

ARK HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

Registered Housing Association No. HEP66

Financial Services Authority. 1899R (S)

Charitable No. SCO15695

ARK HOUSING ASSOCIATION LIMITED

PROFESSIONAL ADVISORS

31 MARCH 2004

Registered Office

The Priory
Canaan Lane
Edinburgh
EH10 4SG
EH9 2HG

Bankers

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

Solicitors

Shepherd and Wedderburn WS
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2ET

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

Auditors

Baker Tilly
23 Queen Street
Edinburgh
EH2 1JX

ARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

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Registration Particulars:

Financial Services Authority	Industrial and Provident Societies Act 1965 Registered Number 1899R (S)
Communities Scotland	Housing (Scotland) Act 2001 Registered Number HEP66
Charity Number	SCO15695

ARK HOUSING ASSOCIATION LIMITED**REPORT OF COMMITTEE OF MANAGEMENT****31 MARCH 2004**

The Committee of Management present their report and audited financial statements for the year ended 31 March 2004.

Principal activity

The principal activities of the Association are the provision of accommodation with support according to individual need for people with learning disability, and the provision of mainstream accommodation to rent.

Review of business and future developments

ARK had a successful year operationally and financially despite many problems caused by the difficulty local authorities had in bedding down the new funding stream of supporting people.

For the last two years ARK single-mindedly pursued a strategy which sought to maximise the perceived benefit afforded by new government funding schemes – a better service for tenants – better funding for projects – an opportunity to make substantial inroads into reconfiguring community houses, thereby creating many more individual tenancies.

It is gratifying therefore that this policy has borne fruit, because undoubtedly the highlight of the year was the way tenants responded to the improvement in the support they received and in their living circumstances.

ARK successfully completed the reconfiguration of its projects in Inverurie, Restalrig in Edinburgh, Forres and Macduff. At the end of the year reconfiguration of our property at Blaorgowrie, Forfar, Glenrothes and Musselburgh were underway, with Peterhead and Fraserburgh due to start early in the new financial year.

Remainig with development, our subsidiary ARK Services Ltd, completed its third project, 17 houses in Aberdeen and started on its fourth, a further 24 units at Bridge of Don in Aberdeen. ARK Services board is confident that the subsidiary will be returning a substantial revenue surplus.

Other highlights of the year were, turnover increased by 22% to £12m, staffing increased by approximately 20% and we provided employment for a totals of 843 people, 569 permanenet staff and the remainder relief staff. Staff turnover was reduced to 13.1%.

During the year the Committee also took a decision to replace ARK's old IT system and the new system, provided by IBS, should go live in October 2004.

The Committee is confident that the strategy it has been pursuing over recent years puts it in a strong position to continue to operate successfully in the coming years.

ARK HOUSING ASSOCIATION LIMITED**REPORT OF COMMITTEE OF MANAGEMENT****31 MARCH 2004****(Continued)****Treasury management**

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2004, the Association has an appropriate mix of fixed and variable rate finance.

Maintenance policies

The Association seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and expenditure account.

In addition the Association has a long term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties which have come to the end of their economic lives. The cost of these repairs would be charged to the Income and expenditure account, unless it was agreed they could be capitalised within the terms outlined in the SORP.

Employee involvement and Health and Safety

ARK Housing Association encourages employee involvement in all major initiatives and holds review days where staff have the opportunity to discuss and agree strategic objectives.

Staff meetings are held where staff members can and do raise health and safety issues.

General Reserves

We are currently building up our general reserves so we are in a position to cover a minimum of 2-3 months total salaries expenditure.

The Committee of Management and Executive Officers

The Committee of Management and Executive Officers of the Association at 31 March 2004 are listed below. Each member of the Committee of Management holds one fully paid share of £1 in the Association. The Executive Officers of the Association hold no interest in the Association's share capital and although not having the legal status of directors, act as Executives within the authority delegated by the Committee.

