



ARK HOUSING ASSOCIATION LIMITED
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

Registered Housing Association No. HEP66
Financial Conduct Authority No. 1899R (S)
Charitable No. SC015694

ARK HOUSING ASSOCIATION LIMITED

PROFESSIONAL ADVISORS

31 MARCH 2019

Registered Office

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EH10 4SG

Bankers

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External Auditors

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ARK HOUSING ASSOCIATION LIMITED

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FOR THE YEAR ENDED 31 MARCH 2019**

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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 2019

BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS
31 MARCH 2019

Board of Management - Serving in 2018-2019

Marilyn Barrett MSc*

Ken Brown #

Shona Dunsmore CMCIPD #

Ann Lyon #

Neil McKnight, MCIOH – appointed 20 September 2018

Graham Mitchell BSc, MRICS, MIRPM, ACI Arb (Chair) #

David Proudfoot *

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

Board of Management – resigned during period

Mike Morrice # – Resigned 21 November 2018

Henry A Robson * - Resigned 20 September 2018

Caroline Tough * - Resigned 21 February 2019

Board of Management – co-opted 19 September 2019

Darcey Black, MBA, PhD (Biochemistry), BSc

Nikolas Koutris, MSc, BSc

Anne Lane, ACMA

Ian Logan

* 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 (retired 31 January 2019)

- Chief Executive (appointed 1 February 2019)

- Director, People and Organisational Development

- Director, Finance and Housing

**REPORT OF BOARD OF MANAGEMENT
31 MARCH 2019**

The Board of Management presents its report and audited financial statements for the year ended 31 March 2019.

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 £21.1m (2018: £21.4m), a decrease of 1.7% on the previous year. The Care and Support business reported above budget performance mainly as a result of increases in Local Authority rates to accommodate the payment of Scottish Living Wage to staff. In addition, the Housing business again exceeded the budgeted surplus for the year, due, in the main, to increased income received in the year and also savings in depreciation.

Prior to adjustments arising from the pension scheme, ARK's surplus was £2.4m (2018: £2.3m). However, pension adjustments of £2.6m resulted in a technical deficit of £0.2m, compared to £2.3m surplus in 2018. The deficit this year is as a result of adjustments to recognise the specific liability that ARK has as a member of the SHAPS multi-employer pension scheme. Due to improved information from the Scheme's

**REPORT OF BOARD OF MANAGEMENT
31 MARCH 2019**

administrator, The Pensions Trust, ARK is, for the first time, able to disclose its specific share of the Scheme liability.

Ark Services continues to receive rental income for four sites in Aberdeen City and generated a surplus of £350k in the financial year (2018: £320k). Ark Commercial Investment Ltd showed a surplus at the year end of £6.8k which was donated to ARK.

The ARK Group presents a decreased balance sheet position of £10.8m (2018: £11.0m) predominately as a result of the adjustments to the SHAPS pension scheme. This is offset by an increase in cash of £1.5m in the year resulting in a closing cash balance of £6.8m (2018: £5.3m).

Reserves

Total reserves decreased by £0.2m on 2018 reserves. As mentioned above, 'Provisions for liabilities' increased by £1.4m again as a result of recognising the SHAPS pension scheme as a defined benefit scheme for the first time. This is offset by an increase in cash of £1.5m.

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. 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 Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

For financial years ending on or before 28 February 2019, it has not been possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association has accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Association to account for the Scheme as a defined benefit scheme.

**REPORT OF BOARD OF MANAGEMENT
31 MARCH 2019**

For accounting purposes, two actuarial valuations for the Scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

Annual Review

This has been a year of significant change of leadership. Ann Lyon stepped down as Chair of the Board at the AGM in September and Graham Mitchell was elected as the new Chair of the ARK Board. Jane Gray retired from her role as Chief Executive Officer at the end of January after 16 years of service and Bobby Duffy was appointed as the new Chief Executive Officer, taking up post on 1st February of this year.

This new leadership has brought a renewed focus upon the future through a substantial review of our current Business Plan, which is planned to continue to respond to the key challenges presented by the sectors in which we operate.

We continue to build a culture of continuous improvement by embedding key organisational developments such as Local Business Development Plans; a bespoke Outcomes Framework; Self Directed Support models of support provision and a new Information Management System.

In addition we have delivered a bespoke Strategic Leadership and Management Development Programme, a Learning and Development programme supporting colleagues to attain SVQ in Care and ensuring we have in place a robust Governance Framework that enables compliance with GDPR and our duties under the Equalities Act.

Our Care Inspectorate grades have continued to rise and we continue to achieve high levels of satisfaction amongst our tenants and service users with regards to the services they receive.

These achievements are set against a backdrop of a very challenging operating environment. Within our Care and Support business, recruitment and retention continues to present challenges to us, as it does across the social care sector. Despite this, through our negotiations with local authorities we have maintained our status as a Scottish Living Wage employer and remain committed to achieving this again in 2019/20.

Our Housing teams continue to develop and respond positively to changes in legislation and we have successfully reviewed our housing allocations policy to ensure we meet the Revised Model Tenancy Agreement as directed by the Housing (Scotland) Act 2014. We also continued to work hard at meeting the Energy Efficiency Standard for Social Housing (ESSH) requirements and we are on course to meet the 2020 target.

It has been a very busy and successful year, facilitated by the Executive Team and the Board working well together to review the delivery of the strategic objectives and agreeing the strategic priorities for the next few years. A reporting system has been developed which enables the Board to monitor, challenge and scrutinise organisational performance and, therefore, fulfil its Governance role.

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

We have continued to upgrade the quality of our housing stock through improving the built environment for all tenants and staff. We seek, as a minimum, to maintain compliance with the Scottish Housing Regulator's (SHR) Scottish Housing Quality Standards through regular stock condition survey updates and the development and implementation of a 30-year repair and maintenance plan.

We are also on target to achieve the SHR's Energy Efficiency in Scottish Social Housing (ESSH) standards. The ESSH 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. We must ensure that we achieve the relevant minimum energy efficiency rating by the first milestone of 31st December 2020.

The range of energy efficiency measures which we 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 our progress on implementing its ESSH plans. Therefore, we are well aware of our degree of compliance and have taken appropriate actions to deliver all requirements before the deadline date on non exempt properties.

Our performance on meeting performance standards in repairs and maintenance in 2018/19 has, again, been excellent with the figures below being reported:

- | | |
|--|-----------|
| • Average number of reactive repairs completed per property | 3.86 |
| • Average time to complete emergency repairs (standard of 12 hours) | 4.27 hrs |
| • Average time to complete non-emergency repairs (standard of 10 days) | 5.11 days |
| • Percentage of reactive repairs completed right first time | 96.21% |
| • Percentage of tenants satisfied with repairs and maintenance service | 94.92% |

Through over £1.1 million of investment, we have progressed with our 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.

