

ARK SERVICES LIMITED
(a company limited by guarantee)
FINANCIAL STATEMENTS
31 MARCH 2006

Company Registration Number 213778

Scottish Registered Charity Number SC030804

ARK SERVICES LIMITED

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ARK SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

Registered number	SC213778
The Directors	Mr J Milne Mr S Milroy (Resigned 31 October 2005) Mr J Anderson Mr R McDowall Ms J Gray (Appointed 17 July 2006)
Company Secretary	Mr S Milroy (Resigned 31 October 2005) Mr I Wauchope (Appointed 29 November 2005)
Registered Office	The Priory Canaan Lane Edinburgh EH10 4SG
Auditors	Baker Tilly Chartered Accountants & Registered Auditors 23 Queen Street Edinburgh EH2 1JX
Solicitors	T C Young Melrose House 69a George Street Edinburgh EH2 2JG
Bank	The Royal Bank of Scotland Colinton Branch 64 Bridge Street Edinburgh EH13 0LQ

ARK SERVICES LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2006

The directors present their report and the financial statements of the company for the year ended 31 March 2006.

Objectives and Activities

ARK Services Limited, which is a subsidiary of ARK Housing Association Limited, has been set up to develop housing for those who are aged, infirm or disabled, and in need of housing and any associated amenities.

ARK Services Limited is able to access Special Needs Capital Grant, which is not available to Housing Associations.

The strategy of ARK Services is to apply its expertise in building social housing, with appropriate adaptations, to meet specific needs. Stakeholders are involved in a partnership approach. This is likely to involve ARK Services working in partnership with local authorities, Communities Scotland, banks, construction professionals, and other professionals involved in providing care and support services.

The principal activity in the year was the provision of social housing for rent in Aberdeen. Care and support to tenants was provided by other organisations. This is in line with the objectives of ARK Services.

Financial Review and Plans for the Future

The company currently receives rental income from four sites in Aberdeen City and is in a position to generate a surplus. Any future development activity will be dependant on the availability of Special Needs Capital Grant, and possible development opportunities are being appraised.

Surpluses generated will be applied to the long term maintenance of the company's properties and the provision of working capital to support property development opportunities as they arise.

ARK Services made a surplus on ordinary activities of £74,000, and the value of the balance sheet increased by £74,000 to £221,000 over the year.

Structure, Governance and Management

The company is limited by guarantee, with charitable status, and is governed by its Memorandum and Articles of Association. The company has no share capital. Every member of the company undertakes to contribute such amount not exceeding £1 should the company be wound up.

The company is a wholly owned subsidiary of ARK Housing Association Limited and as such, this organisation is a related party of the company.

The company is managed by a board of directors who meet approximately four times a year. The decision-making of the directors is serviced by information provided by ARK Housing Association. The company employs no staff of its own, and has in place an agreement with ARK Housing Association for the provision of professional services, which includes housing management.

The directors confirm that the major risks to which the company is exposed have been considered and reviewed. The main risks facing ARK Services are rental voids and unplanned repairs and maintenance. These risks have been mitigated by entering into long-term agreements for rents and by ensuring that the

ARK SERVICES LIMITED

THE DIRECTORS' REPORT (continued)

YEAR ENDED 31 MARCH 2006

costs of repairs and maintenance are either covered by current rents or cash-backed reserves.

Structure, Governance and Management (continued)

The directors who served during the year are listed on page 1. The only members of the company are those directors listed. Directors are appointed and ratified by the board following nomination by the officers of the company or other directors. Directors are appointed based on their skills, interests and experience being appropriate to the needs of the company.

All existing board members were familiar with the organisation before joining the board and were able to apply their professional experience, skills and knowledge with little formal induction and training. Further board members will be inducted and trained according to their individual needs.

Statement of Directors' Responsibilities

Charities Legislation requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies, as described on pages 9 and 10, and then apply them on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors have overall responsibility for ensuring the company has an appropriate system of controls, financial and otherwise. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities.

Reserves

General funds are unrestricted funds which are available for use at the discretion of the directors in furtherance of the general objectives of the company which have not been designated for any other purposes. The directors review and manage actively the reserves of the company and have determined a target reserves position of at least twice the value of the requirement for working capital which is currently estimated at £277,000.