ARK HOUSING ASSOCIATION LIMITED
REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2004
(Continued)

Committee of Management

John Anderson (appointed 25 June 2003)
 Morag Donaldson
 Graeme Duncan
 William Duncan (appointed Chairman 24 September 2003)
 Alexander Frame
 James Johnstone (resigned)
 Gwyn Jones (appointed 31 March 2004)
 Douglas Robert McRae (resigned 31 March 2004)
 Paul Merchant
 David Christopher Molyneaux
 James Rigby
 Alexander Rougvie (resigned 24 September 2003)
 Alastair Wallace
 Michael Wheatley (appointed 24 September 2003)

Executive Officers

Sandy Milroy - Chief Executive
 Neil McKnight - Director of Housing and Property
 Catherine Cook - Human Resources Director
 Ian Wauchope - Finance Director
 Jane Gray - Director Community Services (appointed 14 May 2003)


Fixed assets

Changes in fixed assets in the year are set out in notes 8 and 9 of the financial statements.

Auditors

Baker Tilly have agreed to offer themselves for re-appointment as auditors of the Association.

By order of the Committee of Management

 Secretary

The Priory
 Canaan Lane
 Edinburgh
 EH10 2EG

Date: 18 AUG 2004

ARK HOUSING ASSOCIATION LIMITED**STATEMENT OF COMMITTEE RESPONSIBILITIES**

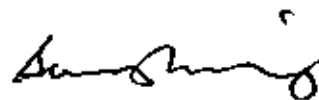
Housing Association legislation, the Industrial and Provident Societies Acts and the Association's Rules require the Committee of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association of that period. In preparing those financial statements the Committee of Management are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business.

The Committee of Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Association, and to ensure that the financial statements comply with the Industrial and Provident Acts 1965 to 2002, the Housing (Scotland) Act 2001, and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999. It 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.

By order of the Committee of Management

Date: 18 AUG 2004



ARK HOUSING ASSOCIATION LIMITED**COMMITTEE OF MANAGEMENT'S STATEMENT OF INTERNAL FINANCIAL CONTROLS****31 March 2004**

The Management Committee acknowledge their ultimate responsibility for ensuring that the Association 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 Association or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets (against unauthorised use or disposition).

It is the Management Committee'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. Key elements include ensuring that:

- 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 Committee and staff to monitor the key business risks and financial objectives and progress towards the financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variance from budgets are investigated as appropriate.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures.
- The Committee review reports from management and from both internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed.
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

ARK HOUSING ASSOCIATION LIMITED**COMMITTEE OF MANAGEMENT'S STATEMENT OF INTERNAL FINANCIAL CONTROLS**

31 March 2004
(Continued)

The Management have reviewed the system of internal financial control in the Association during the year ended 31 March 2004. 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 Committee of Management



Secretary

Date: 18 AUG 2004

ARK HOUSING ASSOCIATION LIMITED**AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS****Corporate Governance**

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on pages 5 and 6 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to the Bulletin "Disclosures relating to corporate governance" issued by the Auditing Practices Board. 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 reasons given for non compliance.

Opinion

In our opinion the statement on internal financial control on pages 5 and 6 has provided the disclosures required by the Section on Internal Financial Controls within SFHA's document "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Through inquiry of certain committee members and officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Committee of Management's Statement on Internal Financial Control appropriately reflects the Association's guidance note compliance with the section on Internal Financial Controls in the SFHA's document "Raising Standards in Housing"



Baker Tilly
Registered Auditors
Chartered Accountants

Edinburgh

Date: 15.6.2004

ARK HOUSING ASSOCIATION LIMITED**Independent Auditors' report to the members of Ark Housing Association Limited**

We have audited the financial statements on pages 10 to 30 which have been prepared under the accounting policies set out on pages 13 to 16.

This report is made solely to the Association's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept 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 opinion we have formed.

Respective responsibilities of Committee of Management and auditors

The Committee of Management's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Management Committee's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999. We also report to you if, in our opinion, the Committee of Management's Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Association is not disclosed.

We read the Committee of Management's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Committee of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ARK HOUSING ASSOCIATION LIMITED**Independent Auditors' report to the members of Ark Housing Association Limited****Opinion**

In our opinion the financial statements give a true and fair view of the state of the Association's affairs as at 31 March 2004 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) Order 1999.