Planning is also underway for new developments in Penicuik and Livingston as we seek to increase its portfolio of social rent housing. A planning application has been submitted in Penicuik for 12 new homes and a pre-planning discussion held with West Lothian planning officials.

Housing Services

Our staff has continued to support tenants during a time of ongoing Welfare Reform with the roll out of Universal Credit in all 14 Local Authorities in which we operate. We now have access to the Department of Work and Pensions (DWP) Portal which allows staff to speed up the process of verifying rent charges but, despite this, the DWP still sends manual forms and there are a number of challenges in relation to payment frequencies and payment start dates.

However, as we continue to only have a very small number of tenants on Universal Credit (3 as far as we are aware) we have continued to control the level of rent arrears. Total rent arrears decreased considerably to 1.4% (2018: 2.6%) of gross rental income resulting in 98.6% of the rental income due for the year being collected. Former tenant arrears at 31st March 2019 amounted to £12,104 and only £330 of this debt was written off. We will continue to pursue the former tenants for payment throughout 2019-20. A 2.9% increase to rents was applied at 1/4/2018.

Our stock turnover rate in the year was 10.9%, which was up slightly from last year, and we allocated 19 self-contained properties and 22 rooms within shared properties. The average number of days to re-let remained similar to last year at 28 days with 88% of these tenants being very satisfied or satisfied with the condition of the property when moving in.

At the end of the year there were 3 self-contained voids waiting to be re-let and the total rental loss to voids was down to £34,398 or 1.2 % of the rental income. This is an improvement on the previous year when 1.6% of the total rental income was lost through voids.

We served three 'Notice of Proceedings' for Recovery of Possession due to rent arrears and one of these cases were taken to court during the year. There were no abandonments in the year and tenancy sustainment levels remaining high with 90.5% of tenants remaining in the tenancy for more than one year. Three supported tenants were moved to more suitable accommodation and a mainstream tenant was evicted for rent arrears.

We are part of the Common Housing Register (Edindex) within Edinburgh, and also hold a housing list for the other areas where we have housing. This year, 82 applications were assessed and added to the housing list and 2 were cancelled for legitimate reasons. At the end of the year we had a total of 263 people requesting to be rehoused by us in areas outwith Edinburgh. Within Edinburgh, there were 20,197 applicants on the Housing Register at 31st March 2019.

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 4.3 to 4.5 across all of our services. Individual service, and, as a result, average, grades have risen steadily over the past 2 years.

Out of a total of 38 Care Inspectorate grades awarded during this period, 6 grades were 6 (excellent), 12 grades were 5 (very good), and 14 grades were 4 (good). Whilst there was a slight reduction in the number of grades of 5 awarded during this period, this was offset by an increase in the number of grades of 6 awarded.

During this period we received 6 grades of 3 (adequate) across our services, a significant reduction from the 11 grades of 3 awarded last year and no services received a grade of 2 (weak) or 1 (unsatisfactory). We consider grades of less than 4 to be unacceptable and, therefore, this was positive improvement, supporting the improving picture across all services.

In our services where a lower grade than 4 has been received, we put a detailed action plan in place to support improvement and a service review is conducted. These reviews involve a detailed audit by a manager from another area, with results being reported to senior management. These reviews are in addition to an improved local management auditing system that has been introduced which systematically reviews service quality and identifies improvements on an ongoing basis.

We are confident that the measures will support continued improvement in relation to both service delivery and Care Inspectorate performance.

This year's service user survey confirmed that 88% of those people who responded, who use our care and support services, either agreed or strongly agreed that they are happy with their care and support.

Our stakeholder surveys, which capture feedback from third parties such as family members, carers and professionals, showed that 79% of family members, and 87% of professional stakeholders either agreed or strongly agreed that the person using the service was happy with the service provided by us.

Participation

During 2018-19 we continued to offer a range of opportunities for our service users and tenants to get involved in managing, monitoring and shaping the services that we provide.

Our service user Voices Group met 4 times 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 our work and to the wider community. For example, the group talked about the previous Survey Report, reviewed the Health and Social Care Standards, discussed the possibility of charitable fundraising in ARK, and participated in a review of our Participation function by advising on what its members felt was working well and what could be developed further. The Group also heard from Enable Scotland, which came to talk about its campaign to ensure equal healthcare for people with learning disabilities.

The service users and tenants involved in our Working Group met 6 times during the year. Members of the Working Group look at how we do our business and, this year, reviewed our policies including the Allocations and Equality policies. The Group also works 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 our recruitment policy by checking any new documentation and training materials that relate to involving service users in interviewing new staff. The group also reviewed our Self Directed Support easy read booklet and plan. One of our Area Managers attends this group in order to create an ongoing link with senior management.

We have continued to develop the 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 us with direct information about what is working or not in the services and the real needs of service users. There are 8 active Speak Out groups and over 100 service users involved in Speak Out activities. We continue to engage with local staff teams to create Speak Out groups in areas where there is interest in setting up a Group.

During 2018/19, our tenant and service user scrutiny group (the Hub Group) continued to meet to review how we operate. The Hub Group is independently facilitated and operates independently from us. The group enjoys autonomy to decide which areas of our business and operations it wishes to review, and liaises with members of our Senior Leadership Team and Board as necessary in relation to its work. The group reviewed relevant policies, heard from our Chief Executive, and strengthened its links with our Board of Management through a presentation on its role and work.

Our service users continue to make connections with local communities and external groups and agencies. Our 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.

Information about all participation activities in ARK is regularly shared with the people we support, our staff and the public through the quarterly ARK Newsletter.

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. We are currently finalising our 5 year Organisational Development Strategy which will focus on the following:

- to gain accreditation of our internal management development programme accredited by Napier University, by the Scottish Social Services Council (SSSC) as a recognised management award for SSSC Registration;
- to agree and implement a qualification plan in line with the SSSC registration targets;
- to review the model of Learning and Development (L&D) delivery;
- to further develop our 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 review our Human Resources and L & D system.

The majority of our staff is within the scope of the SSSC registration. We continue to work towards registration timescales and currently have 36% of its staff qualified. This investment in staff qualifications has been greatly aided by the continued support from the Voluntary Sector Development Fund.

We are 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

We continue to recognise Unite the Union and have a longstanding Recognition Agreement in place. Consultation with staff representatives and a full-time Union Official takes place on a regular basis and we have completed our efforts to support Unite to improve its membership/staff representative committee. Our full time Unite official has visited a number of services and successfully recruited new members and Representatives. Following the recent appointment of a new full-time official we have continued to work closely with Unite on issues affecting the sector and have carried on the excellent relationship we have enjoyed over the years.