The designated reserve for future major works reflects the company's liability to finance future major repairs works on the company's properties. From a life cycle cost assessment over 30 years it has been calculated that 2% of works cost should be designated for future major repairs and therefore transfers to the Future Major Works Reserve reflect the company's estimate of required future levels of expenditure of this type.

ARK SERVICES LIMITED

THE DIRECTORS' REPORT (continued)

YEAR ENDED 31 MARCH 2006

Creditor payment policy

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

Investments

The company does not invest in the stock market but uses effective treasury management to minimise transaction costs.

Auditors

A resolution to re-appoint Baker Tilly as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Small company provisions

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to smaller entities and in accordance with the Statement of Recommend Practice (SORP) "Accounting and Reporting by Charities" published in April 2005.

Registered office:
The Priors
Canaan Lane
Edinburgh
EH10 4SG

Signed by order of the directors

Company Director

Approved by the directors on

ARK SERVICES LIMITED

YEAR ENDED 31 MARCH 2006

Independent auditors' report to the Directors of ARK Services Limited

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 9 and 10.

This report is made solely to the company's directors, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's directors 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the auditors

The directors' responsibilities for preparing the Annual Report and the financial statements are in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) set out in the Statement of Responsibilities of the Board of Directors.

Our responsibility is to audit the financial statements in accordance with the 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 Companies Act 1985, the Statement of Recommended Practice 2005 (SORP), Accounting and Reporting by Charities and the Charities Accounts (Scotland) Regulations 1992. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Trust has not kept proper records, or if all the information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Report of the Board of Directors and consider the implications of our report if we become aware of any apparent mis-statements within it 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 an 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 Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company'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 fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practices, of the state of affairs of the Company as at 31 March 2006 and of its incoming resources and application of resources, including income and expenditure, in the period then ended and have been properly prepared in accordance with the Charities SORP 2005 (Accounting and Reporting by Charities), the Charities Accounts (Scotland) Regulations 1992 and the Companies Act. The information given in the Directors Report is consistent with the financial statements.

Baker Tilly
Registered Auditors
Chartered Accountants

Edinburgh
Date:

ARK SERVICES LIMITED
INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31 MARCH 2006

	Note	2006 £	2005 £
Turnover			
Rental Income		357,946	338,535
Other Income		<u>12,610</u>	<u>-</u>
		370,556	338,535
Operating Costs			
Scheme Running Costs		(94,096)	(60,070)
Depreciation		(40,768)	(29,186)
Administrative Expenses		<u>(26,726)</u>	<u>(11,715)</u>
Operating Surplus	2	208,966	237,564
Interest receivable	6	2,298	1,387
Interest payable	7	<u>(137,288)</u>	<u>(114,365)</u>
Surplus on ordinary activities	13	<u>73,976</u>	<u>124,586</u>

The results for the year relate wholly to continuing activities.

ARK SERVICES LIMITED

STATEMENT OF FINANCIAL ACTIVITIES

31 MARCH 2006

	Note	General Funds £	Designated Funds £	Total to 31 March 2006 £	Total to 31 March 2005 £
INCOME					
Investment Income					
Interest Received	6	2,298	-	2,298	1,387
Income from Charitable Activities					
Provision of Housing		370,556	-	370,556	338,535
Deferred Income		-	-	-	387,960
Total Incoming Resources		372,854	-	372,854	727,882
EXPENDITURE					
Capital Expenditure		-	-	-	387,960
Governance Costs	5	4,429	-	4,429	4,136
Charitable Activity Costs	3	294,449	-	294,449	211,200
Total Resources Expended		298,878	-	298,878	603,296
Net Incoming Resources		73,976	-	73,976	124,586
Transfer between funds	14	(75,955)	75,955	-	-
Net movement in funds		(1,979)	75,955	73,976	124,586
Total Funds at 1 April 2005		147,521	-	147,521	22,935
Fund balances carried forward at 31 March 2006	13/14	145,542	75,955	221,497	147,521
Represented by:					
Fixed Assets		2,336,710	-	2,336,710	2,331,059
Current Assets		261,307	75,955	337,262	346,283
Current Liabilities		(198,601)	-	(198,601)	(254,125)
Long Term Liabilities		(2,253,874)	-	(2,253,874)	(2,275,696)
		145,542	75,955	221,497	147,521

