

ARK HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

Registered Housing Association No. HEP66

Financial Services Authority. 1899R (S)

Charitable No. SCO15694

ARK HOUSING ASSOCIATION LIMITED

PROFESSIONAL ADVISORS

31 MARCH 2006

Registered Office

The Priory
Canaan Lane
Edinburgh
EH10 4SG

Bankers

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

Solicitors

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

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

Auditors

Baker Tilly
23 Queen Street
Edinburgh
EH2 1JX

ARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

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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	SCO15694

ARK HOUSING ASSOCIATION LIMITED
REPORT OF COMMITTEE OF MANAGEMENT
31 MARCH 2006

The Committee of Management presents its report and audited financial statements for the year ended 31 March 2006.

Principal activity

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

Review of business and future developments

Turnover increased by 4.7% in the year to £14,796,000. The increase has largely been due to the increased provision of housing support and personal care funded by Local Authority social work departments. As Community Houses have been reconfigured service users have received higher levels of individualised support in their own homes, which involves higher levels of staffing and funding.

The deficit for the financial year was £174,000. There was a one-off planned increase of £150,000 in catch-up major repairs expenditure to bring spend to £379,000 for the year while the normal spend for major repairs is around £240,000.

The Association uses several measures to assess its achievements and performance both financially and non financially. Key to the financial performance of the organisation is its ability to secure sustainable funding to support the services provided. Supporting People remains the single most important source of funding for ARK and much activity of staff at all levels was devoted to securing this funding and to providing services with it. A challenge for the coming year will be to manage the ongoing Supporting People funding reviews to ensure all services are adequately funded.

The Association set itself a target to reconfigure all of its Community Houses (with financial help from Communities Scotland) into independent flats and houses. To date Ark has completed ten conversions with two further conversions under way.

Within Housing Services, the key target was to ensure properties were fully utilised by minimising the time to re-let a property (average for the year 22 days) and to keep rent arrears to minimal values (3.6% of gross rental income for the financial year). Work continued within the remit of the Tenant Participation Strategy to ensure tenant participation at all different levels within the Association.

Treasury Management

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2006, the Association had 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. The costs of these repairs are charged to the Income & Expenditure account.

In addition the Association has a long term programme of major repairs for works which have become necessary since the original building 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 costs of these repairs are charged to the Income & Expenditure account, unless they can be capitalised within the terms outlined within the SORP.

REPORT OF COMMITTEE OF MANAGEMENT 31 MARCH 2006

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 and monitor compliance with health and safety targets.

General Reserves

Although reserves decreased during the financial year the long term aim is to build reserves to a level equivalent of two months salary (currently estimated as £2.1m) to cover both operational working capital requirements and to cover property risk over the next five years.

The Committee of Management and Executive Officers

The Committee of Management and Executive Officers of the Association as at 31 March 2006 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.

Committee of Management

John Anderson (resigned 18/8/05)
 Morag Donaldson
 Graeme Duncan
 William Duncan BSc, FCIPD
 Alexander Frame MB, ChB, DObst, DPH, MRCP, BA
 Gwyn Jones
 David Christopher Molyneaux (resigned 14/12/05)
 James Rigby FCMA
 Alastair Wallace MA, BA, HNC
 John Brown FRICS, MRTPI, DipLE, FSA (appointed 25/1/06)
 Dianne Haley MA, MBA (appointed 25/1/06)
 Liz Hawkins BA, PhD (appointed 25/1/06)
 Donna O'Boyle RN, BSc, LLB, PGDip, M.Phil (appointed 25/1/06)
 Derrick Reid BSc, MSc, MBA, Deng, CIPS (appointed 25/1/06)
 Glen Waddell BA, CA (appointed 25/1/06)
 Charles Wilson CEng, FIMechE (appointed 25/1/06)
 Nicola Wilson BA, MBA, FCIPD (appointed 25/1/06)

Executive Officers

Jane Gray – Chief Executive (instated 01/02/06)
 Jane Gray – Director Community Services (resigned 01/02/06)
 James Rigby – Interim Chief Executive (01/11/05 – 31/01/06 unremunerated)
 Sandy Milroy – Chief Executive (retired 31/10/05)
 John Stevenson - Director of Housing and Property
 Catherine Cook – Human Resources Director
 Ian Wauchope – Finance Director

ARK HOUSING ASSOCIATION LIMITED
REPORT OF COMMITTEE OF MANAGEMENT
31 MARCH 2006

Fixed assets

Changes in fixed assets in the year are set out in notes 9 and 10 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

Director

The Priory
Canaan Lane
Edinburgh
EH10 2EG

Date:

ARK HOUSING ASSOCIATION LIMITED
STATEMENT OF COMMITTEE RESPONSIBILITIES
31 March 2006

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 enable it 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.