Continuous Improvement

Following a robust review of our continuous improvement and quality kite mark approach, we have made the decision to work towards accreditation by the European Foundation for Quality Management. We are currently developing our planning process to ensure that we provide sufficient evidence to submit the initial application. This will be a significant feature within our reviewed and updated 5-year business plan.

Healthy Working Lives

During this year we continued our 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, such as hand hygiene and healthy eating. The efforts of the group, and those employees who participated in activities, 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

We continue 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 we held 130 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 us, in particular to those with learning difficulties, are inherently risky.

However, we have 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 our employees are properly managed and to support best practice.

We also benefit 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 whole organisation.

A system of exception reporting to the Executive Officers and the Board, that includes remedial risk assessment and action reports, ensures that learning and improvement from Reporting of Injuries, Diseases and Dangerous Occurrences Regulations and serious incidents is identified and acted upon. We maintain a Strategic Risk Register to ensure that, once they are identified, risks are monitored, managed and reported.

We also operate an organisational regulatory checklist that is reviewed each month by officers and also shared regularly with the Audit Sub-Committee on behalf of the Board. In respect of Health and Safety, the checklist is supported by our 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 our policies and procedures and health and safety management.

Plans for the Future

Our focus will be to continue to deliver the best quality of Housing and Care to tenants and service users and to be the best employer we can be. We will achieve these aims by developing a new Business Plan that will drive the ongoing development of the organisation.

We have begun this process by developing a set of Strategic Aims that we plan to share with our wider group of stakeholders via a series of communication and engagement events in late summer, where tenants, service users and staff will get the opportunity to tell us what is important to them as we consider our 5-year Business Plan to 2025.

We will ensure that the whole business is operating in an inclusive and collaborative way, where we seek the views of all to help shape our thinking for the future. We will focus upon the housing ambitions of our supported tenants and ensure we offer housing options that will aid achievement of their personal outcomes. We will also consider developing strategic partnerships to enhance our ability to achieve our strategic aims.

We should receive planning permission this year for a new housing development in Midlothian and we will further develop plans for another housing development in West Lothian.

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 we have 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

Graham Mitchell (Chair)

Date: 19 September 2019

STATEMENT OF BOARD RESPONSIBILITIES

31 MARCH 2019

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

Graham Mitchell (Chair)

Date: 19 September 2019

ARK HOUSING ASSOCIATION LIMITED
STATEMENT ON INTERNAL FINANCIAL CONTROLS
31 MARCH 2019

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 2019 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

Graham Mitchell (Chair)

Date: 19 September 2019

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

31 MARCH 2019

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 2019 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 2019 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.

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.

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.

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

31 MARCH 2019

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 15, 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.

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.

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

31 MARCH 2019

Use of our report

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.

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

2019

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 16 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 16 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 Auditor
61 Dublin Street
Edinburgh
EH3 6NL

2019

ARK HOUSING ASSOCIATION LIMITED

**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

| | <i>Notes</i> | 2019 | 2018 |
|--|--------------|---------------------|---------------------|
| | | £'000 | £'000 |
| Turnover | 2 | 21,055 | 21,424 |
| Less: Operating costs | 2 | (19,780) | (19,789) |
| Operating surplus | | <u>1,275</u> | <u>1,635</u> |
| | | | |
| Gain on disposal of fixed assets | 19 | - | 10 |
| Restructuring costs | | - | (9) |
| Interest receivable and similar income | | 58 | 32 |
| Interest payable and similar charges | 6 | (95) | (68) |
| Surplus for the financial year | | <u>1,238</u> | <u>1,600</u> |
| | | | |
| Unrealised loss on investments | 13 | (6) | (38) |
| Actuarial gain on investments | 26 | - | 727 |
| Amendment to pension recovery plan | 26 | 594 | - |
| | | <u>1,826</u> | <u>2,289</u> |
| | | | |
| Other Comprehensive Income | | | |
| Initial recognition of multi-employer defined benefit scheme | 26 | (705) | - |
| Actuarial losses in respect of pension scheme | 26 | (1,332) | - |
| | | | |
| Total comprehensive income for the financial year | | <u><u>(211)</u></u> | <u><u>2,289</u></u> |

All amounts relate to continuing operations.

ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

| | <i>Notes</i> | 2019 | 2018 |
|--|--------------|---------------------|---------------------|
| | | £'000 | £'000 |
| Turnover | 2 | 20,332 | 20,703 |
| Less: Operating costs | 2 | <u>(19,475)</u> | <u>(19,463)</u> |
| Operating surplus | | 857 | 1,240 |
| | | | |
| Gain on disposal of fixed assets | 19 | - | 10 |
| Restructuring costs | | - | (9) |
| Interest receivable and similar income | | 58 | 32 |
| Interest payable and similar charges | 6 | <u>(28)</u> | <u>1</u> |
| Surplus for the financial year | | 887 | 1,274 |
| | | | |
| Unrealised loss on investments | 13 | (6) | (38) |
| Actuarial gain on investments | 26 | - | 727 |
| Amendment to pension recovery plan | 26 | <u>594</u> | <u>-</u> |
| | | 1,475 | 1,963 |
| | | | |
| Other Comprehensive Income | | | |
| Initial recognition of multi-employer defined benefit scheme | 26 | (705) | - |
| Actuarial losses in respect of pension scheme | 26 | (1,332) | - |
| | | | |
| Total comprehensive income for the financial year | | <u><u>(562)</u></u> | <u><u>1,963</u></u> |

All amounts relate to continuing operations.

ARK HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

| | Group | | Association | | | | Total 2019 | Total 2019 |
|--|------------------------------|---------------------|--------------------|---------------|------------------------------|---------------------|------------|--------------|
| | Income & expenditure reserve | Revaluation reserve | Restricted reserve | Total 2019 | Income & expenditure reserve | Revaluation reserve | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 April 2018 | 10,846 | 74 | 43 | 10,963 | 9,112 | 74 | 43 | 9,229 |
| Surplus from statement of comprehensive income | 1,232 | - | - | 1,232 | 881 | - | - | 881 |
| Transfer (to)/from revaluation reserve | 6 | (6) | 1 | 1 | 6 | (6) | 1 | 1 |
| Actuarial gain on investments | - | - | - | - | - | - | - | - |
| Amendment to pension recovery plan | (1,443) | - | - | (1,443) | (1,443) | - | - | (1,443) |
| Balance at 31 March 2019 | 10,641 | 68 | 44 | 10,753 | 8,556 | 68 | 44 | 8,668 |

All amounts relate to continuing operations.