ARK SERVICES LIMITED

BALANCE SHEET

31 MARCH 2006

	Note	2006 £	2005 £
Fixed Assets			
Housing Properties	8		
- cost		4,504,672	4,466,253
Less: Other Grants		(2,151,498)	(2,159,498)
Depreciation		<u>(52,209)</u>	<u>(23,489)</u>
		2,300,865	2,283,266
Other fixed assets	9	<u>35,845</u>	<u>47,793</u>
		2,336,710	2,331,059
Current Assets			
Debtors	10	93,665	238,708
Cash at bank		<u>243,597</u>	<u>107,575</u>
		337,262	346,283
Creditors: amounts due in less than one year	11	<u>(198,601)</u>	<u>(254,125)</u>
Net current assets		<u>138,661</u>	<u>92,158</u>
Total assets less current liabilities		2,475,371	2,423,217
Creditors: amounts falling due after more than one year	12	<u>(2,253,874)</u>	<u>(2,275,696)</u>
		<u>221,497</u>	<u>147,521</u>
Unrestricted funds			
Income and expenditure account	13	145,542	147,521
Designated Reserves – Future Major Works	14	<u>75,955</u>	<u>-</u>
		<u>221,497</u>	<u>147,521</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These financial statements were approved by the directors on the..... and are signed on their behalf by:

.....
Director

ARK SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985, the Financial Reporting Standard for Smaller Entities (effective June 2002) and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in April 2005.

Provision of Housing Income

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

Capital and Revenue Grants

Grants of a capital nature 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. Grants of a revenue nature are credited to income in the period to which they relate.

Incoming resources

All incoming resources are included in the SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Interest is included when receivable by the charity.

Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs relating to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

Management and administration costs are those incurred in connection with administration of the charity and compliance with constitutional and statutory requirements. Under the requirements of Charities SORP 2005 these have been allocated between charitable expenditure and governance costs as appropriate.

Fixed Assets

The fixed assets relate to land which has been purchased for the construction of properties, and to building costs and related fees.

ARK SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

1. Accounting policies (continued)

Depreciation

(i) Housing properties

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 over 80 years. Depreciation is charged on these assets on a monthly basis from the year following acquisition /completion. No depreciation is charged on land.

(ii) 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 as expenditure.

(iii) Other fixed assets

The cost of purchasing equipment is written off over 5 years.

Capitalisation of Interest

Interest on capital borrowed to finance developments during the period of development, has been capitalised and included in the cost of property.

Fund Accounting

Funds held by the Charity are either:

Unrestricted General Funds

Funds which can be used in accordance with the charitable objects at the discretion of the trustees.

Designated Funds

These are funds which reflect the company's liability to finance future major repairs works on both its accommodation. Expenditure of this type is charged through the Income and Expenditure Account and subsequently a transfer from this reserve is made to the General Reserve. Transfers to the Future Major Works Reserve reflect the company's estimate of required future levels of expenditure of this type.

ARK SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

2. Movement in funds

Movement in total funds for the year is stated after charging:

	2006	2005
	£	£
Directors' emoluments	-	-
Depreciation	40,768	29,186
Auditor's fees	2,519	2,376
Legal and professional fees	146	1,014
Management charge – ARK Housing Association Limited	9,960	5,950
Professional support – ARK Housing Association Limited	24,380	22,730

The Company has no employees.

3. Analysis of Charitable Expenditure

	2006	2005
	£	£
Loan Interest Paid	137,288	114,365
Depreciation	40,768	29,186
Service Charges	40,220	11,428
Management Charges	27,660	19,341
General Repairs	26,149	6,698
Insurance	6,324	4,366
Major Repairs	3,346	-
Other Costs	14	3,910
Consultancy	-	14,327
Support Costs (Note 5)	12,680	7,579
	<u>294,449</u>	<u>211,200</u>

4. Analysis of Governance Costs

	2006	2005
	£	£
Audit Fee	2,519	2,376
Management Charges	1,910	1,760
	<u>4,429</u>	<u>4,136</u>

ARK SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

5. Allocation of Management & Administration Costs

	Charitable Activity	Governance	2006 Total	2005 Total
	£	£	£	£
Management Charges	4,770	1,910	6,680	5,950
Legal & Professional Fees	7,637	-	7,637	1,014
Auditors remuneration	-	2,519	2,519	2,376
Bank Charges	273	-	273	576
Other	-	-	-	1,799
	<u>12,680</u>	<u>4,429</u>	<u>17,109</u>	<u>11,715</u>

Management Charges have been allocated on the basis that Chief Executive and Finance Director time is spent attending Trustees meetings and preparing reports for Trustees, therefore the management charge has been apportioned between charitable activity and governance costs on this basis.