The Committee 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 Committee members have confirmed that they have taken all the steps that they ought to have taken 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 Committee of Management

Date:

ARK HOUSING ASSOCIATION LIMITED
COMMITTEE OF MANAGEMENT'S STATEMENT OF INTERNAL FINANCIAL CONTROLS
31 March 2006

The Management Committee acknowledge its 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 reviews reports from management and from both internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed.
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management Committee has reviewed the system of internal financial control in the Association during the year ended 31 March 2006. 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

Director

Date:

ARK HOUSING ASSOCIATION LIMITED
AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS
31 March 2006

Corporate Governance

In addition to the audit of the financial statements, we have reviewed the Management Committee's statement on page 5 on the Association's compliance with the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the publication not otherwise disclosed.

Basis of Opinion

We carried out our review having regard to the Bulletin 1999/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's or Group'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 page 5 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.

Baker Tilly
Registered Auditors
Chartered Accountants

Edinburgh

Date:

ARK HOUSING ASSOCIATION LIMITED

Independent Auditors' report to the members of ARK Housing Association Limited

We have audited the financial statements on pages 9 to 29 which have been prepared under the accounting policies set out on pages 12 to 14.

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 International Standards on Auditing (UK and Ireland).

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 or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 2006 and of its deficit 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
23 Queen Street
Edinburgh
EH2 1JX

Date:

ARK HOUSING ASSOCIATION LIMITED
INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2006

	<i>Notes</i>	2006	2005
		£'000	(As Restated)
			£'000
Turnover	2	14,796	14,128
Less: Operating costs	2	(15,644)	(13,963)
Exceptional Items	6	<u>709</u>	<u>-</u>
Operating (loss)/surplus		(139)	165
Gain on disposal of fixed assets		-	401
Interest receivable and similar income		24	58
Interest payable and similar charges	4	<u>(59)</u>	<u>(56)</u>
(Deficit)/surplus for the financial year		<u><u>(174)</u></u>	<u><u>568</u></u>

The results for the year relate wholly to continuing activities.

There were no recognised gains and losses in 2006 other than the deficit for the year.

ARK HOUSING ASSOCIATION LIMITED
BALANCE SHEET
AS AT 31 MARCH 2006

	<i>Notes</i>	2006 £'000	2005 (as restated) £'000
Tangible fixed assets			
Housing properties, furniture and equipment - cost less depreciation	9	23,422	23,295
Less: Housing Association Grant		(18,248)	(18,111)
Other Grants		(907)	(907)
Other	10	4,267 840	4,277 796
		5,107	5,073
Current assets			
Debtors	11	1,040	2,262
Cash at bank and in hand		610	1,025
		1,650	3,287
Creditors: amounts falling due within one year	12	(2,320)	(3,732)
Net current (liabilities)/assets		(670)	(445)
Total assets less current liabilities		4,437	4,628
Creditors: amounts falling due after more than one year	13	(819)	(836)
Net assets		3,618	3,792
Capital and reserves			
Share capital	16	-	-
Designated reserves	7	1,760	2,021
Revenue reserves	8	1,858	1,771
		3,618	3,792

These financial statements were approved by the Committee of Management on
signed on their behalf by:

2006 and

Chairperson

Director

Member

ARK HOUSING ASSOCIATION LIMITED
CASH FLOW STATEMENT
AS AT 31 MARCH 2006

	<i>Notes</i>	2006 £'000	2005 (as restated) £'000
Net cash (outflow) from operating activities	<i>17</i>	<u>(142)</u>	<u>(77)</u>
Returns on investment and servicing of finance			
Interest received		24	58
Interest paid		<u>(59)</u>	<u>(56)</u>
Net cash (outflow)/inflow from returns on investment and servicing of finance		<u>(35)</u>	<u>2</u>
Capital expenditure			
Gain on disposal of fixed assets		-	401
Purchase of housing properties	<i>9</i>	(195)	(1,951)
Purchase of other tangible fixed assets	<i>10</i>	(137)	(215)
Housing Association Grants received	<i>9</i>	<u>137</u>	<u>743</u>
Net cash outflow for capital expenditure		<u>(195)</u>	<u>(1,022)</u>
Net cash (outflow) before financing		<u>(372)</u>	<u>(1,097)</u>
Financing			
Repayment of housing loans		<u>(43)</u>	<u>(15)</u>
Net cash outflow from financing	<i>17</i>	<u>(43)</u>	<u>(15)</u>
(Decrease) in cash in year		<u>(415)</u>	<u>(1,112)</u>

Further details are given in note 17.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2006

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 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 2006

(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 recognized in the income and expenditure account.

(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 straight line basis over the expected economic useful lives of the properties (60 to 80 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 between three and five 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 is 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 2006

(j) **Service Replacement Account**

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.

(k) **Designated Reserves**

(i) **Future Major Works**

This reserve reflects the Association's liability to finance future major repairs 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 the 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 risk reserve has been released as the Committee believes the revenue reserve should be developed to cover risk and operational working capital requirements.

(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**

Creditors are paid within 30 days or 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 2006

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

	Turnover	Operating Costs	Exceptional Items	Operating (deficit)/surplus	Gain on disposals	Interest receivable	Interest payable	2006 (deficit)/surplus	Turnover (as restated)	Operating costs	2005 Surplus/(deficit) (as restated)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income and expenditure from lettings											
Mainstream Housing accommodation	1,441	(1,529)	-	(88)	-	-	-	(88)	1,399	(1,148)	251
Special needs accommodation	-	-	-	-	-	-	-	-	-	-	-
	1,441	(1,529)	-	(88)	-	-	-	(88)	1,399	(1,148)	251
Support income and expenditure	13,160	(13,841)	709	28	-	-	-	28	12,460	(12,582)	(122)
Other	195	(274)	-	(79)	-	-	-	(79)	269	(233)	36
Totals	14,796	(15,644)	709	(139)	-	-	-	(139)	14,128	(13,963)	165
Gain on disposals	-	-	-	-	-	-	-	-	-	-	401
Interest receivable/(payable)	-	-	-	-	-	24	(59)	(35)	-	-	2
Total	14,796	(15,644)	709	(139)	-	24	(59)	(174)	14,128	(13,963)	568

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2006

3. Particulars of income and expenditure from letting

	2006	2005
	£000	£000
Income		
Rent receivable – Mainstream	994	1,003
Rent Receivable – Registered	164	217
Rent Receivable – Office	107	60
Gross Rents Receivable	<u>1,265</u>	<u>1,280</u>
Other Income	14	-
Service Charges Receivable	189	173
Gross Rent Receivable	<u>1,468</u>	<u>1,453</u>
Less Voids	(27)	(54)
Total Income from Lettings	<u>1,441</u>	<u>1,399</u>
Expenditure		
Services	175	173
Management	423	337
Routine Maintenance	368	302
Major repairs expenditure	379	135
Housing depreciation	68	54
Other Costs	116	147
Total Expenditure on Lettings	<u>1,529</u>	<u>1,148</u>
Operating (Deficit)/Surplus	<u>(88)</u>	<u>251</u>

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2006

	2006	2005
	£000	£000
4. Interest payable		
On loans	<u>59</u>	<u>56</u>

5. Taxation

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

6. Exceptional Items

	2006	2005
	£000	£000
Release of deferred income	999	-
Exceptional Bad debts	<u>(290)</u>	<u>-</u>
	<u>709</u>	<u>-</u>

The Association has a prudent policy of only recognising income on contracts which matches to service costs incurred and carrying forward any balance as deferred income. Such income is discussed with local authorities and only recognised after two years if no further claim has been made by the local authority. This income released therefore relates to previous years but as the Association could not identify the actual income it was entitled to in the year of service as no formal contracts existed the income has been treated as exceptional income in 2005/06 rather than as a prior year adjustment.