ARK HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

| | <i>Notes</i> | 2019 | 2018 |
|--|--------------|---------------|---------------|
| | | £'000 | £'000 |
| Tangible fixed assets | | | |
| Housing properties, furniture and equipment | 9 | 23,247 | 23,568 |
| Other tangible fixed assets | 11 | 2,599 | 2,603 |
| Assets held for sale | | - | - |
| Investment property | 13 | 475 | 475 |
| Investments | 13 | 1,257 | 1,213 |
| | | <u>27,578</u> | <u>27,859</u> |
| Current assets | | | |
| Debtors | 14 | 2,018 | 1,855 |
| Cash at bank and in hand | 21 | 6,790 | 5,343 |
| | | <u>8,808</u> | <u>7,198</u> |
| Creditors: amounts falling due within one year | 15 | (3,470) | (3,001) |
| Net current assets | | <u>5,338</u> | <u>4,197</u> |
| Total assets less current liabilities | | 32,916 | 32,056 |
| Creditors: amounts falling due after more than one year | 16 | (15,070) | (15,443) |
| Provisions for liabilities | | | |
| Pension deficit funding liability | 26 | - | (5,650) |
| Pension – defined benefit liability | 26 | (7,093) | - |
| Total net assets | | <u>10,753</u> | <u>10,963</u> |
| Capital and reserves | | | |
| Share capital | 20 | - | - |
| Restricted reserves | 8 | 44 | 43 |
| Revaluation reserve | | 68 | 74 |
| Revenue reserve | | 10,641 | 10,846 |
| Total Reserves | | <u>10,753</u> | <u>10,963</u> |

These financial statements were approved by the Board of Management and authorised for issue on 19 September 2019 and signed on its behalf by:

Graham Mitchell (Chair)

Bobby Duffy (Company Secretary)

ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

| | <i>Notes</i> | 2019 | 2018 |
|--|--------------|----------|----------|
| | | £'000 | £'000 |
| Tangible fixed assets | | | |
| Housing properties, furniture and equipment | 10 | 19,564 | 19,923 |
| Other tangible fixed assets | 12 | 2,549 | 2,553 |
| Assets Held for Sale | | - | - |
| Investment property | 13 | 475 | 475 |
| Investments | 13 | 1,257 | 1,213 |
| | | 23,845 | 24,164 |
| | | | |
| Current assets | | | |
| Debtors | 14 | 2,014 | 1,851 |
| Cash at bank and in hand | 22 | 5,093 | 3,957 |
| | | 7,107 | 5,808 |
| Creditors: amounts falling due within one year | 15 | (3,026) | (2,632) |
| Net current assets | | 4,081 | 3,176 |
| Total assets less current liabilities | | 27,926 | 27,340 |
| Creditors: amounts falling due after more than one year | 16 | (12,165) | (12,461) |
| Provisions for liabilities | | | |
| Pension deficit funding liability | 26 | - | (5,650) |
| Pension – defined benefit liability | 26 | (7,093) | - |
| Total net assets | | 8,668 | 9,229 |
| | | | |
| Capital and reserves | | | |
| Share capital | 20 | - | - |
| Restricted reserves | 8 | 44 | 43 |
| Revaluation reserve | | 68 | 74 |
| Revenue reserve | | 8,556 | 9,112 |
| Total Reserves | | 8,668 | 9,229 |

These financial statements were approved by the Board of Management and authorised for issue 19 September 2019 and signed on its behalf by:

Graham Mitchell (Chair)

Bobby Duffy (Company Secretary)

ARK HOUSING ASSOCIATION LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS - GROUP
FOR THE YEAR ENDED 31 MARCH 2019**

| | <i>Notes</i> | 2019 | 2018 |
|---|--------------|--------------|--------------|
| | | £'000 | £'000 |
| Net cash generated from operating activities | <i>21</i> | <u>2,316</u> | <u>2,007</u> |
| Cash flow from investing activities | | | |
| Housing association grants received | <i>15</i> | - | - |
| Interest received | | 58 | 32 |
| Sale of housing property | | - | 98 |
| Purchase of housing property | <i>9</i> | (511) | (302) |
| Purchase of other tangible fixed assets | <i>11</i> | (102) | (63) |
| Purchase of investments | <i>13</i> | (225) | (199) |
| Cash flow from financing activities | | | |
| Interest paid | <i>6</i> | (95) | (97) |
| Disposal of investments | <i>13</i> | 154 | 204 |
| Reinvested dividends | <i>13</i> | (10) | 35 |
| Exceptional payments Restructuring costs | | - | (9) |
| Repayment of housing loans | | <u>(138)</u> | <u>(137)</u> |
| Net Change in cash & cash equivalents | | 1,447 | 1,569 |
| Cash & cash equivalents at 1 April | | 5,343 | 3,774 |
| Cash & cash equivalents at 31 March | | 6,790 | 5,343 |

ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019**

| | <i>Notes</i> | 2019 | 2018 |
|---|--------------|--------------|--------------|
| | | £'000 | £'000 |
| Net cash generated from operating activities | <i>22</i> | <u>1,735</u> | <u>1,511</u> |
| Cash flow from investing activities | | | |
| Housing association grant received | <i>15</i> | - | - |
| Interest received | | 58 | 32 |
| Sale of housing properties | | - | 98 |
| Purchase of housing properties | <i>10</i> | (373) | (295) |
| Purchase of other tangible fixed assets | <i>12</i> | (102) | (63) |
| Purchase of investments | <i>13</i> | (225) | (199) |
| Cash flow from financing activities | | | |
| Interest paid | <i>6</i> | (28) | (28) |
| Disposal of investments | <i>13</i> | 154 | 204 |
| Reinvested dividends | <i>13</i> | (10) | 35 |
| Exceptional payments Restructuring costs | | - | (9) |
| Repayment of housing loans | | (73) | (71) |
| Net change in cash & cash equivalents | | <u>1,136</u> | <u>1,215</u> |
| Cash & cash equivalents at 1 April | | 3,957 | 2,742 |
| Cash & cash equivalents at 31 March | | 5,093 | 3,957 |

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2019

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 2019

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 2019

(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 2019**

(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.