Baker Tilly
Registered Auditors
Chartered Accountants

Edinburgh

Date: 25.8.2004

ARK HOUSING ASSOCIATION LIMITED
INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2004

	<i>Notes</i>	2004 £'000	2003 £'000
Turnover	2	11,990	9,783
Less: Operating costs	2	<u>(11,535)</u>	<u>(9,524)</u>
Operating surplus		455	259
Interest receivable and similar income		22	14
Interest payable and similar charges	4	<u>(35)</u>	<u>(62)</u>
Surplus for the financial year		442	211
Transfers (to) designated reserves	6	(178)	(594)
Transfers from restricted reserves		<u>-</u>	<u>475</u>
Retained surplus for the year		264	92
Revenue reserves brought forward	7	<u>1,045</u>	<u>953</u>
Revenue reserves carried forward	7	<u>1,309</u>	<u>1,045</u>

The results for the year relate wholly to continuing activities.

There were no recognised gains and losses in 2004 or 2003 other than the surplus for the year.


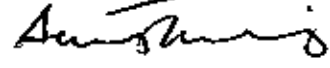

ARK HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 31 MARCH 2004

	<i>Notes</i>	2004 £'000	2003 £'000
Tangible fixed assets			
Housing properties, furniture and equipment - cost less depreciation	8	21,623	20,776
Less: Housing Association Grant		(17,605)	(17,131)
Other Grants		(907)	(907)
		<u>3,111</u>	<u>2,738</u>
Other	9	669	683
		<u>3,780</u>	<u>3,421</u>
Current assets			
Debtors	10	1,323	1,403
Cash at bank and in hand		2,137	334
		<u>3,460</u>	<u>1,737</u>
Creditors: amounts falling due within one year	11	(3,163)	(1,484)
		<u>297</u>	<u>253</u>
Net current assets			
		<u>4,077</u>	<u>3,674</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	12	(853)	(892)
		<u>3,224</u>	<u>2,782</u>
Net assets			
Capital and reserves			
Share capital	15	-	-
Designated reserves	6	1,915	1,737
Revenue reserves	7	1,309	1,045
		<u>3,224</u>	<u>2,782</u>

These financial statements were approved by the Committee of Management on 18th August, 2004 and signed on their behalf by:

Chairperson 
 Secretary 
 Member 

ARK HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

AS AT 31 MARCH 2004

	<i>Notes</i>	2004 £'000	2003 £'000
Net cash inflow from operating activities	<i>16</i>	<u>2,301</u>	<u>387</u>
Returns on investment and servicing of finance			
Interest received		22	14
Interest paid		<u>(35)</u>	<u>(62)</u>
Net cash outflow from returns on investment and servicing of finance		<u>(13)</u>	<u>(48)</u>
Capital expenditure			
Purchase of housing properties	8	(884)	(334)
Purchase of other tangible fixed assets	9	(37)	(25)
Housing Association Grants received	8	<u>474</u>	<u>96</u>
Net cash outflow for capital expenditure		<u>(447)</u>	<u>(263)</u>
Net cash inflow before financing		<u>1,841</u>	<u>76</u>
Financing			
Repayment of housing loans		<u>(38)</u>	<u>(15)</u>
Net cash outflow from financing	<i>16</i>	<u>(38)</u>	<u>(15)</u>
Increase in cash in year		<u><u>1,803</u></u>	<u><u>61</u></u>

Further details are given in note 16.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2004

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by The Financial Services Authority.

1. Accounting Policies

The principal accounting policies of the Association are set out in paragraphs (a) to (o) below.

(a) Basis of Accounting

The accounts are prepared in accordance with applicable accounting standards and Statement of Recommended Practice "Accounting by Registered Social Landlords".

The Financial statements have been prepared on a historic cost basis, modified to include the revaluation of heritable office property and in compliance with The Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999.

(b) Housing Association Grants

Housing Association Grant is paid directly to the Association as required to meet its liabilities during the development process. The grants are made by Communities Scotland 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 Communities Scotland.

Other grants are received from local authorities and other organisations.

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

(c) Turnover

Turnover represents rents, service charges, revenue grants from Communities Scotland and those from Local Authorities less amounts carried forward as deferred income.

(d) Fixed Assets – Housing Land and Buildings

Housing properties, all of which are heritable properties, are stated at cost. The development cost of housing properties includes the following:

- (i) Cost of acquiring land and buildings
- (ii) Development expenditure
- (iii) Interest charged on the mortgage loans raised to finance the scheme to date of completion

Expenditure on schemes which are subsequently aborted is written off in the period in which it is recognised that the schemes will not be developed to completion.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2004

(Continued)

(e) 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.

(f) 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, with actual development costs, are added to income and expenditure.