7. Designated Reserves

	At 31	Transfer	At 31
	March	to revenue	March
	2005	reserve	2006
	£000	£000	£000
Mainstream			
Future major works	1,906	(146)	1,760
Other			
Risk reserve	<u>115</u>	<u>(115)</u>	<u>-</u>
	<u>2,021</u>	<u>(146)</u>	<u>1,760</u>

No restrictions are placed upon these reserves, but the committee has designated their use for specific purposes. The risk reserve has been released as the Committee believes the revenue reserve should be developed to cover risk and operational working capital requirements.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2006

8. Revenue reserve

	2006 £000	2005 (as restated) £000
At 1 April 2005	1,668	1,309
Prior Year Adjustment (Note 26)	103	-
Restated Opening revenue reserve	<u>1,771</u>	<u>1,309</u>
Accumulated (deficit)/surplus for the year	(174)	568
Transfer from/(to) designated reserves	261	(106)
At 31 March 2006	<u>1,858</u>	<u>1,771</u>

9 Tangible Fixed Assets

	Heritable property for letting	Furniture and equipment	Total
	£000	£000	£000
Cost			
At 31 March 2005	23,336	283	23,619
Additions during year	195	-	195
At 31 March 2006	<u>23,531</u>	<u>283</u>	<u>23,814</u>
Depreciation			
At 31 March 2005	226	98	324
Charge for the year	68	-	68
At 31 March 2006	<u>294</u>	<u>98</u>	<u>392</u>
Housing Association Grant			
At 31 March 2005	17,998	113	18,111
Additions during year	137	-	137
At 31 March 2006	<u>18,135</u>	<u>113</u>	<u>18,248</u>
Other Capital Grants			
At 31 March 2005	835	72	907
At 31 March 2006	<u>835</u>	<u>72</u>	<u>907</u>
Net Book Value			
At 31 March 2006	<u>4,267</u>	-	<u>4,267</u>
At 31 March 2005	<u>4,277</u>	-	<u>4,277</u>

Development administration costs capitalised amounted to £nil (2005 £nil). Interest of £nil (2005 £nil) has been included in the cost of housing properties. All land and property is owned by the Association. None are held under a lease.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2006

10 Other Fixed Assets

	Heritable Buildings	Computer Equipment	Office Equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At 31 March 2005	763	375	23	1,161
Additions during year	-	98	39	137
At 31 March 2006	<u>763</u>	<u>473</u>	<u>62</u>	<u>1,298</u>
Depreciation				
At 31 March 2005	179	180	6	365
Provided for the year	9	81	3	93
At 31 March 2006	<u>188</u>	<u>261</u>	<u>9</u>	<u>458</u>
Net Book Value				
At 31 March 2006	<u>575</u>	<u>212</u>	<u>53</u>	<u>840</u>
At 31 March 2005	<u>584</u>	<u>195</u>	<u>17</u>	<u>796</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 FRS 15 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 2006

11. Debtors

	2006	2005
	£000	£000
Amounts falling due within one year:		
Rent in arrears	60	119
Less: provision for bad debts	(38)	(41)
	<u>22</u>	<u>78</u>
Other debtors	123	145
Local authorities	728	1,035
HAG due from Communities Scotland	-	10
Prepayments and accrued income	28	855
	<u>901</u>	<u>2,123</u>
Amounts falling due outwith one year:		
Loan to subsidiary	139	139
	<u>1,040</u>	<u>2,262</u>

The Association made a loan to its subsidiary ARK Services Limited which is repayable in full in 2007. Loan interest is charged at base rate + 1%.

12. Creditors: amounts falling due within one year

	2006	2005
	£000	(as restated)
		£000
Trade creditors	86	224
Contractors for specified work and retentions unpaid	38	217
Local Authorities	1,216	1,942
Other taxes and social security	323	271
Accruals	335	621
Deferred income	16	133
Service equipment replacement account	187	118
Housing loans (Note 13)	15	41
Other creditors	104	165
	<u>2,320</u>	<u>3,732</u>

13. Creditors: amounts falling due after more than one year

Housing loans	<u>819</u>	<u>836</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% (2005: 5.00% to 7.03%) in instalments due as follows:		
In one year or less (Note 12)	15	41
In one to two years	18	17
Between two and five years	63	59
In five years or more	738	760
	<u>834</u>	<u>877</u>