ARK Information Management System (AIMS) written off straight line over 10 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 2019**

(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 2019**

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

| | | | 2019 | 2018 |
|-------------------|-------|-----------------|------------------------|--------------------------|
| | Notes | Turnover | Operating Costs | Operating Surplus |
| | | £'000 | £'000 | £'000 |
| Social Lettings | 3 | 3,787 | (2,624) | 1,163 |
| Other Activities | 4 | 17,268 | (17,156) | 112 |
| 2019 Total | | 21,055 | (19,780) | 1,275 |
| 2018 Total | | 21,424 | (19,789) | 1,635 |

Association:

| | | | 2019 | 2018 |
|-------------------|-------|-----------------|------------------------|--------------------------|
| | Notes | Turnover | Operating Costs | Operating Surplus |
| | | £'000 | £'000 | £'000 |
| Social Lettings | 3 | 2,997 | (2,322) | 675 |
| Other activities | 4 | 17,335 | (17,153) | 182 |
| 2019 Total | | 20,332 | (19,475) | 857 |
| 2018 Total | | 20,703 | (19,463) | 1,240 |

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2019**

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

| Group: | General | Supported | 2019 | 2018 |
|--|----------------|----------------------|--------------|--------------|
| | Needs | Housing | Total | Total |
| | £'000 | Accommodation | £'000 | £'000 |
| | | £'000 | | |
| Rent receivable | 3,365 | 53 | 3,418 | 3,196 |
| Service charges | 403 | - | 403 | 373 |
| Gross income from rents and service charges | 3,768 | 53 | 3,821 | 3,569 |
| Less Voids | (34) | - | (34) | (46) |
| Total turnover from social letting activities | 3,734 | 53 | 3,787 | 3,523 |
| | | | | |
| Management and maintenance administration costs | 831 | 17 | 848 | 850 |
| Service costs | 447 | - | 447 | 408 |
| Planned and cyclical maintenance including major repairs costs | 444 | 8 | 452 | 352 |
| Reactive maintenance costs | 370 | 6 | 376 | 260 |
| Bad debts – rent and service charges | (2) | - | (2) | 1 |
| Depreciation of social housing | 495 | 8 | 503 | 602 |
| Operating costs for social letting activities | 2,585 | 39 | 2,624 | 2,473 |
| | | | | |
| 2019 Operating surplus for social letting activities | 1,149 | 14 | 1,163 | 1,050 |
| 2018 Operating surplus for social letting activities | 1,027 | 23 | 1,050 | |

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2019**

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

| Association: | General | Supported | 2019 | 2018 |
|--|----------------|----------------------|--------------|--------------|
| | Needs | Housing | Total | Total |
| | £'000 | Accommodation | £'000 | £'000 |
| | | £'000 | | |
| Rent receivable | 2,635 | 54 | 2,689 | 2,488 |
| Service charges | 342 | - | 342 | 312 |
| Gross income from rents and service charges | 2,977 | 54 | 3,031 | 2,800 |
| Less Voids | (34) | - | (34) | (46) |
| Total turnover from social letting activities | 2,943 | 54 | 2,997 | 2,754 |
| | | | | |
| Management and maintenance administration costs | 803 | 15 | 818 | 814 |
| Service costs | 310 | - | 310 | 282 |
| Planned and cyclical maintenance including major repairs costs | 415 | 8 | 423 | 315 |
| Reactive maintenance costs | 340 | 6 | 346 | 234 |
| Bad debts – rent and service charges | (2) | - | (2) | 1 |
| Depreciation of social housing | 419 | 8 | 427 | 501 |
| Operating costs for social letting activities | 2,285 | 37 | 2,322 | 2,147 |
| | | | | |
| 2019 Operating surplus for social letting activities | 658 | 17 | 675 | 607 |
| 2018 Operating surplus for social letting activities | 585 | 22 | 607 | |

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2019

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 | 2019 Operating Surplus / (Deficit) | 2018 Operating Surplus / (Deficit) |
|---|-----------------------------|---------------------------------|---------------------|-----------------------|------------------------------|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Support activities | 7,628 | 7,725 | 329 | 15,682 | (15,517) | 165 | 585 |
| Care activities | 1,332 | - | 97 | 1,429 | (1,414) | 15 | 37 |
| Other activities | - | - | 157 | 157 | (225) | (68) | (37) |
| Total from other activities – 2019 | 8,960 | 7,725 | 583 | 17,268 | (17,156) | 112 | 585 |
| Total from other activities – 2018 | 8,839 | 8,229 | 833 | 17,901 | (17,316) | 585 | |

| Association: | Other revenue grants | Supporting people income | Other income | Total turnover | Other operating costs | 2019 Operating Surplus / (Deficit) | 2018 Operating Surplus / (Deficit) |
|---|-----------------------------|---------------------------------|---------------------|-----------------------|------------------------------|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Support activities | 7,628 | 7,725 | 329 | 15,682 | (15,517) | 165 | 555 |
| Care activities | 1,332 | - | 97 | 1,429 | (1,414) | 15 | 63 |
| Other activities | - | - | 224 | 224 | (222) | 2 | 15 |
| Total from other activities – 2019 | 8,960 | 7,725 | 650 | 17,335 | (17,153) | 182 | 633 |
| Total from other activities – 2018 | 8,839 | 8,229 | 881 | 17,949 | (17,316) | 633 | |

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2019**

5. The number of units in management at 31 March 2019 was as follows:

| | Owned | Not Owned | 2019 Total | 2018 Total |
|-------------------------|--------------|------------------|-----------------------|-----------------------|
| | No. | No. | No. | No. |
| General Needs | 195 | - | 195 | 195 |
| Supported accommodation | 360 | 49 | 409 | 409 |
| | 555 | 49 | 604 | 604 |

Management of Association stock by other bodies

| | 2019 No. | 2018 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 |
| Total properties | 30 | 33 |

6. Interest payable

| | Group | | Housing Association | |
|---|--------------|--------------|--------------------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Loans | 95 | 97 | 28 | 28 |
| Net interest charges on pension liability | - | (29) | - | (29) |
| | 95 | 68 | 28 | (1) |

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 2019**

| 8. Restricted Reserves | Group | | Housing Association | |
|---|--------------|--------------|----------------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| Rotary Rymonth Hobbies Fund – Restricted | £'000 | £'000 | £'000 | £'000 |
| At 1 April 2018 | 7 | 7 | 7 | 7 |
| At 31 March 2019 | <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 2018 | 27 | 26 | 27 | 26 |
| Transfer from revenue reserve | 1 | 1 | 1 | 1 |
| At 31 March 2019 | <u>28</u> | <u>27</u> | <u>28</u> | <u>27</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 2018 | 7 | 7 | 7 | 7 |
| At 31 March 2019 | <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 2018 | 2 | - | 2 | - |
| Transfer from revenue reserve | - | 2 | - | 2 |
| At 31 March 2019 | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> |
| Total Restricted Reserves | <u>44</u> | <u>43</u> | <u>44</u> | <u>43</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 2019**

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 2018 | 35,053 | - | 35,053 |
| Additions | 511 | - | 511 |
| Disposals | (234) | - | (234) |
| As at 31 March 2019 | 35,330 | - | 35,330 |
| Depreciation | | | |
| As at 1 April 2018 | 11,485 | - | 11,485 |
| Charge for Year | 785 | - | 785 |
| Disposals | (187) | - | (187) |
| As at 31 March 2019 | 12,083 | - | 12,083 |
| Net Book Value | | | |
| As at 31 March 2019 | 23,247 | - | 23,247 |
| As at 31 March 2018 | 23,568 | - | 23,568 |