(g) Depreciation and Impairment

(i) Housing land and buildings and house furniture

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a reducing balance basis over the expected economic useful lives of the properties over 80 years (some properties depreciated over 60 years). Depreciation is charged on these assets on a monthly basis from the year following acquisition. No depreciation is charged on land.

(ii) Other fixed assets

Expenditure incurred on the Association's offices is written off over 80 years.

Office furniture and equipment is written off over five years.

Computer equipment is written off over three years.

Depreciation is charged on these assets on a monthly basis from the point of acquisition.

(h) 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 would be recognised in the income and expenditure account.

(i) Deferred Income

Revenue grants from Local Authorities are released to the income and expenditure account as required by operational funding shortfalls.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2004
(Continued)

(j) **Service Replacement Account**

The service equipment replacement creditor is based on the Association's liability to replace service equipment for mainstream properties in accordance with a planned programme of work.

(k) **Designated Reserves**

(i) **Future Major Works**

This reserves reflects the Association's liability to finance future major repairs works on both its supported and mainstream accommodation.

Expenditure of this type is charged through the Income and Expenditure Account and subsequently a transfer from this reserve is made to Revenue Reserve.

Transfers to the Future Major Works Reserve reflect the Association's estimate of required future levels of expenditure of this type.

(ii) **Risk reserve**

The reserve provides against cost overruns on building projects which may not be eligible for housing association grant and against changes in the variable loan rates on mortgages used to finance the Association's properties. The balance on the reserve is based on the Association's known building programme and the portfolio of variable interest rate loans.

ARK HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****AS AT 31 MARCH 2004****(Continued)****(l) 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.

(m) Credit Payment Policy

The payment policy which the Association work to is to pay all purchases within 30 days and in accordance with creditor payment terms.

(n) Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives and holds annual review days for staff and the Committee of Management to agree its objectives. A health and safety policy has been implemented by the Association.

(o) Operating Leases

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

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2004
(Continued)

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

	Turnover £000	Operating Costs £000	Operating surplus £000	Interest receivable £000	Interest payable £000	2004 Surplus £000	Turnover £000	Operating costs £000	2003 Surplus £000
Income and expenditure from lettings									
Mainstream Housing accommodation	1,097	(1,008)	89	-	(35)	54	620	(631)	(11)
Special needs accommodation	10,747	(10,403)	344	-	-	344	9,031	(8,799)	232
	11,844	(11,411)	433	-	(35)	398	9,651	(9,430)	221
Other income and expenditure									
Managed associations	25	(46)	(21)	-	-	(21)	31	(18)	13
Other	121	(78)	43	-	-	43	101	(76)	25
Totals	11,990	(11,535)	455	-	(35)	420	9,783	(9,524)	259
Interest receivable	-	-	-	22	-	22	-	-	-
Total surplus: 2004	11,990	(11,535)	455	22	(35)	442	9,783	(9,524)	259
Total surplus: 2003	9,783	(9,524)	259	14	(62)	211			

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2004
(Continued)

3. Particulars of income and expenditure from lettings

	Housing Accommodation £000	Supported Housing £000	Total £000	2003 £000
Income from lettings				
Rent receivable net of Identifiable Service Charges	1,009	-	1,009	3,003
Service charges receivable	130	-	130	53
Gross Rents Receivable	1,139	-	1,139	3,056
Less: Rent Losses from Voids	(42)	-	(42)	(134)
Net Rents Receivable	1,097	-	1,097	2,922
Revenue Grants from Local Authorities and Other Agencies	-	10,456	10,456	6,144
Revenue Grants from Communities Scotland	-	323	323	585
Less: Income loss from voids	-	(32)	(32)	-
Total Income from Lettings	1,097	10,747	11,844	9,651
Expenditure on Letting Activities				
Services	(132)	-	(132)	(53)
Management	(305)	(862)	(1,167)	(998)
Routine maintenance	(334)	-	(334)	(164)
Rent losses from bad debts	-	-	-	(1)
Major repairs expenditure	(53)	-	(53)	(220)
Housing depreciation	(49)	-	(49)	(29)
Other costs	(135)	(9,541)	(9,676)	(7,965)
Total Expenditure on Lettings	(1,008)	(10,403)	(11,411)	(9,430)
Operating Surplus on Letting Activities	89	344	433	221

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £ nil (2003 - £ nil).