Housing loans are repayable between 2025 and 2030.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2006

14. Employees

	2006	2005
	£000	£000
Staff costs during year		
Wages and salaries	11,181	10,008
Social security costs	865	697
Other pension costs	569	435
	<u>12,615</u>	<u>11,140</u>

	No.	No.
The average number of employees employed by the Association during the year:	<u>630</u>	<u>589</u>

	No.	No.
The average full time equivalent number of persons employed by the Association during the year were as follows:		
Housing Staff	6	6
Administrative and Finance Staff	12	15
Other	516	485
	<u>534</u>	<u>506</u>

The Directors are defined as the members of the Management Committee, the CEO and any other person reporting directly to the CEO 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>288</u>	<u>281</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>61</u>	<u>73</u>

The Chief Executive is an ordinary member of the Association's pension scheme described in note 21. No enhanced or special terms apply to memberships and there are no other pension arrangements to which the Association contribute. The Association's contributions for the Chief Executive in the year amounted to £11,048 (2005 - £8,089).

Total expenses reimbursed insofar as not chargeable to UK Income Tax	£	£
- Chief Executive	1,652	980
- Committee of Management	<u>3,405</u>	<u>3,057</u>

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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14. Employees (continued)

The number of the Directors, whose emoluments excluding pension contributions and benefits in kind, were over £40,000 was as follows:

	2006	2005
	No	No
£40,001 to £45,000	1	1
£45,001 to £50,000	1	-
£50,001 to £55,000	1	-
£55,001 to £60,000	1	-
£60,001 to £65,000	-	1

No payment by way of fees or other remuneration or 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.

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

15. Auditors' Remuneration

	2006	2005
	£000	£000
The remuneration of the auditors (including expenses and excluding VAT for the year)	14	10
Remuneration of the auditors in respect of services other than those of auditors	—	—
	<u>14</u>	<u>10</u>

16. Share Capital

	£	£
Shares of £1 fully paid and issued at beginning of year	112	119
Shares issued during year	8	-
Shares cancelled during year	(23)	(7)
	—	—
Shares issued at end of year	<u>97</u>	<u>112</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 2006

17. Net cash inflow from operating activities

	2006	2005
	£000	(as restated) £000
Operating (loss)/surplus	(139)	165
Depreciation	161	128
Decrease/(increase) in debtors	1,222	(939)
(Decrease)/increase in creditors	<u>(1,386)</u>	<u>569</u>
Net cash (outflow) from operating activities	<u>(142)</u>	<u>(77)</u>

Reconciliation of net cash flow to movement in net funds

(Decrease)/increase in cash in the period	(415)	(1,112)
Cash inflow from decrease in debt	<u>43</u>	<u>15</u>
	(372)	(1,097)
Net cash/(debt) at 1 April 2005	<u>148</u>	<u>1,245</u>
Net cash at 31 March 2006	<u>(224)</u>	<u>148</u>

Analysis of changes in net funds

	At	Cash	At
	01/04/05	Flows	31/03/06
	£'000	£'000	£'000
Cash in bank and in hand	1,025	(415)	610
Debt due within 1 year	(41)	26	(15)
Debt due after 1 year	<u>(836)</u>	<u>17</u>	<u>(819)</u>
Net debt	<u>148</u>	<u>(372)</u>	<u>(224)</u>

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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18. 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:

	2006	2005
	£000	£000
Operating leases which expire:		
Less than one year	-	3
In two to five years inclusive	6	3
Over five years	-	-
	<u>6</u>	<u>6</u>

19. Capital Commitments

Housing land and buildings		
Expenditure contracted less certified	488	109
Expenditure authorised, not contracted	<u>-</u>	<u>1,530</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.

20. Related Party Transactions

A loan of £139,000 was made to ARK Services Limited in the year. It is repayable in full in 2007 and loan interest is charged at base rate + 1%. The relationship of these two parties is outlined in note 25 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 2006

21. Pension Commitments

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

The Trustee of the scheme commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme’s assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period ARK Housing Association paid contributions at the rate of 12.2% for the period to 31 March 2005 and 14.0% thereafter. Member contributions were 6.0% for the period to 31 March 2005 and 7.0% thereafter.