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

Major Repairs costs amounted to £552k (2018 £518k) of which £511k (2018 £302k) was capitalised in the year.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2019**

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

| | Assets Completed | Assets Under Construction | Total Heritable Property for letting £'000 |
|----------------------------|-----------------------------|--|---|
| Cost | | | |
| As at 1 April 2018 | 30,266 | - | 30,266 |
| Additions | 373 | - | 373 |
| Disposals | (196) | - | (196) |
| As at 31 March 2019 | 30,443 | - | 30,443 |
| Depreciation | | | |
| As at 1 April 2018 | 10,343 | - | 10,343 |
| Charge for Year | 685 | - | 685 |
| Disposal | (149) | - | (149) |
| As at 31 March 2019 | 10,879 | - | 10,879 |
| Net Book Value | | | |
| As at 31 March 2019 | 19,564 | - | 19,564 |
| As at 31 March 2018 | 19,923 | - | 19,923 |

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

Major Repairs costs amounted to £439k (2018 £445k) of which £373k (2018 £295k) was capitalised in the year.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2019**

**11. Other Fixed Assets –
Group**

| | Heritable Buildings £'000 | Land £'000 | Computer Equipment £'000 | Office Equipment £'000 | Total £'000 |
|---------------------------|--|-----------------------|---|---------------------------------------|------------------------|
| Cost | | | | | |
| As at 1 April 2018 | 1,567 | 1,300 | 752 | 146 | 3,765 |
| Additions during year | 4 | - | 98 | - | 102 |
| Disposals during the year | - | - | - | - | - |
| At 31 March 2019 | <u>1,571</u> | <u>1,300</u> | <u>850</u> | <u>146</u> | <u>3,867</u> |
| Depreciation | | | | | |
| As at 1 April 2018 | 395 | - | 658 | 109 | 1,162 |
| Charges for the year | 38 | - | 52 | 16 | 106 |
| Disposals during year | - | - | - | - | - |
| At 31 March 2019 | <u>433</u> | <u>-</u> | <u>710</u> | <u>125</u> | <u>1,268</u> |
| Net Book Value | | | | | |
| At 31 March 2019 | <u>1,138</u> | <u>1,300</u> | <u>140</u> | <u>21</u> | <u>2,599</u> |
| As at 31 March 2018 | 1,172 | 1,300 | 94 | 37 | 2,603 |

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 2019**

**12. Other Fixed Assets --
Association**

| | Heritable Buildings £'000 | Land £'000 | Computer Equipment £'000 | Office Equipment £'000 | Total £'000 |
|---------------------------|--|-----------------------|---|---------------------------------------|------------------------|
| Cost | | | | | |
| As at 1 April 2018 | 1,567 | 1,250 | 752 | 146 | 3,715 |
| Additions during year | 4 | - | 98 | - | 102 |
| Disposals during the year | - | - | - | - | - |
| At 31 March 2019 | <u>1,571</u> | <u>1,250</u> | <u>850</u> | <u>146</u> | <u>3,817</u> |
| Depreciation | | | | | |
| As at 1 April 2018 | 395 | - | 658 | 109 | 1,162 |
| Charges for the year | 38 | - | 52 | 16 | 106 |
| Disposals | - | - | - | - | - |
| At 31 March 2019 | <u>433</u> | <u>-</u> | <u>710</u> | <u>125</u> | <u>1,268</u> |
| Net Book Value | | | | | |
| At 31 March 2019 | <u>1,138</u> | <u>1,250</u> | <u>140</u> | <u>21</u> | <u>2,549</u> |
| As at 31 March 2018 | <u>1,172</u> | <u>1,250</u> | <u>94</u> | <u>37</u> | <u>2,553</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 2019**

13. Investments

| | Group | | Housing Association | |
|--------------------------------------|---------------|---------------|---------------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Opening value | 1,213 | 1,232 | 1,213 | 1,232 |
| Additions | 225 | 199 | 225 | 199 |
| Disposals | (154) | (204) | (154) | (204) |
| Reinvested dividends | (10) | 35 | (10) | 35 |
| Investment management fees | (11) | (11) | (11) | (11) |
| Closing value before unrealised gain | 1,263 | 1,251 | 1,263 | 1,251 |
| Movement in unrealised (loss)/gain | (6) | (38) | (6) | (38) |
| Closing market value | <u>1,257</u> | <u>1,213</u> | <u>1,257</u> | <u>1,213</u> |

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

| | |
|------------------------------------|-------|
| Aberdeen Standard FD MG GBL | 6.22% |
| Findlay Park FDS American USD Dis. | 5.32% |

Investment Property – West Adam Street

| | | | | |
|-----------------|------------|------------|------------|------------|
| Opening Balance | 475 | 475 | 475 | 475 |
| Additions | - | - | - | - |
| Closing Balance | <u>475</u> | <u>475</u> | <u>475</u> | <u>475</u> |

14. Debtors: Amount falling due within one year

| | Group | | Housing Association | |
|----------------------------------|---------------|---------------|---------------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Rent Arrears | 90 | 101 | 79 | 84 |
| Less: Provision for bad debts | (13) | (16) | (13) | (17) |
| | <u>77</u> | <u>85</u> | <u>66</u> | <u>67</u> |
| Other Debtors | 31 | 63 | 28 | 61 |
| Ark Services Debtor | - | - | 3 | 2 |
| Kindred Debtor | - | 2 | - | 2 |
| Ark Commercial Investment Debtor | - | - | 7 | 14 |
| Less: Provision for bad debts | (3) | (54) | (3) | (54) |
| Local Authorities | 1,600 | 1,353 | 1,600 | 1,353 |
| Prepayments and accrued income | 313 | 406 | 313 | 406 |
| | <u>2,018</u> | <u>1,855</u> | <u>2,014</u> | <u>1,851</u> |

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2019**

15. Creditors: Amount falling due within one year

| | Group | | Housing Association | |
|--|--------------|--------------|----------------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade Creditors | 357 | 266 | 293 | 259 |
| Contractors for specified work and retentions unpaid | 23 | 35 | 24 | 35 |
| Local Authorities | 630 | 382 | 630 | 382 |
| Other Creditors | 194 | 247 | 190 | 248 |
| Ark Services Creditor | - | - | 5 | 1 |
| Other taxes and social security | 348 | 356 | 348 | 356 |
| Accruals | 638 | 532 | 614 | 505 |
| Deferred Income | 54 | 31 | 55 | 31 |
| Service equipment replacement account | 835 | 766 | 570 | 519 |
| Release of HAG | 205 | 205 | 205 | 205 |
| Release of other Grants | 43 | 43 | 18 | 18 |
| Housing Loans (Note 16) | 143 | 138 | 74 | 73 |
| | 3,470 | 3,001 | 3,026 | 2,632 |