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2004
(Continued)

	2004	2003
	£000	£000
4. Interest payable		
On Loans	<u>35</u>	<u>62</u>

5. Taxation

The Association has charitable status and is not liable for tax on its exempt activities.

6. Designated Reserves

	At 31	Transfer	At 31
	March	from	March
	2003	revenue	2004
	£000	reserve	£000
		£000	
Mainstream			
Future major works	864	936	1,800
Supported accommodation			
Future major works	758	(758)	-
Other			
Risk reserve	<u>115</u>	<u>-</u>	<u>115</u>
	<u>1,737</u>	<u>178</u>	<u>1,915</u>

No restrictions are placed upon these reserves, but the committee has designated their use for specific purposes.

7. Revenue reserve

	2004	2003
	£000	£000
At 1 April 2003	1,045	953
Accumulated surplus for the year after transfers	264	92
At 31 March 2004	<u>1,309</u>	<u>1,045</u>

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004
(Continued)

8 Tangible Fixed Assets

	Heritable property for letting	Furniture and equipment	Total
	£000	£000	£000
Cost			
At 31 March 2003	20,736	283	21,019
Additions during year	884	-	884
At 31 March 2004	<u>21,620</u>	<u>283</u>	<u>21,903</u>
Depreciation			
At 31 March 2003	145	98	243
Charge for the year	37	-	37
At 31 March 2004	<u>182</u>	<u>98</u>	<u>280</u>
Housing Association Grant			
At 31 March 2003	17,018	113	17,131
Additions during year	474	-	474
At 31 March 2004	<u>17,492</u>	<u>113</u>	<u>17,605</u>
Other Capital Grants			
At 31 March 2003	835	72	907
At 31 March 2004	<u>835</u>	<u>72</u>	<u>907</u>
Net Book Value			
At 31 March 2004	<u>3,111</u>	<u>-</u>	<u>3,111</u>
At 31 March 2003	<u>2,738</u>	<u>-</u>	<u>2,738</u>

Development administration costs capitalised amounted to £ nil (2003 £nil).

Interest of £nil (2003 £nil) has been included in the cost of housing properties.

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

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2004
(Continued)

9 Other Fixed Assets

	Heritable Buildings	Computer Equipment	Office Equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At 31 March 2003	750	335	30	1,115
Additions during year	6	28	3	37
At 31 March 2004	<u>756</u>	<u>363</u>	<u>33</u>	<u>1,152</u>
Depreciation				
At 31 March 2003	152	264	16	432
Provided for the year	12	38	1	51
At 31 March 2004	<u>164</u>	<u>302</u>	<u>17</u>	<u>483</u>
Net Book Value				
At 31 March 2004	<u>592</u>	<u>61</u>	<u>16</u>	<u>669</u>
At 31 March 2003	<u>598</u>	<u>71</u>	<u>14</u>	<u>683</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. Additional costs incurred since the valuation have been written off in accordance with the valuation.

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

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2004

(Continued)

10. Debtors	2004 £000	2003 £000
Amounts falling due within one year:		
Rent in arrears	139	381
Less: provision for bad debts	(48)	(66)
	<u>91</u>	<u>315</u>
SNAP	-	141
Other debtors	100	63
Local authorities	912	853
HAG due from Communities Scotland	39	31
Prepayments and accrued income	<u>181</u>	<u>-</u>
	<u>1,323</u>	<u>1,403</u>
11. Creditors: amounts falling due within one year		
Trade creditors	88	29
Contractors for specified work and retentions unpaid	96	134
Other creditors	2,061	144
Other taxes and social security	243	179
Accruals	396	428
Deferred income	125	133
Service equipment replacement account	115	119
Housing loans	39	38
Transitional housing benefit creditor	<u>-</u>	<u>280</u>
	<u>3,163</u>	<u>1,484</u>
12. Creditors: amounts falling due after more than one year		
Housing loans	<u>853</u>	<u>892</u>
Loans are secured by specific charges on the Association's properties. Loans are repayable at current rates of interest ranging from 5.00% to 7.03% (2003: 5.00% to 7.03%) in instalments due as follows:		
In one year or less	39	39
In one to two years	15	14
Between two and five years	53	50
In five years or more	<u>785</u>	<u>827</u>
	<u>892</u>	<u>930</u>
Housing loans are repayable between 2025 and 2030.		