6. Interest receivable

	2006	2005
	£	£
Interest receivable	<u>2,298</u>	<u>1,387</u>

Interest is receivable in respect of bank deposits.

7. Interest payable

	2006	2005
	£	£
Interest payable	<u>137,288</u>	<u>114,365</u>

Interest is payable in respect of bank loans and overdraft.

ARK SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

8. Tangible fixed assets

	Freehold Property £
Cost	
At 1 April 2005	4,466,253
Additions	38,419
At 31 March 2006	4,504,672
Depreciation	
At 1 April 2005	23,489
Charge for year	28,820
	52,309
Capital Grants	
At 1 April 2005	2,159,498
Release to Revenue	(8,000)
At 31 March 2006	2,151,498
Net book value	
At 31 March 2006	2,300,865
At 31 March 2005	2,283,266
Interest capitalised amounted to £ (2005: £13,380).	

9. Other Fixed Assets

	Equipment £
Cost or valuation	
At 1 April 2005	59,740
Additions during year	-
At 31 March 2006	59,740
Depreciation	
At 1 April 2005	11,947
Provided for the year	11,948
At 31 March 2006	23,895
Net Book Value	
At 31 March 2006	35,845
At 31 March 2005	47,793

ARK SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

10. Debtors

	2006	2005
	£	£
Amounts due from parent undertaking	12,932	147,437
Rent Arrears	79,281	87,728
Other Debtors	1,452	3,543
	<u>93,665</u>	<u>238,708</u>

11. Creditors: amounts falling due within one year

	2006	2005
	£	£
Trade Creditors	8,689	7,948
Rent Prepayments	45,493	69,005
Amounts due to parent undertaking	50,284	78,241
Bank loans and overdraft	32,367	38,967
Service Equipment Replacement Account	20,600	-
Accruals	41,168	59,964
	<u>198,601</u>	<u>254,125</u>

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

	2006	2005
	£	£
Housing loans	<u>2,253,874</u>	<u>2,275,696</u>
Loans are repayable in instalments:		
Within one year	32,367	38,967
Between one and two years	173,297	85,527
Between two and five years	115,646	288,799
After five years	<u>1,964,931</u>	<u>1,901,370</u>
Other creditors	<u>2,286,241</u>	<u>2,314,663</u>

The loans are secured by standard security over the company's property and bank account. The loans are repayable by annual instalments. Interest is charged on the loans at market rates.

ARK SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

13. General Reserves

	2006 £	2005 £
Balance at 1 April 2005	147,521	22,935
Transfer to Major Repairs reserve	(75,955)	-
Surplus for the year	<u>73,976</u>	<u>124,586</u>
Balance at 31 March 2006	<u>145,542</u>	<u>147,521</u>

14. Designated Funds

Future Major Works

	2006 £	2005 £
Balance at 1 April 2005	-	-
Transfer from General Reserve	<u>75,955</u>	<u>-</u>
Balance at 31 March 2006	<u>75,955</u>	<u>-</u>

15. Related party transactions

ARK Housing Association provides professional and administrative support to ARK Services Limited for which there was a charge of £34,340 made during the period. There was also a charge of £6,324 for insurance and £8,593 for interest owing on the outstanding loan. At 31 March 2006 there was a balance of £50,284 owed to ARK Housing Association. In addition, ARK Housing Association owed ARK Services Limited £12,932 for rents collected on behalf of ARK Services Limited.

In addition, there is a loan of £139,000 which is due for repayment in May 2007 on which interest is charged at base rate plus 1%.

16. Ultimate parent undertaking

ARK Services Limited is a wholly owned subsidiary of ARK Housing Association Limited, a registered social landlord in Scotland. Consolidated group accounts are available from ARK Housing Association Limited, The Priory, Canaan Lane, Edinburgh, EH10 4SG.

17. Capital Commitments

There are no capital commitments at 31 March 2006 (2005 £Nil)