Analysis of deferred HAG/other grants- Group

| | Housing Association Grants | Other Grants | Total |
|---|-----------------------------------|---------------------|---------------|
| | £'000 | £'000 | £'000 |
| Deferred income as at 31 March 2018 | 10,615 | 2,516 | 13,131 |
| Additional income received | - | - | - |
| Released to Statement of comprehensive income | (205) | (43) | (248) |
| Deferred income as at 31 March 2019 | 10,410 | 2,473 | 12,883 |

Grant to be released to the Statement of Comprehensive Income

| | | | |
|--------------------------------|-----|----|-----|
| 2018 – all due within one year | 205 | 43 | 248 |
| 2019 – 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 2018 | 10,615 | 1,002 | 11,617 |
| Additional income received | - | - | - |
| Released to Statement of comprehensive income | (205) | (18) | (223) |
| Deferred income as at 31 March 2019 | 10,410 | 984 | 11,394 |

Grant to be released to the Statement of comprehensive income

| | | | |
|--------------------------------|-----|----|-----|
| 2018 – all due within one year | 205 | 18 | 223 |
| 2019 – all due within one year | 205 | 18 | 223 |

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2019**

16. Creditors due out with one year

| | Group | | Housing Association | |
|---------------|---------------|---------------|----------------------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| HAG | 10,410 | 10,615 | 10,410 | 10,615 |
| Other Grants | 2,491 | 2,516 | 984 | 1,002 |
| Housing Loans | 2,169 | 2,312 | 771 | 844 |
| | 15,070 | 15,443 | 12,165 | 12,461 |

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 | |
|-------------------------------|--------------|--------------|----------------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| In one year or less (Note 15) | 143 | 138 | 74 | 73 |
| In one to two years | 147 | 143 | 75 | 74 |
| Between two to five years | 470 | 501 | 235 | 278 |
| In five years or more | 1,552 | 1,668 | 461 | 492 |
| | 2,312 | 2,450 | 845 | 917 |

Housing loans will be fully repaid between 2025 and 2039.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2019**

17. Employees

| | Group | | Housing Association | |
|-------------------------|---------------|---------------|----------------------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Staff Costs during year | | | | |
| Wages & Salaries | 13,196 | 13,276 | 13,196 | 13,276 |
| Social Security Costs | 985 | 974 | 985 | 974 |
| Other Pension Costs | 1,121 | 1,096 | 1,121 | 1,096 |
| | 15,302 | 15,346 | 15,302 | 15,346 |

In addition to the above staff costs the Association also incurred agency staff costs of £614k during the year (2018: £700k).

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

| | Group | | Housing Association | |
|-----------------------|--------------|-------------|----------------------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| | No | No | No | No |
| Housing Staff | 9 | 8 | 9 | 8 |
| Support Staff | 40 | 40 | 40 | 40 |
| Direct Services Staff | 499 | 520 | 499 | 520 |
| | 548 | 568 | 548 | 568 |

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 | |
|--|--------------|--------------|----------------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Aggregate Emoluments payable to Executive Officers (including employers NIC, pension contributions and benefits in kind) | 325 | 318 | 325 | 318 |
| Emoluments payable to Highest Paid Executive Officer (excluding pension contributions) | 72 | 82 | 72 | 82 |

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2019**

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 £2,659 (2018: £2,308).

| | 2019 | 2018 |
|---|-------------|-------------|
| Total expenses reimbursed insofar as not chargeable to UK Income Tax: | £ | £ |
| Chief Executive | - | - |
| Board of Management | 2,012 | 285 |

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

| | 2019 | 2018 |
|--------------------|-------------|-------------|
| | No. | No. |
| £60,000 to £70,000 | 2 | 3 |
| £70,000 to £80,000 | 1 | - |
| £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 2019**

18. Operating Surplus

| | Group | | Housing Association | |
|--|--------------|--------------|----------------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| This is stated after charging the following: | | | | |
| External Auditors remuneration | 18 | 18 | 17 | 16 |
| Remuneration to external auditors for other services | - | - | - | - |
| Internal Auditors remuneration | 8 | 7 | 8 | 7 |
| Depreciation | 740 | 615 | 647 | 537 |
| Other operating lease rentals | | | | |
| - land & buildings | 336 | 343 | 336 | 343 |
| - plant & machinery | 16 | 16 | 16 | 16 |

19. Gain on disposal of fixed assets

| | Group | | Housing Association | |
|-------------------------|--------------|--------------|----------------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Proceeds | - | 98 | - | 98 |
| Net book value disposed | - | (88) | - | (88) |
| | <u>-</u> | <u>10</u> | <u>-</u> | <u>10</u> |

20. Share Capital -

| Group & Housing Association | 2019 | 2018 |
|---|-------------|-------------|
| Shares of £1 fully paid and issued at beginning of year | 44 | 43 |
| Shares Issued during year | - | 1 |
| Shares Cancelled during year | (4) | - |
| | <u>40</u> | <u>44</u> |

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

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2019**

21. Net cash inflow from operating activities

| | 2019 | 2018 |
|---|--------------|--------------|
| Group | £'000 | £'000 |
| Operating Surplus | 1,275 | 1,635 |
| Depreciation | 740 | 615 |
| Increase in Debtors | (163) | (34) |
| Increase/(decrease) in Creditors | 464 | (209) |
| Net cash generated from operating activities | 2,316 | 2,007 |

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

| | 2019 | 2018 |
|-----------------------------------|--------------|--------------|
| Group | £'000 | £'000 |
| Increase in cash in the period | 1,447 | 1,570 |
| Cash inflow from movement in debt | 138 | 135 |
| | 1,585 | 1,705 |
| Net funds at 1 April | 2,893 | 1,188 |
| Net funds at 31 March | 4,478 | 2,893 |

Analysis of changes in net funds

| | At | Cash | At |
|--------------------------|------------------|--------------|------------------|
| | 31-Mar-18 | Flows | 31-Mar-19 |
| | £'000 | £'000 | £'000 |
| Cash in bank and in hand | 5,343 | 1,447 | 6,790 |
| Debt due within 1 year | (138) | (5) | (143) |
| Debt due after 1 year | (2,312) | 143 | (2,169) |
| Net funds | 2,893 | 1,585 | 4,478 |

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2019**

22. Net cash inflow from operating activities

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Housing Association | £'000 | £'000 |
| Operating Surplus | 857 | 1,240 |
| Depreciation | 647 | 537 |
| Increase in Debtors | (163) | (34) |
| Increase/(decrease) in Creditors | 394 | (232) |
| Net cash generated from operating activities | <u>1,735</u> | <u>1,511</u> |