As at the balance sheet dates there were 251 active members of the Scheme employed by ARK Housing Association. ARK Housing Association continues to offer membership of the Scheme to its employees.

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly the accounting charge for the period under FRS 17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2003 by a professionally qualified actuary using the “projected unit credit” method. The market value of the Scheme’s assets at the valuation date was £143 million. The valuation revealed a shortfall of assets compared to liabilities of £37 million (equivalent to a past service funding level of 80%).

The financial assumptions underlying the valuation as at 30 September 2003 were as follows:

	% pa
- Investment return pre retirement	7.80
- Investment return post retirement	5.20
- Rate of salary increases	4.00
- Rate of pension increases	2.50
(for leavers before 1 October 1993 pension increases at 5.00% pa)	
- Rate of price inflation	2.50

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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21. Pension Commitments (continued)

The employers' ongoing future service contribution rate, after allowing for changes in benefits, was assessed as 9.3% of pensionable salaries.

Following consideration of the results of the actuarial valuation it was agreed that, with effect from 1 April 2005:

- (i) the standard employer contribution rate would be increased from 12.2% to 14.0% of pensionable salaries.
- (ii) Member contributions would be increased from 6.0% to 7.0% of pensionable salaries.

A small number of employers that have closed the Scheme to new members are required to pay an additional contribution loading of 3.5% to reflect the higher costs of a closed arrangement. If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an ongoing funding basis, by 30 September 2015.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a 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 Scheme. If the liabilities exceed the assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the 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 Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

ARK Housing Association understands that the Scheme Actuary will calculate potential employer debt figures, as at 30 September 2006, for each employer participating in the SFHA Pension Scheme as part of the next actuarial valuation process.

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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21. Pension Commitments

Growth Plan

ARK Housing Association participates in the Pensions Trust's Growth Plan.

The Growth Plan is a multi-employer pension Plan which is in most respects a money purchase arrangement but it has some guarantees. Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The Plan is funded and is not contracted out of the state scheme. The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The main purpose of the valuation is to determine the financial position of the Plan and so determine the future prospects for discretionary bonuses and / or investment credits.

The actuarial valuation assesses whether the Plan's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date.

Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

ARK Housing Association offers the Growth Plan as an AVC investment option for members of the SFHA Pension Scheme. The members pay contributions at a rate of their choice. ARK Housing Association does not pay any contributions to the Growth Plan.

22. Housing Stock

The number of units in management at 31st March 2006 was as follows

	Owned	Not Owned	2006 Total	2005 Total
	No	No	No	No
Rehabilitation/New Build	372	7	379	361
Special Needs	75	16	91	73
	<u>447</u>	<u>23</u>	<u>470</u>	<u>434</u>

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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23. Average Tenancy Rents

	2006	2005
	£	£
Average annual tenancy rent for housing accommodation	<u>2,613</u>	<u>2,534</u>
Percentage increase from previous year	<u>3.1%</u>	<u>3.1%</u>
Number of tenancies	<u>243</u>	<u>239</u>

24. Management of Association stock by other bodies

	2006	2005
	No	No
Properties leased to other organisations		
The Action Group(Management)	8	10
Share Housing Association(Lease)	4	5
Queen Margaret College(Lease)	<u>12</u>	<u>-</u>
	24	15
Properties managed by other organisations:		
Share Housing Association	5	5
City of Edinburgh City Council (Management)	5	5
West Lothian Council (Lease)	5	6
(1) Community Integrated Care (Lease)	5	11
(2) Choices Community Care Ltd (Lease)	8	16
Aberdeen City Council(Lease)	8	8
Leonard Cheshire Foundation (Lease)	8	8
Aberdeenshire Council (Lease)	<u>2</u>	<u>-</u>
	46	59
Total properties	<u>70</u>	<u>74</u>

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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25. Group Structure

The Association is registered in Scotland and forms part of a group, the other member of which is ARK Services Limited. Ark Services Limited is 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 4SG.

26. Prior Year Adjustment

During the year the Association received Supporting People income relating to previous years for contracts on which deficits had been recognised on the relevant years. The part of this income which related to this deficit and related administrative fees has been treated as a prior year adjustment.