	7	7	7	7
At 31 March 2018	<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.

Southhouse – Restricted	£'000	£'000	£'000	£'000
At 1 April 2017	-	-	-	-
Transfer from revenue reserve	2	-	2	-
At 31 March 2018	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>
Total Restricted Reserves	<u>43</u>	<u>40</u>	<u>43</u>	<u>40</u>

The Southhouse Restricted Fund relates to a legacy received during the year from the father of a service user at Southhouse to be used for the benefit of staff at Southhouse service in Edinburgh.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)**

9. Tangible Fixed Assets – Group

Heritable property for letting

	Assets completed £'000	Assets under construction £'000	Total Heritable property for letting £'000
Cost			
As at 1 April 2017	34,873	-	34,873
Additions	302	-	302
Disposals	(122)	-	(122)
As at 31 March 2018	35,053	-	35,053
Depreciation			
As at 1 April 2017	10,782	-	10,782
Charge for Year	784	-	784
Disposals	(81)	-	(81)
As at 31 March 2018	11,485	-	11,485
Net Book Value			
As at 31 March 2018	23,568	-	23,568
As at 31 March 2017	24,091	-	24,091

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

Major Repairs costs amounted to £518k (2017 £609k) of which £302k (2017 £378k) was capitalised in the year.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)**

**10. Tangible Fixed Assets -
Housing Association**

	Assets Completed	Assets Under Construction	Total Heritable Property for letting £'000
Cost			
As at 1 April 2017	30,089	-	30,089
Additions	295	-	295
Disposals	(118)	-	(118)
As at 31 March 2018	30,266	-	30,266
Depreciation			
As at 1 April 2017	9,738	-	9,738
Charge for Year	683	-	683
Disposal	(78)	-	(78)
As at 31 March 2018	10,343	-	10,343
Net Book Value			
As at 31 March 2018	19,923	-	19,923
As at 31 March 2017	20,351	-	20,351

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

Major Repairs costs amounted to £445k (2017 £508k) of which £295k (2017 £287k) was capitalised in the year.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)**

**11. Other Fixed Assets –
Group**

	Heritable Buildings £'000	Land £'000	Computer Equipment £'000	Office Equipment £'000	Total £'000
Cost					
As at 1 April 2017	1,567	1,300	689	146	3,702
Additions during year	-	-	63	-	63
Disposals during the year	-	-	-	-	-
At 31 March 2018	<u>1,567</u>	<u>1,300</u>	<u>752</u>	<u>146</u>	<u>3,765</u>
Depreciation					
As at 1 April 2017	356	-	618	92	1,066
Charges for the year	39	-	40	17	96
Disposals during year	-	-	-	-	-
At 31 March 2018	<u>395</u>	<u>-</u>	<u>658</u>	<u>109</u>	<u>1,162</u>
Net Book Value					
At 31 March 2018	<u>1,172</u>	<u>1,300</u>	<u>94</u>	<u>37</u>	<u>2,603</u>
As at 31 March 2017	<u>1,211</u>	<u>1,300</u>	<u>71</u>	<u>54</u>	<u>2,636</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 FRS 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 2018
(Continued)**

**12. Other Fixed Assets –
Association**

	Heritable Buildings £'000	Land £'000	Computer Equipment £'000	Office Equipment £'000	Total £'000
Cost					
As at 1 April 2017	1,567	1,250	689	146	3,652
Additions during year	-	-	63	-	63
Disposals during the year	-	-	-	-	-
At 31 March 2018	<u>1,567</u>	<u>1,250</u>	<u>752</u>	<u>146</u>	<u>3,715</u>
Depreciation					
As at 1 April 2017	357	-	618	92	1,067
Charges for the year	38	-	40	17	95
Disposals	-	-	-	-	-
At 31 March 2018	<u>395</u>	<u>-</u>	<u>658</u>	<u>109</u>	<u>1,162</u>
Net Book Value					
At 31 March 2018	<u>1,172</u>	<u>1,250</u>	<u>94</u>	<u>37</u>	<u>2,553</u>
As at 31 March 2017	<u>1,210</u>	<u>1,250</u>	<u>71</u>	<u>54</u>	<u>2,585</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 FRS 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 2018
(Continued)**