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2004 (Continued)

13. Employees

	2004	2003
	£000	£000
Staff costs during year		
Wages and salaries	8,394	6,573
Social security costs	612	416
Other pension costs	391	336
	9,397	7,325

	No.	No.
The average number of employees employed by the Association during the year:	<u>523</u>	<u>430</u>

	No.	No.
The average full time equivalent number of persons employed by the Association during the year were as follows:		
Housing Staff	7	6
Administrative and Finance Staff	13	12
Other	<u>466</u>	<u>398</u>
	<u>486</u>	<u>416</u>

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Directors or the Management Committee whose total emoluments exceed £40,000 per year.

	£000	£000
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	<u>267</u>	<u>143</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>73</u>	<u>60</u>

The Chief Executive is an ordinary member of the Association's pension scheme described in note 20. No enhanced or special terms apply to memberships and he has no other pension arrangements to which the Association contribute. The Association's contributions for the Chief Executive in the year amounted to £7,625 (2003 - £5,495).

Total expenses reimbursed insofar as not chargeable to UK Income Tax	£	£
- Chief Executive	1,101	717
- Committee of Management	<u>3,597</u>	<u>1,491</u>

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2004

(Continued)

13. Employees (continued)

No payment by way of fees or other remuneration nor by way of expenses was made during the year to any member of the association, being neither a member of the Committee of Management nor an officer or employee; the only payments made or benefits granted to persons referred to and permitted by legislation were as stated below.

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

14. Auditors' Remuneration

	2004	2003
	£000	£000
The remuneration of the auditors (including expenses and excluding VAT for the year)	9	9
Remuneration of the auditors in respect of services other than those of auditors	<u>-</u>	<u>-</u>
	<u>9</u>	<u>9</u>

15. Share Capital

	£	£
Shares of £1 fully paid and issued at beginning of year	122	115
Shares issued during year	3	8
Shares cancelled during year	(6)	(1)
	<u>119</u>	<u>122</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 FINANCIAL STATEMENTS

AS AT 31 MARCH 2004

(Continued)

16. Net cash inflow from operating activities		2004	2003
		£000	£000
Operating surplus		455	259
Depreciation		88	102
Decrease/(Increase) in debtors		80	(764)
Increase in creditors		<u>1,678</u>	<u>790</u>
		-	
Net cash inflow from operating activities		<u>2,301</u>	<u>387</u>
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period		1,803	61
Cash inflow from decrease in debt		<u>38</u>	<u>15</u>
		1,841	76
Net (debt) at 1 April 2003		<u>(596)</u>	<u>(672)</u>
Net cash at 31 March 2004		<u>1,245</u>	<u>(596)</u>
Analysis of changes in net funds			
	At	Cash	At
	01/4/03	flows	31/3/04
	£000	£000	£000
Cash in bank and in hand	334	1,803	2,137
Debt due within 1 year	(38)	(1)	(39)
Debt due after 1 year	<u>(892)</u>	<u>39</u>	<u>(853)</u>
Net debt	<u>(596)</u>	<u>1,841</u>	<u>1,245</u>

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2004

(Continued)

17. Commitments

At the end of the financial year the Association had annual commitments under non-cancellable operating leases in respect of vehicles and equipment as follows:

	2004	2003
	£000	£000
Operating leases which expire:		
Less than one year	3	2
In two to five years inclusive	5	4
Over five years	<u>-</u>	<u>-</u>
	<u>8</u>	<u>6</u>

18. Capital Commitments

Housing land and buildings		
Expenditure contracted less certified	1,210	684
Expenditure authorised, not contracted	<u>1,099</u>	<u>1,949</u>

In so far as contracted expenditure is not met by Housing Association Grant funding from Communities Scotland, reserves or bank loans will be used.

19. Related Party Transactions

At 31 March 2004 there was an outstanding balance owed by ARK Services Ltd of £68,310 included within other debtors. In addition, £114,316 owed to ARK Services Limited included within other creditors. The relationship of these two parties is outlined in note 24 to the accounts.

The following member of the Committee of Management is also a tenant of the Association:

Mr Graeme Duncan

The tenancy of this member is on normal commercial terms.

ARK HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****AS AT 31 MARCH 2004****(Continued)****20. Pension Commitments**

ARK Housing Association Limited participates in the SFHA Pension Scheme (“the Scheme”). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The last formal valuation of the Scheme was performed at 30 September 2000 by a professionally qualified actuary using the “projected unit credit” method.