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

| | 2019 | 2018 |
|-----------------------------------|---------------------|---------------------|
| Housing Association | £'000 | £'000 |
| Increase in cash in the period | 1,136 | 1,215 |
| Cash inflow from movement in debt | 73 | 71 |
| | <u>1,209</u> | <u>1,286</u> |
| Net funds at 1 April | 3,040 | 1,754 |
| Net funds at 31 March | <u>4,249</u> | <u>3,040</u> |

Analysis of changes in net funds

| | At | Cash | At |
|--------------------------|---------------------|---------------------|---------------------|
| | 31-Mar-18 | Flows | 31-Mar-19 |
| | £'000 | £'000 | £'000 |
| Cash in bank and in hand | 3,957 | 1,136 | 5,093 |
| Debt due within 1 year | (73) | (1) | (74) |
| Debt due after 1 year | (844) | 74 | (770) |
| Net funds | <u>3,040</u> | <u>1,209</u> | <u>4,249</u> |

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2019**

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 | |
|--|--------------|--------------|----------------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| Equipment | £'000 | £'000 | £'000 | £'000 |
| Operating leases which expire: | | | | |
| Less than one year | 4 | 14 | 4 | 14 |
| In two to five years inclusive | 10 | 10 | 10 | 10 |
| | <u>14</u> | <u>24</u> | <u>14</u> | <u>24</u> |
| | | | | |
| | 2019 | 2018 | 2019 | 2018 |
| Land and buildings | £'000 | £'000 | £'000 | £'000 |
| Operating leases which expire less than one year | 86 | 83 | 86 | 83 |
| Over one year | 11 | 37 | 11 | 37 |
| | <u>97</u> | <u>120</u> | <u>97</u> | <u>120</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 (2018: £62,550) and £8,885 (2018: £9,090) for insurance. At 31 March 2019 there was a total balance of £3,158 (2018: £1,785) owed to ARK and a balance of £5,183 (2018: £1,107) 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 £57,261 (2018: £56,140) during the year for rental of the property at West Adam Street. At 31 March 2019 there was a total of £6,980 (2018: £13,962) owed to ARK by Ark Commercial Investment Limited which includes a donation to ARK of £6,811, with the balance being utility bills paid on its behalf.

During the year ARK held 130 bank accounts (2018:131) 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 2019 was £903,567 (2018: £784,769).

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2019**

26. Pension Commitments

General

ARK Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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 last triennial valuation of the Scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

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.

For financial years ending on or before 28 February 2019, it has not been possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Association to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the Scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2019**

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.

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 593 active members of the Scheme employed by ARK Housing Association. The annual pensionable payroll in respect of these members was £9,735,192.

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 2018/19 is £749,028. Subject to certain conditions, this amount is payable annually and is anticipated to increase by 3% per annum.

A defined benefit liability of £7,093,000 is recognised within the provisions for this contractual obligation.

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

| | Group & Ass'n 2019 £'000 | Group & Ass'n 2018 £'000 |
|---|---|---|
| Housing Association | | |
| Fair value of plan assets | 30,172 | 28,794 |
| Present value of defined benefit obligation | 37,265 | 35,149 |
| Net defined liability to be recognised | <u><u>(7,093)</u></u> | <u><u>(6,355)</u></u> |

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2019**

26. Pension Commitments (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

| | Group 2019 £'000 | Association 2019 £'000 |
|--|---------------------------------|---------------------------------------|
| Housing Association | | |
| Defined benefit obligation at start of period | 35,149 | 35,149 |
| Expenses | 32 | 32 |
| Interest expense | 887 | 887 |
| Actuarial losses | 2,208 | 2,208 |
| Benefits paid and expenses | (1,011) | (1,011) |
| Defined benefit obligation at end of period | 37,265 | 37,265 |

Reconciliation of opening and closing balances of the fair value of plan assets

| | Group 2019 £'000 | Association 2019 £'000 |
|---|---------------------------------|---------------------------------------|
| Housing Association | | |
| Fair value of plan assets at start of period | 28,794 | 28,794 |
| Interest income | 734 | 734 |
| Experience on plan assets | 876 | 876 |
| Contributions by the employer | 779 | 779 |
| Benefits paid and expenses | (1,011) | (1,011) |
| Fair value of plan assets at end of period | 30,172 | 30,172 |

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £1,642,000.

Defined benefit costs recognised in Statement of Comprehensive Income (SOI)

| | Group 2019 £'000 | Association 2019 £'000 |
|--|---------------------------------|---------------------------------------|
| Housing Association | | |
| Expenses | 32 | 32 |
| Net interest expense | 153 | 153 |
| Defined benefit costs recognised in Statement of Comprehensive Income | 185 | 185 |

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2019

26. Pension Commitments (continued)

Defined benefit costs recognised in other comprehensive income

| | Group 2019 £'000 | Association 2019 £'000 |
|---|---------------------------------|---------------------------------------|
| Housing Association | | |
| Experience on plan assets | 876 | 876 |
| Experience gains and losses arising on plan liabilities – gain | 110 | 110 |
| Actuarial losses | (2,318) | (2,318) |
| Total amount recognised in other comprehensive income | (1,332) | (1,332) |

Key assumptions

| | Group & Ass'n 2019 % p.a. | Group & Ass'n 2018 % p.a. |
|--|--|--|
| Discount rate | 2.30 | 2.56 |
| Inflation (RPI) | 3.30 | 3.19 |
| Inflation (CPI) | 2.30 | 2.19 |
| Salary Growth | 3.30 | 3.19 |
| Allowance for commutation of pension for cash at retirement | 75% of max. allowance | 75% of max. allowance |

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

| | Life Expectancy at age 65 (Years) |
|-------------------------|--|
| Male retiring in 2019 | 21.7 |
| Female retiring in 2019 | 23.4 |
| Male retiring in 2039 | 23.1 |
| Female retiring in 2039 | 24.7 |

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2019**

26. Pension Commitments (continued)

Growth Plan

ARK Housing Association participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company 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 company 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 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m.

**PRESENT VALUES OF PROVISION
RECONCILIATION OF OPENING AND CLOSING PROVISIONS**

| | Period Ending 31 March 2019 (£s) | Period Ending 31 March 2018 (£s) |
|--|---|---|
| Provision at start of period | 18,281 | 20,580 |
| Unwinding of the discount factor (interest expense) | 293 | 255 |
| Deficit contribution paid | (2,356) | (2,287) |
| Remeasurements - impact of any change in assumptions | 135 | (267) |
| Remeasurements - amendments to the contribution schedule | (1,636) | - |
| Provision at end of period | 14,717 | 18,281 |

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2019

26. Pension Commitments (continued)

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

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

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the 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.

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 2018. As of this date the estimated employer debt for ARK was £28,915 (2018: £33,088) including Series 3 liabilities in the calculation.