13. Investments

	Group		Housing Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Opening value	1,232	1,133	1,232	1,133
Additions	199	30	199	30
Disposals	(204)	(15)	(204)	(15)
Reinvested dividends	35	17	35	17
Investment management fees	(11)	(10)	(11)	(10)
Closing value before unrealised gain	1,251	1,155	1,251	1,155
Movement in unrealised (loss)/gain	(38)	77	(38)	77
Closing market value	1,213	1,232	1,213	1,232

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

Standard Life Investments Global IDX LKD	
BD	6.37%
Invesco Fund Managers High Income	5.31%

Investment Property – West Adam Street

Opening Balance	475	475	475	475
Additions	-	-	-	-
Closing Balance	475	475	475	475

14. Debtors: Amount falling due within one year

	Group		Housing Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Rent Arrears	101	106	84	90
Less: Provision for bad debts	(16)	(12)	(17)	(12)
	85	94	67	78
Other Debtors	63	101	61	98
Ark Services Debtor	-	-	2	-
Kindred Debtor	2	53	2	53
Ark Commercial Investment Debtor	-	-	14	15
Less: Provision for bad debts	(54)	(59)	(54)	(59)
Local Authorities	1,353	1,311	1,353	1,311
Prepayments and accrued income	406	321	406	321
	1,855	1,821	1,851	1,817

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018**

(Continued)

15. Creditors: Amount falling due within one year

	Group		Housing Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade Creditors	266	159	259	158
Contractors for specified work and retentions unpaid	35	36	35	36
Local Authorities	382	573	382	573
Other Creditors	247	434	248	429
Ark Services Creditor	-	-	1	1
The Action Group Creditor	-	2	-	2
Other taxes and social security	356	393	356	393
Accruals	532	552	505	519
Deferred Income	31	23	31	24
Service equipment replacement account	766	656	519	435
Release of HAG	205	205	205	205
Release of other Grants	43	43	18	18
Housing Loans (Note 16)	138	134	73	71
	3,001	3,210	2,632	2,864

Analysis of deferred HAG/other grants- Group

	Housing Association Grants	Other Grants	Total
	£'000	£'000	£'000
Deferred income as at 31 March 2017	10,820	2,559	13,379
Additional income received	-	-	-
Released to Statement of comprehensive income	(205)	(43)	(248)
Deferred income as at 31 March 2018	10,615	2,516	13,131

Grant to be released to the Statement of Comprehensive Income

2017 – all due within one year	205	43	248
2018 – all due within one year	205	43	248

Analysis of deferred HAG/other grants – Association

	Housing Association Grants	Other Grants	Total
	£'000	£'000	£'000
Deferred income as at 31 March 2017	10,820	1,020	11,840
Additional income received	-	-	-
Released to Statement of comprehensive income	(205)	(18)	(223)
Deferred income as at 31 March 2018	10,615	1,002	11,617
Grant to be released to the Statement of comprehensive income			
2017 – all due within one year	205	18	223
2018 – all due within one year	205	18	223

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)**

16. Creditors due out with one year

	Group		Housing Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
HAG	10,615	10,820	10,615	10,820
Other Grants	2,516	2,559	1,002	1,020
Housing Loans	2,312	2,450	844	917
	15,443	15,829	12,461	12,757

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 % (2016: 1.10% to 7.02 %) in instalments due as follows:

	Group		Housing Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
In one year or less (Note 15)	138	134	73	71
In one to two years	143	138	74	72
Between two to five years	501	441	278	225
In five years or more	1,668	1,871	492	620
	2,450	2,584	917	988

Housing loans will be fully repaid between 2025 and 2039.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)**

17. Employees

	Group		Housing Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Staff Costs during year				
Wages & Salaries	13,276	13,466	13,276	13,466
Social Security Costs	974	946	974	946
Other Pension Costs	1,096	1,070	1,096	1,070
	<u>15,346</u>	<u>15,482</u>	<u>15,346</u>	<u>15,482</u>

In addition to the above staff costs the Association also incurred agency staff costs of £700k during the year (2017: £724k).