ARK Housing Association Limited paid contributions at the rate of 12.2% during the accounting period. Member contributions were 6.0 % from 1 April 2002.

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers.

Due to the nature of the Scheme, the profit and loss account charge for the period under both SSAP24 and FRS17 represents the employer contribution payable.

The market value of the Scheme’s assets as at the 30 September 2000 valuation date was £129 million. The valuation showed a shortfall of assets compared to liabilities of £24 million (equivalent to a past service funding level of 84%).

ARK Housing Association has subsequently been notified of the preliminary results of the triennial valuation of the scheme carried out as at September 2003. This indicates an increase in the assets of the Scheme to £143 million and an increase in the shortfall of assets compared with liabilities to £37 million (equivalent to a past service funding level of 80%).

This valuation and any consequent alteration to future contribution rates, is currently the subject of consultation with participating employers and members. The outcome of this consultation will be known in September 2004, and any consequent changes to contribution rates applied from 1 April 2005.

The following notes therefore relate to the formal valuation of September 2000.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2004

(Continued)

20. Pension Commitments (continued)

Financial Assumptions

The financial assumptions underlying the valuation were as follows:

	% pa
Rate of return on future contributions	6.60
Rate of return on accumulated assets	5.17
Rate of salary increases	4.50
Rate of pension increases (for leavers before 1 October 1993 pension increases are 5.00% pa)	2.50
Rate of price inflation	2.50

The accumulated assets of the Scheme were assumed to earn the same return as if they had been invested in a portfolio comprising 100% UK equities for non-pensioner liabilities and 50% UK equities/50% index-linked gilts for pensioner liabilities.

The valuation revealed a shortfall of assets compared with the value of liabilities of some £24.0m (equivalent to a past service funding level of 84%). The employer's ongoing future service contribution rate, after allowing for changes in benefits, was assessed as 9.0% of pensionable salaries. In view of the past service shortfall it was agreed that: The standard employer contribution rate would remain at 12.2% of pensionable salaries. Member contributions would be increased from 5% to 6% with effect from 1 April 2002. A small number of employers that have closed the Scheme to new members are required to contribute at the rate of 15.7% to reflect the higher costs of a closed arrangement. On the basis of the valuation assumptions this pattern of contributions will be sufficient to eliminate the past service deficit by 30 September 2016.

The next valuation will be as at 30 September 2003 and the results will be available in September 2004.

The pension charge for the year was £390,610 (2003: £331,158).

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2004

(Continued)

21. Housing Stock

The number of units in Management at 31st March 2004 was as follows

	Owned	Not Owned	2004 Total	2003 Total
	No	No	No	No
Rehabilitation/New Build	376	13	389	366
Special Needs	87	12	99	119
	<u>463</u>	<u>25</u>	<u>488</u>	<u>485</u>

22. Average Tenancy Rents

	2004	2003
Average annual tenancy rent for housing accommodation	<u>2,507</u>	<u>2,389</u>
Percentage increase from previous year	<u>3.8%</u>	<u>2.8%</u>
Number of tenancies	<u>234</u>	<u>183</u>

23. Management of Association stock by other bodies

	2004 No	2003 No
Properties leased to other organizations		
The Action Group	10	10
Share Housing Association	5	10
	<u>15</u>	<u>20</u>
Properties managed by other organisations:		
Share Housing Association	5	-
Edinburgh City Council	5	5
West Lothian Council	6	6
Community Integrated Care	11	11
Choices Community Care Ltd	16	8
Aberdeen City Council	8	8
Leonard Cheshire	8	8
	<u>59</u>	<u>46</u>
Total properties	<u>74</u>	<u>66</u>

ARK HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****AS AT 31 MARCH 2004****(Continued)****24. Group Structure**

The Association is registered in Scotland and forms part of a group, the other member of which is ARK Services Limited, a company limited by guarantee registered in Scotland which is currently active and has been set up to develop housing for those who are aged, infirm or disabled, and in need of housing and any other associated amenities.

ARK Housing Association is considered to be the ultimate parent undertaking of the group. Separate group accounts are prepared and are available from ARK Housing Association, the Priory, Canaan Lane, Edinburgh, EH10 2EG.