The average full time equivalent number of persons employed by the association during the year was as follows:	Group		Housing Association	
	2018	2017	2018	2017
	No	No	No	No
Housing Staff	8	9	8	9
Support Staff	40	41	40	41
Direct Services Staff	520	545	520	545
	<u>568</u>	<u>595</u>	<u>568</u>	<u>595</u>

Key management are defined as the Executive Officers which includes the Chief Executive and 3 Directors. No emoluments were paid to any member of the Board of Management during the year and details of emoluments paid to key management follow:

	Group		Housing Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Aggregate Emoluments payable to Executive Officers (including employers NIC, pension contributions and benefits in kind)	<u>318</u>	<u>315</u>	<u>318</u>	<u>315</u>
Emoluments payable to Highest Paid Executive Officer (excluding pension contributions)	<u>82</u>	<u>78</u>	<u>82</u>	<u>78</u>

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)**

17. Employees (continued)

The Chief Executive is an ordinary member of the Association's pension scheme described in note 26. 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 £2,308 (2017: £2,612).

	2018	2017
Total expenses reimbursed insofar as not chargeable to UK Income Tax:	£	£
Chief Executive	-	36
Board of Management	285	-

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

	2018	2017
	No.	No.
£60,000 to £70,000	3	3
£80,000 to £90,000	1	1

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

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

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)**

18. Operating Surplus

	Group		Housing Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
This is stated after charging the following:				
External Auditors remuneration	18	19	16	16
Remuneration to external auditors for other services	-	-	-	-
Internal Auditors remuneration	7	3	7	3
Depreciation	615	688	537	605
Other operating lease rentals				
- land & buildings	343	345	343	345
- plant & machinery	16	15	16	15

19. Gain on disposal of fixed assets

	Group		Housing Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Proceeds	98	-	98	-
Net book value disposed	(88)	-	(88)	-
	<u>10</u>	<u>-</u>	<u>10</u>	<u>-</u>

20. Share Capital -

Group & Housing Association	2018	2017
Shares of £1 fully paid and issued at beginning of year	43	47
Shares Issued during year	1	7
Shares Cancelled during year	-	(11)
	<u>44</u>	<u>43</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 2018
(Continued)**

21. Net cash inflow from operating activities

	2018	2017
Group	£'000	£'000
Operating Surplus	1,635	961
Depreciation	615	688
(Increase) in Debtors	(34)	(34)
(Decrease)/increase in Creditors	(209)	429
Net cash generated from operating activities	2,007	2,044

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

	2018	2017
Group	£'000	£'000
Increase in cash in the period	1,570	873
Cash inflow from movement in debt	135	130
	<u>1,705</u>	<u>1,003</u>
Net funds at 1 April	1,188	185
Net funds at 31 March	2,893	1,188

Analysis of changes in net funds

	At	Cash	At
	31-Mar-17	Flows	31-Mar-18
	£'000	£'000	£'000
Cash in bank and in hand	3,773	1,570	5,343
Debt due within 1 year	(131)	(7)	(138)
Debt due after 1 year	(2,454)	142	(2,312)
Net funds	1,188	1,705	2,893

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)**

22. Net cash inflow from operating activities

	2018	2017
	£'000	£'000
Housing Association		
Operating Surplus	1,240	597
Depreciation	537	605
(Increase) in Debtors	(34)	(38)
(Decrease)/increase in Creditors	(232)	416
Net cash generated from operating activities	<u><u>1,511</u></u>	<u><u>1,580</u></u>

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

	2018	2017
	£'000	£'000
Housing Association		
Increase in cash in the period	1,215	633
Cash inflow from movement in debt	71	70
	<u>1,286</u>	<u>703</u>
Net funds at 1 April	1,754	1,051
Net funds at 31 March	<u><u>3,040</u></u>	<u><u>1,754</u></u>

Analysis of changes in net funds

	At	Cash	At
	31-Mar-17	Flows	31-Mar-18
	£'000	£'000	£'000
Cash in bank and in hand	2,742	1,215	3,957
Debt due within 1 year	(71)	(2)	(73)
Debt due after 1 year	(917)	73	(844)
Net funds	<u><u>1,754</u></u>	<u><u>1,286</u></u>	<u><u>3,040</u></u>

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)**

23. Commitments

Group and Housing Association

At the end of the financial year the Association had total future minimum lease payments under non-cancellable operating leases as follows:

	Group		Housing Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Equipment				
Operating leases which expire:				
Less than one year	14	16	14	16
In two to five years inclusive	10	23	10	23
	<u>24</u>	<u>39</u>	<u>24</u>	<u>39</u>
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Land and buildings				
Operating leases which expire less than one year	83	76	83	76
Over one year	37	14	37	14
	<u>120</u>	<u>90</u>	<u>120</u>	<u>90</u>

24. Capital Commitments

There were no capital commitments at the year end.

25. Related Party Transactions

Ark Services Limited & Ark Commercial Investment Limited are wholly owned subsidiaries of ARK Housing Association.

During the year ARK charged Ark Services £62,550 for professional and administrative support (2017: £62,550) and £9,090 (2017: £14,199) for insurance. At 31 March 2018 there was a total balance of £1,785 (2017: £nil) owed to ARK and a balance of £1,107 (2017: £1,017) due from ARK in respect of rental and other income received on behalf of Ark Services Limited.

In addition ARK charged Ark Commercial Investment Limited £56,140 (2017: £30,000) during the year for rental of the property at West Adam Street. At 31 March 2018 there was a total of £13,962 (2017: £15,491) owed to ARK by Ark Commercial Investment Limited for utility bills paid on its behalf.

During the year ARK held 131 bank accounts (2017: 126) 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 2018 was £784,769 (2017: £731,500).

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2018 (Continued)

26. 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.

The scheme is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m.

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2017 to 28 February 2022:	£25,735,092 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 30 June 2025:	£727,217 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 31 October 2026:	£1,239,033 per annum (payable monthly, increasing by 3% each 1st April)

Unless a concession has been agreed with the Trustee the term to 22 February 2022 applies.

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2018
(Continued)**

26. 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 2017. As of this date the estimated employer debt for ARK Housing Association was £28,949,715.

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 3.45% of pensionable salaries. Member contributions were 3%. As at the balance sheet date there were 597 active members of the Scheme employed by ARK Housing Association. The annual pensionable payroll in respect of these members was £9,146,304.

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

The Association has been notified by The Pensions Trust that the amount to be paid in 2017/18 is £727,212. 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 took place after the triennial valuation undertaken in September 2015.

Using the discount rate based on an AA corporate bond for the same period a liability with a net present value of £5,650,000 is recognised within the provisions for this contractual obligation.

Movements in present value of defined benefit obligation

	Group 2018 £'000	Association 2018 £'000
Housing Association		
At 1 April 2017	6,406	6,406
Deficit contribution paid	(727)	(727)
Re-measurements	(93)	(93)
Re-measurement to contribution scheme	-	-
Interest cost	64	64
Closing defined benefit obligation	<u><u>5,650</u></u>	<u><u>5,650</u></u>

Expense recognised in the statement of comprehensive income

	Group 2018 £'000	Association 2018 £'000
Housing Association		
Net interest on defined benefit obligation	64	64
Re-measurements	(93)	(93)
Amount charged to other finance costs	<u><u>(29)</u></u>	<u><u>(29)</u></u>

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2018 (Continued)

26. Pension Commitments (continued)

The key financial assumptions underlying the valuation as at 30 September 2015 were as follows:

	% pa
- Rate of return pre retirement	5.7
- Rate of return post retirement	3.1
- Inflation: Retail Price Index (RPI)	3.1
- Inflation: Consumer Price Index (CPI)	2.2
- Rate of increase on earnings	3.7

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 next valuation will be undertaken as at 30 September 2018.

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). The existing recovery plan for the Scheme now runs until February 2022.

ARK's Concession Agreement with The Pensions Trust means that its recovery plan period extends to July 2025.

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 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 Plan or by the purchase of an annuity.

The rules of the 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.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2018 (Continued)

26. Pension Commitments (continued)

The Trustee commissions an actuarial valuation of the 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 Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the 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 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 and 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 FRS 102 represents the employer contribution payable.

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 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.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2018 (Continued)

26. Pension Commitments (continued)

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 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 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 Plan.

ARK has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2016. As of this date the estimated employer debt, including Series 3 liabilities for ARK was £38,034.

In relation to the Plan, The Association has also been notified by The Pensions Trust of the amount to be paid for the past service deficit commencing 1 April 2016 for 10 years is £2,221.

Other Pension Schemes

During the year ARK has been contributing to a defined contribution Standard Life scheme for 1 staff member that transferred from Rymouth Housing Society Limited. The contribution rates are 2.4% of pensionable salary for employees and 6% for the employer. The staff member transferred to the Pensions Trust scheme in December 2017.

27. 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 2017. As of this date the estimated employer debt for ARK Housing Association was £28,949,715. 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 2017. As of this date the estimated employer debt for ARK was £33,088 (2017: £38,034) including Series 3 liabilities in the calculation.

